Prospectus dated 23 October 2009

Air France-KLM

€700,000,000 6.750 per cent. Notes due October 2016
unconditionally and irrevocably guaranteed by Société Air France and KLM
(ISIN: FR0010814459)

Issue Price: 99.323 per cent. of the aggregate principal amount of the Notes

The €700,000,000 6.750 per cent. notes due October 2016 (the "**Notes**") of Air France-KLM (the "**Issuer**") will be issued outside the Republic of France on 27 October 2009 (the "**Issue Date**") with the benefit of an irrevocable and unconditional guarantee (the "**Guarantee**", as described in the section "Description of the Guarantee" below) of Société Air France and Koninklijke Luchtvaart Maatschappij N.V. ("**KLM**") (the "**Guarantors**", as described in the section "Description of the Guarantors" below) acting as several but not joint guarantors (*cautions conjointes*), each to the extent of 50% of any amounts due by the Issuer under the Notes.

Each Note will bear interest on its principal amount from (and including) the Issue Date to (but excluding) 27 October 2016 at a fixed rate of 6.750 per cent. *per annum* payable annually in arrear on 27 October in each year and commencing on 27 October 2010, as further described in the section "Terms and Conditions of the Notes – Interest" of this prospectus (the "**Prospectus**"). Payments in respect of the Notes will be made without deduction for or on account of taxes imposed or levied by the Republic of France to the extent described under "Terms and Conditions of the Notes – Taxation".

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed in full at their principal amount on 27 October 2016. The Notes may, and in certain circumstances shall, be redeemed, in whole but not in part, at their principal amount together with accrued interest in the event that certain French taxes are imposed (See "Terms and Conditions of the Notes - Redemption and Purchase").

Noteholders (as defined in "Terms and Conditions of the Notes") will be entitled, in the event of a change of control of the Issuer or in the event that a third party comes to hold (i) more than 50% of the share capital of Société Air France and/or the economic rights relating to shares in the capital of KLM or (ii) more than 50% of the voting rights relating to shares in the capital of Société Air France and/or KLM (subject to certain exemptions), to request the Issuer to redeem their Notes at their principal amount together with any accrued interest as more fully described in "Terms and Conditions of the Notes – Change of Control".

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, for the approval of this Prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"). This Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive. Application has also been made to the Luxembourg Stock Exchange for the Notes to be listed on the official list of the Luxembourg Stock Exchange (the "**Official List**") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC.

The Notes will be issued in dematerialised bearer form (*au porteur*) in the denomination of €50,000 each. Title to the Notes will be evidenced in accordance with Articles L. 211-3 and R. 211-1 of the French *Code monétaire et financier* by book-entries (*inscription en compte*) in the books of account holders. No physical document of title (including *certificats représentatifs* pursuant to Article R. 211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes. The Notes will, upon issue, be inscribed in the books of Euroclear France, which shall credit the accounts of the Account Holders (as defined in "Terms and Conditions of the Notes - Form, Denomination and Title"), including Euroclear Bank SA/N.V. ("**Euroclear**") and the depositary bank for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). The Notes have been accepted for clearance through Euroclear France, Euroclear and Clearstream, Luxembourg.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are not being offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act ("**Regulation S**") or pursuant to an exemption from the registration requirements of the Securities Act..

The Notes are not expected to be assigned a rating.

An investment in the Notes involves certain risks. Potential investors should review all the information contained or incorporated by reference in this document and, in particular, the information set out in the section entitled "Risk Factors" before making a decision to invest in the Notes.

Joint Lead Managers

BNP Paribas

CALYON
Corporate & Investment Bank

HSBC

NATIXIS

Société Générale
Corporate & Investment Banking

Co-Lead Managers

Deutsche Bank

Mitsubishi UFJ Securities International plc

Rabobank International

The Royal Bank of Scotland

*The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains or otherwise incorporates by reference all information with respect to (i) the Issuer, (ii) the Issuer and its subsidiaries and affiliates taken as a whole (the "**Group**") and (iii) the Notes which is material in the context of the issue and offering of the Notes; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions or intentions expressed in this Prospectus with regard to the Issuer and the Group are honestly held or made, have been reached after considering all relevant circumstances and are based on reasonable assumptions; there are no other facts in relation to the Issuer, the Group or the Notes the omission of which would, in the context of the issue and the offering of the Notes, make any statement in this Prospectus misleading in any material respect; and all reasonable enquiries have been made to ascertain and verify the foregoing; each of the Guarantors, in relation to itself only, having made all reasonable enquiries, confirms that this Prospectus contains or otherwise incorporates by reference all information with respect to itself and its Guarantee, which is material in the context of the issue and offering of the Notes. The Issuer and, in relation to itself and its Guarantee only, each of the Guarantors, accepts responsibility accordingly.*

This Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer, the Guarantors or the Managers (as defined in "Subscription and Sale" below) to subscribe or purchase, any of the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions, including, without limitation, the United States, the United Kingdom and the Republic of France, may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantors and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and distribution of this Prospectus, see "Subscription and Sale" below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantors or the Managers. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

In making an investment decision regarding the Notes, prospective investors should rely on their own independent investigation and appraisal of the Issuer, its business and the terms of the offering, including the merits and risks involved. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Notes. The Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of them as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes or their distribution.

See "Risk factors" below for certain information relevant to an investment in the Notes.

In this Prospectus, unless otherwise specified or the context requires, references to "euro", "EUR" and "€" are to the single currency of the participating member states of the European Economic and Monetary Union and references to "dollars", "USD" or "$" are to the single currency of the United States of America. References to "Air France" and "KLM" are respectively to Air France and KLM and their respective subsidiaries, unless the context otherwise requires.

In connection with the issue of the Notes, CALYON (the "Stabilising Manager") (or any person acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any persons acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or any person acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

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RESPONSIBILITY STATEMENT

As of the date of this Prospectus, to the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained or incorporated by reference in this Prospectus is in accordance with the facts and makes no omission likely to affect the import of such information. The Issuer accepts responsibility for the information contained in this Prospectus accordingly.

Air France – KLM
2, rue Robert Esnault-Pelterie
75007 Paris
France

As of the date of this Prospectus, to the best of the knowledge of each of the Guarantors, having taken all reasonable care to ensure that such is the case, the information contained or incorporated by reference in this Prospectus in relation to itself and its Guarantee is in accordance with the facts and makes no omission likely to affect the import of such information. Each of the Guarantors accepts responsibility for the information contained in this Prospectus accordingly.

Société Air France
45, rue de Paris
95747 Roissy CDG Cedex
France

KLM
Amsterdamseweg 55
1182 GP Amstelveen
The Netherlands

INCORPORATION BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents which have been filed with the CSSF and are incorporated in, and shall form part of, this Prospectus:

(a) the English translation of the Issuer's 2008-2009 *Document de Référence* (the "**DR 2008-2009**") which was filed with the French *Autorité des marchés financiers* (the "**AMF**") on 9 June 2009 under the reference D.09-0494 and which includes the audited consolidated financial statements of the Issuer as at 31 March 2009 prepared in accordance with IFRS and the auditors' reports on such audited financial statements; except for the third paragraph of the section "Declaration by the persons responsible for the reference document" on page 248 of the DR 2008-2009;

(b) the English translation of the Issuer's update to the DR 2008-2009 (the "**DR 2008-2009 Update**") filed with the AMF on 17 June 2009 under the reference D.09-0494-A01, except for the second paragraph of the section "Declaration of the person responsible for the update" on page 7 of the DR 2008-2009 Update;

(c) the English translation of the Issuer's audited consolidated financial statements as at 31 March 2008 prepared in accordance with IFRS and the English translation of the auditors' reports on such audited financial statements contained in the English translation of the Issuer's 2007-2008 *Document de Référence* (the "**DR 2007-2008**") which was filed with the AMF on 13 June 2008 under the reference D.08-0489;

(d) the English translation of Société Air France's audited consolidated financial statements as at 31 March 2009 prepared in accordance with IFRS (the "**AF 2008-2009 FS**") and the English translation of the auditors' reports on such audited financial statements (the "**AF 2008-2009 AR**");

(e) the English translation of Société Air France's audited consolidated financial statements as at 31 March 2008 prepared in accordance with IFRS (the "**AF 2007-2008 FS**") and the English translation of the auditors' reports on such audited financial statements (the "**AF 2007-2008 AR**");

(f) KLM's annual report which includes KLM's audited consolidated financial statements as at 31 March 2009 prepared in accordance with IFRS and the English translation of the auditors' reports on such audited financial statements (the "**KLM 2008-2009 AR**"); and

(g) KLM's annual report which includes KLM's audited consolidated financial statements as at 31 March 2008 prepared in accordance with IFRS and the English translation of the auditors' reports on such audited financial statements (the "**KLM 2007-2008 AR**");

save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Copies of the documents incorporated by reference are available free of charge (i) on the website of the Luxembourg Stock Exchange (www.bourse.lu) and (ii) on request at the principal office of the Issuer or of the Paying Agents (2, rue Robert Esnault-Pelterie, 75007 Paris, France and 14, rue Rouget de Lisle, 92130 Issy les Moulineaux, France) during normal business hours so long as any of the Notes is outstanding, as described in "General Information" below.

For the purposes of the Prospectus Directive, information can be found in such documents incorporated by reference or in this Prospectus in accordance with the following cross-reference table.

Any information not listed in the cross-reference list but included in the documents incorporated by reference is given for information purposes only.

CROSS-REFERENCE LIST

Rule	Prospectus Regulation – Annex IX	Document incorporated by reference	Page(s)
4.	INFORMATION ABOUT THE ISSUER		
4.1.	History and development of the Issuer	DR 2008-2009	224-226
4.1.1.	the legal and commercial name of the issuer	DR 2008-2009	226
4.1.2.	the place of registration of the issuer and its registration number		
4.1.3.	the date of incorporation and the length of life of the issuer, except where indefinite		
4.1.4.	the domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office		
5.	BUSINESS OVERVIEW		
5.1.	Principal activities		
5.1.1.	A brief description of the issuer's principal activities stating the main categories of products sold and/or services performed	DR 2008-2009 DR 2008-2009 Update	27-59, 241, 61-88 4
5.1.2.	The basis for any statements in the registration document made by the issuer regarding its competitive position	DR 2008-2009	29-31
6.	ORGANISATIONAL STRUCTURE		
6.1.	If the issuer is part of a group, a brief description of the group and of the issuer's position within it	DR 2008-2009	234
9.	ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES		
9.1.	Names, business addresses and functions in the issuer of the following persons, and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer: (a) members of the administrative, management or supervisory bodies; (b) partners with unlimited liability, in the case of a limited partnership with a share capital.	DR 2008-2009 Not Applicable	6-11 Not Applicable
9.2.	Administrative, Management, and Supervisory bodies conflicts of interests Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 9.1 and their private interests and or other duties must be clearly stated In the event that there are no such conflicts, a statement to that effect	DR 2008-2009	13
10.	MAJOR SHAREHOLDERS		
10.1.	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom, and describe the nature of such control, and describe the measures in place to ensure that such	DR 2008-2009	227-231, 234-235

	control is not abused		
10.2.	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	DR 2008-2009	230
11.	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
11.1.	Historical Financial Information Audited historical financial information covering the latest 2 financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least the following:		
	(a) the balance sheet	DR 2008-2009 DR 2007-2008 AF 2008-2009 FS AF 2007-2008 FS KLM 2008-2009 AR KLM 2007-2008 AR	122-123 101-102 3-4 3-4 56 54
	(b) the income statement	DR 2008-2009 DR 2007-2008 AF 2008-2009 FS AF 2007-2008 FS KLM 2008-2009 AR KLM 2007-2008 AR	121 100 2 2 57 55
	(c) the accounting policies and explanatory notes	DR 2008-2009 DR 2007-2008 AF 2008-2009 FS AF 2007-2008 FS KLM 2008-2009 AR KLM 2007-2008 AR	128-205 108-191 8-67 8-74 61-151 59-144
11.2	Financial statements If the issuer prepares both own and consolidated financial statements, include at least the consolidated financial statements in the registration document.	DR 2008-2009 DR 2007-2008 KLM 2008-2009 AR KLM 2007-2008 AR	208-218 193-203 153-165 146-159
11.3.	Auditing of historical annual financial information		
11.3.1.	A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers, must be reproduced in full and the reasons given	DR 2008-2009 DR 2007-2008 AF 2008-2009 AR AF 2007-2008 AR KLM 2008-2009 AR KLM 2007-2008 AR	206-207; 220 192; 205 1-4 1-4 166-167 160-161
11.5.	Legal and arbitration proceedings Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement	DR 2008-2009	174-176

14.	DOCUMENTS ON DISPLAY		
	A statement that for the life of the registration document the following documents (or copies thereof), where applicable, may be inspected: (a) the memorandum and articles of association of the issuer; (b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the registration document; (c) the historical financial information of the issuer or, in the case of a group, the historical financial information of the issuer and its subsidiary undertakings for each of the two financial years preceding the publication of the registration document. An indication of where the documents on display may be inspected, by physical or electronic means.	DR 2008-2009	25 and 249

RISK FACTORS

Prior to making an investment decision, prospective investors should consider carefully all of the information set out and incorporated by reference in this Prospectus, including in particular the following risk factors. Prospective investors should be aware that this section is not intended to be exhaustive and that the risks described herein may combine and thus modify one another. They should make their own independent evaluations of all risk factors and should also read the detailed information set out elsewhere in this Prospectus. Terms defined in "Terms and Conditions of the Notes" below shall have the same meaning in the following section.

RISK FACTORS RELATING TO THE ISSUER AND THE GUARANTORS

Risks linked to the air transport industry

Risks linked to the cyclical and seasonal nature of the air transport industry

The air transport industry is seasonal, with demand weakest during the winter months. Consequently, the operating results for the first (April to September) and second halves (October to March) of the financial year are not comparable. Local, regional and international economic conditions can also have an impact on the Group's activities and, thus, its financial results. Periods of sluggish economic activity such as being experienced currently and crises are likely to affect demand for transportation, both for tourism and for business travel. Furthermore, during such periods, the Group may have to accept delivery of new aircraft or may be unable to sell unused aircraft under acceptable financial conditions.

Risks linked to changes in international, national or regional regulations and legislation

Air transport activities are subject to a high degree of regulation, notably with regard to traffic rights and operating standards (the most important of which relate to security, aircraft noise, airport access and the allocation of time slots). Additional laws and regulations and tax increases (aeronautical and airport) could lead to an increase in operating expenses or reduce the Group's revenues. The ability of carriers to operate international routes is liable to be affected by amendments to bi-lateral agreements between governments. As such, future laws or regulations could have a negative impact on the Group's activity.

Risks linked to terrorist attacks, threats of attacks, geopolitical instability, epidemics or threats of epidemics

The attacks of 11 September 2001 in the United States have had a major impact on the air transport sector. Airlines have seen falling revenues and rising costs linked notably to the fall in demand and to higher insurance and security costs. Certain aircraft have also seen their value drop. The SARS epidemic resulted in a sharp fall in air traffic and revenues in Asia. Any attack, military action, threat of an attack, epidemic or perception that an epidemic could occur (e.g. swine flu), could have a negative impact on the Group's passenger traffic.

Risk of loss of flight slots

Due to the saturation at major European airports, all air carriers must obtain flight slots, which are allocated in accordance with the terms and conditions defined in Regulation 95/93 issued by the EC Council of Ministers on 18 January 1993. Under this regulation, at least 80% of the flight slots held by air carriers must be used during the period for which they have been allocated. Unused slots will be lost by this carrier and transferred into a pool. The regulation does not provide for any exemptions for situations in which, due to a dramatic drop in traffic caused by exceptional events, air transport companies are required to reduce activity levels substantially and no longer use their flight slots at the required 80% level during the period in question. The European Commission did, however, decide to temporarily suspend Regulation 95/93 governing the loss of unused flight slots following September 11, the war in Iraq and the SARS epidemic. Lastly, on May 5, 2009, given the economic crisis, the European Parliament and the European Council of Ministers of Transport agreed to suspend the application of the airport slot utilisation provisions for the Summer 2009 season (with a possible extension to the Winter 2009-10 season), enabling the European airlines to retain their grandfather rights to such slots.

Environmental risks

The air transport industry is governed by numerous environmental regulations and laws, focusing notably on issues such as noise exposure, gas emissions, the use of dangerous substances and the handling of waste products and contaminated sites. Over the last few years, the French, Dutch, European and US authorities have adopted various regulations, especially regarding noise pollution and the age of aircraft, introducing taxes on air transport companies and obligations for them to ensure the compliance of their operations.

In December 2006, the European Commission proposed to include air transportation in the Emissions Trading Scheme (EU ETS). The draft directive was adopted by the European Parliament in July 2008 and its application is planned as of January 2012. However, all the rules have yet to be defined for 2013 (2013-20 period known as post-Kyoto).

The principle of the European Emissions Trading Scheme is that each Member State is allocated an annual quota or allotment of CO2 emission allowances. Each Member State then, in turn, allocates a specific quantity of emission allowances to each relevant company. At the end of each year, companies must return an amount of emission allowances that is equivalent to the tons of CO2 they have emitted in that year. Depending on their emissions, they can also purchase or sell allowances (exchangeable quotas). Furthermore, they can earn credits for their greenhouse gas reduction efforts in developing countries through Clean Development Mechanisms (CDMs). For the aviation sector, the reference in terms of CO2 emissions will be the average emissions produced by the industry as a whole between 2004 and 2006. The breakdown between operators will be based, pro-rata, on revenue-ton kilometers (RTK) produced in 2010.

The European directive applies to all European and non-European airlines flying into and out of Europe, which has raised numerous objections from non-European countries. The United Nations Climate Change Conference in Copenhagen at the end of 2009 could lead to a new approach for international aviation**.**

Compliance with the various environmental regulations could lead to additional costs for the Group and impose new restrictions on its subsidiaries with regard to their equipment and facilities, which could have a negative effect on the Group's activity, financial position or results.

Risks linked to the oil price

The fuel bill is the second largest cost item for airlines. The volatility in the oil price thus represents a risk for the air transport industry. In effect, a sharp increase in the oil price, such as seen until the summer of 2008 when the oil price reached a record high, can have a negative impact on the profitability of airlines, particularly if the economic environment does not enable them to adjust their pricing strategies by introducing new fuel surcharges or if they are unable to implement effective hedging strategies. A rapid fall in the oil price such as witnessed in the autumn of 2008 can also have a negative impact on the profitability of airlines with a significant level of hedging, both in terms of volume and duration, in not enabling them to benefit from the fall in the oil price. Lastly, for the European airlines, any appreciation in the dollar relative to the euro results in an increased fuel bill.

Risks linked to the Group's activity

Risks linked to commitments made by Air France to the European Commission

For the European Commission to authorize Air France's combination with KLM, Air France and KLM had to make a certain number of commitments, notably with regard to the possibility of making landing and takeoff slots available to rival airlines at certain airports. The implementation of these commitments is not expected to have a significant negative impact on the activities of Air France and KLM.

Risks linked to competition from other air and rail transport operators

The air transport industry is extremely competitive. The liberalization of the European market on April 1, 1997 and the resulting competition among carriers has led to a reduction in airfares and an increase in the number of competitors.

The Open Skies agreement between the European Commission and the United States has been in force since end-March 2008. European airlines are thus authorized to operate flights to the United States from any European airport. While this agreement could increase competition for Roissy-Charles de Gaulle and Schiphol, it has also enabled Air France and KLM to extend their networks and strengthen cooperation within the SkyTeam alliance.

On its short and medium-haul flights to and from France, the Netherlands and other European countries, the Group competes with alternative means of transportation. In particular, the high-speed TGV rail network in France competes directly with the Air France Navette, a shuttle service between Paris and the major French cities. Air France and KLM's flights to London are in direct competition with the Eurostar train service. An extension of high-speed rail networks in Europe is liable to have a negative impact on the Group's activity and financial results.

Air France and KLM also face competition from low-cost airlines. The percentage of routes on which Air France and KLM are in competition with these airlines has increased markedly over the past decade.

Risks linked to changes in commercial alliances

The maintenance and development of strategic relationships and alliances with partner airlines will be critical for the Group's activity. Air France and KLM are members of the SkyTeam alliance, which also comprises Aeroflot, Aeromexico, Alitalia, CSA Czech Airlines, China Southern, Continental (until October 2009), Delta and Korean Air as well as a number of associate airline members. The success of the alliance depends in part on the strategies pursued by the various partners, over which Air France and KLM have a limited level of control. The lack of development of an alliance or the decision by certain members not to fully participate in or to withdraw from the alliance could have a negative impact on the activity and financial position of the Group. However, Air France-KLM and Delta have joint-venture agreements with a ten-year duration on the North Atlantic.

In June 2006, the European Commission sent a Statement of Objections concerning the SkyTeam alliance. Air France and its partners responded to these objections in October 2006. In the event that the European Commission were to maintain its position, Air France and its partners could be required to make a number of concessions, notably in making slots available to competitor airlines at certain airports.

Risks linked to financing

Air France and KLM have been able to finance their capital requirements by securing loans against their aircraft, which represent attractive collateral for lenders. This may not be the case in the future. Any prolonged obstacle preventing the raising of capital would reduce the Group's borrowing ability and any difficulty in finding financing under acceptable conditions could have a negative impact on its activity and financial results.

Risks linked to labor disruptions and the negotiation of collective agreements

Personnel costs account for around 30% of the operating expenses of Air France-KLM. As such, the level of salaries has an impact on operating results. The profitability of the Group could be affected if it were unable to conclude collective labor agreements under satisfactory conditions. Any strike or cause for work to be stopped could have a negative impact on the Group's activity and financial results.

Risks linked to the use of third-party services

The Group's activities depend on services provided by third parties, such as air traffic controllers and public security officers. The Group also uses sub-contractors over which it does not have direct control. Any interruption in the activities of these third parties (as a result of a series of strikes or any increase in taxes or prices of the services concerned) could have a negative impact on the Group's activity and financial results.

Market risks and their management

Organization of the Air France-KLM group

The aim of Air France-KLM's risk management strategy is to reduce the Group's exposure to these risks so as to reduce earnings volatility. Market risk coordination and management is the responsibility of the Risk Management Committee (RMC) which comprises the Chief Executive Officer and the Chief Financial Officer of Air France and the President and Chief Executive Officer and the Chief Financial Officer of KLM. The RMC meets each quarter to review Group reporting of the risks relating to the fuel price, the principal currency exchange rates, interest rates and counterparties and to decide on the hedging to be implemented: targets for hedging ratios, the time periods for the respect of these targets and, potentially, the types of hedging instrument to be prioritized. The decisions taken by the RMC are formalized then implemented by the cash management and fuel purchasing departments within each company, in compliance with the procedures governing the delegation of powers. Each company centralizes the management of the risks of its subsidiaries. Regular meetings are held between the fuel purchasing and cash management departments of the two companies in order to exchange information concerning matters such as hedging instruments used, strategies planned and counterparties. In order to implement the strategy most appropriate to each circumstance, any type of instrument may be used so long as it is qualifies as hedging within IFRS. Any exception to this rule must be approved by each of Air France's and KLM Senior Executive Vice President, Finance. As a general rule, trading and speculation is prohibited. The cash management departments of each company circulate information daily on the level of cash and cash equivalents to their respective general managements. The level of Air France-KLM consolidated cash is communicated on a weekly basis to the Group's general management.

Every month, a detailed report including, amongst other information, interest rate and currency positions, the portfolio of hedging instruments, a summary of investments and financing by currency and the monitoring of risk by counterparty is transmitted to the general managements.

The policy on fuel hedging is the responsibility of the fuel purchasing departments which are also in charge of purchasing fuel for physical delivery. The general managements receive a weekly fuel report, mainly covering the transactions carried out during the week, the valuation of all the positions, the percentages hedged as well as the breakdown of instruments and underlyings used, the average hedge levels and the resulting net prices. All this data covers the current and next four financial years. Furthermore, a weekly Air France-KLM group report (known as the GEC Report) consolidates the figures from the two companies relating to fuel hedging and carries out a budget update.

Currency risk

Most of the Air France-KLM group's revenues are generated in euros. However, because of its international activities, the Group incurs a currency risk. The management of the currency risk for the subsidiaries of the two companies is centralized by each company. The principal exposure relates to the US dollar followed, to a lesser extent, by sterling and the yen. Since expenditure on items such as fuel, operating leases or components exceeds the amount of revenues in dollars, the Group is a net buyer of US dollars, which means that any significant appreciation in the dollar against the euro could result in a negative impact on the Group's activity and financial results. Conversely, Air France-KLM is a net seller of the yen and of sterling, the level of revenues in these currencies exceeding expenditure. As a result, any significant decline in these currencies against the euro could have a negative effect on the Group's financial results.

The management of the Group's exchange rate risk is effected on the basis of the forecast net exposure for each currency. Currencies which are highly correlated to the US dollar are aggregated with the US dollar exposure.

Operations

Given the very high degree of market volatility witnessed during the year, the Group has abandoned its systematic hedging strategy. With regard to the US dollar, however, Air France and KLM have maintained a hedging policy designed to cover the net exposure over a rolling 12 months. In particularly favorable market conditions, the hedging period may be extended to several financial years. For the other currencies, hedging levels depend on market conditions and the hedging may extend over several financial years if conditions are especially favorable.

2009-10 operating exposure *(In million of currencies at March 31, 2009)*	US Dollar (USD)	Sterling (GBP)	Yen (JPY)
Net position before management	(3,326)	501	58,414
Currency hedge	2 074	(115)	(27,840)
Net position after management	(1,252)	386	30,574

The maximum impact on income before tax of a 10% currency variation relative to the euro is shown in the following table.

(In € million)	US Dollar *	Sterling	Yen
10% increase relative to the euro	(86)	41	23
10% fall relative to the euro	388	(41)	(23)

* *These results cannot be extrapolated.*

Since March 31, 2009 the Group a redefined its hedging strategy:

- hedging of the net exposure for the next 24 months (on a quarterly rolling basis), at a level validated each quarter by the Risk Management Committee for the main three currencies (US dollar, Yen and Sterling);
- higher hedge ratio for the next 12 months compared to the following 12 months.

Investment

Aircraft and spare parts are purchased in US dollars, meaning that the Group is exposed to a rise in the dollar relative to the euro in terms of its investment in flight equipment. The hedging strategy provides for the implementation of a graduated level of hedging between the date aircraft are ordered and their delivery.

The investments figuring in the table below reflect the contractual commitments at March 31, 2009, that are currently in the renegotiation process.

(In $ million)	2009-10	2010-11	2011-12
Investments	(2,012)	(1,911)	(1,363)
Currency hedge	1,189	793	312
Hedge ratio	59%	41%	23%

Exposure on the debt

The exchange rate risk on the debt is limited. At March 31, 2009, 88% of the Group's net debt, after taking into account derivative instruments, was euro-denominated, thereby significantly reducing the risk of currency fluctuations on the debt. Despite this pro-active hedging strategy, not all currency risks are covered, notably in the event of a major fluctuation in currencies in which the debt is denominated. In this situation, the Group and its subsidiaries might encounter difficulties in managing currency risks, which could have a negative impact on the Group's financial results.

Interest rate risk

At both Air France and KLM, debt is generally contracted in floating rate instruments in line with market practice. However, given the historically low level of interest rates, Air France and KLM have used swap strategies to convert a significant proportion of their floating-rate debt into fixed rates in order to reduce interest expenses and limit their volatility.

After swaps, the Air France-KLM group's net debt contracted at fixed rates represents 65% of the overall total.

Given this policy, at March 31, 2009, the Group had negative net exposure to interest rates, the cash being invested at floating rates exceeding the debt at floating rates. Air France-KLM is thus exposed to a fall in interest rates.

The average cost of the Group's debt after swaps stood at 3.92% at March 31, 2009 (4.53% at March 31, 2008).

Exposure to interest rates (In € million at March 31, 2009)	One year*	> 1 year**
Financial assets	4,174	491
Financial liabilities	1,535	4,350
Net exposure before hedging	2,639	(3,859)
Hedging	0	1,886
Net exposure after hedging	2,639	(1,973)

* Fixed rate < 1 year + floating rate < 1 year.
** Floating rate > 1 year.

Taking into account the position to be renewed at less than one year, the interest rate exposure is low, since any 1% variation in interest rates over twelve months would have an impact of €7 million.

Fuel price risk

Risks linked to the jet fuel price are hedged within the framework of a strategy defined by the RMC for the whole of the Air France-KLM group.

Until the sudden downturn in commodity prices during the autumn of 2008, the hedging strategy was based on three principles: a minimum hedge percentage per rolling twelve-month period over four years (65% for the first period, 45% for the second period, 25% for the third period and 5% for the fourth period); a minimum percentage in distillates (30%, of which 20% in jet fuel); and the use of hedge instruments compatible with IAS 39. This hedging strategy proved highly effective in an environment characterized by a steadily rising oil price. The fall in the oil price in the autumn of 2008 prompted the Air France-KLM group to gradually reduce its hedging program and suspend it altogether as of the last quarter of 2008. In parallel, the Group decided to unwind a portion of its positions in order to reduce its exposure linked to the fall in the oil price. These operations reduced the volumes hedged to one year of consumption compared with two years previously. The unwinding principally related to the 2009-10 and 2010-11 positions and was undertaken jointly by both Air France and KLM.

The financing of the unwinding of the transactions came either from the unwinding of contracts whose market value was positive, or in the case of loss-making contracts, from the unwinding of positive currency hedging contracts.

At March 31, 2009, Air France-KLM's fuel exposure, based on futures prices on March 27, 2009, was as follows:

(In $ million except average purchase price in $)	2009-10	2010-11	2011-12	2012-13
Gross expenditure before hedging	5,490	6,532	7,158	7,489
Hedge percentage	44%	17%	20%	19%
Gain on hedging	(1,280)	(784)	(626)	(337)
Net expenditure	6,770	7,316	7,784	7,818
Average purchase price in Brent IPE equivalent	74	76	77	76

The Group has set up a new hedging strategy which basis are:

The tenor of the hedging program will be revised down from 4 years to 2 years.

The total hedge volume (including the current quarter) will represent around 80% of one year consumption compared to 200% for the previous strategy.

At any time during a hedging period, the coming two quarters (excluding the current quarter) will be covered at 60% in order to insure a substantial short term protection.

The instruments used will be limited to the five following structures : "swap", "collar", "call", "four ways" and "call spread". These instruments are cash-flow hedge as regard to the IAS 39 accounting rule.

The weighing of each instrument and the amount of premiums paid will have to be defined on a quarterly basis by the Risk Management Committee of Air France-KLM.

The weighing of each instrument will rely as well on Maximum-Loss and Maximum-Gain mechanisms and value at risk assessment.

When the Maximum Loss is reached, only instruments which does not add any downside exposure can be taken to cover the risk.

This strategy is being implemented progressively.

Counterparty risk

The Group has strengthened its rules for managing counterparty risk under the authority of the RMC which reviews, every quarter, the Group's counterparty portfolio and, if necessary, issues new guidelines.

The Group only deals with counterparties with a minimum rating of A or above (S&P). The commitments by counterparty are limited to 15% of the total hedging portfolio volume (fuel, currencies and interest rates) with a maximum variable amount based on the quality of the rating. The positions of both Air France and KLM are taken into account in the assessment of the overall exposure. A quarterly report is established and circulated to the members of the RMC. It is supplemented by real-time information in the event of any real risk of a rating downgrade for counterparties (see also section 5 - note 33.1 to the consolidated financial statements for the financial year 2008-2009 and incorporated by reference herein).

Equity risk

Air France and KLM cash resources are not invested in the equity market (either directly or in the form of equity mutual funds). However, at March 31, 2009, Air France-KLM directly or indirectly held a portfolio of shares issued by publicly traded companies worth a net €35.4 million. An overall fall of 1% would represent a risk of €0.3 million.

Liquidity risks

At March 31, 2009, following the application of an extension clause, Air France had a credit facility of €1.2 billion negotiated with an expanded pool of 19 banks, of which €85 million matures in April 2010, €10 million in April 2011 and €1.11 billion in April 2012. At March 31, 2009, the company had drawn down €500 million. This credit facility is subject to Air France respecting the following financial covenants:

- net interest charges added to one third of operating lease payments must not represent more than one third of EBITDAR ;

- non-current assets in the balance sheet, not pledged as collateral, must be at least equal to unsecured debts.

These ratios are calculated every six months and were respected at March 31, 2009.

KLM had a fully available €540 million credit facility maturing in July 2010, negotiated with a consortium of international banks. This credit facility was subject to KLM respecting covenants similar to those outlined above for Air France. On 28 July 2009, KLM renewed this stand-by facility. The new credit facility, starting in July 2010, amounts to €530 million and will expire two years later, in July 2012, extendable to July 2013 (at bankers' discretion). This facility is subject to the same covenants as Air France, with a threshold on the EBITDAR to interest (including operating leases) covenant of 2.5 and a threshold on the unencumbered assets (not pledged as collateral) to unsecured net debt ratio of 1.25.

Both Air France and KLM's covenants were respected at March 31, 2009.

For its part, the Air France-KLM holding company put in place a ten year financing facility of €250 million in October 2007, drawn down at March 31, 2009.

Overall, the Group believes that the conditions for access to the financial market for its two principal subsidiaries, Air France and KLM, cash resources of €4.3 billion at March 31, 2009 and the available credit facilities reflect prudent liquidity risk management.

Furthermore, the Group considers that it has no liquidity risk over the next twelve months.

Financing risks

The Group prioritizes long-term resources for its investment in financing new aircraft with conventional debt and, since 2008, Brazilian export credit for the aircraft of its subsidiary Regional. It also diversified the sources of its principally bank funding through the securitization of flight equipment in July 2003, the issuance of bonds convertible into new or existing shares ("**OCEANEs**"), in April 2005, the issuance in September 2006, of €550 million of eurodenominated bonds, with a 4.75% coupon, maturing on January 22, 2014 (an additional €200 million was raised in April 2007, fully fungible with the first tranche) and the issue in June 2009 of approximately €661 million of OCEANEs, with a 4.97% coupon, maturing on April 1st, 2015 (unless previously redeemed, purchased and cancelled by the Issuer).

To finance its aircraft, KLM is able to access the export credit system, which enables the company to take advantage of guarantees from the leading export credit agencies for financing Boeing aircraft in the US and Airbus aircraft in Europe. KLM has also concluded several financing deals in the banking market for the refinancing of existing aircraft.

In future years, the Group envisages that its two subsidiaries will remain responsible for their own financing strategies, enabling each to fully capitalize on the relationships they have built up with their partner banks. Moreover, this segmentation ensures that KLM can continue to take advantage of export credit financing facilities. This does not stop the two companies exchanging information on their financing strategies and the type of operations planned.

The current financial market conditions do not call into question the access to long-term financing for aircraft.

Investment risks

The cash resources of Air France, KLM and Air France-KLM are invested so as to maximize the return for a very low level of risk. Consequently, they are not invested in the mortgage loan market or the securitization market, nor in any structured product having been significantly affected by the financial crisis.

In order to take advantage of market opportunities linked to the widening in credit spreads, cash resources are mainly invested in certificates of deposit with high-rated banks, as well as in some money market mutual funds.

A portion of KLM's liquid assets is invested in foreign-currency AAA-rated bonds, in order to reduce the currency risk on the debt.

Insurance risks

Since December 1, 2004, Air France and KLM have pooled their airline risks on the insurance market in order to capitalize on the scale effect. There are no material risks within the Air France-KLM group that are not insured.

<u>Insurance policies taken out by Air France</u>

In connection with its air transport activities, Air France has taken out an airline insurance policy on behalf of itself and its French and European airline subsidiaries, covering damage to aircraft, liability in relation to passengers and general liability to third parties in connection with its activity.

In accordance with French legislation, this policy was taken out with Axa, a leading French underwriter and with co-insurers with international reputations.

The policy covers the civil liability of Air France for up to $2.2 billion as well as specific cover against terrorist acts for damage caused to third parties for up to $1 billion.

Additionally, Air France participates in the payment of claims for damage to its aircraft through a reinsurance company whose maximum liability is limited to $2.5 million annually.

Finally, within the framework of its risk management and financing policy designed to ensure its activities, employees and assets are better safeguarded, Air France has taken out a number of policies to insure its industrial sites, property portfolio and activities ancillary to air transportation, with different levels of cover depending on the guarantees available on the market and on the quantification of risks that can reasonably be anticipated.

Air France has also taken out a number of specific or local policies in order to comply with the regulations in force in the countries in which it has a representative office.

Insurance policies taken out by KLM

KLM has taken out an airline insurance policy to cover its operational risks and those of Kenya Airways Ltd to cover damage to aircraft, liability with respect to passengers and general third-party liability in connection with its activity. It covers KLM's civil liability for up to $2.2 billion and also includes specific cover against terrorist acts for damage caused to third parties for up to $1 billion. In addition, KLM participates in the payment of claims for damage to its aircraft through a reinsurance company whose maximum liability is limited to $3.6 million annually.

Finally, within the framework of its risk management and financing policy designed to ensure its activities, employees and assets are better safeguarded, KLM has taken out a number of policies to insure its industrial sites, property portfolio and activities ancillary to air transportation, with different levels of cover depending on the guarantees available on the market and on the quantification of risks that can reasonably be anticipated.

Exceptional events and disputes

In connection with the normal exercise of their activities, the company and its subsidiaries are involved in disputes which either result in provisions being booked in the consolidated financial statements or information being included in the notes to the consolidated financial statements as to the possible liabilities (see also the consolidated financial statements for the year 2008-2009 incorporated by reference herein and notes 29.2 and 29.3 thereto).

RISK FACTORS RELATING TO THE NOTES

Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of such investor's own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(iv) understand thoroughly the terms of the Notes; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the relevant risks.

No Limitation on Issuing Debt

There is no restriction on the amount of debt which the Issuer may issue or guarantee. The Issuer may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank senior in priority of payment to the Notes. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including non-payment of the interest and, if the Issuer were liquidated (whether voluntarily or involuntarily), loss of their entire investment.

Redemption Risk

The Notes may at the option of the Issuer, and shall in certain circumstances, be redeemed, in whole but not in part, at their principal amount together with accrued interest for certain tax reasons (see "Terms and Conditions of the Notes – Redemption and Purchase"). There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes.

Long-term securities

The Notes will be redeemed on 27 October 2016. The Issuer is under no obligation to redeem the Notes at any time before this date. The Noteholders have no right to call for their redemption except in the event of a Change of Control or Share Transfer as provided in Condition 9 or upon the occurrence of an Event of Default as provided in Condition 10. The Notes may, and in certain circumstances shall, be redeemed, in whole but not in part, at their principal amount together with accrued interest in the event that certain French taxes are imposed as provided in Condition 6.

Exchange rate risk and exchange controls

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than euro (the "**Investor's Currency**"). These include the risk that exchange rates may significantly change (including changes due to devaluation of Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. As a result, investors may receive less interest or principal than expected.

Fixed Rate

The Notes bearing interest at a fixed rate, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. While the nominal interest rate of a fixed interest rate note is fixed during the life of such a note or during a certain period of time, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of such note changes in the opposite direction. If the market interest rate increases, the price of such note typically falls, until the yield of such note is approximately equal to the market interest rate. If the market interest rate decreases, the price of a fixed rate note typically increases, until the yield of such note is approximately equal to the market interest rate. Noteholders should be aware that movements of the market interest rate can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell Notes during the period in which the market interest rate exceeds the fixed rate of the Notes.

An active trading market for the Notes may not develop (liquidity risk)

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. The Issuer is entitled to buy and sell the Notes for its own account or for the account of others, and to issue further Notes. Such transactions may favourably or adversely affect the price development of the Notes. If additional and competing products are introduced in the markets, this may adversely affect the value of the Notes.

Market Value of the Notes

The market value of the Notes will be affected by the creditworthiness of the Issuer and a number of additional factors, including, but not limited to, market interest and yield rates and the time remaining to the maturity date. The value of the Notes depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes are traded. The price at which a Noteholder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Noteholder.

Change of Law

The Terms and Conditions of the Notes are based on French law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in French law or the official application or interpretation of French law after the date of this Prospectus.

No Legal and Tax Advice

A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes.

A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs.
Each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the Notes.

EU Savings Directive

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a directive 2003/48/EC regarding the taxation of savings income in the form of interest payments (the "**Directive**"). The Directive requires Member States, subject to a number of conditions being met, to provide to the tax authorities of other Member States details of payments of interest and other similar income made by a paying agent located within their jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead withhold an amount on interest payments unless the relevant beneficial owner of such payment elects otherwise and either authorises the paying agent to disclose the above information or presents to his paying agent a certificate drawn in the name of a competent authority of his Member State of residence.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of Control

In the event of a change of control of the Issuer or in the event that a third party comes to hold (i) more than 50% of the share capital of Société Air France and/or the economic rights of KLM or (ii) more than 50% of the voting rights of Société Air France and/or KLM (subject to certain exemptions, all as more fully described in "Terms and Conditions of the Notes – Change of Control"), each Noteholder will have the right to request the Issuer to redeem all or part of its Notes at their principal amount together with any accrued interest. In such case, any trading market in respect of those Notes in respect of which such redemption right is not exercised may become illiquid. In addition, investors may not be able to reinvest the moneys they receive upon such early redemption in securities with the same yield as the redeemed Notes.

French insolvency law

Under French insolvency law as amended by ordinance n°2008-1345 dated 18 December 2008 which came into force on 15 February 2009, holders of debt securities are automatically grouped into a single assembly of holders (the "**Assembly**") in order to defend their common interests if a safeguard procedure (*procédure de sauvegarde*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) is opened in France with respect to the Issuer. The Assembly comprises holders of all debt securities issued by the Issuer (including the Notes), whether or not under a debt issuance programme (EMTN) and regardless of their governing law. The Assembly deliberates on the proposed safeguard plan (*projet de plan de sauvegarde*) or judicial reorganisation plan (*projet de plan* *de redressement*) applicable to the Issuer and may further agree to:

- increase the liabilities (*charges*) of holders of debt securities (including the Noteholders) by rescheduling due payments and/or partially or totally writing off receivables in form of debt securities;

- establish an unequal treatment between holders of debt securities (including the Noteholders) as appropriate under the circumstances; and/or

- decide to convert debt securities (including the Notes) into securities that give or may give right to share capital.

Decisions of the Assembly will be taken by a two-third majority (calculated as a proportion of the amount of debt securities held by the holders attending such Assembly or represented thereat). No quorum is required to convoke the Assembly.

For the avoidance of doubt, the provisions relating to the representation of the Noteholders described in this Prospectus would not be applicable with respect to the Assembly to the extent they are not in compliance with compulsory insolvency law provisions that apply in these circumstances.

RISK FACTORS RELATING TO THE GUARANTORS AND THE GUARANTEE

Several and not Joint Guarantee

The obligations of the Guarantors under the Guarantee are several, but not joint (*cautions conjointes*), and will be divided equally between them. Consequently, if the Guarantee is called, each Guarantor will be obliged to fulfil its payment obligations under the Guarantee only to the extent of its proportional commitment (50%) set out in the Guarantee, and will not be required to increase its payment to account for any shortfall in the payment of the other Guarantor.

The Noteholders will also have to divide any steps or proceedings to enforce their rights under the Guarantee between each of the Guarantors taken individually.

The rank of the Guarantee does not affect in any way the capacity of the several but not joint Guarantors to dispose of their assets or to grant any security over such assets

The guarantee of payment of all sums, agreed by each Guarantor in the form of a several but not joint guarantee (*cautions conjointes*), which may become due by the Issuer in relation to the Notes, according to the terms of the Guarantee, constitutes, for the Guarantors, a direct, general, unconditional, unsubordinated and unsecured obligation, and ranks *pari passu* (subject to such exceptions as are from time to time mandatory under applicable laws) with any other unsubordinated and unsecured obligations, present or future, of the several but not joint Guarantors.

The rank of the Guarantee does not affect in any way the capacity of each of the several but not joint Guarantors to dispose of its assets or authorise any security over such assets under certain circumstances (see "Terms and Conditions of the Notes - Guarantee" "Description of the Guarantee" below).

A withholding tax may be imposed on the payments made in relation to the Guarantee

Payments made in relation to the Guarantee do not currently give rise to the enforcement of French withholding tax.

The Issuer and the Guarantors, as the case may be, may be unable to redeem the Notes

The Issuer may be unable to redeem the Notes at the maturity date. The Issuer could also be compelled to redeem the Notes if an event of default, Change of Control or Share Transfer (as defined in "Terms and Conditions of the Notes – Change of Control") were to occur. If the Noteholders, upon an event of default, a Change of Control or a Share Transfer, were to require from the Issuer the redemption of their Notes, the Issuer cannot guarantee that it will be able to pay the whole required amount. The Issuer's capacity to redeem the Notes will in particular depend on its financial situation at the time of the redemption and may be limited by any applicable legislation, by the conditions of its indebtedness and also by any new financings in place at that date and which shall replace, add or modify the existing or future debt of the Issuer. Furthermore, the Issuer's failure to redeem the Notes may result in an event of default pursuant to the terms and conditions of another loan.

Société Air France and KLM guarantee irrevocably and unconditionally, as several but not joint Guarantors (cautions conjointes), the payment of all sums due by the Issuer in relation to the Notes (see "Description of the Guarantee" below). If the Guarantee should be enforced, Société Air France and KLM cannot guarantee that they will be in a position to pay all of the sums due. The ability of Société Air France and KLM to pay the sums due will depend in particular on their financial situation at the moment of payment and may be limited by applicable legislation (in particular in the event insolvency proceedings are brought against them), by the terms of their indebtedness as well as by the terms and conditions of new financings in place at that date and which could replace, increase or change their current or future debt.

TERMS AND CONDITIONS OF THE NOTES

The issue outside the Republic of France of the €700,000,000 6.750 per cent. Notes due October 2016 (the "**Notes**") by Air France-KLM (the "**Issuer**") with the benefit of an irrevocable and unconditional guarantee (the "**Guarantee**") of Société Air France and Koninklijke Luchtvaart Maatschappij N.V. ("**KLM**") (the "**Guarantors**") acting as several but not joint Guarantors (*cautions conjointes*), has been authorised pursuant to a resolution of the Board of Directors (*Conseil d'administration*) of the Issuer dated 24 September 2009 and a decision of its *Directeur général* dated 14 October 2009, and the Guarantee has been authorised (i) by Société Air France pursuant to resolutions of its Board of Directors (*Conseil d'administration*) dated 24 September 2009 and 23 October 2009 and (ii) by KLM pursuant to a resolution of its Management Board dated 13 October 2009. The Notes are issued with the benefit of a fiscal agency agreement dated 27 October 2009 as amended and supplemented from time to time (the "**Fiscal Agency Agreement**") between the Issuer, the Guarantors, CACEIS Corporate Trust as fiscal agent, principal paying agent (the "**Fiscal Agent**", which expression shall, where the context so admits, include any successor for the time being as Fiscal Agent) and put agent (the "**Put Agent**", which expression shall, where the context so admits, include any successor for the time being as Put Agent) and CACEIS Bank Luxembourg as paying agent in Luxembourg (together with any additional paying agents, the "**Paying Agents**", which expression shall, where the context so admits, include the Fiscal Agent and any successors for the time being of the Paying Agents). Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying Agents. References below to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below. In these Conditions, "**holder of Notes**", "**holder of any Note**" or "**Noteholder**" means the person whose name appears in the account of the relevant Account Holder as being entitled to such Notes.

1. Form, Denomination and Title

The Notes are issued in dematerialised bearer form (*au porteur*) in the denomination of €50,000 each. Title to the Notes will be evidenced in accordance with Articles L.211-3 and R.211-1 of the French Monetary and Financial Code (*Code monétaire et financier*) by book-entries (*inscription en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French Monetary and Financial Code (*Code monétaire et financier*)) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in the books of Euroclear France, which shall credit the accounts of the Account Holders. For the purpose of these Conditions, "**Account Holders**" shall mean any authorised financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V. ("**Euroclear**") and the depositary bank for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books, and only in the denomination of €50,000.

2. Guarantee

The payment of all sums in principal, interest (including delay interests), fees and other ancillary costs (*accessoires*) due in relation to the Notes is irrevocably and unconditionally guaranteed by Société Air France and by KLM, acting as several but not joint Guarantors (*cautions conjointes*), up to the amount of their quota, which is established for each Guarantor at 50% of all sums in principal, interest (including delay interests), fees and other costs due in relation to the Notes.

The Guarantee is reproduced on pages 36 to 38 of this Prospectus.

3. Status of the Notes and the Guarantee

(a) Status of the Notes

The Notes and the interest thereon constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank all times *pari passu* without any preference among themselves and (subject to such exceptions as are from time to time mandatory under French law) equally and rateably with any other unsubordinated and unsecured obligations, present or future, of the Issuer.

(b) Status of the Guarantee

The Guarantee constitutes a direct, general, unconditional, unsubordinated and unsecured obligation, and ranks *pari passu* (subject to such exceptions as are from time to time mandatory under applicable laws) with any other unsubordinated and unsecured obligations, present or future, of the Guarantors.

4. Negative Pledge

(a) Issuer

The Issuer undertakes, until all the Notes have been redeemed, not to grant to holders of other present or future notes (*obligations*), any mortgage (*hypothèque*) over its present or future assets or real property interests, nor any pledge (*nantissement*) on all or part of its business (*fonds de commerce*), nor any other security (*sûreté réelle*, *gage* or *nantissement*) on its present or future assets or income, without granting the same security and rank to the holders of the Notes. Such undertaking is given only in relation to security interests given for the benefit of holders of notes (*obligations*) and does not affect in any way the right of the Issuer to dispose of its assets or to grant any security in respect of such assets in any other circumstance.

(b) Guarantors

Each Guarantor undertakes, until all payments due in connection with the Guarantee have been paid, not to grant to holders of other present or future notes (*obligations*) which are issued or guaranteed by it, any mortgage (*hypothèque*) over its present or future assets or real property interests, nor any pledge (*nantissement*) on all or part of its business (*fonds de commerce*) nor any other security (*sûreté réelle*, *gage* or *nantissement*) on all or part of their present or future assets or income, without granting the same security and rank to the Noteholders. Such undertaking is given only in relation to security interests given for the benefit of holders of notes (*obligations*) and does not affect in any way the right of the Guarantors to dispose of their assets or to grant any security in respect of such assets in any other circumstance.

5. Interest

(a) Interest Payment Dates

The Notes bear interest from, and including, 27 October 2009 (the "**Issue Date**") to but excluding 27 October 2016 at the rate of 6.750 per cent. per annum payable annually in arrear on 27 October in each year (each an "**Interest Payment Date**"), commencing on 27 October 2010.

(b) Interest Payments

Each Note will cease to bear interest from the due date for redemption, unless payment of principal is improperly withheld or refused on such date. In such event, interest on such Note shall continue to accrue at such rate until, and including, whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder and (ii) the day of receipt by or on behalf of Euroclear France of all sums due in respect of all the Notes.

Interest shall be calculated on an Actual/Actual – ICMA basis, as follows:

(i) if the Accrual Period is equal to or shorter than the Determination Period during which it falls, the Actual/Actual-ICMA basis will be the number of days in the Accrual Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(ii) if the Accrual Period is longer than one Determination Period, the Actual/Actual-ICMA basis will be the sum of:

(a) the number of days in such Accrual Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(b) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where

"**Accrual Period**" means the relevant period for which interest is to be calculated (from and including the first such day to but excluding the last); and

"**Determination Period**" means the period from, and including, the Issue Date to, but excluding, the first Interest Payment Date and each successive period from, and including, an Interest Payment Date to, but excluding, the next succeeding Interest Payment Date.

6. Redemption and Purchase

The Notes may not be redeemed otherwise than in accordance with this Condition and with Conditions 9 and 10.

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, the Notes will be redeemed by the Issuer at their principal amount on 27 October 2016.

(b) Redemption for Taxation Reasons

(i) If, by reason of a change in any law or regulation of the Republic of France or any political subdivision or authority therein or thereof having power to tax, or any change in the official application or interpretation of such law or regulation (including a holding by a competent court), becoming effective after the Issue Date, the Issuer would, on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified in Condition 8, the Issuer may, at its sole discretion, at any time, subject to having given not more than 60 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all, but not some only, of the Notes outstanding at their principal amount, together with all interest accrued to the date fixed for redemption, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal or interest without withholding for French taxes.

(ii) If the Issuer would on the next payment of principal or interest in respect of the Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 8, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall, subject to having given not less than seven days' prior notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their principal amount, together with all interest accrued to the date fixed for redemption of which notice hereunder may be given, provided that the due date for redemption shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of principal or interest payable in respect of the Notes or, if such date has passed, as soon as practicable thereafter.

(c) Purchase

The Issuer may at any time purchase Notes in the open market or otherwise (including by way of tender or exchange offer) at any price.

(d) Cancellation

All Notes which are redeemed or purchased by the Issuer pursuant to this Condition 6 and to Conditions 9 and 10 shall be immediately cancelled and may not be re-issued or resold.

7. Payments

(a) Method of Payment

Payments of principal, interest and other amounts in respect of the Notes will be made in euro, by credit or transfer to an account denominated in euro (or any other account to which euro may be credited or transferred) specified by the payee with a bank in a city in which banks use the TARGET System (as defined below). Such payments shall be made for the benefit of the Noteholders to the Account Holders and all payments made to such Account Holders in favour of Noteholders will be an effective discharge of the Issuer and the Fiscal Agent, as the case may be, in respect of such payment.

Payments of principal, interest and other amounts in respect of the Notes will be made subject to any fiscal or other laws and regulations or orders of courts of competent jurisdiction applicable thereto, but without prejudice to the provisions described in Condition 8. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(b) Payments on Business Days

If the due date for payment of any amount of principal or interest in respect of any Note is not a Business Day (as defined below), payment shall not be made of the amount due and credit or transfer instructions shall not be given in respect thereof until the next following Business Day and the relevant Noteholder shall not be entitled to any interest or other sums in respect of such postponed payment.

For the purposes of these Conditions, "**Business Day**" means any day, not being a Saturday or a Sunday, (i) on which foreign exchange markets and commercial banks are open for business in Paris, (ii) on which Euroclear France, Euroclear and Clearstream, Luxembourg are operating and (iii) on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) system (the "**TARGET System**") or any successor thereto is operating.

(c) Fiscal Agent, Paying Agents and Put Agent

The name and specified offices of the initial Fiscal Agent, initial Put Agent and other initial Paying Agent are as follows:

FISCAL AGENT, PRINCIPAL PAYING AGENT AND PUT AGENT
CACEIS Corporate Trust
14, rue Rouget de Lisle
92862 Issy les Moulineaux Cedex 9
France

LUXEMBOURG PAYING AGENT
CACEIS Bank Luxembourg
5, Allée Scheffer
L-2520 Luxembourg

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Put Agent or any Paying Agent and/or appoint a substitute Fiscal Agent or Put Agent and additional or other Paying Agents or approve any change in the office through which the Fiscal Agent, the Put Agent or any Paying Agent acts, provided that, so long as any Note is outstanding, there will at all times be (i) a Fiscal Agent having a specified office in a major European city, (ii) so long as the Notes are listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange and the rules applicable to such stock exchange so require, at least one Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent).

Such appointment or termination shall be notified to the Noteholders in accordance with Condition 13.

8. Taxation

(a) Withholding Tax Exemption

The Notes constituting *obligations* under French law and being denominated in euro, they are deemed to be issued outside the Republic of France for the purposes of Article 131 *quater* of the French General Tax Code (*Code général des impôts*). Consequently, payments of interest and other revenues made by the Issuer in respect of the Notes to Non-French tax residents (as defined in section "Taxation" below) will benefit under present law from the exemption, provided for by Article 131 *quater* of the French General Tax Code (*Code général des impôts*), from the withholding tax set out under Article 125 A III of the French General Tax Code (*Code général des impôts*). Accordingly, such payments do not give the right to any tax credit from any French source.

(b) Additional Amounts

If any French law or regulation should require that any payment of principal or interest in respect of the Notes be subject to deduction or withholding with respect to any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Republic of France or any political subdivision or authority therein or thereof having power to tax, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the Noteholders, after such deduction or withholding, receive the full amount provided in such Notes to be then due and payable; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note to a holder (or beneficial owner (*ayant droit*)):

(i) who is subject to such taxes, duties, assessments or other governmental charges, in respect of such Note by reason of his having some connection with the Republic of France other than the mere holding of such Note;

(ii) more than 30 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of 30 days; or

(iii) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive.

For the purpose of this Condition 8, "**Relevant Date**" in relation to any Note means whichever is the later of (A) the date on which the payment in respect of such Note first becomes due and payable, and (B) if the full amount of the moneys payable on such date in respect of such Note has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given in accordance with Condition 13 to Noteholders that such moneys have been so received.

Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 8.

9. Change of Control

In the event of a Change of Control, as defined below, or in the event that a person, other than an entity controlled directly or indirectly by the Issuer (within the meaning of Article L.233-3 of the French Commercial Code (*Code de commerce*)), came to hold (via purchase, subscription or any other means) (i) more than 50% of the share capital of Société Air France and/or the beneficial rights of KLM or (ii) more than 50% of the voting rights of Société Air France and/or KLM (except, with respect to KLM, SAK I and SAK II or the Dutch State pursuant to an exercise of the Dutch State's preferential right to subscribe for B preferred shares, for the protection of KLM's air traffic rights) (a "**Share Transfer**"), each Noteholder may at its sole option require the early redemption of all or part of its Notes, subject to the conditions set out below.

The Notes will be redeemed at their principal amount plus interest accrued since the last Interest Payment Date (or, as the case may be, since the Issue Date).

In the event of a Change of Control or Share Transfer, the Issuer will inform the Noteholders, no later than 30 calendar days following the effective Change of Control or Share Transfer, by means of a notice in accordance with Condition 13. This notice will remind Noteholders that they are entitled to require the early redemption of all or part of their Notes and will indicate (i) the date which has been set for the early redemption, such date should fall between the 25th and the 30th Business Day following the date of the publication of the notice, (ii) the redemption amount and (iii) the period of at least 15 Business Days, during which early redemption requests and the corresponding Notes should be transmitted to the Put Agent.

The Noteholders seeking early redemption of their Notes must make such request to the financial intermediary through whose books the Notes are held. Once received by the financial intermediary through whose books the Notes are held, the request for early redemption will be irrevocable.

Redemption requests and the corresponding Notes shall be submitted to the Put Agent between the 20th and the 5th Business Day before the early redemption date.

A form of redemption request will be obtainable from the specified office of any Paying Agent.

The date of the early redemption request shall correspond to the Business Day during the course of which the last of conditions (1) and (2) below is met, at the latest at 5 p.m. Paris time or the next following Business Day if such condition is met after 5 p.m. Paris time:

(1) the Put Agent would have received the early redemption request from the financial intermediary through whose books the Notes are held;

(2) the Notes would have been transferred to the Put Agent by the relevant financial intermediary.

For the purposes of this Condition 9, "**Change of Control**" means, for one or more individuals or entities acting alone or in concert, acquiring the control of the Issuer, being specified that "**control**" means, for the purpose of the present definition, the holding (directly or indirectly via entities controlled by the relevant person(s)) of (x) the majority of the voting rights of the shares of the Issuer or (y) more than 40% of such voting rights if no other shareholder of the Issuer, acting alone or in concert, holds (directly or indirectly via entities controlled by such shareholder(s)) a percentage of voting rights in excess of the above stake.

10. Events of Default

The Representative (as defined in Condition 12 below), acting on behalf of the *Masse* (as defined in Condition 12 below), may, upon written notice to the Issuer (copy to the Fiscal Agent) before all defaults shall have been cured, cause all, but not some only, of the Notes to become immediately due and payable, at their principal amount together with any accrued interest thereon, upon the occurrence of any of the following events:

- the Issuer fails to make payment of any sum due in respect of the Notes and if the Issuer or any of the Guarantors does not remedy such default within 15 calendar days from such due date; or

- the Issuer or any of the Guarantors breaches any of the other provisions relating to the Notes or the Guarantee, as the case may be, and does not remedy such breach within 30 calendar days from the date the Issuer receives written notice of such breach from the Representative; or

- a payment default by the Issuer or any Guarantor occurs in relation to any payment of any other borrowed money or loans guaranteed by the Issuer or any of the Guarantors for an amount equal to or in excess of €125 million, or its equivalent in any other currency, on their due date, or on such date as may have been extended by any applicable grace period, unless the Issuer or any of the Guarantors challenges such default in good faith before a competent court, in which case an early redemption of the Notes will be mandatory only if the court has decided on the merits of the case (*statué au fond*); or

- the Guarantee ceases to be valid or to be in full force and effect for any reason; or

- judgment is rendered ordering the liquidation or transfer of the entirety of the assets of the Issuer or any of the Guarantors, or any equivalent procedure; if the Issuer or any of the Guarantors are subject to a conciliation procedure (*procédure de conciliation*) as provided under Articles L.611-4 *et seq.* of the French Commercial Code (*Code de commerce*), or any equivalent procedure, or subject to a *procédure de sauvegarde* under Articles L.620-1 *et seq.* of the French Commercial Code (*Code de commerce*) or any equivalent procedure, are in a state of suspension of payments (*cessation de paiements*) or any similar state, or subject to reorganisation or judicial liquidation proceedings (*procédure de redressement ou de liquidation judiciaire*) or any equivalent procedure.

11. Prescription

Claims against the Issuer or, as the case may be, any of the Guarantors, for the payment of principal and interest in respect of the Notes shall become prescribed 10 years (in the case of principal) and 5 years (in the case of interest) from the due date for payment thereof.

12. Representation of the Noteholders

The Noteholders will be grouped automatically for the defence of their respective common interests in a *masse* (hereinafter referred to as the "***Masse***").

The *Masse* will be governed in accordance with Article L.228-90 of the French Commercial Code (*Code de commerce*) (the "**Code**") by the provisions of the Code applicable to the *Masse* (with the exception of the provisions of Articles L.228-48, L.228-59, L.228-65 I 1°, L.228-71, R.228-67, R.228-69, R.228-72 and R.228-79 thereof), and by the provisions set out below:

(a) Legal Personality

The *Masse* will be a separate legal entity, by virtue of Article L.228-46 of the Code, acting in part through a representative (the "**Representative**") and in part through a general assembly of Noteholders.

The *Masse* alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue with respect to the Notes.

(b) Representative

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representative:

(i) the Issuer, the members of its Board of Directors (*Conseil d'administration*), its general managers (*directeurs généraux*), its statutory auditors, its employees and their ascendants, descendants and spouses;

(ii) the Guarantors, the members of their respective Board of Directors (*Conseil d'administration*) or Managing Board as the case may be, their general managers (*directeurs généraux*), their statutory auditors, their employees and their ascendants, descendants and spouses;

(iii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers (*directeurs généraux*), members of their board of directors, executive board (*directoire*) or supervisory board (*conseil de surveillance*), their statutory auditors, employees and their ascendants, descendants and spouses;

(iv) companies of which the Issuer possesses at least 10 per cent. of the share capital or companies possessing at least 10 per cent. of the share capital of the Issuer; or

(v) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing a business in whatever capacity.

The Representative shall be Emmanuel Remenant domiciled at 10, rue Saint Ferdinand, 75017 Paris, France.

The alternative representative (the "**Alternative Representative**") shall be Laurent Letohic domiciled at 4, place du Pas de St-Cloud, 92210 Saint-Cloud, France.

The Representative will not be remunerated with respect to its duties.

In the event of death, incompatibility, resignation or revocation of the Representative, such Representative will be replaced by the Alternative Representative. The Alternative Representative shall have the same powers as the Representative.

In the event of death, incompatibility, resignation or revocation of the Alternative Representative, a replacement will be elected by a meeting of the general assembly of the Noteholders.

The appointment of the Representative shall terminate automatically on the date of final redemption in full of the Notes. Such appointment shall, if applicable, be automatically extended until the final resolution of any proceedings in which the Representative may be involved and the enforcement of any judgements or settlements relating thereto.

All interested parties will have the right to obtain the names and the addresses of the Representative and Alternative Representative at the head office of the Issuer and at the offices of any of the Paying Agents.

(c) Powers of the Representative

The Representative shall, in the absence of any decision to the contrary of the general assembly of the Noteholders, have the power to take all acts of management to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, in order to be valid, must be brought against the Representative or by it.

The Representative may not interfere in the management of the affairs of the Issuer.

(d) General Assemblies of Noteholders

General assemblies of Noteholders may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth of the outstanding principal amount of the Notes may address to the Issuer and the Representative a demand for convocation of the general assembly; if such general assembly has not been convened within two months from such demand, such Noteholders may commission one of themselves to petition the competent court in Paris to appoint an agent (*mandataire*) who will call the meeting.

Notice of the date, hour, place, agenda and quorum requirements of any meeting of a general assembly will be published as provided under Condition 13 not less than fifteen calendar days prior to the date of the general assembly.

Each Noteholder has the right to participate in general assemblies of the *Masse* in person, by proxy, correspondence, or, if the *statuts* of the Issuer so specify[1], videoconference or any other means of telecommunications allowing the identification of the participating Noteholders.. Each Note carries the right to one vote.

[1] At the date of this Prospectus, the *statuts* of the Issuer do not contemplate the right for a Noteholder to participate in general assemblies of the *Masse* by videoconference or any other means of telecommunications allowing the identification of the participating Noteholders.

(e) Powers of General Assemblies

A general assembly is empowered to deliberate on the fixing of the remuneration, dismissal or replacement of the Representative and the Alternative Representative and may also act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act at law as plaintiff or defendant.

A general assembly may further deliberate on any proposal relating to the modification of the Conditions of the Notes including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that a general assembly may not increase the liabilities (*charges*) of the Noteholders, nor authorise or accept a postponement in the maturity for the payment of interest or a modification of the terms of repayment or of the rate of interest, nor establish any unequal treatment between the Noteholders, nor decide to convert the Notes into shares.

Meetings of a general assembly may deliberate validly on first convocation only if Noteholders present or represented hold at least one fifth (1/5) of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a simple majority of votes cast by the Noteholders attending such meeting or represented thereat.

In accordance with Article R.228-71 of the Code, the right of each Noteholder to participate in a general assembly of the *Masse* will be evidenced by the entries in the books of the relevant Account Holder of the name of such Noteholder as of 0:00, Paris time, on the third business day in Paris preceding the date set for the meeting of the relevant general assembly.

(f) Notice of decisions to the Noteholders

Decisions of the general assembly must be published in accordance with the provisions set out in Condition 13 not more than ninety (90) calendar days from the date thereof.

(g) Information to the Noteholders

Each Noteholder or representative thereof will have the right, during the fifteen (15) calendar day period preceding the holding of each meeting of a general assembly, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the meeting, which will be available for inspection at the principal office of the Issuer, at the offices of the Paying Agents and at any other place specified in the notice of the general assembly.

(h) Expenses

The Issuer will pay all duly evidenced and reasonable expenses incurred in the operation of the *Masse*, including expenses relating to the calling and holding of general assemblies and the expenses which arise by virtue of the remuneration of the Representative, and more generally all administrative expenses resolved upon by a general assembly of the Noteholders, it being expressly stipulated that no expenses may be imputed against interest payable on the Notes. Accordingly, the second sentence of the first paragraph of Article L.228-71 of the French Commercial Code shall not apply to the Notes.

13. Notices

Any notice to the Noteholders will be valid if delivered to Euroclear France, Euroclear and Clearstream, Luxembourg for so long as the Notes are cleared through such clearing systems, provided that, so long as the Notes are listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange and the rules applicable to that stock exchange so require, such notice shall also be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu). If any such publication is not practicable, notice shall be validly given if published in leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

14. Further Issues and Assimilation

The Issuer may from time to time without the consent of the Noteholders issue further notes to be assimilated (*assimilables*) with the Notes as regards their financial service, provided that such further notes and the Notes shall carry rights identical in all respects (or in all respects save for the amount and date of the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation.

In the event of such an assimilation, the Noteholders and the holders of such further notes will be grouped together in a single *Masse* for the defence of their common interests.

15. Governing Law and Jurisdiction

(a) Governing Law

The Notes and all matters arising from or connected with the Notes, and the Guarantee, are governed by, and shall be construed in accordance with, the laws of the Republic of France.

(b) Jurisdiction

Any legal action or proceeding against the Issuer arising out of or in connection with the Notes or the Guarantee will be irrevocably submitted to the exclusive jurisdiction of the competent courts in Paris.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer for its general corporate purposes and to diversify its sources of financing.

DESCRIPTION OF THE ISSUER

In addition to the complete description of the Issuer incorporated by reference herein, as set out in the section “Incorporation by reference” above, the members of the Management Board of the Issuer are domiciled, for the purposes of this Prospectus, at the registered office of the Issuer – 2 rue Robert Esnault-Pelterie, 75007 Paris, France.

DESCRIPTION OF THE GUARANTEE

SOCIETE AIR FRANCE AND KLM GUARANTEE

Société Air France ("**Air France**"), a French *société anonyme* with a share capital of €1,901,231,625 whose registered office is at 45 rue de Paris, 95747 Roissy CDG Cedex.

and

Koninklijke Luchtvaart Maatschappij N.V. ("**KLM**"), a Dutch *naamloze vernootschap*, whose registered office is at Amsterdamseweg 55, 1182 GP Amstelveen, The Netherlands, and whose corporate seal is at Amstelveen, The Netherlands (Air France and KLM acting severally but not jointly, the "**Guarantors**").

1 Introduction

Air France-KLM (the "**Company**"), a French *société anonyme* with a share capital of €2,551,863,863, whose registered office is at 2 rue Robert Esnault Pelterie, 75007 Paris, France, has, pursuant to the decision taken by its managing director (*directeur général*) dated 14 October 2009 which was taken pursuant to the resolution of the Company's board of directors (*conseil d'administration*) dated 24 September 2009, decided the issue on 27 October 2009 of its 6.750 per cent. notes due October 2016 of a maximum principal amount of €700,000,000 (the "**Notes**").

2 Several but not Joint Guarantee

The Guarantors, pursuant to this agreement, confirm that they have received the final version of the prospectus submitted to the *Commission de Surveillance du Secteur Financier* on 23 October 2009, and confirm that they have full and complete knowledge of the terms and conditions of the Notes.

The Guarantors hereby irrevocably and unconditionally agree to act as several but not joint guarantors (*cautions conjointes*), pursuant to Article 2288 of the French Civil Code (*Code Civil*), prior to the issue of the Notes, each to the extent of its quota indicated in Article 3.1 below, for the benefit of the Noteholders grouped together in a single *Masse*, in connection with all sums that may be due and payable by the Company, including any early payments, in relation to the Notes, including principal, interest, expenses and any other ancillary sums (the "**Guarantee**"), for the entire duration of the Guarantee as provided in Article 5 below. Acceptance of this Guarantee by the *Masse* of Noteholders will result from the mere subscription or subsequent acquisition of the Notes.

3 Terms

3.1 Quotas: Notwithstanding the provisions of Article 2302 of the French Civil Code (*Code civil*), each of the Guarantors hereby guarantees the payment obligations of the Company up to the amount of its quota, which is established for each Guarantor at 50% of all sums that may be due and payable under the Guarantee.

This quota shall be understood to apply both to (a) the payment obligations of the Company under the Notes and (b) the call of the Guarantee which shall be made by dividing each amount due under the Guarantee equally between the Guarantors.

3.2 Benefit of division and benefit of discussion *(bénéfices de division et de discussion*): The Guarantors, given the fact that each of the Guarantors guarantees the payment obligations of the Company up to its quota only, retain the *bénéfice de division*, provided for under Article 2303 of the French Civil Code (*Code civil*). The Guarantors hereby expressly, irrevocably and unconditionally, waive the *benefice de discussion* provided for under

Article 2298 of the French Civil Code (*Code civil*). The *Masse* representing the Noteholders may therefore enforce its rights in relation to this Guarantee, up to the total amount of sums due under the Notes, against the Guarantors (up to their respective quota) without first taking any steps or proceedings against the Company. It will however have to divide any steps or proceedings to enforce its rights under this Guarantee between each of the Guarantors taken individually and up to the amount of their quota described under Article 3.1.

3.3 Recourse and subrogation: The Guarantors expressly, irrevocably and unconditionally waive any right to assert the benefits of Articles 2305, 2309 and 2316 of the French Civil Code (*Code civil*) prior to the full fulfilment of all rights of Noteholders. The Guarantors therefore waive any recourse (including subrogation) that they may have against the Company in connection with the Guarantee until all the Notes have been redeemed.

3.4 Set-off: The Guarantors expressly, irrevocably and unconditionally waive any right to the benefit of any set-off as provided under Article 1294 of the French Civil Code (*Code civil*) vis-à-vis the Noteholders.

3.5 Rank of the Guarantee: The guarantee of payment of all sums which may become due by the Company in connection with the Notes, according to the terms of this Guarantee, constitutes, for the Guarantors, a direct, general, unconditional, unsubordinated and unsecured obligation, and ranks *pari passu* (subject to such exceptions as are from time to time mandatory under applicable laws) with any other unsubordinated and unsecured obligations, present or future, of the Guarantors.

3.6 Negative pledge in respect of the Guarantee: The Guarantors undertake, until all payments due in connection with the Guarantee have been paid, not to grant to holders of other present or future notes (*obligations*) which are issued or guaranteed by any of the Guarantors, any mortgage (*hypothèque*) over their present or future assets or real property interests, nor any pledge (*nantissement*) on all or part of their business (*fonds de commerce*) or any other security (*sûreté réelle, gage ou nantissement*) on all or part of their present or future assets or income without granting the same security and status to the Noteholders. This undertaking is given only in relation to security interests given for the benefit of holders of notes (*obligations*) and does not affect in any way the rights of the Guarantors to dispose of their assets or to grant any security in respect of such assets in any other circumstance.

3.7 Withholding tax: Under current French and Dutch legislation, the payment of any sums which may be due in connection with the Guarantee are not subject to French or Dutch withholding tax.

If any French law or Dutch legislation or regulation should require that any amount due under the Guarantee be subject to deduction or withholding with respect to any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Republic of France or the Kingdom ot the Netherlands, as the case may be, or any political subdivision or authority therein or thereof having power to tax, the Guarantors will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the Noteholders, after such deduction or withholding, receive the full amount provided in the Guarantee to be then due and payable; provided, however, that the Guarantors shall not be liable to pay any such additional amounts in respect of the Guarantee to a holder (or beneficial owner (*ayant droit*)):

(i) who is subject to such taxes, duties, assessments or other governmental charges, in respect of such Guarantee by reason of his having some connection with the Republic of France or the Kingdom of the Netherlands, as the case may be, other than the mere holding of a Note;

(ii) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive.

4 Notices

All notices and demands relating to this Guarantee and in particular in relation to the payment of sums under the Guarantee, will be deemed effective if delivered by the representative of the *Masse* of the Noteholders, at the representative's initiative or upon request of any Noteholder, to:

Société Air France
45 rue de Paris
95747 Roissy CDG Cedex
Telephone: +33 (0)1 41 56 68 32
Fax: +33 (0)1 41 56 68 79
Attention: The Senior Vice President Finance

KLM
Amsterdamseweg 55, 1182
GP Amstelveen
The Netherlands
Telephone: +31 20 64 93 748
Fax: +31 20 64 93 001
Attention: Chief Financial Officer

Any change in the above notification details shall be notified to the representative of the *Masse* of Noteholders as soon as possible.

Any sum due under this Guarantee shall be payable at the latest 15 calendar days following receipt of such a written notice, by wire transfer to the Principal Paying Agent (currently Caceis Corporate Trust) on behalf of the Noteholders.

5 Duration

The Guarantee applies as of the Issue Date of the Notes and shall remain in effect until the Company has been discharged of all payment obligations under the Notes.

6 Governing law and jurisdiction

This Guarantee is governed by French law. Any dispute as to its validity, interpretation or performance, will be submitted to the courts of the competent jurisdiction in Paris.

SOCIÉTÉ AIR FRANCE **KLM**

Air France-KLM certifies that the Guarantee has been granted by Air France and KLM at its initiative.

AIR FRANCE-KLM

DESCRIPTION OF THE GUARANTORS

Description of Société Air France

For the purposes of this section, the term "Air France" means Société Air France, and the term "Air France group" or "group" means the group of companies made up by Société Air France and its subsidiaries.

Since the business combination of Air France and KLM, which took place during the 2004/2005 financial year, Air France, based in Roissy-Charles de Gaulle, is one of the airline companies of the Air France-KLM group, one of the world leaders in air transport.

During the 2008/2009 financial year, Air France carried 50.3 million passengers (a decrease of 2.1% compared to the 2007/2008 financial year). As at 31 March 2009, the Air France group had a fleet of 407 aircraft in operation, 8 of which are dedicated to cargo transport.

During the 2008/2009 financial year, the Air France group had a turnover of €16.1 billion and recorded an operating loss of €259 million.

AUDITORS

Deloitte et Associés 185 , avenue Charles de Gaulle 92524 – Neuilly sur Seine Cedex	KPMG Audit Department of KPMG S.A. 1, Cours Valmy 92923-Paris La Défense
Represented by Dominique Jumaucourt	Represented by Valérie Besson and Michel Piette
Nominated for six financial years by the ordinary general shareholders' meeting held on 19 May 2004	Nominated for six financial years by the ordinary general shareholders' meeting held on 19 May 2004
Date of first mandate: 19 May 2004	Date of first mandate: 19 May 2004

Deloitte & Associés and KPMG Audit are registered as *Commissaires aux Comptes* (members of the *Compagnie Nationale des Commissaires aux Comptes*).

INFORMATION ABOUT AIR FRANCE

(a) History and development of the company

Founded in 1933, Air France assembled the network of airline companies after the nationalisation of French civil aviation in 1945. In 1974, Air France established its base in the new airport of Roissy-Charles de Gaulle, which became its hub in 1996. After merging with UTA in 1992, then with Air Inter in 1997, Air France was floated on the stock exchange in 1999, and then in 2003/2004, coordinated a business combination with KLM, which resulted in the creation of Air France-KLM, the leading European air transport group.

At as the date of the Prospectus, Air France-KLM holds 100% of the share capital and voting rights of Air France.

(b) Investments

The total of tangible and non-tangible investments amounted to €1,456 million in 2008/2009, compared to €1,681 million in 2007/2008, *i.e.* a decrease of 13.4%.

With respect to tangible investments, the Air France group took delivery of 4 Boeing B777-300 (2 for Passenger business and 2 for Cargo business), an Airbus A320 and an Airbus A321. With respect to the regional companies, the Air France group took delivery of 3 Embraer 170, 2 Embraer 190 and 4 AVRO RJ85.

Acquisitions of subsidiaries and of holdings increased to €24 million in 2008/2009, compared to €176 million the year before. The investments for the 2007/2008 financial year mainly include the acquisition of the subsidiary VLM, an airline company based in Anvers (Belgium), for which Air France paid €178 million.

Sales of subsidiaries and holdings amounted to €12 million in 2008/2009, compared to €87 million the year before.

Sales of tangible and intangible capital assets amounted to €41 million in 2008/2009, compared to €91 million in 2007/2008.

Dividends received were stable at €5 million for both financial years.

The decrease in investments of between 3 months and one year amounted to €29 million for the 2008/2009 financial year, against €326 million over the course of the previous year.

In total, cash flows linked to investment transactions amounted to €1,393 million during the 2008/2009 financial year, compared to €1,064 million in the 2007/2008 financial year.

As part of its firm aircraft orders, since 1 April 2009, the Air France group took delivery of two Boeing 777-300ER that were then re-sold to operational lessors and leased, two Boeing 777-200F financed by capital lease, and an Embraer 170 financed by export-credit (*crédit-export*). The Air France group further purchased two A319-100 and an Embraer 145 at the end of their operational and financial lease.

The investment undertakings of the Air France group are mainly firm orders of aircraft. The maturity dates applicable to firm orders of aeronautical equipment are set out below:

As at 31 March *€ million*	**2009**	**2008**
2009/2010	1,060	749
2010/2011	1,172	1,043
2011/2012	919	772
2012/2013	372	608
2013/2014	-	105
More than 5 years	-	-
Total	3,523	3,277

The Air France group has also opened discussions with Boeing and Airbus with respect to the delay for the delivery of some equipment.

The aircraft of which Air France group is taking delivery could be financed upon delivery or at a later date.

(c) Financing

The table below sets out the structure of net debt for the Air France group as at 31 March 2009:

Financial year closed on 31 March 2009 € million	
Financial debt (current and non-current portion)	5,024
Deposits on aircraft under capital lease	(341)
Accrued interest not yet due	(50)
Gross financial debt	**4,633**
Cash and cash equivalents	2,212
VMP > 3 months	32
Short-term bank facilities	(282)
Net cash	**1,962**
Net financial debt	**2,671**

The financial debt of the Air France group can be broken down as follows:

As at 31 March *€ million*	**2009**	**2008**
Subordinated perpetual debt	-	-
OCEANE (convertible bonds)	450	450
Other bonds	750	750
Finance lease debt	1,304	1,383
Other long term debt	1,631	1,181
Financial debt (non-current portion)	**4,135**	**3,764**
Subordinated perpetual debt	-	-
Finance lease debt	134	124
Accrued interest not yet due	50	40
Other	705	278
Financial debt (current portion)	**889**	**442**

Since 1st April 2009, the Air France Group financed several aircraft among which new Boeing 777-200F, Embraer 170/190 and older aircraft, leading to a net increase of the financial debt (non-current portion) of around € 300 million.

Issue of OCEANEs

On 22 April 2005, Air France issued 21,951,219 bonds with a right of conversion and/or exchange for new or existing Air France-KLM shares (OCEANE) with a maturity of 15 years in a total amount of €450 million. These bonds have a nominal value of €20.50 each. As at 31 March 2009, the conversion ratio was 1.03 Air France-KLM share for one bond.

The maturity date of the bonds is 1 April 2020. Bondholders may request early repayment of their securities on 1 April 2012 and 1 April 2016. Air France can impose the repayment in cash for these securities, by exercising a call option as from 1 April 2010, and in certain conditions prompting the OCEANE holders to convert their bonds into Air France-KLM shares. The annual coupon of the bonds is 2.75%, payable on 1 April of each year.

The conversion period of the bonds runs from 1 June 2005 until 23 March 2020.

Other bond issues

On 11 September 2006 and 23 April 2007, Air France issued euro-denominated bonds in a total amount of €750 million with a maturity date of 22 January 2014. The main terms of the bonds are as follows:

Total amount: €750 million

Coupon: 4.75%

Redemption date: 22 January 2014

Finance lease debt

The total minimum future payments in relation to finance lease debt are as follows:

As at 31 March *€ million*	**2009**	**2008**
Aircraft		
Maturity in		
N + 1	128	128
N + 2	116	138
N + 3	117	122
N + 4	120	121
N + 5	172	88
More than 5 years	677	797
Total	**1,330**	**1,394**
Interest portion	*(251)*	*(265)*
Construction		
Maturity in		
N + 1	33	36
N + 2	33	34
N + 3	33	33
N + 4	32	33
N + 5	30	30
More than 5 years	132	156
Total	**293**	**322**
Interest portion	*(76)*	*(80)*
Other materials		
Minimum future payments – Maturity in		
N + 1	27	32
N + 2	14	14
N + 3	14	14
N + 4	14	14
N + 5	14	14
More than 5 years	191	182
Total	**274**	**270**
Interest portion	*(132)*	*(135)*

Lease expenses for the financial year correspond to the minimum lease payments resulting from agreements in place at the close of the financial year and do not include conditional lease payments.
Other loans comprise the following:

As at 31 March *€ millions*	**2009**	**2008**
Securitisations	312	339
ROT and mortgages	1,170	963
Other [1]	854	157
Total	**2,336**	**1,459**

(1) Principally draw-downs on the syndicated credit line up to €500 million and other financing.

The table below sets out the maturity dates of the other loans mentioned above:

Maturity in *€ million*	**2009**	**2008**
N + 1	704	278
N + 2	216	138
N + 3	212	140
N + 4	197	144
N + 5	371	145
More than 5 years	636	614
Total	**2,336**	**1,459**

Securitisation of aeronautic assets

In July 2003, Air France carried out a securitisation of its aeronautic assets for a total of €435 million.

This financing is secured by a portfolio of 16 aircraft worth a total of €525 million. It comprises three tranches of debt:

1. a €98 million senior floating rate A1 tranche with a final maturity expected on 20 July 2013. €48 million of this tranche was outstanding as at 31 March 2009, compared to €59 million as at 31 March 2008;

2. a €194 million fixed rate (4.575% per annum) non-amortised senior A2 tranche with a final maturity expected on 20 July 2013; and

3. a €143 million floating rate mezzanine B tranche with a final maturity expected on 20 July 2013. €70 million of this tranche remained outstanding as at 31 March 2009, compared to €86 million as at 31 March 2008.

Sales with a retention of title (ROT) clause and mortgages are debts secured by aircraft. The mortgage is registered with the *Direction générale de l'aviation civile* (DGAC) so as to notify third parties. The mortgage confers a security interest allowing the beneficiary to seize and sell the mortgaged asset to bidders, and to collect the sale proceeds up to the limit of the debt, with the balance going to the other creditors.

The maturity dates of the long term debt are as follows:

As at 31 March	**2009**		**2008**	
€ millions	**Principal**	**Interest**	**Principal**	**Interest**
Maturity in				
N+1	891	183	441	197
N+2	325	150	255	179
N+3	319	148	245	165
N+4	776	123	245	161
N+5	1,260	129	703	138
More than 5 years	1,453	298	2,317	272
Total (Principal and Interest)	**5,024**	**1,031**	**4,206**	**1,112**
Total (Principal and Interest)	**6,055**		**5,318**	

As at 31 March 2009, the amount of expected financial interest increased to €183 million for the 2009/2010 financial year, €550 million for the 2010/2011 to 2013/2014 financial years, and €297 million beyond that.
The net financial charge borne by the Air France group increases mainly because of the decreased short term rates which serve as a reference point for the remuneration of the accounts.

Currency analysis

After taking into account derivative financial instruments, long term debt is mainly denominated in euro, amounting to €4.9 billion as at 31 March 2009 and €4.1 billion as at 31 March 2008.

Credit lines

Air France has a syndicated credit line in a total amount of €1.2 billion as at 31 March 2009, which it entered into in April 2005 and which matures in April 2012. On 17 October 2008, Air France drew down €500 million on this credit line for six months. The repayment date for this drawing was extended by six months on 17 April 2009.

The liquidity level has remained stable for the Air France group. At the end of the 2008/2009 financial year, the Air France group had €2.2 billion in cash reserves (€2 billion if short-term bank facilities are excluded) to which should be added €32 million of investment securities and a €700 million credit line which is still available and not yet drawn down.

(d) Recent events

Since 31 March 2009, there has been no event particular to Air France which has had a material impact on its solvency.

BUSINESS OUTLINE

The 2008/09 financial year was marked by an economic crisis of significant proportions. The airline industry was directly affected by the negative impacts of the credit crisis in the summer of 2007, combined with escalating oil prices and then the full-scale financial crisis in September 2008 following the failure of U.S. bank Lehman Brothers.

This situation has forced the Air France group, like other major airlines, to swiftly implement adaptation measures:

1. downsizing capacity across all networks;

2. revising investment programmes;

3. accelerating cost savings plans.

Significant events of the year

In the second half of 2008/2009 financial year, the Air France group suffered a substantial decline in both passenger and cargo transport, its two core business activities.

Traffic expressed in passenger-kilometres (PK) increased by 2% in the first half but remained flat over the full year compared with 2007/2008, rising by just 0.2% compared with 1.6% for available seat-kilometres (ASK).

In the Cargo business, the impacts of the economic slowdown were much more severe. Traffic expressed in tonne kilometres (TK) fell during the 2008/2009 financial year by over 11%, despite a 5% decrease in capacity.

The group's other businesses were more robust. Maintenance business posted only a 1% decline in revenue despite an unfavourable dollar effect in the first part of 2008/2009 financial year.

The Catering business reported good growth in revenue whilst the Leisure business continued to expand in line with forecasts.

Overall, the group's earnings were badly affected by the very difficult economic environment, with a €259 million loss on recurring operations.

Business

Passenger business

Activity slowed over the 2008/2009 financial year, with 0.2% growth in passenger kilometres for the Air France group as a whole. The impact of the slowdown varied according to network. The long-haul business posted 0.7% growth whilst medium-haul contracted by 1.6% in passenger-kilometres, driven by a sharp 5.3% decrease in domestic traffic.

The passenger load factor declined by 1.1 percentage point although, at 78.6%, it remained high over the year as a whole.

Overall, the modest growth in traffic was mainly caused by a 6.3% decrease in passenger-kilometres in the final quarter, including a 5.5% drop in long-haul and a steeper decline of 9.4% in medium-haul.

2008/09	**ASK (1)**		**PK (2)**		**Passenger load factor**		***Revenue***
	Millions	**Variation**	**Millions**	**Variation**	**%**	**Variation**	***Scheduled flights***
Long-haul	126,900	+1.9%	104,608	+0.7%	82.4%	-1.0	+ 0.2%
Medium-haul	41,472	+0.5%	27,783	-1.6%	67.0%	-1.4	- 2.8%
Total	**168,372**	**+1.6%**	**132,391**	**+0.2%**	**78.6%**	**-1.1**	**-1.1%**

(1) ASK: Available Seat Kilometres.
(2) PK: Passenger Kilometres.

Revenue passenger kilometres (RPK) fell by 1.3% due to a 1.8% adverse currency effect across the year, but rose by 0.5% excluding the currency effect. Due to the fall in passenger load factor, unit revenue per ASK declined by 2.6% and by 0.8% at constant exchange rates.

	2008/09	2007/08 pro forma	Variation
Total passenger revenue (€ millions)	13,317	13,542	- 1.6%
Scheduled passenger revenue (€ millions)	12,559	12,697	- 1.1%
Unit revenue per ASK (€ cents)	7.46	7.66	- 2.6%
Unit revenue per RPK (€ cents)	9.49	9.61	- 1.2%

Revenue growth varied considerably by geographical area, with growth in the Africa Middle-East and Caribbean Indian Ocean networks, whilst all other networks suffered a decline.

2008/09 revenue Scheduled flights	€ millions	% of total	Variation in comparison with 2007/2008
Europe/North Africa	5,202	41.4%	- 3.1%
Caribbean and Indian Ocean	1,104	8.8%	+ 2.8%
Africa/Middle-East	1,670	13.3%	+ 5.2%
Americas	2,883	23.0%	- 2.0%
Asia	1,700	13.5%	- 3.3%
Total(1)	**12,559**	**100.0%**	**- 1.1%**

(1) Taking into account the impact of applying IFRIC 13.

Cargo business

The Cargo business suffered a substantial decline in activity during 2008/2009 financial year, mainly in the final quarter.

The cargo load factor declined by 4.3% to 58.8% compared with 2007/2008. Traffic in tonne kilometres (TK) fell by 11.6% across the year whilst available tonne kilometres (ATK) fell by 5.0%.

In a particularly difficult environment, unit revenue per ATK fell by 2.4% (and by 1.9% at constant exchange rates). During the financial year, trends in unit revenue varied substantially across the year, largely due to the impact of trends in fuel surcharges. Unit revenue at constant exchange rates rose sharply in the first two quarters (by 13.5% and 16.7% respectively), only to fall by 9.6% in the third quarter and 26.3% in the final quarter.

Overall, in the context of unfavourable exchange rates, total Cargo revenue fell by 7.6% and freight transport revenue by 7.3%.

	2008/09	2007/08	Variation
Total cargo revenue (€ millions)	1,609	1,742	- 7.6%
Freight transport revenue (€ millions)	1,479	1,593	- 7.3%
Unit revenue per ATK (€ cents)	15.31	15.68	- 2.4%
Unit revenue pet TKT (€ cents)	26.05	24.84	+ 4.9%

All networks except for Africa/Middle-East suffered a decline in revenue. Asia was particularly badly hit.

Revenue 2008-09 Freight transport revenue	€ millions	% of total	Variation
Europe/North Africa	41	2.8%	-4.6%
Caribbean and Indian Ocean	162	10.9%	-1.8%
Africa/Middle-East	232	15.7%	+10.5%
Americas	493	33.3%	-7.7%
Asia	551	37.3%	-14.0%
Total	**1,479**	**100.0%**	**- 7.3%**

Maintenance business

Air France is the world's second largest multi-product aircraft maintenance operator. It maintains its own fleet and leverages its expertise through the brand name Air France Industries.

Despite an adverse currency effect, Maintenance business revenue fell during the 2008/2009 financial year by just 1% compared to 2007/2008 financial year, to €662 million, buoyed mainly by growth in business with KLM.

Other

Revenue from other businesses increased by 30% compared to 2007/2008 financial year, to €481 million. This increase results mainly from the expansion of Transavia France’s business, whose development is in line with forecast despite a difficult market.

Air France group fleet

The Air France group had a fleet of 407 operational aircraft as at 31 March 2009, comprised of 256 aircraft in the principal fleet and 151 aircraft in subsidiaries (Brit Air, CityJet, Régional, VLM and Transavia France). The group has placed firm orders for 71 aircraft and options on a further 30.

As part of its capital expenditure downsizing plan, Air France has postponed delivery of fourteen long-haul aircraft and three cargo aircraft by one to two years and three medium-haul aircraft by about one year. It has also decided not to exercise two options.

ORGANIZATIONAL CHART

In addition to the information incorporated herein by reference, Air France does not consider itself to be dependent on other entities within the Air France-KLM group in order to carry out its business.

CORPORATE GOVERNANCE

Air France is a *société anonyme à conseil d’administration* (a public limited company with a board of directors). At the date of this Prospectus, the board of directors had 18 members:

- 6 executive directors including a representative of Air France-KLM;
- 5 independent directors;
- 1 director representing the French State;
- 6 directors representing the employees, including: one elected by flight deck crew; one elected by cabin crew; four elected by other employees including one management representative.

All of the directors, with the exception of the six employee representatives, were elected by ordinary resolution of the shareholders. Directors are elected for a term of six years. All of the directors have French nationality.

The table below shows the composition of the Board of Directors of Air France as at the date of this Prospectus:

Name	**Position in the company**	**Date of birth**	**Date of election/ re-election**	**Date of expiry of term***
Directors elected by the shareholders				
Jean-Cyril Spinetta	Chairman of the Board	1943	2004	2010
AF–KLM represented by Pierre-Henri Gourgeon	Chief Executive Officer	1946	2004	2010
Jean-Pierre Aubert	-	1942	2004	2010
Philippe Calavia	Chief Operating Officer and Chief Financial Officer	1948	2004	2010
Jean-Louis Chambon	-	1944	2004	2010
Dominique-Jean Chertier	-	1950	2004	2010
Jean-François Colin	Executive Vice President, Human Resources and Social Affairs	1948	2004	2010
Rose-Marie van Lerberghe	-	1947	2004	2010
Bruno Matheu	Executive Vice President, Network, Revenue Management and Marketing	1963	2009	2010
Jean Peyrot	Director representing the French State	1942	2005	2011
Gilbert Rovetto	Executive Vice President, Operations and Quality	1947	2009	2010
Pierre Weill	-	1936	2004	2010
Directors representing the employees				
Philippe Cadorel	Chief purser	1955	2004	2010
Michel Fauré	Traffic technician	1956	2004	2010
Daniel Mackay	First-line supervisor, logistics administration, Maintenance Division	1952	2004	2010
Pascal Mathieu	"Seniors" project	1958	2004	2010

Name	Position in the company	Date of birth	Date of election/ re-election	Date of expiry of term*
	manager			
Bernard Pédamon	B777 captain	1961	2004	2010
Pascal Zadikian	First-line supervisor, Cargo Division	1967	2004	2010

** When the shareholders' general meeting approves the financial statements closing 31 March.*

The members of the Board of Directors of Air France are domiciled, for the purposes of this Prospectus, at the registered office of Air France – 45 rue de Paris, 95747 Roissy CDG Cedex, France.

The main activities carried out by members of the board of directors outside Air France and which are significant in comparison to those carried out in Air France are as follows:

- Mr Spinetta is also the Chairman of the board of directors of Air France-KLM. Furthermore, he is Chairman of the supervisory board of AREVA (since 30 April 2009) and director of Saint-Gobain, Alcatel-Lucent, GDF-Suez and Alitalia-CAI since January 2009. He is a member of the Board of Governors of IATA (International Association of Air Transport) and a member of the Planning Committee of Paris Europlace.
- Mr Pierre-Henri Gourgeon is the permanent representative of Air France-KLM. He is the Chief Executive Officer of Air France and of Air France-KLM. He is a member of the supervisory board of Steria and Vice President of the management board of Amadeus IT Group (Spain).
- Mr Philippe Calavia is also Financial Director of Air France-KLM. Since 2001, he has been Chairman of Air France Finance, director of Air France Finance Ireland and Air Bleu and a member of the supervisory board of Horizon Epargne Mixte.
- Mr Jean-Francois Colin is also a director of Servair since June 2008.
- Mr Bruno Matheu is also an Executive Vice President of Air France-KLM, in charge of Networking, Marketing and Revenue Management and a director of CityJet and Brit Air.
- Mr Gilbert Rovetto is also Executive Vice President of Operations and Quality for Air France and since 2000, he is also a member of the Executive Committee of Air France.

There is no family relationship amongst the members of the board of directors.

To the company's knowledge:

- no member of the board of directors has been convicted of fraud in the last five years;
- no member of the board of directors has been involved in any bankruptcy, receivership or liquidation in the last five years;
- no member of the board of directors has had any public sanction or incrimination made against him by a statutory or regulatory authority in the last five years;
- no member of the board of directors has been disqualified from acting as a member in any supervisory or administrative board or any board of directors of any issuer, or from taking part in the management of any issuer in the last five years.

CONFLICTS OF INTEREST OF THE BOARD OF DIRECTORS, MANAGEMENT BOARD AND SUPERVISORY BOARD

To the company's knowledge, there are no conflicts of interest between the duties of the members of the board of directors in relation to the company and their private interests, or any other duties.

ORGANISATION OF THE BOARD OF DIRECTORS AND MANAGEMENT

To help in the preparation of its work, the Board of Directors created two specialised committees: an audit committee and a strategy committee. The strategy committee was then cancelled by a decision of

26 March 2009 as the group's strategy is now presented directly within the Board of Directors, in particular during an annual meeting specifically to address to strategy.

The audit committee has seven members including three independent directors (Mrs van Lerberghe, Mr Aubert and Mr Chertier), three employee representative directors (Mr Pédamon as permanent member representing flight deck crew and two directors representing the employees on an annual IATA year rotating basis) and a representative of the French State (Mr Peyrot).

The committee met twice during the 2008/2009 financial year. The meetings addressed the following issues:

- 15 May 2008: separate and consolidated financial statements for the year ended 31 March 2008, presentation of the 2008/2009 audit plan;
- 13 November 2008: half-yearly interim financial statements as at 30 September 2008, review of the statutory auditors' summary report and the internal audit department's activity report for the first half of 2008/2009, operational risk map at end 2008 as well as rebilling of maintenance costs.

Corporate governance

The board of directors refers to the prevailing corporate governance practices in France as set out in the AFEP-MEDEF corporate governance code published in 2008. However, given the applicable legislation (provisions of the French Civil Aviation Code) and the ownership of its share capital (100%-owned by Air France-KLM), Air France has adapted some of these recommendations to its own specific needs. In particular, the Air France board of directors, although it includes 5 independent directors, does not comply with the minimum threshold of third parties for the board as recommended by the above-mentioned code. Similarly, Air France directors are elected for a term of six years, while the code recommends a maximum term of four years.

PRINCIPAL SHAREHOLDERS

Air France-KLM holds 100% of the share capital and the voting rights of Air France. To Air France’s knowledge, no agreement exists which could trigger a change of control.

SELECTED FINANCIAL INFORMATION REGARDING THE SHARE CAPITAL, FINANCIAL SITUATION AND RESULTS OF AIR FRANCE

Applying IFRIC 13 interpretation

The Air France group decided to apply, as from 1 April 2008, the new rule in relation to the treatment of customer loyalty programs (IFRIC 13).

Published in June 2007 by the IASB, this rule is applicable for financial years beginning on 1st January 2009 onwards, with the possibility of early application for those who wished to do so. For the group, which decided to apply this treatment from 1 April 2008, the main innovation was in relation to the method for valuing the “miles” given to reward frequent flyers, which is translated using differentiated income method, replacing a valuation according to the marginal costs method.

Pursuant to the provisions of the new rule, the rule was applied retroactively and the effect of the previous net taxes was registered in the equity of the Air France group as at 1 April 2007.

The impact of the retroactive application of IFRIC 13 on the financial statements as at 31 March 2008 are set out in the table below:

Year ended 31 March 2008 *€ million*	**Published**	**IFRIC 13 implementation**	**Restated**
Results			
Revenues	16,358	(35)	16,323
Taxes	(206)	12	(194)
Balance sheet			
Equity – Group share as at 31 March 2008	**5,805**	**(427)**	**5,378**
Minority holdings	23	-	23
Equity as at 31 March 2008	**5,828**	**(427)**	**5,401**
Differed income tax liabilities	903	(224)	679
Advance ticket sales	1,564	651	2,215

Selected financial information

The selected financial information reproduced below is extracted from the consolidated financial statements of Air France for the financial year ended 31 March 2009 and as reviewed by the auditors who issued their report without any reservations; without changing their opinion on the consolidated financial statements, the auditors, in their report, drew attention to the change in the accounting method used as a result of the first application of interpretation IFRIC 13 as from 1 April 2008, in respect of the treatment of loyalty programmes.

Extracts from the consolidated income statements

€ million except earnings per share in euros	**Year ended 31 March**	
	2009	**2008[1]**
Revenue	16,069	16,323
Income from current operations	(259)	638
Income from operating activities	(324)	666
Net cost of financial debt	(40)	(30)
Income before tax	(998)	606
Net income of consolidated companies	(621)	412
Income from continuing operations	(620)	414
Net income	(620)	414
Group	(622)	414
Minority interests	2	-
Net loss/profit available for holders of ordinary shares and diluted earnings per share (in €)	(4,91)	3,27

(1) Restated for the impact of the application of IFRIC 13.

Extracts from the consolidated balance sheet

€ million	Year end 31 March	
	2009	2008[1]
Non current assets	12,156	12,072
Current assets	4,848	6,470
Total assets	17,004	18,542
Equity attributable to equity holders of Air France	2,742	5,378
Equity	2,779	5,401
Non current liabilities	6,630	6,122
Current liabilities	7,595	7,019
Total liabilities	14,225	13,141
Total liabilities and equity	17,004	18,542

(1) Restated for the impact of the application of IFRIC 13.

Extracts from the consolidated statement of cash flow

€ millions	Year end 31 March	
	2009	2008[1]
Net cash flow from operating	**395**	**1,592**
Net cash flow used in investing activities	*(1,393)*	*(1,064)*
Net cash flow from financing activities	*668*	*(357)*
Effects of exchange rate on cash, cash equivalents and bank overdrafts	**-**	**(2)**
Change in net cash flow	**(330)**	**169**
Cash, cash equivalents and bank overdrafts at beginning of period	2,260	2,091
Cash, cash equivalents and bank overdrafts at close of period	1,930	2,260

(1) Restated for the impact of the application of IFRIC 13.

The consolidated financial statements of Air France for the financial years ended 31 March 2009 and 2008 as well as the related statutory auditors' reports are available from Air France's registered office or from the Bobigny *Greffe du Tribunal de Commerce*.

LITIGATION AND ARBITRATION PROCEEDINGS

In addition to the litigation and arbitration proceedings in which Air France is involved and incorporated by reference herein, the following information in respect of litigation and arbitration proceedings in which Air France is involved is provided:

- The decision of the European Commission regarding cartel charges in the air freight sector is expected at the end of October 2009. The sum set aside in the accounts of 31 March 2009 (as mentioned in the DR 2008-2009, on page 174 under Note 29.2, as incorporated by reference herein) to cover the risk of a finding against the two companies in the group remains the best estimation of the risk incurred at that date.

- With respect to the civil actions relating to air passenger business mentioned in the DR 2008-2009, on page 175 under Note 29.2(d) as incorporated by reference herein, a third class action trial was begun in the USA on 30 September 2009 against the air transport companies, among which named are Air France and KLM, on the basis of the same allegations but on the transpacific routes.

Air France is not involved in any other material litigation or arbitration proceedings.

SHARE CAPITAL

The share capital of the company is €1,901,231,625, divided into 126,748,775 fully paid shares, with a nominal value of €15 each.

COMPANY INCORPORATION AND BYLAWS

Air France is a French *société anonyme* incorporated on 16 October 1998. The company's corporate name has been Société Air France since 15 September 2004. The commercial name of the company is Air France.

The Company's main purpose is to operate the service of air transport as well as take holdings in all companies of any kind.

The Company is governed by the French Civil Aviation Code (*Code de l'aviation civile*), and to the extent there are no discrepancies with the French Civil Aviation Code, by French legislation governing *sociétés anonymes,* and all applicable provisions of Law no. 83-675 dated 26 July 1983 in relation to the democratisation of the public sector.

Its registered office is at 45, rue de Paris – 95747 Roissy CDG Cedex, and the telephone number is +33 1 41 56 78 00. The registration number of the Company (*RCS*) is: 420 495 178 RCS Bobigny.

DOCUMENTS AVAILABLE TO THE PUBLIC

The bylaws of the company, the annual and consolidated financial statements for the 2008-2009 and 2007-2008 financial years and the related auditors' reports, in hard copy, are available for review at the registered office of Air France.

Description of KLM

Since the business combination of Air France and KLM which took place during the 2004/2005 financial year, KLM, based in Amsterdam Schiphol in the Netherlands, is one of the airline companies of the Air France-KLM group, one of the world leaders in air transport.

During the 2008/2009 financial year, KLM carried 23.5 million passengers (an increase of 0.6% in comparison to the 2007/2008 financial year). As at 31 March 2009, the KLM group had a fleet of 214 aircraft in operation, 15 of which are dedicated to cargo business.

During the 2008/2009 financial year, the KLM group had a turnover of €8.2 billion and recorded an income from current operations of €159 million.

AUDITORS

Deloitte Accountants BV
Admiraliteiskade 50
3063 ED Rotterdam
Represented by D.A. Sonneveldt RA

KPMG Accountants N.V.
Burgmeester Rijnderslaan 10
1185 MC Amstelveen
Represented by T. van der Heijden RA

Deloitte Accountants BV and KPMG Accountants N.V. are members of the *Koninklijk Nederlands Instituut van Registeraccountants*.

INFORMATION ABOUT KLM

(a) History and development of the company

Founded in 1919, KLM, the royal Dutch airline, started providing international flights in 1924 linking Amsterdam to Indonesia, then a Dutch colony. In 1967, KLM based itself in the new airport Amsterdam Schiphol. In 1989, KLM acquired 20% of the share capital of the American airline company Northwest Airlines and, in 1998 bought all the ordinary shares held by the Dutch State in its share capital. Finally, in 2003/2004, KLM coordinated a business combination with Air France, which resulted in the creation of Air France-KLM, the leading European air transport group.

As at the date of the Prospectus, Air France-KLM held 93.4% of the economic rights in KLM and 49% of the voting rights. Air France-KLM is entitled to 99.1 % of any dividend paid on common shares by KLM.

(b) Investments

During the 2008/2009 financial year, cash flows from investment activities increased to €493 million, of which €269 million were linked to the renewal and modification of the fleet. The KLM group also took delivery of 7 Boeing 737-700/800 (one of which is owned outright and the remaining six are leased) and 3 Embraer 190 (all owned outright).

Investments in the fleet related assets amounted to €223 million in 2008/2009, of which €133 million were for maintenance. Other investments amounted to €98 million, of which €39 million were spent on computer equipment. Aircraft sales totalled €97 million, which covers both sales of aircraft and capital lease transactions.

The investment undertakings of the KLM group are mainly firm orders of aircraft. These amount to €976 million as at 31 March 2009, including €382 million for the 2009/2010 financial year.

The aircraft of which the KLM group is taking delivery could be financed upon delivery or at a later date.

(c) Financing

Financial liabilities

The tables below set out the financial debt, excluding financial leases, of KLM as at 31 March 2009 and 31 March 2008 :

€ million	**2008/2009**	**2007/2008**
Carrying amount as at 1 April	1,208	1,136
Loans received	215	189
Loans repaid	(26)	(109)
Foreign currency translation differences	49	7
Change in scope of consolidation	90	-
Other variations	3	(15)
Net variation	**331**	**72**
Carrying amount as at 31 March	**1,539**	**1,208**

Financial liabilities include:

€ million	**31 March 2009**		**31 March 2008**	
	Current	**Non-current**	**Current**	**Non-current**
A cumulative preference shares	-	18	-	18
C cumulative preference shares	-	14	-	14
Subordinated perpetual loans	-	506	-	456
Other loans (secured/unsecured)	48	953	23	697
Total	**48**	**1,491**	**23**	**1,185**

The subordinated perpetual loans are subordinated to all other existing and future KLM debts. The subordinations are equal in rank. Under certain circumstances, KLM has the right to redeem the subordinated perpetual loans, with or without payment of a premium.

Subordinated perpetual loans denominated in Swiss francs, which amounted to €278 million as at 31 March 2009 (€266 million for the financial year 2007/2008), are listed on the Swiss stock exchange SWX in Zurich. The maturity of the financial liabilities is as follows:

As at 31 March *€ million*	**2009**	**2008**
Less than a year	48	23
Between 1 and 2 years	76	38

As at 31 March *€ million*	2009	2008
Between 2 and 3 years	56	53
Between 3 and 4 years	196	39
Between 4 and 5 years	102	99
More than 5 years	1,061	956
Total as at 31 March	**1,539**	**1,208**

Currency analysis

The carrying amounts of the financial liabilities denominated in a currency other than the euro are set out below:

As at 31 March *€ million*	2009	2008
US dollar	62	-
Swiss franc	277	267
Japanese yen	229	191
Total	**568**	**458**

Credit lines

Since 29 July 2005, KLM has a five-year committed stand-by credit facility of €540 million from a consortium of international banks which matures in July 2010. No amounts had been drawn under this facility as at 31 March 2009 and 2008.

On 28 July 2009, KLM has renewed this stand-by facility. The new credit facility, starting in July 2010, amounts to €530 million and will expire two years later, in July 2012, extendable to July 2013 (at bankers' discretion).

Finance leases

The table below sets out the finance lease obligations of the KLM group:

€ million	31 March 2009			31 March 2008		
	Future minimum lease payments	Future finance charges	Total financial lease liabilities	Future minimum lease payments	Future finance charges	Total financial lease liabilities
Lease obligations						
Within 1 year	481	100	381	506	102	404
Total current	**481**	**100**	**381**	**506**	**102**	**404**

Between 1 and 2 years	472	81	391	434	83	351
Between 2 and 3 years	480	60	420	417	64	353
Between 3 and 4 years	247	50	197	424	44	380
Between 4 and 5 years	253	41	212	214	38	176
More than 5 years	967	91	876	911	83	828
Total non-current	**2,419**	**323**	**2,096**	**2,400**	**312**	**2,088**
Total	**2,900**	**423**	**2,477**	**2,906**	**414**	**2,492**

The total future minimum lease payments under operating leases are as follows:

	Aircraft		**Construction**		**Other equipment**		**Total**	
	31 March 2009	**31 March 2008**	**31 March 2009**	**31 March 2008**	**31 March 2009**	**31 March 2008**	**31 March 2009**	**31 March 2008**
Operating lease obligations								
Within 1 year	286	219	31	28	15	17	332	264
Total current	**286**	**219**	**31**	**28**	**15**	**17**	**332**	**264**
Between 1 and 2 years	276	208	29	25	14	16	319	249
Between 2 and 3 years	253	184	25	23	12	14	290	221
Between 3 and 4 years	249	156	23	22	10	12	282	190
Between 4 and 5 years	225	135	20	21	8	11	253	167
More than 5 years	969	222	192	204	14	14	1,175	440
Total non-current	**1,972**	**905**	**289**	**295**	**58**	**67**	**2,319**	**1,267**
Total	**2,258**	**1,124**	**320**	**323**	**73**	**84**	**2,651**	**1,531**

(d) Recent events

Since 31 March 2009, there have been no events particular to KLM which have had a material impact on its solvency.

BUSINESS OUTLINE

The financial year 2008/09 was characterised by mixed figures between the first two quarters and the rest of the year. In the first half-year, performance was still satisfactory, with results clearly positive, despite the significant increase in fuel prices. In the second half-year, however, economic circumstances deteriorated quickly leading to a serious drop in Cargo traffic and declining yields in the Passenger business. KLM benefited from the sharp decrease in fuel prices from October 2008 and significant savings were realised through immediate cost measures, but this could not offset the shortfall in revenues.

As of January 2009, the Martinair results were fully consolidated in the KLM figures, following the acquisition of 50% of the remaining shares from Maersk. Therefore the year 2008/09 included three months of Martinair, where this was not the case in 2007/08.

Material events of the financial year

KLM's Passenger business performance remained relatively strong for most of financial year. Given the circumstances, the load factor was satisfactory up until the end of financial year, but there was a steep decline in average yield per passenger-kilometre. Load factor fell significantly in Business Class, by 2.4%, due to businesses worldwide cutting travel budgets. Demand for Economy Class tickets remained reasonably stable, but travellers are increasingly looking for the lowest prices. The result is that revenue per passenger-kilometre fell by one point, which is unprecedented in the aeronautic industry.

Due to the abrupt and significant reduction in world trade and export, freight transport by air – as well as by land and sea – fell dramatically from the third quarter onwards. The first signs of this downturn showed in the first and second quarter. Revenue per available freight kilometer went into a global freefall, ending the financial year 30% lower. This marked drop was consistent with the developments affecting other air freight carriers.

KLM's financial position has been affected by the economic crisis, but nevertheless can be described as healthy. This is in large part due to the cautious financial strategy KLM has been following. Diminishing results, combined with substantial investment in areas such as fleet renewal and further improvements to the IT infrastructure, have meant that only a moderate free cash flow (net cash flow from operating activities minus net cash flows linked to investing activities) close to zero was generated during the 2008/2009 financial year. The cash position as at 31 March 2009 was close to €1.9 billion (cash and cash equivalents for €1.1 billion and invested in securities and deposits of more than 3 months for €0.8 billion), and was even higher than the previous year (+ €0.2 billion).

By the end of financial year 2008/2009, passenger capacity was gradually reduced by 10% compared with the forecasts and by 4% compared to last year. KLM also intervened to bring freight capacity in line with the rapidly diminishing demand.

Business

Passenger business

Revenues from Passenger business fell by 1.1% during the financial year 2008/2009 as a result of the economic crisis. Given the circumstances, load factors remained at a reasonable level, but yield came under severe pressure due to the sharp fall of Business Class travel.

Traffic per passenger-kilometre (RPK) grew by 2.1% to 77 billion passenger-kilometres. With capacity growing by 3.8%, the load factor consequently dropped by 1.3% pts to 81.6% for the total network.

Year 2008-2009	**ASK (1)**		**RPK (2)**		**Load factor**		***Turnover***
	In millions	**Variation**	**In millions**	**Variation**	**In %**	**Variation**	***Scheduled passenger business***
Long haul	77,024	4.3%	63,985	2.5%	83.1%	- 1.5	- 0.2%
Medium haul	16,968	1.7%	12,682	0.5%	74.7%	- 0.9	- 3.7%
Total	**93,992**	**+ 3.8%**	**76,667**	**+ 2.1%**	**81.6%**	- 1.3	- 1.4%

(1) ASK: Available Seat Kilometre.

(2) RPK: Revenue per Passenger Kilometre.

Traffic revenue per passenger kilometre (yield) deteriorated by 3.4%. As the number of seats filled decreased, the revenue per unit of available seat kilometres decreased by 5%.

	2008-2009	**2007-2008**	**Variation**
Total passenger business revenue (€ million)	5,602	5,667	- 1.2%
Total scheduled passenger business revenue (€ million)	5,379	5,453	- 1.4%
Unit revenue per ASK (€ cts)	5.72	6.02	- 5.0%
Unit revenue per RPK (€ cts)	7.01	7.26	- 3.4%

The growth in revenue was not uniform, with a slight increase on the America and Africa-Middle East routes while the other routes were in decline.

Revenue 2008-2009 **Scheduled passenger business**	**in millions of euro**	**as % of total**	**Variation**
Europe / North Africa	1,781	33.1%	- 3.7%
Caribbean and Indian Ocean	178	3.3%	- 1.7%
Africa-Middle East	948	17.6%	+ 0.9%
America	1,308	24.3%	+ 2.2%
Asia	1,164	21.7%	- 3.3%
Total	**5,379**	**100.0%**	- 1.4%

Cargo Business

KLM Cargo capacity (excluding Martinair) grew by 0.9% in 2008/2009 to 6.7 billion tonnes kilometre-freight. With traffic declining by 7.5%, load factor deteriorated by 6.2% pts to 67.9%.

Cargo Business is under severe pressure. KLM Cargo made a profit during the first half of the financial year, but the sharp global decline in demand for air freight took its toll from the third quarter onwards. The drop in market demand is directly related to the steep decline in production in many different industries throughout the world, such as the high-tech industry and automobile production.

	2008-2009	2007-2008	Variation
Total cargo business revenue (€ millions)	1,259	1,194	5.4%
Revenues from the transportation of cargo (€ millions)	1,196	1,144	4.5%
Unit revenue per ATK (€ cts)	15.72	17.14	- 8.3%
Unit revenue per TKT (€ cts)	23.15	23.12	+ 0.1%

The change in revenue is not the same on all routes: there was an increase on the America and Africa-Middle East routes while the other routes were in decline.

Revenue 2008-2009	**By route**		
Cargo transport	in millions of euro	as % of the total	variation
Europe / North Africa	21	1.8%	- 8.7%
Caribbean and Indian Ocean	23	1.9%	- 8.0%
Africa-Middle East	195	16.3%	+ 13.4%
America	375	31.3%	+ 19.0%
Asia	582	48.7%	- 4.5%
Total	**1,196**	**100.0%**	+ 4.5%

Engineering and maintenance business

Despite the economic crisis, Engineering & Maintenance (E&M) achieved all of its targets. This was the result of the initiatives taken to improve efficiency, a tougher policy on debtors, strict controls on expenditures and a reduction in non-performance costs. Operational performance improved significantly in relation to the previous financial year.

In 2008/2009, the engineering and maintenance business revenue rose slightly, reaching €485 million (+4.5% compared to 2007/2008).

Others

Transavia.com

As a fully-owned subsidiary, Transavia.com operates within the KLM group in the low-cost, low-fare market for European scheduled and charter services. Despite the difficult market circumstances, Transavia.com succeeded in recording profits. Turnover from transavia.com amounted to €697.6 million, up to 11.6% compared to the previous financial year. This improvement was due to the growth in both scheduled and charter flights.

Martinair

Martinair was added to the KLM group on 31 December 2008, after KLM received approval from the European competition authorities to increase its holding from 50% to 100%. With more than 2,000 employees, Martinair has grown over the past 50 years to be an intercontinental airline company, specialising in freight and passenger traffic on the leisure markets. The figures for Martinair are included within the KLM group's figures with effect from 1 January 2009. Until this date, it was accounted for under the equity method.

The KLM group fleet

As at 31 March 2009, the KLM group fleet totalled 214 aircraft in operation, 115 of which are in the main fleet and 99 in the subsidiaries (KLM Cityhopper, Transavia Netherlands and Martinair). There were firm orders for 31 aircraft and options for 28.

ORGANIZATIONAL CHART

In addition to the information incorporated herein by reference, KLM does not consider itself to be dependent on other entities within the Air France-KLM group in order to carry out its business.

CORPORATE GOVERNANCE

KLM is a Dutch *naamloze vennootschap* with a management board *(Raad van Bestuur)* and a supervisory board (*Raad van Commissarissen*). As at the date of this Prospectus, the supervisory board was made up of nine members and the management board was made up of three members.

The members of the supervisory board are appointed by the general shareholders' meeting for four years. The members of the management board are also appointed by the general shareholders' meeting but upon nomination by the supervisory board.

The table below sets out the composition of the supervisory board and the management board of KLM as at the date of this Prospectus:

Name	Position in the company	Date of birth	Date of appointment/ re-appointment	Date of expiry of term
Members of the supervisory board				
Kees J. Storm	Chairman	1942	2002 2006	2010
J.F. Henri Martre	Vice-President	1928	2004 2008	2012
Irene P. Asscher-Vonk	-	1944	2004 2008	2012
Jean-Didier Blanchet	-	1939	2004 2008	2012
Henri Guillaume	-	1943	2004 2008	2012
Wim Kok	-	1938	2003 2007	2011
Remmert Laan	-	1942	2004 2008	2012
Jean Peyrelevade	-	1939	2007 2007	2011
Hans N.J. Smits	-	1950	2004 2008	2012

Name	Position in the company	Date of birth	Date of appointment/ re-appointment	Date of expiry of term
Members of the management board				
Peter F. Hartman	Chairman and Chief Executive Officer	1949	1997	2012
Frédéric Gagey	Finance Director	1956	2005	2013
Jan Ernst C. De Groot	Operations Director	1963	2007	2011

The members of the supervisory board and the management board of KLM are domiciled, for the purposes of this Prospectus, at the registered office of KLM – Amsterdamseweg 55, 1182 GP Amstelveen, the Netherlands.

The main activities carried out by the members of the supervisory board and the management board outside KLM and which are significant in comparison to those carried out within KLM are the following:

- Mr Kees Storm is also a member of the supervisory Board of AEGON N.V. and Pon Holdings B.V., and President of the board of directors of Baxter International Inc. He is also a director of Anheuser-Busch InBev S.A., Unilever NV and Unilever Plc., and is currently a member of Curatorium VNO-NCW.
- Mr Henri Martre is also a director of Sogepa and France Telecom, a member of the *Bureau et Conseil* of GIFAS, a member of the advisory board of Banque de France, as well as a member of the high council of the Aviation Marchande.
- Mrs Irene Asscher-Vonk is a professor of labour and social security law at Radboud University Nijmegen. She is also a member of the economic and social board of Arriva Personenvervoer Nederland B.V., as well as a director of Philip Morris Holland, and PGGM.
- Mr Jean-Didier Blanchet is also a director of SNCF Participations and President of the *Cercle des Transports*.
- Mr Henri Guillaume is Inspector General of Finances by special delegation of the French fiscal authority.
- Mr Wim Kok is also a non-executive director of Royal Dutch Shell Plc.
- Mr Remmert Laan is also vice-president of Leonardo & Co. and Director at the Board of Directors of KKR PEI.
- M. Jean Peyrelevade is also vice-president of Leonardo & Co., a director of Bouygues, DNCA Finance and the Société Monagasque de l'Electricité et du gaz, as well as a member of the supervisory board of CMA-CGM.
- Mr Hans Smits is also President of the management board of Havenbedrijf Rotterdam N.V.

There is no family relationship amongst the members of the supervisory board and the management board.

To the Company's knowledge:

- no member of the supervisory board or the management board has been convicted of fraud in the last five years;
- no member of the supervisory board or the management board has been involved in any bankruptcy, receivership or liquidation in the last five years;
- no member of the supervisory board or the management board has had any public sanction or incrimination made against him by a statutory or regulatory authority in the last five years;
- no member of the supervisory board or the management board has been disqualified from acting as a member in any supervisory or administrative board or any board of directors of any issuer, or from taking part in the management of any issuer in the last five years.

CONFLICTS OF INTEREST OF THE BOARD OF DIRECTORS, MANAGEMENT BOARD AND SUPERVISORY BOARD

To the Company's knowledge, there are no conflicts of interest between the duties of the members of the supervisory board and the management board in relation to the company and their private interests or other duties.

ORGANISATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

To help in the preparation of its work, the supervisory board has created three specialized committees: an audit committee, a remunerations committee and a nominations committee.

The audit committee is made up of three members:

- Hans Smits (Chairman);
- Henri Guillaume; and
- Kees Storm.

The audit committee met twice during the 2008/2009 financial year. Apart from the financial results, certain recurrent subjects were discussed such as risk management and internal controls, as well as the report of the internal auditor on the business for the financial year. The audit committee also examined the performance of the pension funds of KLM in the Netherlands, KLM's and Air France's common coverage plan, as well as the impact on the company of the large drop in the price of fuel.

The Chairman and Chief Executive Officer, the Finance Director, the auditors as well as the internal auditor and the corporate controller also attended the meetings of the audit committee. As in previous years, the audit committee met with the auditors without the members of the management board, in order to discuss the company business during the financial year.

Corporate governance

KLM's corporate governance is, as far as possible, aligned with the generally accepted principles of good governance, as provided under the Dutch Code of corporate governance.

Although KLM, as a non-listed company, is not formally subject to the Dutch Code of corporate governance, it has committed itself to respecting the rules of the Code as far as possible. KLM does not conform to the recommendations in a limited number of areas:

- regulations and documents are not published on Internet. As the greater majority of KLM shares are held by a small group of identifiable shareholders, it was decided that, in order to keep costs down, copies of regulations and documents will be supplied upon written request;

- contrary to disposition II.1.6 of the Code, KLM has set up a tip-off policy limited to matters of finance. It was decided that the Chairman of the audit committee would be the special representative in case of suspected fraud concerning the management board.

PRINCIPAL SHAREHOLDERS

Air France-KLM holds 93.4% of the economic rights and 49% of the voting rights of KLM. Air France-KLM is entitled to 99.1 % of any dividend paid on common shares by KLM.

The shareholding structure of KLM, as well as the Dutch State's option to bring its participation to 50.1% of KLM's share capital and voting rights in certain circumstances, is incorporated by reference herein – see "Incorporation by reference".

SELECTED FINANCIAL INFORMATION IN RELATION TO THE CAPITAL, FINANCIAL SITUATION AND RESULTS OF KLM

Adoption of IFRIC 13

The KLM group decided to apply the new rule in relation to the treatment of customers loyalty programs (IFRIC 13) from 1 April 2008.

Published in June 2007 by the IASB, this rule applies to financial years beginning on or after 1 January 2009, with the possibility of early adoption for those who wish to do so. For the group, which decided to apply this treatment as from 1 April 2008, the main innovation was in relation to the method for valuating the "miles" given to reward frequent flyers, which is translated using differentiated income method, replacing a valuation according to the margin costs method.

The impact on of the retrospective application of IFRIC 13 on the financial statements as at 31 March 2008 is set out in the following table:

Year end 31 March 2008 *€ million*	**Published**	**IFRIC 13 implementation**	**Restated**
Balance sheet			
Equity attributable to Company's equity holders 31 March 2008	**3,877**	**(216)**	**3,661**
Minority interests	1	-	1
Total equity as at 31 March 2008	**3,878**	**(216)**	**3,662**
Defered income tax liabilities	731	(73)	658
Flying Blue frequent flyer programme	43	267	310
Advance ticket sales	665	22	687

Selected financial information

The table below contains selected information from the consolidated accounts of KLM for the year ended 31 March 2009, which were reviewed by the auditors and do not contain observations or reservations.

Consolidated accounts results

	Year end 31 March	
(€ million, except for the results per share in €)	**2009**	**2008**[1]
Revenue	8,182	8,028
Income from current operations	159	751
Income from operating activities	148	553
Net cost of financial debt	(70)	(69)
Pre-tax income	(208)	478

(€ million, except for the results per share in €)	**Year end 31 March**	
	2009	**2008**[1]
Net result after taxation of consolidated companies	(146)	324
Loss/Profit for the year	(193)	291
Equity holders of the group	(194)	291
Minority interests	1	-
Net loss/profit available for holders of ordinary shares and diluted earnings per share (in €)	(4.14)	6.22

(1) Since the impact of the application of IFRIC 13 on 2007-08 figures is assessed as non-significant by KLM, no adjustments are made to the comparative figures as at 31 March 2008.

Consolidated balance sheet

(€ million)	**Year end 31 March**	
	2009	**2008**[1]
Non-current assets	8,026	8,237
Current assets	2,991	3,268
Total assets	11,017	11,505
Total attributable to company's equity holders	2,098	3,877
Total equity	2,099	3,878
Non-current liabilities	5,291	4,733
Current liabilities	3,627	2,894
Total liabilities	8,918	7,627
Total equity and liabilities	11,017	11,505

(1) Since the impact of the application of IFRIC 13 on 2007-08 figures is assessed as non-significant by KLM, no adjustments are made to the comparative figures as at 31 March 2008.

Consolidated cash flows

(€ million)	**Year end 31 March**	
	2009	**2008**[1]
Net cash flow from operating activities	503	999
Net cash used in investing activities	*(768)*	*(438)*
Net cash flow from financing activities	*42*	*(491)*
Effect of exchange rates on cash and cash equivalents	8	(2)
Change in cash and cash equivalents	(215)	68
Cash and cash equivalents at the beginning of the year	1,332	1,264

(€ million)	Year end 31 March	
	2009	**2008[1]**
Cash and cash equivalents at the end of the year	1,117	1,332

(1) Since the impact of the application of IFRIC 13 on 2007-08 figures is assessed as non-significant by KLM, no adjustments are made to the comparative figures as at 31 March 2008.

The consolidated financial statements of KLM for the financial years ended 31 March 2009 and 31 March 2008 as well as the related statutory auditors' reports are available from KLM's registered office or from the Amsterdam Chamber of Commerce and Industry.

LITIGATION AND ARBITRATION PROCEEDINGS

KLM is not involved in any material litigation or arbitration proceedings other than those described in the documents incorporated by reference herein.

SHARE CAPITAL

Authorised share capital of the Company amounted to €562,500,000. It is divided into;

- 1,875 priority shares
- 149,998,125 ordinary shares;
- 37,500,000 A cumulative preference shares
- 75,000,000 B preference shares; and
- 18,750,000 C cumulative preference shares.

All the company shares have a nominal value of €2.00 each.

COMPANY INCORPORATION AND ARTICLES OF ASSOCIATION

KLM (*Koninklijke Luchtvaart Maatschappij*) is a Dutch *naamloze vennootschap* incorporated on 7 October 1919. The company operates under the name "KLM Royal Dutch Airlines".

The company's main purpose is to operate the service of air transport as well as take holdings in companies of any kind.

Its registered office is at Amsterdamseweg 55, 1182 GP Amstelveen, Netherlands, and the telephone number is +31 20 649 91 23. The registration number of the Company at the Register of Commerce is no. 33014286. Its corporate seal is at Amstleveen, The Netherlands.

DOCUMENTS AVAILABLE TO THE PUBLIC

The company's articles of association, the annual and consolidated financial statements for the 2008-2009 and 2007-2008 financial years and the related auditors' reports may be consulted, in hard copy, at the registered office of the company.

RECENT DEVELOPMENTS

AIR FRANCE-KLM 2009 WINTER SCHEDULE

September 21, 2009

Air France-KLM is pursuing the reduction in capacities for the 2009 Winter schedule (October 25, 2009 – 27 March 2010), cutting its offer measured in available seat kilometres by 2% compared with the 2008 Winter schedule (-3.6% compared with Winter 2007), while maintaining the efficiency of its hubs in Paris and Amsterdam

In a still difficult economic environment, with sharply lower business traffic, the 2009 Winter schedule steps up the reduction in capacity already undertaken during the last Winter season. The reduction in capacity will be 1.8% on the long-haul network and 2.9% on the medium-haul network (-3.2% on the French domestic network).

The new features of this programme are:

- the new class, “Premium Voyageur” which will be installed on all Air France’s long-haul aircraft by the end of 2010, except for aircraft servicing the Caribbean and Indian Ocean network. The first destinations on which the new class will be available are New York (October 25), Tokyo (November 16), Beirut, Singapore (December 28), Pekin and Hong Kong (January 18);
- the arrival of the first three Airbus A380s, which will enable a reduction in the number of frequencies to New York, Dubai and Johannesburg, while maintaining the same number of seats.
- the optimization of our transatlantic services, in the context of the joint venture between Air France-KLM and Delta.

SEPTEMBER 2009 TRAFFIC

October 7, 2009

Passenger

- **Load factor up 1 point to 81.9%, with greater reduction in capacity (-4.9%) than decline in traffic (-3.7%)**

Cargo

- **2.2 points improvement in load factor to 66.1%**

Passenger business

As in the previous two months, September saw a drop in traffic (-3.7%) below the reduction in capacity (-4.9%) leading to a one point improvement in the load factor to 81.9%. The group carried 6.2 million passengers (-5.3%). Market conditions are similar to those prevailing before the summer and unit revenues remain under pressure.

- On the Americas network, the decline in traffic (-3.9%) was well below the reduction in capacity (-6.4%). The load factor gained 2.4 points to 88.3%.

- The Asia network continued its slight improvement, with a drop in traffic limited to 3.6% and capacity down 4.4%. The load factor improved by 0.8 points to 87.1%.

- On the Africa and Middle East network traffic rose 0.8% with capacity up by 2.6%. The load factor declined by 1.4 points to 77.4%.

- The Caribbean and Indian Ocean network saw a significant reduction in capacity (-9.5%). Traffic was down 5.4%, leading to a 3.3 point gain in load factor to 75.9%.

- On the European network both capacity and traffic were down by 5.6%. The load factor was therefore stable at 72.5%.

Cargo business*

The Cargo business saw its load factor improve by 2.2 points to 66.1% on the back of declines in capacity and traffic of 20.0% and 17.2% respectively.

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* Both traffic and capacity data for September 2008 are pro-forma including Martinair

STATISTICS

Passenger activity (in millions)

	September			Year to date		
Total Group	**2009**	**2008**	**Variation**	**2009-10**	**2008-09**	**Variation**
Passengers carried (000s)	6,237	6,586	(5.3%)	38,371	40,532	(5.3%)
Revenue pax-kilometers (RPK)	17,353	18,013	(3.7%)	106,608	111,589	(4.5%)
Available seat-kilometers (ASK)	21,193	22,283	(4.9%)	130,440	136,673	(4.6%)
Load factor (%)	81.9%	80.8%	1.0	81.7%	81.6%	0.1
Europe (including France)						
Passengers carried (000s)	4,315	4,602	(6.3%)	26,429	28,158	(6.1%)
Revenue pax-kilometers (RPK)	3,461	3,665	(5.6%)	21,547	22,764	(5.3%)
Available seat-kilometers (ASK)	4,775	5,059	(5.6%)	29,495	31,001	(4.9%)
Load factor (%)	72.5%	72.4%	0.0	73.1%	73.4%	(0.4)
Americas						
Passengers carried (000s)	835	868	(3.8%)	5,000	5,248	(4.7%)
Revenue pax-kilometers (RPK)	6,178	6,426	(3.9%)	36,936	38,924	(5.1%)
Available seat-kilometers (ASK)	6,997	7,479	(6.4%)	42,401	45,320	(6.4%)
Load factor (%)	88.3%	85.9%	2.4	87.1%	85.9%	1.2
Asia / Pacific						
Passengers carried (000s)	459	477	(3.9%)	2,686	2,883	(6.8%)
Revenue pax-kilometers (RPK)	4,024	4,172	(3.6%)	23,260	24,932	(6.7%)
Available seat-kilometers (ASK)	4,617	4,830	(4.4%)	27,377	29,234	(6.4%)
Load factor (%)	87.1%	86.4%	0.8	85.0%	85.3%	(0.3)
Africa / Middle East						
Passengers carried (000s)	443	441	0.4%	2,822	2,769	1.9%
Revenue pax-kilometers,(RPK)	2,337	2,319	0.8%	14,758	14,487	1.9%
Available seat-kilometers,(ASK)	3,021	2,946	2.6%	18,544	17,881	3.7%
Load factor (%)	77.4%	78.7%	(1.4)	79.6%	81.0%	(1.4)
Caribbean / Indian,Ocean						
Passengers carried (000s)	186	197	(5.5%)	1,435	1,473	(2.6%)
Revenue pax-kilometers (RPK)	1,353	1,430	(5.4%)	10,107	10,482	(3.6%)
Available seat-kilometers (ASK)	1,782	1,969	(9.5%)	12,623	13,237	(4.6%)
Load factor (%)	75.9%	72.6%	3.3	80.1%	79.2%	0.9

Cargo activity (in millions)

	September			Year to date		
Total Group	**2009**	**2008 ***	**Variation**	**2009-10**	**2008-09 ***	**Variation**
Revenue tonne-km (RTK)	908	1,097	(17.2%)	5,541	6,863	(19.3%)
Available tonne-km (ATK)	1,374	1,716	(20.0%)	8,677	10,488	(17.3%)
Load factor (%)	66.1%	63.9%	2.2	63.9%	65.4%	(1.6)
Europe (including France)						
Revenue tonne-km (RTK)	6	6	(5.4%)	36	39	(8.7%)
Available tonne-km (ATK)	43	44	(1.8%)	264	288	(8.4%)
Load factor (%)	13.8%	14.3%	(0.5)	13.7%	13.7%	(0.0)
Americas						
Revenue tonne-km (RTK)	341	381	(10.4%)	2,069	2,403	(13.9%)
Available tonne-km (ATK)	526	591	(10.9%)	3,321	3,675	(9.6%)
Load factor (%)	64.9%	64.5%	0.4	62.3%	65.4%	(3.1)
Asia / Pacific						
Revenue tonne-km (RTK)	392	518	(24.4%)	2,340	3,255	(28.1%)
Available tonne-km (ATK)	507	762	(33.4%)	3,135	4,585	(31.6%)
Load factor (%)	77.2%	68.0%	9.2	74.6%	71.0%	3.6
Africa / Middle East						
Revenue tonne-km (RTK)	136	149	(8.6%)	865	891	(2.9%)
Available tonne-km (ATK)	220	230	(4.3%)	1,401	1,354	3.5%
Load factor (%)	62.0%	65.0%	(2.9)	61.7%	65.8%	(4.0)
Caribbean / Indian Ocean						
Revenue tonne-km (RTK)	33	42	(21.1%)	231	275	(16.0%)
Available tonne-km (ATK)	77	90	(14.2%)	556	586	(5.2%)
Load factor (%)	42.8%	46.6%	(3.8)	41.5%	46.9%	(5.3)

* Including Martinair

AUGUST 2009 TRAFFIC

September 8, 2009

Passenger

- **1.1 point improvement in load factor with decline in traffic well below the reduction in capacity**

Cargo

- **Traffic down in line with capacity, leading to a slight improvement in load factor**

Passenger business

For the second consecutive month, the decline in traffic (-2.9%) in August 2009 was well below the reduction in capacity (-4.2%). The load factor gained 1.1 points to 84.8%. The group carried 6.6 million passengers (-3.8%). The reduction in capacity put a stop to the deterioration in unit revenues.

- On the Americas network traffic fell 4.9% with capacity down 6.8%. The load factor gained 1.8 points to 89.0%.

- The Asia network showed a slight improvement with a decline in traffic of just 2.7% for capacity reduced by 5.2%. The load factor gained 2.3 points to 88.1%.

- On the Africa and Middle East network, traffic rose by 3.3% with capacity up by 4.6%. The load factor dropped 1.1 points to 85.6%.

- Traffic on the Caribbean and Indian Ocean network fell 0.9% with capacity down slightly (-0.2%). The load factor stood at 81.5% (-0.5 points).

- On the European network the load factor rose 1.1 points with a 4.7% decline in traffic, less than the reduction in capacity of 6.1%.

Cargo* business

The decline in traffic (-16.1%) was slightly below the reduction in capacity (-16.9%), leading to a mild improvement in load factor to 63.5%, thereby confirming the stabilization of this activity observed in the past few months.

* Both traffic and capacity data for August 2008 are proforma, including Martinair

STATISTICS

Passenger activity (in millions)

	August			Year to date		
Total Group	**2009**	**2008**	**Variation**	**2009-10**	**2008-09**	**Variation**
Passengers carried (000s)	6,555	6,814	(3.8%)	32,134	33,947	(5.3%)
Revenue pax-kilometers (RPK)	19,335	19,905	(2.9%)	89,254	93,576	(4.6%)
Available seat-kilometers (ASK)	22,808	23,799	(4.2%)	109,247	114,390	(4.5%)
Load factor (%)	84.8%	83.6%	1.1	81.7%	81.8%	(0.1)
Europe (including France)						
Passengers carried (000s)	4,343	4,556	(4.7%)	22,114	23,556	(6.1%)
Revenue pax-kilometers (RPK)	3,682	3,863	(4.7%)	18,086	19,099	(5.3%)
Available seat-kilometers (ASK)	4,845	5,161	(6.1%)	24,720	25,941	(4.7%)
Load factor (%)	76.0%	74.8%	1.1	73.2%	73.6%	(0.5)
Americas						
Passengers carried (000s)	912	952	(4.3%)	4,165	4,380	(4.9%)
Revenue pax-kilometers (RPK)	6,694	7,038	(4.9%)	30,758	32,498	(5.4%)
Available seat-kilometers (ASK)	7,523	8,071	(6.8%)	35,404	37,842	(6.4%)
Load factor (%)	89.0%	87.2%	1.8	86.9%	85.9%	1.0
Asia / Pacific						
Passengers carried (000s)	486	503	(3.5%)	2,228	2,406	(7.4%)
Revenue pax-kilometers (RPK)	4,218	4,336	(2.7%)	19,236	20,760	(7.3%)
Available seat-kilometers (ASK)	4,787	5,052	(5.2%)	22,760	24,404	(6.7%)
Load factor (%)	88.1%	85.8%	2.3	84.5%	85.1%	(0.6)
Africa / Middle East						
Passengers carried (000s)	532	519	2.6%	2,379	2,329	2.2%
Revenue pax-kilometers,(RPK)	2,788	2,699	3.3%	12,421	12,167	2.1%
Available seat-kilometers,(ASK)	3,256	3,112	4.6%	15,522	14,935	3.9%
Load factor (%)	85.6%	86.7%	(1.1)	80.0%	81.5%	(1.4)
Caribbean / Indian,Ocean						
Passengers carried (000s)	283	283	0.1%	1,248	1,276	(2.2%)
Revenue pax-kilometers (RPK)	1,953	1,970	(0.9%)	8,754	9,052	(3.3%)
Available seat-kilometers (ASK)	2,397	2,403	(0.2%)	10,841	11,268	(3.8%)
Load factor (%)	81.5%	82.0%	(0.5)	80.8%	80.3%	0.4

Cargo activity (in millions)

	August			Year to date		
Total Group	**2009**	**2008 ***	**Variation**	**2009-10**	**2008-09 ***	**Variation**
Revenue tonne-km (RTK)	929	1,108	(16.1%)	4,632	5,767	(19.7%)
Available tonne-km (ATK)	1,464	1,761	(16.9%)	7,304	8,772	(16.7%)
Load factor (%)	63.5%	62.9%	0.6	63.4%	65.7%	(2.3)
Europe (including France)						
Revenue tonne-km (RTK)	5	6	(11.8%)	30	33	(9.3%)
Available tonne-km (ATK)	44	46	(3.1%)	221	244	(9.5%)
Load factor (%)	12.0%	13.2%	(1.2)	13.6%	13.6%	0.0
Americas						
Revenue tonne-km (RTK)	355	392	(9.6%)	1,728	2,022	(14.5%)
Available tonne-km (ATK)	575	626	(8.2%)	2,795	3,085	(9.4%)
Load factor (%)	61.7%	62.7%	(1.0)	61.8%	65.5%	(3.7)
Asia / Pacific						
Revenue tonne-km (RTK)	395	526	(24.9%)	1,948	2,737	(28.8%)
Available tonne-km (ATK)	514	761	(32.4%)	2,628	3,823	(31.3%)
Load factor (%)	76.8%	69.1%	7.7	74.1%	71.6%	2.5
Africa / Middle East						
Revenue tonne-km (RTK)	142	142	(0.1%)	728	741	(1.7%)
Available tonne-km (ATK)	236	225	4.9%	1,181	1,124	5.1%
Load factor (%)	60.0%	62.9%	(3.0)	61.7%	65.9%	(4.3)
Caribbean / Indian Ocean						
Revenue tonne-km (RTK)	33	42	(22.6%)	198	233	(15.3%)
Available tonne-km (ATK)	95	104	(8.6%)	479	496	(3.3%)
Load factor (%)	34.6%	40.8%	(6.2)	41.3%	47.1%	(5.8)

* Including Martinair

Air France to offer employees a voluntary redundancy plan

September 4, 2009

The activity of Air France during recent months has been presented to the Comité Central d'Entreprise (Workers' Council) at an extraordinary meeting.

In view of the difficult economic environment, Air France has adopted a strategy of significant capacity reduction in its passenger activity, of the order of 5%, enabling it to improve its load factor. Elsewhere, the company is preparing a reorganization of its medium-haul business in terms of both network and product.

With regard to cargo, which has been severely impacted by the steep decline in world trade, a restructuring plan is underway, including a much more significant reduction in capacity (of some 15%), also aimed at improving the load factor.

To adapt to these lower activity levels, the company has communicated to the CCE its intention to implement a voluntary redundancy plan, in line with the majority agreement signed in July 2009. The timetable and terms of the plan, which could involve around 1,500 jobs, will be the subject of discussions as early as next week, with a view to presenting a project voluntary redundancy plan to the CCE on October 21st.

JULY 2009 TRAFFIC

August 6, 2009

Passenger

- **0.7 point rise in load factor to 85.1% thanks to a limited decline in traffic (-3.3%)**

Cargo

- **Stabilization of the decline in traffic and progressive adjustment of capacity to demand**

Passenger business

The decline in traffic in July was limited to 3.3%, after a drop of 5.8% in the First Quarter. Capacity, meanwhile, was reduced by 4.1%, leading to a 0.7 point improvement in load factor to 85.1%. The group carried 6.9 million passengers (-4.5%). The deterioration in unit revenues was slightly less pronounced than in previous months.

- On the Americas network, traffic declined by 4.3% with capacity down by 5.9%. The load factor rose 1.5 points to 89.9%.

- The Asia network improved slightly relative to previous months with a 5.5% decline in traffic, less than the reduction in capacity of 6.2%. The load factor improved slightly to 87.8% (+0.7points).

- On the Africa and Middle East network, traffic progressed by 3.3% with capacity up by 4.3%. The load factor fell 0.8 points to 85.1%.

- Traffic on the Caribbean and Indian Ocean network declined 1.0% with capacity down 0.5%. The load factor stood at 82.4%, down 0.4 points.

- On the European network, the decline in traffic of 4.8% was below that of capacity (-6.0%). The load factor improved slightly to 76.7% (+1.0 point).

Cargo business

Traffic and capacity data for July 2008 are proforma including Martinair.

The decline in traffic (-17.2%) was in line with that of capacity (-17.0%) leading to a stable load factor of 64%. This data confirms the trend towards a stabilization in the cargo activity, with a progressive adjustment of capacity to demand.

STATISTICS

Passenger activity (in millions)

Total Group	July 2009	July 2008	July Change	Cumulative 2009-10	Cumulative 2008-09	Cumulative Change
Passagers carried (000s)	6,876	7,200	(4.5%)	25,579	27,133	(5.7%)
Revenue pax-kilometers (RPK)	19,453	20,122	(3.3%)	69,920	73,671	(5.1%)
Available seat-kilometers (ASK)	22,861	23,850	(4.1%)	86,438	90,591	(4.6%)
Load factor (%)	85.1%	84.4%	0.7	80.9%	81.3%	(0.4)
Europe (including France)						
Passagers carried (000s)	4,680	4,952	(5.5%)	17,771	18,999	(6.5%)
Revenue pax-kilometers (RPK)	3,869	4,062	(4.8%)	14,404	15,236	(5.5%)
Available seat-kilometers (ASK)	5,047	5,371	(6.0%)	19,874	20,780	(4.4%)
Load factor (%)	76.7%	75.6%	1.0	72.5%	73.3%	(0.8)
Americas						
Passagers carried (000s)	919	959	(4.2%)	3,253	3,428	(5.1%)
Revenue pax-kilometers (RPK)	6,799	7,106	(4.3%)	24,064	25,460	(5.5%)
Available seat-kilometers (ASK)	7,560	8,037	(5.9%)	27,882	29,771	(6.3%)
Load factor (%)	89.9%	88.4%	1.5	86.3%	85.5%	0.8
Asia / Pacific						
Passagers carried (000s)	473	502	(5.8%)	1,742	1,902	(8.4%)
Revenue pax-kilometers (RPK)	4,099	4,335	(5.5%)	15,018	16,424	(8.6%)
Available seat-kilometers (ASK)	4,671	4,980	(6.2%)	17,972	19,352	(7.1%)
Load factor (%)	87.8%	87.1%	0.7	83.6%	84.9%	(1.3)
Africa / Middle East						
Passagers carried (000s)	526	509	3.3%	1,847	1,810	2.0%
Revenue pax-kilometers (RPK)	2,754	2,666	3.3%	9,633	9,469	1.7%
Available seat-kilometers (ASK)	3,238	3,105	4.3%	12,267	11,823	3.7%
Load factor (%)	85.1%	85.9%	(0.8)	78.5%	80.1%	(1.6)
Caribbean / Indian Ocean						
Passagers carried (000s)	277	278	(0.4%)	965	993	(2.8%)
Revenue pax-kilometers (RPK)	1,933	1,953	(1.0%)	6,801	7,082	(4.0%)
Available seat-kilometers (ASK)	2,345	2,357	(0.5%)	8,444	8,865	(4.8%)
Load factor (%)	82.4%	82.8%	(0.4)	80.5%	79.9%	0.7

Cargo activity (in millions)

Total Group	July 2009	July 2008*	July Change	Cumulative 2009-10	Cumulative 2008-09*	Cumulative Change
Revenue tonne-km (RTK)	961	1,161	(17.2%)	3,702	4,659	(20.5%)
Available tonne-km (ATK)	1,502	1,810	(17.0%)	5,840	7,010	(16.7%)
Load factor (%)	64.0%	64.1%	(0.1)	63.4%	66.5%	(3.1)
Europe (including France)						
Revenue tonne-km (RTK)	6	7	(11.4%)	25	27	(8.7%)
Available tonne-km (ATK)	45	51	(11.0%)	177	199	(11.0%)
Load factor (%)	13.9%	13.9%	(0.1)	14.0%	13.7%	0.4
Americas						
Revenue tonne-km (RTK)	352	406	(13.4%)	1,373	1,629	(15.7%)
Available tonne-km (ATK)	569	643	(11.5%)	2,220	2,459	(9.7%)
Load factor (%)	61.8%	63.1%	(1.3)	61.8%	66.3%	(4.4)
Asia / Pacific						
Revenue tonne-km (RTK)	420	561	(25.2%)	1,553	2,212	(29.8%)
Available tonne-km (ATK)	548	794	(31.0%)	2,114	3,062	(31.0%)
Load factor (%)	76.5%	70.7%	5.9	73.5%	72.2%	1.2
Africa / Middle East						
Revenue tonne-km (RTK)	147	143	2.2%	587	599	(2.1%)
Available tonne-km (ATK)	237	221	7.0%	945	899	5.1%
Load factor (%)	61.9%	64.8%	(2.9)	62.1%	66.7%	(4.6)
Caribbean / Indian Ocean						
Revenue tonne-km (RTK)	37	43	(14.9%)	165	192	(13.9%)
Available tonne-km (ATK)	102	101	1.3%	385	392	(1.9%)
Load factor (%)	35.9%	42.7%	(6.8)	42.9%	48.9%	(6.0)

* Including Martinair

FIRST QUARTER RESULTS (AS OF 30 JUNE 2009) OF AIR FRANCE-KLM

The following consolidated financial information pertaining to the Group, extracted from the press release issued by Air France-KLM on 30 July 2009, has been neither audited nor reviewed by the statutory auditors of Air France-KLM.

July 30, 2009

FINANCIAL YEAR 2009-10

FIRST QUARTER

- Significant drop in cargo business
- Sharp decline in passenger unit revenues
- Negative effect of fuel hedges on operating result
- Cost reduction limits the impact of the decline in revenues
- Strong liquidity at 5.7 billion euros

Global economic activity has stabilised at unprecedented low levels, leading to a sharp decline in volumes and unit revenues. The airline sector has been particularly affected, resulting in sharp declines in volumes and unit revenues. Revenues in the passenger business were down 18.7% and in cargo by 41.5%, leading to a drop of 20.5% in total group revenues to 5.17 billion euros. Moreover, the results of the First Quarter were affected by a negative fuel hedging impact of 252 million euros.

Despite this difficult environment, the group benefits from a high level of liquidity of 5.7 billion euros including 1.2 billion euros in credit facilities. During the quarter, Air France-KLM had a successful 661 million euro convertible bond issue, while on 28th July, KLM extended the term of its 530 million euro credit facility from July 2010 to July 2012, with the possibility of a further prolongation to July 2013.

KEY DATA

In euro millions	Quarter to 30th June			
	2009	2008 Restated and proforma[2]	Change	2008 published
Revenues	5,169	6,505	(20.5%)	6,288
EBITDAR	112	814	(86.2%)	816
Operating income/(loss)	(496)	201	nm	234
Income/(loss) from operating activities	(496)	217	nm	251
Pretax income/(loss) of consolidated companies	(612)	211	nm	251
Net income/(loss), group share	(426)	149	nm	168
Restated net income/(loss)[3]	(431)	132	nm	nm
Earnings/(loss) per share	(1.45)	0.54	nm	0.57
Diluted earnings/(loss) per share	(1.45)	0.51	nm	0.54

The group's results do not include its 25% holding in Alitalia, which will be integrated by the equity method as of the Second Quarter on the basis of the previous quarter's results. Alitalia reported its

[2] Restated for the application of IFRIC 13 and proforma Martinair (see attached table)
[3] Refer to calculation method on page 117 of the DR 2008-2009and page 6 of the DR 2008-2009

First Half results in line with its budget. These results are encouraging in the context of the difficult trading environment currently experienced by the airline industry.

Activity

Capacity reduction

Passenger activity in the quarter April to June 2009 remained weak with a 5.8% decline in traffic. A 4.7% reduction in capacity limited the decline in the load factor to 0.9 points at 79.4%. As in previous months, the decline in premium class unit revenues was particularly pronounced, while in economy class they proved more resilient. In total, unit revenues per available seat kilometre (RASK) fell 14.8%. Revenues of the passenger division fell 18.7% to 4.01 billion euros.

Despite a reduction in capacity of 17.2%, cargo suffered a sharp decline in traffic of 22.7%, and a drop in unit revenues per transported tonne kilometer of 25%. Revenues for the period declined 41.5% to 547 million euros.

Unit revenues contained

Despite a 7.1% reduction in production measured in equivalent available seat kilometers (EASK), unit cost per EASK was down 3.9% and was stable on a constant currency and fuel price basis, and excluding the impact of the additional pension fund charge. Operating costs declined 10.1% to 5.66 billion euros**.** Excluding fuel they dropped 6.4% thanks to the 148 million euros in costs savings realised under the ‘Challenge 12’ programme.

Reductions in operating costs were achieved in all areas:

- The fuel bill declined by 329 million euros to 1.14 billion (-22.5%) under the combined effect of a 10% decline in volume, a negative currency impact of 15% and a drop in fuel prices limited to 27% by the hedging effect.
- Employee costs were down 1.3% to 1.9 billion euros. Excluding an additional 34 million euro charge to the Air France and KLM pension funds, the decline would have been 3.1%, in line with a 1.9% reduction in headcount (106,800 at 30th June 2009 versus 108,800 at 30th June 2008 proforma).
- Distribution and other costs declined 19.5% and 16.2% respectively.

The operating loss stood at 244 million euros excluding the negative impact of the fuel hedges of 252 million euros (-496 million euros after the impact of the hedges, compared with income of 201 million euros at 30th June 2008). The adjusted operating loss[4] was 434 million euros at 30th June 2009 against income of 256 million euros a year earlier.

The operating loss excluding fuel hedges breaks down as follows:

- Passenger activity: -141 million euros (-338 million euros including the fuel hedge impact).
- Cargo activity: -153 million euros (-197 million euros including the fuel hedge impact).
- Other activities: +20 million euros (+9 million euros including the fuel hedge impact).
- Maintenance: +30 million euros.

The net interest charges rose 11 million euros to 56 million due to lower financial income, while the cost of gross debt was stable. Other financial income and costs amounted to a negative 60 million euros, including a positive currency result of 43 million euros and a negative impact of relating to the change in fair value of hedging instruments of 102 million euros. After a tax credit of 195 million

[4] Adjusted for the portion of operating leases relating to financial charges (34%). See calculation method on page 117 of the DR 2008-2009.

euros and a negative contribution from associates of 10 million euros, the net loss amounted to 426 million euros against income of 149 million a year earlier. Net loss per share and diluted net loss per share both stood at 1.45 euros against earnings per share and diluted earnings per share of 0.54 euros and 0.51 euros per share respectively at 30th June 2008.

Solid financial position

Investments net of disposals amounted to 133 million euros at 30th June 2009 (478 million at 30th June 2008). Cash flow was a negative 271 million euros of which 97 million euros relating to derivative instruments not classified as hedges. The change in working capital requirement was a negative 102 million euros. The group's financial position remains strong with cash of 4.5 billion euros and available credit lines of 1.2 billion euros.

Shareholders' funds amounted to 6.10 billion euros, up 407 million euros versus 31st March 2009, with the negative impact of the fair valuation of hedging instruments down from 1.5 billion euros to 0.73 billion euros during this period. Net debt stood at 4.81 billion euros (4.44 billion at 31st March 2009). The gearing ratio[5] was stable at 0.79 versus 0.78 at 31 March 2009.

Outlook for the Full Year

We have continued to adapt to the economic environment. A further 5% annualised reduction in cargo capacity is planned for the Winter season, with the grounding of four full freighters, taking to 10 aircraft the reduction in the cargo fleet since the start of the crisis. The group is also undertaking a review of the medium-haul network, both in terms of destinations and products, and the outcome of this process will be implemented at the beginning of 2010. At the same time, we continue to adapt our employee headcount to current levels of activity.

If the scenario of a stabilisation in the global economy, followed by a gradual recovery at the end of 2009 is confirmed, the trend in unit revenues could be as follows:

- In the passenger business, a further deterioration in the Second Quarter, albeit at a slower pace than in the First; a stabilisation in the Second Half relative to the Second Half of 2008-09 which was already impacted by the crisis.
- In cargo, a continuation of the current trend followed by a progressive stabilisation in the Second Half.

Information by business

Passenger business

	Quarter to 30th June		
	2009	2008*	*Change*
Traffic (RPK millions)	50,467	53,348	*(5.8)%*
Capacity (ASK millions)	63,578	66,741	*(4.7)%*
Load factor	79.4%	80.2%	*(0.9) pts*
Total revenues (€ m)	4,013	4,937	*(18,7)%*
Revenues from scheduled passenger business (€ m)	3,815	4,699	*(18.8)%*
Unit revenue per RPK (€ cts)	7.56	8.78	*(13.9)%*
Unit revenue per RPK ex currency	-	-	*(15.6)%*

5 See calculation method on page 118 of the DR 2008-2009

Unit revenue per ASK (€ cts)	6.00	7.04	*(14.8)%*
Unit revenue per ASK ex currency	-	-	*(16.5)%*
Unit cost per ASK (€ cts)	6.46	6.73	*(4.0)%*
Unit cost per ASK on constant currency and fuel price basis	-	-	*(0.3)%*
Operating income /(loss) (€ m)	(338)	165	*nm*

* Restated for the application of IFRC13

Cargo business

	Quarter to 30th June		
	2009	2008*	*Change*
Traffic (RTK millions)	2,741	3,544	*(22.7)%*
Capacity (ATK millions)	4,338	5,242	*(17.2)%*
Load factor	63.2%	67.6%	*(4.5) pts*
Total cargo business revenues (€ m)	544	930	*(41.5)%*
Revenues from the transportation of cargo (€ m)	511	882	*(42.1)%*
Unit revenue per RTK (€ cts)	18.65	24.89	*(25.1)%*
Unit revenue per RTK ex currency (€ cts)	-	-	*(29.5)%*
Unit revenue per ATK (€ cts)	11.78	16.83	*(30.0)%*
Unit revenue per ATK ex currency	-	-	*(34.1)%*
Unit cost per ATK (€ cts)	16.04	16.36	*(2.0)%*
Unit cost per ATK at constant exchange rate and fuel price	-	-	*4.6%*
Operating income/(loss) (€ m)	(197)	16	*nm*

* Proforma Martinair

Maintenance

The maintenance business recorded revenues of 246 million euros in the first quarter of 2009-10 against proforma revenues of 243 million euros at 30th June 2008. Operating income amounted to 30 million euros (16 million euros proforma at 30th June 2008).

Other activities

Revenues from other activities stood at 365 million euros against proforma revenues of 396 million euros at 30th June 2008, a decline of 7.6% linked mainly to the leisure activity. During the quarter, the leisure activity of Martinair reduced its capacity by 25;7%. Operating income amounted to 9 million euros (versus 4 million euros proforma at 30th June 2008). Excluding the impact of fuel hedges, operating income would have been 20 million euros.

Reconciliation table for First Quarter 2008-09 results

	30th June 2008
Published revenues	6,288
Impact of IFRIC 13	(14)
Impact of Martinair	231
Restated proforma revenues	**6,505**
Published operating costs	6,054
Impact of Martinair	250
Proforma operating costs	**6,304**

Published operating income	234
Impact of IFRIC 13	(14)
Impact of Martinair	(19)
Restated proforma operating income	**201**
Published pretax income of consolidated companies	251
Impact of IFRIC 13	(14)
Impact of Martinair	(26)
Restated proforma pretax income of consolidated companies	**211**
Published income tax	(75)
Impact of IFRIC 13	4
Impact of Martinair	7
Restated proforma income tax	**(64)**
Published net income, group share	168
Impact of IFRIC 13	(10)
Impact of Martinair	(9)
Restated proforma net income, group share	**149**

AIR FRANCE-KLM GROUP

Aircraft	AIRFRANCE						KLM				Fleet as of 30 June 2009					
	AF	Brit Air	City Jet	Régional	VLM	Transavia	KLM	KLM Cityhop.	Transavia	Martinair	Owned	Finance lease	Operating lease	**Total**	In operation	Change / 3/31/09
B747-400	13						22				21	7	7	**35**	34	-1
B777-300	30						3				17	5	11	**33**	33	5
B777-200	25						15				15	8	17	**40**	40	
B767-300										6	3		3	**6**	4	-2
B737 900							5					2	3	**5**	5	
B737-800						7	21		19			20	27	**47**	47	1
B737-700							4		10			9	5	**14**	14	
B737-400							11				6		5	**11**	10	-2
B737-300							10				7		3	**10**	10	
A340-300	19										10	3	6	**19**	19	
A330-200	15						10				5	7	13	**25**	25	-1
A321	23										12		11	**23**	23	2
A320	65										47		18	**65**	63	-2
A319	45										22	4	19	**45**	45	
A318	18										18			**18**	18	
MD11							10				8		2	**10**	10	
B747-400 cargo	9						2			6	5	3	9	**17**	9	-5
B747-200 cargo	3										3			**3**		
B777- cargo	2											2		**2**	2	
MD-11-CF										4	3		1	**4**	4	
MD-11-F										3	2		1	**3**	3	
AVRO RJ 85			27								15		12	**27**	23	-2
BAE146-200/300			1								1			**1**		
Canadair Jet 700		15									6	9		**15**	15	
Canadair Jet 100		15									5	8	2	**15**	15	
Embraer 190				8				5			4	1	8	**13**	13	2
Embraer 170				5							4	1		**5**	5	2
Embraer 145				28							6	16	6	**28**	28	
Embraer 135				9							4	3	2	**9**	9	
Embraer 120				4							4			**4**		
Fokker 100		13		8				20			27		14	**41**	33	-4
Fokker 70				2				24			23	3		**26**	26	1
Fokker 50					18			12			20		10	**30**	28	-2
Total Air France-KLM Group	267	43	28	64	18	7	113	61	29	19	323	111	215	**649**	613	**-8**

Aircraft	AF	Brit Air	City Jet	Régional	VLM	Transavia	KLM	KLM Cityhop.	Transavia	Martinair	Owned	Finance lease	Operating lease	**Total**	In operation	Change / 3/31/09
Long-haul	102						60			6	79	30	59	**168**	165	1
Medium-haul	151					7	51		29		112	35	91	**238**	235	-1
Freighter	14						2			13	13	5	11	**29**	18	-5
Regional		43	28	64	18			61			119	41	54	**214**	195	-3
Total Group	267	43	28	64	18	7	113	61	29	19	323	111	215	**649**	613	**-8**

Income Statement for the Q1 2009-10

INCOME STATEMENT FROM APRIL 1, 2009 TO JUNE 30, 2009

In € millions	1st quarter (April to June) 2009-10	2008-09 (adjusted and pro forma)	Variation
SALES	**5 169**	**6 505**	-20,5%
Other revenues	1	0	na
EXTERNAL EXPENSES	**-3 345**	**-3 879**	-13,8%
Aircraft fuel	-1 136	-1 465	-22,5%
Chartering costs	-125	-172	-27,3%
Aircraft operating lease costs	-182	-161	13,0%
Landing fees and en route charges	-450	-468	-3,8%
Catering	-124	-126	-1,6%
Handling charges and other operating costs	-331	-357	-7,3%
Aircraft maintenance costs	-264	-273	-3,3%
Commercial and distribution costs	-231	-287	-19,5%
Other external expenses	-502	-570	-11,9%
Salaries and related costs	-1 880	-1 905	-1,3%
Taxes other than income taxes	-63	-64	-1,6%
Amortization and depreciation	-423	-430	-1,6%
Provisions	-3	-22	na
Other income and expenses	48	-4	na
INCOME FROM CURRENT OPERATIONS	**-496**	**201**	**na**
Sales of aircraft equipment	1	4	na
Sales of subsidiaries		3	na
Other non-current income and expenses	-1	9	na
INCOME FROM OPERATING ACTIVITIES	**-496**	**217**	**na**
Income from cash and cash equivalents	31	78	-60,3%
Cost of financial debt	-87	-89	-2,2%
Net cost of financial debt	-56	*-11*	409,1%
Foreign exchange gains (losses), net	43	2	na
Change in fair value of financial assets and liabilities	-98	7	na
Other financial income and expenses	-5	-4	na
INCOME BEFORE TAX	**-612**	**211**	**na**
Income taxes	195	-64	na
NET INCOME OF CONSOLIDATED COMPANIES	**-417**	**147**	**na**
Share of profits (losses) of associates	-10	4	na
INCOME FROM CONTINUING OPERATIONS	**-427**	**151**	**na**
Net income from discontinued operations			
NET INCOME FOR THE PERIOD	**-427**	**151**	**na**
Minority interest	1	-2	na
NET INCOME FOR THE PERIOD - GROUP	**-426**	**149**	**na**

Consolidated Balance Sheet

Assets	In € millions	June 30, 2009	March 31, 2009
Goodwill		400	400
Intangible assets		572	559
Flight equipment		11 911	12 125
Other property, plant and equipment		2 303	2 313
Investments in equity associates		423	446
Pension assets		2 547	2 499
Other financial assets *(which includes € 748 million of deposits related to financial leases as of June 30, 2009, € 740 million as of March 31, 2009)*		952	938
Deferred tax assets		714	811
Other non-current assets		626	629
Total non current assets		**20 448**	**20 720**
Assets held for sale		104	93
Other short term financial *assets (which includes € 299 million of deposits related to financial leases and investments between 3 months and 1 year as of June 30, 2009, € 538 million as of March 31, 2009)*		333	580
Inventories		540	527
Trade accounts receivable		2 139	2 038
Income tax receivables		3	2
Other current assets		925	1 065
Cash and cash equivalents		4 106	3 748
Total current assets		**8 150**	**8 053**
Total assets		**28 598**	**28 773**

Liabilities and equity	*In € millions*	June 30, 2009	March 31, 2009
Issued capital		2 552	2 552
Additional paid-in capital		765	765
Treasury shares		(105)	(124)
Reserves and retained earnings		2 835	2 429
Equity attributable to equity holders of Air France-KLM		**6 047**	**5 622**
Minority interest		56	54
Total Equity		**6 103**	**5 676**
Provisions and retirement benefits		1 356	1 334
Long-term debt		8 303	7 864
Deferred tax		404	339
Other non-current liabilities		1 614	2 170
Total non-current liabilities		**11 677**	**11 707**
Liability related to assets held for sale		7	7

Provisions	457	480
Current portion of long-term debt	1 527	1 353
Trade accounts payable	1 931	1 887
Deferred revenue on ticket sales	3 362	3 048
Current tax liabilities	10	11
Other current liabilities	3 377	4 322
Bank overdrafts	147	282
Total current liabilities	**10 818**	**11 390**
Total liabilities	**22 495**	**23 097**
Total liabilities and equity	**28 598**	**28 773**

Consolidated Statement of Cash Flows

In € millions **Period from April 1 to June 30,**	**2009**	**2008** **(adjusted)**
Net income for the period – Group	(426)	158
Minority interests	(1)	2
Amortization, depreciation and operating provisions	426	432
Financial provisions	5	3
Gain on disposals of tangible and intangible assets	(1)	(20)
Loss / (gain) on disposals of subsidiaries and associates	-	(3)
Derivatives – non monetary result	(5)	(12)
Unrealized foreign exchange gains and losses, net	(47)	(10)
Share of (profits) losses of associates	10	6
Deferred taxes	(194)	52
Other non-monetary items	(38)	(158)
Subtotal	**(271)**	**450**
(Increase) / decrease in inventories	(18)	(60)
(Increase) / decrease in trade receivables	(112)	(249)
Increase / (decrease) in trade payables	55	343
Change in other receivables and payables	(27)	526
Net cash flow from operating activities	**(373)**	**1 010**
Acquisitions of subsidiaries and investments in associates, net of cash acquired	(9)	(5)
Purchase of property, plant and equipment and intangible assets	(640)	(597)
Proceeds on disposal of subsidiaries and investments in associates	-	4
Proceeds on disposal of property, plant and equipment and intangible assets	507	119

Dividends received	1	-
Decrease (increase) in investments, net between 3 months and 1 year	192	(82)
Net cash used in investing activities	*51*	*(561)*
Issuance of long-term debt	995	3
Repayments on long-term debt	(51)	(47)
Payment of debt resulting from finance lease liabilities	(145)	(220)
New loans	(19)	(12)
Repayments on loans	36	25
Dividends paid	-	(1)
Net cash flow from financing activities	*816*	*(252)*
Effect of exchange rate on cash and cash equivalents	**(1)**	-
Change in cash and cash equivalents and bank overdrafts	**493**	**197**
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	3 959	4 406

ISSUE BY AIR FRANCE-KLM OF CONVERTIBLE BONDS (€ 661 MILLION)

July 6, 2009

Air France-KLM has launched on June 18th 2009 a convertible bond of €575 million, due April 1st, 2015 (the "Bonds") extended to €661 million following the exercise of the extension clause, corresponding to 56,016,949 bonds.

The proceeds of this issue will mainly be used to finance the Air France-KLM Group's fleet. The transaction will allow the Group to diversify its sources of financing and extend the average duration of its debt.

The nominal value of each bond has been set at € 11.80 per bond, representing an issue premium of 35% over the Air France-KLM reference share price at pricing.

The bonds will bear interest at the annual rate of 4.97%. They will mature and be redeemed at par on April 1st, 2015. They may be redeemed early at the option of Air France-KLM, subject to certain conditions.

The conversion / exchange ratio of the bonds will be one new and / or existing Air France-KLM share per Bond (subject, if applicable, to potential adjustments).

Société Air France and KLM jointly and severally irrevocably and unconditionally guarantee the payment of all sums due by Air France-KLM under the bonds.

The transaction has been oversubscribed and priced at the tightest level showing the confidence of the investors in Air France-KLM. Existing shareholders were entitled to subscribe in priority during three trading days and they subscribed for an amount around €162 millions, representing approximately 24% of the total issue size, including €103 million subscribed by the French State at the level of its current stake in the share capital of Air France-KLM. Air France-KLM welcomes the support of its largest shareholder which demonstrates its confidence in the group's strengths and perspectives by contributing to its future growth.

The Bonds and the Air-France KLM shares to be issued or delivered upon conversion or exchange of the Bonds have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act of 1933.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated 23 October 2009 (the "**Subscription Agreement**") entered into between BNP Paribas, CALYON, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), Deutsche Bank AG, London Branch, HSBC Bank plc, Mitsubishi UFJ Securities International plc, NATIXIS, Société Générale and The Royal Bank of Scotland plc (together, the "**Managers**"), the Issuer and the Guarantors, the Managers have agreed with the Issuer and the Guarantors, subject to satisfaction of certain conditions, to jointly and severally subscribe and pay for the Notes at a price equal to 99.323 per cent. of their principal amount less the commissions agreed between the Issuer and the Managers. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

General Restrictions

The present Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers to subscribe or purchase, any of the Notes. It may not be used by anyone for the purpose of an offer or a solicitation in a country or jurisdiction in which such offer or solicitation would not be authorised. It may not be communicated to persons to which such offer or solicitation may not legally be made.

France

This Prospectus has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.

The Issuer and each Manager has represented and agreed that it has not offered or sold, and will not offer or sell directly or indirectly, any Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France this Prospectus or any other offering material relating to the Notes, except to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers)*, and/or (ii) qualified investors (*investisseurs qualifiés*), to the exclusion of any individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 903 of Regulation S; or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Managers represents, warrants and agrees that it has offered and sold and will offer and sell the Notes and the Guarantee (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, nor any of its affiliates (as defined in Rule 405 of Regulation S), nor any person acting on its or their behalf, have engaged or will engage in any "directed selling efforts" with respect to the Notes and the Guarantee, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Manager agrees that, at or prior to confirmation of sale of Notes and the Guarantee, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes and Guarantee from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"*The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date of the offering, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act.*"

Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

Each Manager has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21 (1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Italy

Each of the Managers acknowledges that (i) no Prospectus has been, nor will be, published in the Republic of Italy ("**Italy**") in connection with the offering of the Notes and (ii) such offering has not been cleared by the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") (the Italian Securities and Exchange Commission) pursuant to Italian securities legislation. Accordingly, each of the Managers represents and agrees that it will not offer, transfer or sell any Notes in an offer to the public in Italy or distribute copies of the Preliminary Prospectus, the Prospectus or any other document relating to the Notes in Italy, except:

(a) to qualified investors (*investitori qualificati*) pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 34-*ter*, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14th May 1999, as amended from time to time (the "**CONSOB Issuers Regulation**"); or

(b) in circumstances which are expressly exempted from compliance with the restrictions on offers to the public pursuant to Article 100 of the Financial Services Act and its implementing regulations, including Article 34-*ter*, first paragraph, of the CONSOB Issuers Regulation.

Moreover, and subject to the foregoing, each of the Managers represents and agrees that any offer, transfer or sale of the Notes or distribution of copies of the Preliminary Prospectus, the Prospectus or any other document relating to the Notes in Italy under (a) or (b) above must, and will, be made in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and in particular will be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1st September 1993 (the "**Banking Act**"), CONSOB Regulation No. 16190 of 29 October 2007, all as amended from time to time; and

(ii) in compliance with any other applicable laws and regulations, including any relevant notification requirement or limitation which may be imposed from time to time, *inter alios*, by CONSOB, the Bank of Italy and/or any other Italian authority.

Any investor purchasing the Notes in the offering is solely responsible for ensuring that any offer or resale of the Notes it purchased in the offering occurs in compliance with applicable Italian laws and regulations. No person resident or located in Italy other than the original addressees of this document may rely on the Prospectus or its content.

GENERAL INFORMATION

1. Application has been made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange. The total expenses related to the admission to trading are estimated at €4,590.

2. Application has been made to the *Commission de Surveillance du Secteur Financier*, which is the competent authority in Luxembourg for the purposes of Directive 2003/71/EC, for its approval of this Prospectus.

3. The Notes have been accepted for clearance through Euroclear France (155, rue Réaumur, 75081 Paris Cedex 02 France), Clearstream, Luxembourg (42, avenue JF Kennedy, 1855 Luxembourg, Luxembourg) and Euroclear (1, boulevard du Roi Albert II, 1210 Brussels, Belgium) with the Common Code 045905144. The International Securities Identification Number (ISIN) for the Notes is FR0010814459.

4. The issue of the Notes has been authorised pursuant to a resolution of the Board of Directors (*Conseil d'administration*) of the Issuer dated 24 September 2009 and a decision of its Managing Director (*Directeur général*) dated 14 October 2009.

   The Guarantee has been authorised (i) by Société Air France pursuant to resolutions of its Board of Directors (*Conseil d'administration*) dated 24 September 2009 and 23 October 2009 and (ii) by KLM pursuant to a resolution of its Management Board dated 13 October 2009.

5. The Issuer and the Guarantors have obtained all necessary consents, approvals and authorisations in the Republic of France in connection with the issue of, and performance of (i) the Issuer's obligations under the Notes and (ii) the Guarantors' obligations under the Guarantee, as the case may be.

6. The yield of the Notes is 6.875 per cent. *per annum*. The yield is calculated at the Issue Date on the basis of the issue price. It is not an indication of future yield.

7. As far as the Issuer is aware, no person involved in the issue of the Notes has an interest material, including any conflicting interest, to the issue.

8. Save as disclosed in this Prospectus, there has been no significant change in the financial or trading position of the Issuer, the Guarantors or the Group since 31 March 2009.

9. Save as disclosed in this Prospectus, there has been no material adverse change in the prospects of the Issuer, the Guarantors or the Group since 31 March 2009.

10. Except as disclosed in this Prospectus, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period of 12 months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's or the Guarantors' financial position or profitability.

11. There are no material contracts (other than those entered into in the ordinary course of the Issuer's business) which could result in any member of the Group being under an obligation or entitlement that is material (i) to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued or (ii) to the ability of each of the Guarantors to meet its obligations to Noteholders in respect of the Guarantee.

12. For so long as any of the Notes are outstanding, copies of the following documents may be obtained free of charge during normal business hours at the specified office of the Issuer and any Paying Agent:

    a. this Prospectus (including any documents incorporated by reference);
    b. the Fiscal Agency Agreement (for inspection only);
    c. the audited consolidated financial statements of the Issuer for the 2008-2009 and 2007-2008 financial years; and
    d. the *Statuts* of the Issuer.

    The Prospectus and all documents incorporated by reference are also available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

13. Deloitte & Associés and KPMG Audit, department of KPMG S.A. have audited and rendered unqualified audit report dated 29 May 2009 on the consolidated financial statements of the Issuer prepared in accordance with IFRS, as adopted by the European Union, as of and for the year ended 31 March 2009.

    Deloitte & Associés and KPMG Audit, department of KPMG S.A. have audited and rendered unqualified audit report dated 3 June 2008 on the consolidated financial statements of the Issuer prepared in accordance with IFRS, as adopted by the European Union, as of and for the year ended 31 March 2008.

    Without qualifying their opinion, the Statutory Auditors report dated 29 May 2009 on the consolidated financial statements of the Issuer as of and for the year ended 31 March 2009 drew the attention to Note 3.1 to such consolidated financial statements which describes the change in accounting policy relating to the first-time application of IFRIC 13 related to the accounting treatment of frequent Flyer Programs effective April 1st, 2008.

    Deloitte & Associés and KPMG Audit, department of KPMG S.A. are registered as *Commissaires aux Comptes* (members of the *Compagnie Nationale des Commissaires aux Comptes*).

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