Air France-KLM Group

CONSOLIDATED FINANCIAL STATEMENTS

NINE-MONTH FINANCIAL YEAR ENDED DECEMBER 31, 2011

Air France-KLM Group

CONSOLIDATED INCOME STATEMENT

In € millions	Notes	01.04.2011 31.12.2011 (9 months)	01.04.2010 31.12.2010 (9 months) (*)	01.04.2010 31.03.2011 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.01.2010 31.12.2010 (12 months) Proforma
Sales	*6*	**19 037**	**18 289**	**23 615**	**24 363**	**23 310**
Other revenues		38	6	7	39	7
Revenues		**19 075**	**18 295**	**23 622**	**24 402**	**23 317**
External expenses	*7*	(11 951)	(10 989)	(14 555)	(15 517)	(14 306)
Salaries and related costs	*8*	(5 658)	(5 531)	(7 333)	(7 460)	(7 385)
Taxes other than income taxes		(149)	(137)	(179)	(191)	(175)
Amortization	*9*	(1 233)	(1 215)	(1 624)	(1 642)	(1 614)
Depreciation and provisions	*9*	(63)	(60)	(52)	(55)	(53)
Other income and expenses	*10*	29	162	243	110	244
Income from current operations		**50**	**525**	**122**	**(353)**	**28**
Sales of aircraft equipment	*11*	19	11	8	16	(10)
Other non-current income and expenses	*11*	(43)	856	756	(143)	616
Income from operating activities		**26**	**1 392**	**886**	**(480)**	**634**
Cost of financial debt		(351)	(343)	(455)	(463)	(455)
Income from cash and cash equivalents		71	63	84	92	84
Net cost of financial debt	*12*	***(280)***	***(280)***	***(371)***	***(371)***	***(371)***
Other financial income and expenses	*12*	(247)	(145)	(78)	(180)	(239)
Income before tax		**(501)**	**967**	**437**	**(1 031)**	**24**
Income taxes	*13*	75	26	196	245	275
Net income of consolidated companies		**(426)**	**993**	**633**	**(786)**	**299**
Share of profits (losses) of associates	*21*	(12)	(14)	(21)	(19)	(13)
Net income from continuing operations		**(438)**	**979**	**612**	**(805)**	**286**
Net income for the period		**(438)**	**979**	**612**	**(805)**	**286**
- Equity holders of Air France-KLM		**(442)**	**980**	**613**	**(809)**	**289**
- Non controlling interests		4	(1)	(1)	4	(3)
Earnings per share – Equity holders of Air France-KLM (in euros)	*15.1*					
- basic		(1.50)	3.32	2.08	(2.73)	0.98
- diluted		(1.50)	2.71	1.76	(2.73)	0.89

(*) Amounts indicated in this column concern information published as of December 31, 2010 for a 9-month period.
The accompanying notes are an integral part of these consolidated financial statements.

Air France-KLM Group

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)** (*)	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Net income for the period	**(438)**	**979**	**612**	**(805)**	**286**
Fair value adjustment on available-for-sale securities					
Change in fair value recognized directly in equity	(74)	323	165	(232)	326
Change in fair value transferred to profit or loss	-	-	4	4	-
Cash flow hedges					
Effective portion of changes in fair value hedge recognized directly in equity	(104)	325	952	523	357
Change in fair value transferred to profit or loss	(363)	134	68	(429)	275
Items of the recognized income and expenses of equity shares	**(1)**	**(13)**	**(7)**	**5**	**(3)**
Currency translation adjustment	**11**	**(12)**	**(25)**	**(2)**	**(6)**
Tax on items related to other comprehensive income					
Income / (expense) included in other comprehensive income	146	(150)	(316)	(20)	(204)
Total of other comprehensive income included in the recognized income and expenses	**(385)**	**607**	**841**	**(151)**	**745**
Recognized income and expenses	**(823)**	**1 586**	**1 453**	**(956)**	**1 031**
- Equity holders of Air France-KLM	**(825)**	**1 586**	**1 452**	**(959)**	**1 033**
- Non-controlling interests	**2**	**-**	**1**	**3**	**(2)**

(*)Amounts indicated in this column concern information published as of December 31, 2010 for a 9-month period.
The accompanying notes are an integral part of these consolidated financial statements.

Air France-KLM Group

CONSOLIDATED BALANCE SHEET

Assets *In € millions*	***Notes***	**December 31, 2011**	**March 31, 2011**	**December 31, 2010 (*)**
Goodwill	***16***	426	422	401
Intangible assets	***17***	774	695	662
Flight equipment	***19***	10 689	11 040	11 163
Other property, plant and equipment	***19***	2 055	2 111	2 131
Investments in equity associates	***21***	422	422	431
Pension assets	***22***	3 217	2 995	2 944
Other financial assets(**)	***23***	2 015	1 654	1 836
Deferred tax assets	***13.5***	1 143	933	886
Other non-current assets	***26***	168	156	127
Total non-current assets		**20 909**	**20 428**	**20 581**
Assets held for sale	***14***	10	21	2
Other short-term financial assets(**)	***23***	751	751	628
Inventories	***24***	585	558	579
Trade accounts receivables	***25***	1 774	1 938	1 779
Income tax receivables		10	6	1
Other current assets	***26***	995	1 550	1 113
Cash and cash equivalents	***27***	2 283	3 717	3 496
Total current assets		**6 408**	**8 541**	**7 598**
Total assets		**27 317**	**28 969**	**28 179**

(*) Amounts indicated in this column concern information published as of December 31, 2010 for a 9-month period.
(**) Including:

In € millions	**December 31, 2011**	**March 31, 2011**	**December 31, 2010 (*)**
Deposits related to financial leases	656	652	699
Marketable securities	987	574	424

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET (continued)

Liabilities and equity *In € millions*	***Notes***	**December 31, 2011**	**March 31, 2011**	**December 31, 2010(*)**
Issued capital	***28.1***	300	300	300
Additional paid-in capital	***28.2***	2 971	2 971	2 971
Treasury shares	***28.3***	(89)	(94)	(93)
Reserves and retained earnings	***28.4***	2 858	3 675	3 802
Equity attributable to equity holders of Air France-KLM		**6 040**	**6 852**	**6 980**
Non-controlling interests		54	54	52
Total equity		**6 094**	**6 906**	**7 032**
Provisions and retirement benefits	***30***	2 061	1 930	1 566
Long-term debt	***31***	9 228	8 980	8 836
Deferred tax liabilities	***13.5***	466	511	468
Other non-current liabilities	***32***	321	272	430
Total non-current liabilities		**12 076**	**11 693**	**11 300**
Provisions	***30***	156	287	679
Current portion of long-term debt	***31***	1 174	1 808	1 811
Trade accounts payables		2 599	2 211	1 928
Deferred revenue on ticket sales		1 885	2 440	1 857
Frequent flyer programs		784	806	820
Current tax liabilities		6	3	12
Other current liabilities	***32***	2 386	2 686	2 595
Bank overdrafts	***27***	157	129	145
Total current liabilities		**9 147**	**10 370**	**9 847**
Total liabilities		**21 223**	**22 063**	**21 147**
Total liabilities and equity		**27 317**	**28 969**	**28 179**

(*)Amounts indicated in this column concern information published as of December 31, 2010 for a 9-month period.
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

In € millions

	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Non controlling interests	Total equity
March 31, 2010	**300 219 278**	**2 552**	**719**	**(106)**	**2 198**	**5 363**	**55**	**5 418**
Fair value adjustment on available for sale securities	-	-	-	-	166	**166**	-	**166**
Gain / (loss) on cash flow hedges	-	-	-	-	697	**697**	3	**700**
Currency translation adjustment	-	-	-	-	(24)	**(24)**	(1)	**(25)**
Net income for the year	-	-	-	-	613	**613**	(1)	**612**
Total of income and expenses recognized	-	-	-	-	**1 452**	**1 452**	**1**	**1 453**
Stock based compensation (ESA) and stock option	-	-	-	-	25	**25**	-	**25**
Dividends paid	-	-	-	-	-	-	(3)	**(3)**
Capital decrease	-	(2 252)	2 252	-	-	-	-	-
Treasury shares	-	-	-	12	-	**12**	-	**12**
Change in consolidation scope	-	-	-	-	-	-	1	**1**
March 31, 2011	**300 219 278**	**300**	**2 971**	**(94)**	**3 675**	**6 852**	**54**	**6 906**
Fair value adjustment on available for sale securities	-	-	-	-	(87)	**(87)**	-	**(87)**
Gain / (loss) on cash flow hedges	-	-	-	-	(307)	**(307)**	(2)	**(309)**
Currency translation adjustment	-	-	-	-	11	**11**	-	**11**
Net income for the year	-	-	-	-	(442)	**(442)**	4	**(438)**
Total of income and expenses recognized	-	-	-	-	**(825)**	**(825)**	**2**	**(823)**
Stock based compensation (ESA) and stock option	-	-	-	-	5	**5**	-	**5**
Dividends paid	-	-	-	-	-	-	(3)	**(3)**
OCEANE	-	-	-	-	6	**6**	-	**6**
Treasury shares	-	-	-	5	-	**5**	-	**5**
Change in consolidation scope	-	-	-	-	(3)	**(3)**	1	**(2)**
December, 31 2011	**300 219 278**	**300**	**2 971**	**(89)**	**2 858**	**6 040**	**54**	**6 094**

	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Non controlling interests	Total equity
March 31, 2010	**300 219 278**	**2 552**	**719**	**(106)**	**2 198**	**5 363**	**55**	**5 418**
Fair value adjustment on available for sale securities	-	-	-	-	318	**318**	-	**318**
Gain / (loss) on cash flow hedges	-	-	-	-	300	**300**	1	**301**
Currency translation adjustment	-	-	-	-	(12)	**(12)**	-	**(12)**
Net income for the year	-	-	-	-	980	**980**	(1)	**979**
Total of income and expenses recognized	-	-	-	-	**1 586**	**1 586**	**-**	**1 586**
Stock based compensation (ESA) and stock option	-	-	-	-	18	**18**	-	**18**
Dividends paid	-	-	-	-	-	-	(3)	**(3)**
Capital decrease	-	(2 252)	2 252	-	-	-	-	-
Treasury shares	-	-	-	13	-	**13**	-	**13**
December, 31 2010	**300 219 278**	**300**	**2 971**	**(93)**	**3 802**	**6 980**	**52**	**7 032**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In € millions	*Notes*	01.04.2011 31.12.2011 (9 months)	01.04.2010 31.12.2010 (9 months) (*)	01.04.2010 31.03.2011 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.01.2010 31.12.2010 (12 months) Proforma
Net income for the period – Equity holders of Air France-KLM		(442)	980	613	(809)	289
Non-controlling interests		4	(1)	(1)	4	(3)
Amortization, depreciation and operating provisions	***9***	1 296	1 275	1 676	1 697	1 667
Financial provisions	***12***	(3)	(4)	(3)	(2)	(5)
Gain on disposals of tangible and intangible assets		(7)	(12)	(11)	(6)	46
Loss / (gain) on disposals of subsidiaries and associates		-	(11)	(13)	(2)	(10)
Gain on Amadeus operation	***11***	-	(1 030)	(1 030)	-	(1 030)
Derivatives – non monetary result	***12***	12	(5)	(25)	(8)	(24)
Unrealized foreign exchange gains and losses, net		169	107	33	95	159
Share of (profits) losses of associates	***21***	12	14	21	19	13
Deferred taxes	***13***	(100)	(49)	(215)	(266)	(305)
Other non-monetary items	***38.1***	(296)	(136)	(209)	(369)	46
Subtotal		**645**	**1 128**	**836**	**353**	**843**
(Increase) / decrease in inventories		(13)	(38)	(10)	15	25
(Increase) / decrease in trade receivables		142	362	171	(49)	121
Increase / (decrease) in trade payables		343	(102)	245	690	(41)
Change in other receivables and payables		(559)	(376)	108	(75)	95
Net cash flow from operating activities		**558**	**974**	**1 350**	**934**	**1 043**
Acquisition of subsidiaries and investments in associates, net of cash acquired	***38.2***	(7)	(10)	(33)	(30)	(10)
Purchase of property, plant and equipment and intangible assets	***20***	(1 872)	(1 561)	(2 122)	(2 433)	(2 037)
Proceeds on Amadeus transaction	***11***	-	193	193	-	193
Proceeds on disposal of subsidiaries and investments in associates	***38.3***	-	-	-	-	-
Proceeds on disposal of property, plant and equipment and intangible assets		862	671	977	1 168	1 054
Dividends received		28	8	8	28	8
Decrease (increase) in investments, net between 3 months and 1 year		(412)	(79)	(229)	(562)	(44)
Net cash flow used in investing activities		**(1 401)**	**(778)**	**(1 206)**	**(1 829)**	**(836)**
Increase in capital		-	-	6	6	-
Purchase of non-controlling interests, of shares in non-controlled entities	***38.2***	(6)	(3)	(13)	(21)	(4)
Disposal of subsidiaries without loss of control, of shares in non-controlled entities	***38.3***	2	19	14	2	20
Issuance of long-term debt		868	354	900	1 414	532
Repayment on long-term debt		(874)	(530)	(646)	(990)	(640)
Payment of debt resulting from finance lease liabilities		(689)	(401)	(550)	(838)	(618)
New loans		(102)	(67)	(110)	(145)	(78)
Repayment on loans		185	151	231	265	224
Dividends paid		(3)	(2)	(3)	(4)	(3)
Net cash flow from financing activities		**(619)**	**(479)**	**(171)**	**(311)**	**(567)**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		**-**	**(1)**	**(20)**	**(19)**	**5**
Change in cash and cash equivalents and bank overdrafts		**(1 462)**	**(284)**	**(47)**	**(1 225)**	**(355)**
Cash and cash equivalents and bank overdrafts at beginning of period	***27***	3 588	3 635	3 635	3 351	3 706
Cash and cash equivalents and bank overdrafts at end of period	***27***	2 126	3 351	3 588	2 126	3 351

Income tax (paid) / reimbursed (flow included in operating activities)	(27)	(22)	(32)	(37)	(30)
Interest paid (flow included in operating activities)	(335)	(302)	(435)	(468)	(427)
Interest received (flow included in operating activities)	49	34	49	64	48

(*)Amounts indicated in this column concern information published as of December 31, 2010 for a 9-month period.

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION

As used herein, the term "Air France–KLM" refers to Air France-KLM SA, a limited liability company organized under French law excluding its consolidated subsidiaries.

The term “Group” is represented by the economic definition of Air France-KLM and its subsidiaries. The Group is headquartered in France and is one of the largest airlines in the world. The Group’s core business is passenger transportation. The Group’s activities also include cargo, aeronautics maintenance and other air-transport-related activities including, principally, catering and charter services.
The limited company Air France-KLM SA, domiciled at 2 rue Robert Esnault-Pelterie 75007 Paris, France, is the parent company of the Air France-KLM Group. Air France-KLM is listed for trading in Paris (Euronext) and Amsterdam (Euronext).
The presentation currency used in these financial statements is the euro, which is also the Group’s functional currency.

2. CHANGE OF CLOSING DATE

The Extraordinary Shareholders’ Meeting of July 7, 2011 approved the change of closing date for Air France-KLM SA’s financial statements from March 31 to December 31, proposed by the Board of Directors on May 18, 2011. This decision was taken to facilitate analysis and comparison with most other airline companies which close their accounting periods on December 31. The subsidiaries have also changed their closing dates to come into line with the new closing date of the parent company.
This change in accounts closing date becomes effective this financial year with a 9-month financial year ended on December 31, 2011. Due to this change, the accounts for the 9-month period ended December 31, 2011 are not comparable with the last published accounts for the Group for the period ended March 31, 2011.

To facilitate comparison, proforma financial information is presented in addition to historical information related to the years ended December 31, 2010 (9 months) and March 31, 2011 (12 months).
This proforma financial information has been established based on the Group’s quarterly published financial information. As such, some assumptions and options have been identified including:

- The addition of the first quarter of the calendar year for the periods ended December 31, 2011 and 2010,
- Pension costs are consistent with previous publications. They have not been recalculated on the basis of the calendar year,
- The current and deferred taxes recognized in profit proforma have not been recalculated on the basis of the calendar year but satisfy (i) for the first quarter of proforma closing December 31, 2011 and December 31, 2010, to taxes as calculated for the last quarter of the financial years ended March 31, 2011 and March 31, 2010 and (ii) for the last nine months of proforma closing, to the taxes calculated for the corresponding period of closing ended December 31, 2011 and March 31, 2011.

The income and cash flow statements include the following comparative financial information:

- Financial information for the 9-month period ended December 31, 2010 (from April 1, 2010 to December 31, 2010) corresponding to the information published in respect of the third quarter of the year ended March 31, 2011;
- Proforma financial information for the 12-month period ended December 31, 2011 (from January 1, 2011 to December 31, 2011) based on the financial information published for the fourth quarter of the year ended March 31, 2011 and the 9-month 2011 fiscal year ended December 31, 2011;
- Proforma financial information over 12 months as of December 31, 2010 (from January 1, 2010 to December 31, 2010) based on the financial information published for the fourth quarter of the year ended March 31, 2010 and the first three quarters of the year ended March 31, 2011.

The balance sheet includes financial information as of December 31, 2010. This information corresponds to the third quarter balance sheet published for the year ended March 31, 2011.
Proforma financial information is also presented for some of the notes to the consolidated financial statements.

3. SIGNIFICANT EVENTS

3.1. Arising during the accounting period

To optimize its debt repayment schedule, the Air France-KLM Group signed on December 6, 2011 a total return swap with Natixis. This operation, aiming at deferring until April 1st, 2016 the possible exercice of the repayment option initially scheduled for April 1st, 2012, is detailled in note 31.2.1.

The Board of Directors of the Air-France KLM Group approved a significant aircraft order on September 15, 2011.
A purchase contract was signed with Boeing for 25 firm order and 25 options of Boeing 787 aircraft.
Discussions are ongoing with Airbus and Rolls Royce to finalize the contract for the Airbus A350 order.
The commitments related to this order are detailed in note 35.

3.2. Subsequent events

On March 1, 2012, Air France, subsidiary of Air France-KLM, has made a private placement of 33.6 millions of Amadeus IT Holding SA shares, which correspond to 7.5% of the capital.
After this operation, the Group's holding decreased from 15.2% to 7.7%.
The net proceeds from the transaction amounts to €467 millions which generates, in the income statement, a gain on disposal of €98 millions.
Air France, as well as Iberia and Lufthansa, which hold respectively 7.5% and 7.6% of the share capital of Amadeus IT Holding SA, have each agreed to a lock-up of a 90-days period.

4. ACCOUNTING POLICIES

4.1. Accounting principles

4.1.1 Accounting principles used for consolidated financial statements

Pursuant to the European Regulation 1606/2002, July 19, 2002, the consolidated financial statements as of December 31, 2011 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Commission (“EU”) and applicable on the date these consolidated financial statements were established.

IFRS as adopted by the EU differ in certain respects from IFRS as published by the International Accounting Standards Board (“IASB”). The Group has, however, determined that the financial information for the periods presented would not differ substantially if the Group had applied IFRS as published by the IASB.

The consolidated financial statements were approved by the Board of Directors on March 7, 2012.

4.1.2 Change in accounting principles

- <u>IFRS standards, amendments and IFRIC interpretations applicable to the 2011 financial statements</u>

The main texts whose application became mandatory during the accounting period ended December 31 are the following:

- The revised standard IAS 24 “Related party disclosures”, applicable for annual periods beginning on or after January 1, 2011,
- IFRIC 19 “Financial debts paid by equity instruments”, applicable for annual periods beginning on or after July 1, 2010,
- The amendment to interpretation IFRIC 14 “Limit on Defined Benefit Asset Minimum Funding Requirements and their Interaction”, applicable for annual periods beginning on or after January 1, 2011,
- The IFRS annual improvement published in May 2010, applicable for accounting periods starting January 1, 2011 (except for amendments to IFRS 3 and IAS 27, applicable for accounting periods starting July 1, 2010).

These standards and amendments had no significant impact on the consolidated financial statements at December 31, 2011. Other texts whose application became mandatory during the year ended December 31, 2011 have no impact on the consolidated financial statements of the Group.

- IFRS standards, amendments and IFRIC interpretations which are not mandatory effective on 2011 financial statements

The amendment to IFRS 7 “Disclosure in the transfer of financial assets” approved by the European Union is applicable for fiscal year beginning on or after July 1, 2011.
Other standards potentially applicable to the Group, published by the IASB but not yet adopted by the European Union are described below. They will have to be applied, subject to their approval by the European Union, for the accounting periods starting:

- July 1, 2012:
  - Amendment to IAS 1 on presentation of other comprehensive income.

- January 1, 2013:
  - Standard IFRS 10 “Consolidated Financial Statements” which will replace IAS 27 “Consolidated and Separate Financial Statements” for the part concerning the consolidated financial statements and also SIC 12 “Consolidation – Special Purpose Entities”,
  - Standard IFRS 11 “Joint Arrangements” which will replace IAS 31 “Interests in Joint Ventures” and also the interpretation SIC 13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”,
  - Standard IFRS 12 “Disclosure on Interests in Other Entities”,
  - The revised standards IAS 27 “Consolidated and Separate Financial Statements” and IAS 28 “Investments in Associates”,
  - Standard IFRS 13 “Fair Value Measurement”,
  - The revised standard IAS 19 “Employee Benefits”.

- January 1, 2015:
  - Standard IFRS 9 “Financial instruments - Classification and measurement of financial assets and liabilities”.

The main consequence of the revision to IAS 19 has been the removal of the option allowing, when a scheme was out of a 10% corridor, the amortization of actuarial differences. From now on they will have to be accounted directly in equity. According to the standard, the application as of January 1, 2013, will result in a negative adjustment in the opening equity of the first comparative published year, i.e. as of January 1, 2012, amounting to about €1.5 billion gross reduced by the tax effect to €1.3 billion net of tax.

Other new standards, interpretations and amendments to existing standards are not applicable to the Group.

4.2. Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. The main estimates are described in the following notes:

- Note 4.6 – Revenue recognition related to deferred revenue on ticket sales,
- Notes 4.13 et 4.12 – Tangible and intangible assets,
- Note 4.10 – Financial instruments, valuation of financial assets and liabilities
- Note 4.21 – Deferred taxes,
- Note 4.7 – Flying Blue frequent flyer program,
- Notes 4.17, 4.18 et 4.19 – Provisions.

The Group’s management makes these estimates and assessments continuously on the basis of its past experience and various other factors considered to be reasonable.

The consolidated financial statements for the financial year have thus been established taking into account the current economic and financial crisis which has developed since 2008 and on the basis of financial parameters available at the closing date. The immediate effects of the crisis have been taken into account, in particular the valuation of current assets and liabilities. Concerning the longer-term assets, i.e. the non-current assets, the assumption was that the crisis would be of limited duration.

The future results could differ from these estimates depending on changes in the assumptions used or different conditions.

4.3. Consolidation principles

4.3.1. Subsidiaries

Companies over which the Group exercises control are fully consolidated. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

Non-controlling interests are presented within equity and on the income statement separately from Group stockholders' equity and the Group's net income, under the line "non-controlling interests".

The effects of a buyout of non-controlling interests in a subsidiary already controlled by the Group and divestment of a percentage interest without loss of control are recognized in equity. In a partial disposal resulting in loss of control, the retained equity interest is remeasured at fair value at the date of loss of control. The gain or loss on the disposal will include the effect of this remeasurement and the gain or loss on the sale of the equity interest, including items initially recognized in comprehensive income and reclassified to profit and loss.

4.3.2. Interest in associates and joint ventures

Companies in which the Group has the ability to exercise significant influence on financial and operating policy decisions are accounted for using the equity method; the ability to exercise significant influence is presumed to exist when the Group holds more than 20% of the voting rights.

In addition, companies in which the Group exercises joint control according to a contractual agreement are accounted for using the equity method.

The consolidated financial statements include the Group's share of the total recognized gains and losses of associates and joint ventures from the date the ability to exercise significant influence begins to the date it ceases, adjusted for any impairment loss. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's equity that have not been recognized in the investee's profit or loss. The investor's share of those changes is recognized directly in the Group's equity.

The Group's share of losses of an associate that exceed the value of the Group's interest and net investment (long term receivables) in this entity are not accounted for, unless:
- the Group has incurred contractual obligations; or
- the Group has made payments on behalf of the associate.

Any surplus of the investment cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associate company on the date of acquisition is accounted for as goodwill and included in the book value of the investment accounted for using the equity method.

The investments in which the Group has ceased to exercise significant influence or joint control are no longer consolidated and are valued at their fair value on the date of withdrawal from the consolidation scope.

4.3.3 Intra-group operations

All intra-group balances and transactions, including income, expenses and dividends are fully eliminated. Profits and losses resulting from intra-group transactions that are recognized in assets are also eliminated.
Gains and losses realized on internal sales with associates and jointly-controlled entities are eliminated, to the extent of the Group's interest in the entity, providing there is no impairment.

4.3.4 Closing date

With the exception of a few non-significant subsidiaries and equity affiliates with a September 30 or October 31 closing date, all Group companies are consolidated based on financial statements for the year ended December 31.

4.4. Translation of foreign companies' financial statements and transactions in foreign currencies

4.4.1. Translation of foreign companies' financial statements

The financial statements of foreign subsidiaries are translated into euros on the following basis:

- except for the equity for which historical prices are applied, balance sheet items are converted on the basis of the foreign currency rates in effect at the closing date;

- the income statement and the statement of cash flows are converted on the basis of the average foreign currency exchange rates for the period;

- the resulting foreign exchange adjustment is recorded in the "Translation adjustments" item included within equity.

Goodwill is expressed in the functional currency of the entity acquired and is converted into euros using the foreign currency rate in effect at the closing date.

4.4.2. Translation of foreign currency transactions

Foreign currency transactions are translated using the exchange rate prevailing on the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated at the rate in effect at the closing date or at the rate of the related hedge if any.

The corresponding exchange rate differences are recorded in the Group's consolidated income statement. Changes in fair value of the hedging instruments are recorded using the accounting treatment described in note 4.10. "Financial instruments, valuation of financial assets and liabilities".

4.5. Business combinations

4.5.1. Business combinations completed on or after April 1, 2010

Business combinations completed on or after April 1, 2010 are accounted for using the purchase method in accordance with IFRS 3 revised standard "Business combinations". In accordance with this standard, all assets, liabilities assumed and contingent liabilities are measured at fair value at the acquisition date. The time period for adjustments to goodwill/negative goodwill is limited to 12 months from the date of acquisition, except for non-current assets classified as assets held for sale which are measured at fair value less costs to sell.

Goodwill arising from the difference between the acquisition cost, which includes the potential equity instruments issued by the Group to gain control on the acquired entity and other costs potentially dedicated to the business combination, and the Group's interest in the fair value of the identifiable assets and liabilities acquired is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Costs other than those related to the issuance of debt or equity securities are recognized immediately as an expense when incurred.

For each acquisition, the Group has the option of using the "full" goodwill method, where goodwill is calculated by taking into account the fair value of non-controlling interests at the acquisition date rather than their proportionate interest in the fair value of the assets and liabilities of the acquiree.

Should the fair value of identifiable assets acquired and liabilities assumed exceed the cost of acquisition, the resulting negative goodwill is recognized immediately in the income statement.

Contingent considerations or earn-outs are recorded in equity if contingent payment is settled by delivery of a fixed number of the acquirer's equity instrument. In all other cases, they are recognized in liabilities related to business combinations. Contingent payments or earn-outs are measured at fair value at the acquisition date. This initial measurement is subsequently adjusted through goodwill only when additional information is obtained after the acquisition date about facts and circumstances that existed at that date. Such adjustment is made only during the 12-month measurement period that follows the acquisition date. Any other subsequent adjustments which do not meet these criteria are recorded as receivables or payables through the income statement.

In a step acquisition, the previously-held equity interest in the acquiree is remeasured at its acquisition-date fair value. The difference between the fair value and the net book value must be accounted in profit or loss as well as elements previously recognized in other comprehensive income.

4.5.2. Business combination carried out before April 1, 2010

Business combinations carried out before April 1, 2010 are accounted for using the purchase method in accordance with IFRS 3 “Business combinations”. In accordance with this standard, all assets, liabilities assumed and contingent liabilities are measured at fair value at the acquisition date. The time period for adjustments to goodwill/negative goodwill is limited to 12 months from the date of acquisition.

Assets meeting the criteria of IFRS 5 “Non-current assets held for sale and discontinued operations”, as described in note 4.22, are recorded at the lower of their net book value and their fair value less costs to sell.

Goodwill arising from the difference between the acquisition cost, which includes the potential equity instruments issued by the Group to gain control on the acquired entity and other costs potentially dedicated to the business combination, and the Group’s interest in the fair value of the identifiable assets and liabilities acquired is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

Should the fair value of identifiable assets acquired and liabilities assumed exceed the cost of acquisition, the resulting negative goodwill is recognized immediately in the income statement.

4.6. Sales

Sales related to air transportation operations are recognized when the transportation service is provided, net of any discounts granted. Transportation service is also the trigger for the recognition of external expenses, such as the commissions paid to agents.

Both passenger and cargo tickets are consequently recorded as “Deferred revenue on ticket sales”.

Sales relating to the value of tickets that have been issued, but which will never be used, are recognized as revenues at issuance. The amounts recognized are based on a statistical analysis, which is regularly updated.

Sales on third-party maintenance contracts are recorded based on the stage of completion method.

4.7. Loyalty programs

The two sub-groups Air France and KLM have a common frequent flyer program "Flying Blue". This program enables members to acquire "miles" as they fly with Air France, KLM or other partner companies. These miles entitle members to a variety of benefits such as free flights with the two companies or other free services with non flying partners.

In accordance with IFRIC 13 “Loyalty programs”, these “miles” are considered as distinct elements from a sale with multiple elements and one part of the price of the initial sale of the airfare is allocated to these “miles” and deferred until the Group’s commitments relating to these “miles” have been met. The deferred amount due in relation to the acquisition of miles by members is estimated:

- According to the fair value of the “miles”, defined as the amount at which the benefits can be sold separately.
- After taking into account the redemption rate, corresponding to the probability that the miles will be used by members, using a statistical method.

With regards to the invoicing of other partners in the program, the margins realized on sales of “miles” by the sub-groups Air France and KLM to other partners are recorded immediately in the income statement.

4.8. Distinction between income from current operations and income from operating activities

The Group considers it is relevant to the understanding of its financial performance to present in the income statement a subtotal within the income from operating activities. This subtotal, entitled “Income from current operations”, excludes unusual elements that do not have predictive value due to their nature, frequency and/or materiality, as defined in the recommendation n°2009-R.03 from the National Accounting Council.

Such elements can be divided into three categories:

- Elements that are both very infrequent and significant, such as the recognition in the income statement of negative goodwill.

- Elements that impact the understanding of the Group’s financial performance and do not contribute to the establishment of reliable future projections, such as sales of aircraft equipment and disposals of other assets.

- Elements that are by nature unpredictable and non-recurring, if they are significant such as restructuring costs or gains/(losses) resulting from specific transactions. The Group considers that materiality must be assessed not only by comparing the amount concerned with the income/(loss) from operating activities of the period, but also in terms of changes in the item from one period to the other.

4.9. Earnings per share

Earnings per share are calculated by dividing net income attributable to the equity holders of Air France-KLM by the average number of shares outstanding during the period. The average number of shares outstanding does not include treasury shares.

Diluted earnings per share are calculated by dividing the net income attributable to the equity holders of Air France-KLM adjusted for the effects of dilutive instrument exercise, by the average number of shares outstanding during the period, adjusted for the effect of all potentially-dilutive ordinary shares.

4.10. Financial instruments, valuation of financial assets and liabilities

4.10.1 Valuation of trade receivables and non-current financial assets

Trade receivables, loans and other non-current financial assets are considered to be assets issued by the Group and are recorded at fair value then, subsequently, using the amortized cost method less impairment losses, if any. The purchases and sales of financial assets are accounted for as of the transaction date.

4.10.2 Investments in debt and equity securities

Investments in debt and equity securities qualifying as assets available for sale are stated at fair value in the Group’s balance sheet. For publicly-traded securities, the fair value is considered to be the market price. For other securities, if the fair value cannot be reliably estimated, it equals the acquisition cost less impairment, if any.

Potential gains and losses, except for impairment charges, are recorded in a specific component of equity “Derivatives and available for sale securities reserves”. If there is an indication of impairment of the financial asset, the amount of the loss is recorded in the income statement for the period.

4.10.3 Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risks of exchange rates, changes in interest rates or fuel prices.

Forward currency contracts and options are used to cover exposure to exchange rates. For firm commitments, the unrealized gains and losses on these financial instruments are included in the carrying value of the hedged asset or liability.

The Group also uses rate swaps to manage its exposure to interest rate risk. Most of the swaps traded convert floating-rate debt to fixed-rate debt.

Finally, exposure to the fuel risk is hedged by swaps or options on jet fuel, diesel or brent.

Most of these derivatives are classified as hedging instruments if the derivative is eligible as a hedging instrument and if the hedging contracts are documented as required by IAS 39 “Financial instruments: recognition and measurement”.

These derivative instruments are recorded on the Group’s consolidated balance sheet at their fair value. The method of accounting for changes in fair value depends on the classification of the derivative instruments. There are three classifications:

- *Derivatives classified as fair value hedge*: changes in the derivative fair value are recorded through the income statement and offset within the limit of its effective portion against the changes in the fair value of the underlying item (assets, liability or firm commitment), which are also recognized as earnings.
- *Derivatives classified as cash flow hedge*: the changes in fair value are recorded in equity for the effective portion and are reclassified as income when the hedged element affects earnings. The ineffective portion is recorded as financial income or losses.
- *Derivatives classified as trading*: changes in the derivative fair value are recorded as financial income or losses.

4.10.4 Convertible bonds

Convertible bonds are financial instruments comprising two components: a bond component recorded as debt and a stock component recorded in equity. The bond component is equal to the discounted value of all coupons due for the bond at the rate of a simple bond that would have been issued at the same time as the convertible bond. The value of the stock component recorded in the Group’s equity is calculated by the difference between such value and the bond’s nominal value at issue. The difference between the financial expense recorded and the amounts effectively paid out is added, at each closing, to the amount of the debt component so that, at maturity, the amount to be repaid if there is no conversion equals the redemption price.

4.10.5 Financial assets, cash and cash equivalents

Financial assets at fair value through profit and loss
Financial assets include financial assets at fair value through profit and loss (French mutual funds such as SICAV and FCP, certificates, etc.) that the Group intends to sell in the near term to realize a capital gain, or that are part of a portfolio of identified financial instruments managed collectively and for which there is evidence of a practice of short-term profit taking. They are classified in the balance sheet as current financial assets. Furthermore, the Group opted not to designate any asset at fair value through the income statement.

Cash and cash equivalents
Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.10.6 Long-term debt

Long-term debt is recognized initially at fair value. Subsequent to the initial measurement, long-term debt is recorded at amortized cost calculated using the effective interest rate. Under this principle, any redemption and issue premiums are recorded as debt in the balance sheet and amortized as financial income or expense over the life of the loans.

In addition, long-term debt documented in the context of fair value hedging relationships is revalued at the fair value for the risk hedged, i.e. the risk related to the fluctuation in interest rates. Changes in fair value of the hedged debt are recorded symmetrically in the income statement for the period with the change in fair value of the hedging swaps.

4.10.7 Fair value hierarchy

The table presenting a breakdown of financial assets and liabilities categorized by value (see note 33.4) meets the amended requirements of IFRS 7 “Financial instruments: Disclosures”. The fair values are classified using a scale which reflects the nature of the market data used to make the valuations.

This scale has three levels of fair value.

Level 1: Fair value calculated from the exchange rate/price quoted on the active market for identical instruments;

Level 2: Fair value calculated from valuation methods based on observable data such as active prices or similar liabilities or scopes quoted on the active market;

Level 3: Fair value calculated from valuation methods which rely completely or in part on non-observable data such as prices on an inactive market or the valuation on a multiples basis for non-quoted securities.

4.11. Goodwill

Goodwill represents the excess of the cost of a business combination over the acquirer's interest in the fair value of the acquired identifiable assets, liabilities and contingent liabilities.

For acquisitions prior to April 1, 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under French GAAP. The classification and accounting treatment of business combinations that occurred prior to April 1, 2004 was not modified at the time international standards were adopted, on April 1, 2004, in accordance with IFRS 1 "First-time adoption of international financial reporting standards".

Goodwill is valued in the functional currency of the entity acquired. It is recorded as an asset in the balance sheet.

It is not amortized and is tested for impairment annually and at any point during the year when an indicator of impairment exists. As discussed in note 4.14, once recorded the impairment may not subsequently be reversed.

When the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the acquisition cost, there is negative goodwill which is recognized and immediately reversed in the Group's income statement.

At the time of the sale of a subsidiary, an equity affiliate or a jointly-controlled entity, the amount of the goodwill attributable to the entity sold is included in the calculation of the income from the sale.

4.12. Intangible assets

Intangible assets are recorded at initial cost less accumulated amortization and any accumulated impairment losses.
Software development costs are capitalized and amortized over their useful lives. The Group has the necessary tools to enable the tracking by project of all the stages of development, and particularly the internal and external costs directly related to each project during its development phase.
Identifiable intangible assets acquired with a finite useful life are amortized over their useful lives from the date they are available for use.
Identifiable intangible assets acquired with an indefinite useful life are not amortized but tested annually for impairment or whenever there is an indication that the intangible asset may be impaired. If necessary, an impairment as described in note 4.14 is recorded.

Intangible assets with a finite useful life are amortized on a straight line basis over the following periods:

Software	1 to 5 years
Customer relationships	5 to 12 years

4.13. Property, plant and equipment

4.13.1 Principles applicable

Property, plant and equipment are recorded at the acquisition or manufacturing cost, less accumulated depreciation and any accumulated impairment losses.

The financial interest attributed to progress payments made on account of aircraft and other significant assets under construction is capitalized and added to the cost of the asset concerned. As prepayments on investment are not financed by specific loans, the Group uses the average interest rate on the current unallocated loans of the period.

Maintenance costs are recorded as expenses during the period when incurred, with the exception of programs that extend the useful life of the asset or increase its value, which are then capitalized (e.g. maintenance on airframes and engines, excluding parts with limited useful lives).

4.13.2 Flight equipment

The purchase price of aircraft equipment is denominated in foreign currencies. It is translated at the exchange rate at the date of the transaction or, if applicable, at the hedging price assigned to it. Manufacturers' discounts, if any, are deducted from the value of the related asset.

Aircraft are depreciated using the straight-line method over their average estimated useful life of 20 years, assuming no residual value.

During the operating cycle, in developing fleet replacement plans, the Group reviews whether the amortizable base or the useful life should be adjusted and, if necessary, determines whether a residual value should be recognized.

Any major airframes and engines (excluding parts with limited useful lives) are treated as a separate asset component with the cost capitalized and depreciated over the period between the date of acquisition and the next major overhaul.

Aircraft components which enable the use of the fleet are recorded as fixed assets and are amortized on a straight-line basis over the estimated residual lifetime of the aircraft/engine type on the world market. The useful life is limited to a maximum of 30 years.

4.13.3 Other property, plant and equipment

Other property, plant and equipment are depreciated using the straight line method over their useful life. Such useful lives are as follows:

Buildings	20 to 50 years
Fixtures and fittings	8 to 15 years
Flight simulators	10 to 20 years
Equipment and tooling	5 to 15 years

4.13.4. Leases

In accordance with IAS 17 "Leases", leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The assets held under a finance lease are recognized as assets at the lower of the following two values: the present value of the minimum lease payments under the lease arrangement or their fair value determined at inception of the lease. The corresponding obligation to the lessor is accounted for as long-term debt.

These assets are depreciated over the shorter of the useful life of the assets and the lease term when there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term.

In the context of sale and operating leaseback transactions, the related profit or losses are accounted for as follows:

- They are recognized immediately when it is clear that the transaction has been realized at fair value;
- If the sale price is below fair value, any profit or loss is recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used;
- If the sale price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

In the context of sale and finance leaseback transactions, any gain on the sale is deferred and recognized as financial income over the lease term. No loss is recognized unless the asset is impaired.

4.14. Impairment test

In accordance with the standard IAS 36 “Impairment of Assets”, fixed assets, intangible assets and goodwill are tested for depreciation if there is an indication of impairment, and those with an indefinite useful life are tested at least once a year on September 30.

For this test, the Group deems the recoverable value of the asset to be the higher of the market value less cost of disposal and its value in use. The latter is determined according to the discounted future cash flow method, estimated based on budgetary assumptions approved by management, using an actuarial rate which corresponds to the weighted average cost of Group capital and a growth rate which reflects the market hypothesis for the appropriate activity.

The depreciation tests are carried out individually for each asset, except for those assets to which it is not possible to attach independent cash flows. In this case, these assets are regrouped within the CGU to which they belong and it is this which is tested. The CGU relates to different activity sectors of the Group: passenger business, cargo, maintenance, leisure and others.
When the recoverable value of an asset or CGU is inferior to its net book value, an impairment is realized. The impairment of a CGU is charged in the first instance to goodwill, the remainder being charged to the other assets which comprise the CGU, prorated to their net book value.

4.15. Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition and location. These costs include the direct and indirect production costs incurred under normal operating conditions.

Inventories are valued on a weighted average basis.

The net realizable value of the inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

4.16. Treasury shares

Air-France-KLM shares held by the Group are recorded as a deduction from the Group’s consolidated equity at the acquisition cost. Subsequent sales are recorded directly in equity. No gains or losses are recognized in the Group’s income statement.

4.17. Employee benefits

The Group's obligations in respect of defined benefit pension plans and termination indemnities are calculated, in accordance with IAS 19 “Employee benefits”, using the projected units of credit method, considering the specific economic conditions in each country concerned. The commitments are covered either by insurance or pension funds or by provisions recorded on the balance sheet as and when rights are acquired by employees.

Actuarial gains or losses are recognized in the Group’s income statement only if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceed 10% of the greater of the present value of the defined benefit obligation at that date and the fair value of any plan assets at that date. The exceeding amount is then recognized over the expected average remaining working lives of the employees participating in the plan.

Specific information related to the recognition of some pension plan assets

Pension plans in the Netherlands are generally subject to minimum funding requirements (“MFR”) that can involve the recognition of pension surpluses.
These pension surpluses constituted by the KLM sub group are recognized in the balance sheet according to the IFRIC 14 interpretation IAS 19 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”.

4.18. Provisions for restitution of aircraft under operating leases

For certain operating leases, the Group is contractually committed to restitute aircraft to a defined level of potential.

The Group accrues for restitution costs related to aircraft under operating leases as soon as the asset does not meet the return condition criteria.

When the condition of aircraft exceeds the return condition as set per the lease arrangement, the Group capitalizes the related amount in excess under "Flight equipment". Such amounts are subsequently amortized on a straight-line basis over the period during which the potential exceeds the restitution condition. Any remaining capitalized excess potential upon termination of a lease is reimbursable by the lessor.

4.19. Other provisions

The Group recognizes a provision in the balance sheet when the Group has an existing legal or implicit obligation to a third party as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amounts recorded as provisions are discounted when the effect of the passage of time is material.
The effect of the time value of money is presented as a component of financial income.
Restructuring provisions are recognized once the Group has established a detailed and formal restructuring plan which has been announced to the parties concerned.

4.20. Equity and debt issuance costs

Debt issuance costs are amortized as financial expenses over the term of the loans using the actuarial method.

The cost of increase in capital is deducted from paid-in capital.

4.21. Deferred taxes

The Group records deferred taxes using the balance sheet liability method, providing for any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for exceptions described in IAS 12 "Income taxes".

The tax rates used are those enacted or substantively enacted at the balance sheet date.

Net deferred tax balances are determined on the basis of each entity's tax position.

Deferred tax assets related to temporary differences and carry forwards are recognized only to the extent it is probable that a future taxable profit will be available against which the asset can be utilized at the tax entity level.

Deferred tax corresponding to fiscal losses are recognized as assets given the prospects of recoverability resulting from budgets and medium term plans prepared by the Group. The assumptions used are similar to those used for testing the value of assets (these are described in note 4.14).

A deferred tax liability is also recognized for the undistributed reserves of the equity affiliates.

Taxes payable and/or deferred are recognized in the income statement for the period, unless they are generated by a transaction or event recorded directly as equity. In such a case, they are recorded directly in equity.

Impact of the Territorial Economic Contribution

The 2010 Finance Law voted on December 30, 2009, removed the business tax liability for French fiscal entities from January 1, 2010 and replaced it with the new TEC (Territorial Economic Contribution/Contribution Economique Territoriale – CET) comprising two contributions: the LDE (land tax of enterprises/Cotisation Foncière des Entreprises -

CFE) and the CAVE (Contribution on Added Value of Enterprises/Cotisation sur la Valeur Ajoutée des Entreprises – CVAE). The latter is calculated by the application of a rate to the added value generated by the company during the year. As the added value is a net amount of income and expenses, the CAVE meets the definition of a tax on profits as set out in IAS 12.2. Consequently, the expense relating to the CAVE is presented under the line “tax”.

4.22. Non-current assets held for sale and discontinued operations

Assets or groups of assets held for sale meet the criteria of such a classification if their carrying amount will be recovered principally through a sale rather than through their continuing use. This condition is considered to be met when the sale is highly probable and the asset (or the group of assets intended for sale) is available for immediate sale in its present condition. Management must be committed to a plan to sell, with the expectation that the sale will be realized within a period of twelve months from the date on which the asset or group of assets was classified as assets held for sale.

The Group determines on each closing date whether any assets or groups of assets meet the above criteria and presents such assets, if any, as "non-current assets held for sale".
Any liabilities related to these assets are also presented on a separate line in liabilities on the balance sheet.

Assets and groups of assets held for sale are valued at the lower of their book value or their fair value minus exit costs. As of the date of such a classification, the asset is no longer depreciated.

The results from discontinued operations are presented separately from the results from continuing operations in the income statement.

4.23. Share-based compensation

Pursuant to the transitional provisions of IFRS 2 “Share-based payment”, only the share-based plans awarded after November 7, 2002, for which the rights did not vest by April 1, 2004, were valued and recorded as salaries and related costs.
Stock subscription or purchase option schemes are valued at the fair value on the date the plans are awarded.
The fair value of the stock option schemes is determined using the Black-Scholes model. This model takes into account the features of the plan (exercise price, exercise period) and the market data at the time they are granted (risk-free interest rate, market value of the share, volatility and expected dividends).
This fair value is the fair value of the services rendered by the employees in consideration for the options received. It is recognized as salary cost with a corresponding increase to equity over the period for which the rights vest. This compensation cost is adjusted, if applicable, to take into account the number of options effectively vested.

5. CHANGES IN THE SCOPE OF CONSOLIDATION

5.1. Acquisitions

No significant acquisitions of subsidiaries occurred during the financial years presented.

5.2. Disposals

- **Year ended December 31, 2011 (9 months and 12 months proforma)**

No significant disposal of subsidiaries occurred during the financial year ended December 31, 2011 (9 months and 12 months proforma).

- **Previous years**

On April 29, 2010, the company Amadeus was the subject of an Initial Public Offering (IPO) on the Madrid stock exchange. This operation is detailed in note 11 and had had an impact on the following years:
- Year ended December 31, 2010 (9 months)
- Year ended December 2010 (12 months proforma)
- Year ended March 31, 2011 (12 months).

6. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

Business segments

The segment information by activity and geographical area presented below is prepared on the basis of internal management data communicated to the Executive Committee, the Group's principal operational decision-making body.

The Group is organized around the following segments:

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

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

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

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

The results, assets and liabilities of the business segments are those that are either directly attributable or that can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments mainly correspond
- as far as the income statement is concerned, to the current operating income,
- as far as the balance sheet is concerned, to goodwill, intangible assets, flight equipment and other property, plant and equipment, the share in equity affiliates, some account receivables, deferred revenue on ticket sales and a portion of provisions and retirement benefits.

Other elements of the income statement and balance sheet are presented in the "non-allocated" column.

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

Air France-KLM Group

Geographical segments

The Group's activities are broken down into six geographical regions:

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

Only segment revenue is allocated by geographical sales area.
The carrying amount of segment assets by geographical location and the costs incurred to acquire segment assets are not presented, since most of the Group's assets (flight equipment) cannot be allocated to a geographical area.

6.1. Information by business segment

- **Year ended December 31, 2011 (9 months)**

In € millions	Passenger	Cargo	Maintenance	Other	Non-allocated	Total
Total sales	15 611	2 391	2 360	1 561	-	21 923
Inter-segment sales	(849)	(17)	(1 553)	(467)	-	(2 886)
External sales	**14 762**	**2 374**	**807**	**1 094**	**-**	**19 037**
Income from current operations	(8)	(51)	84	25	-	50
Income from operating activities	(8)	(51)	84	25	(24)	26
Share of profits (losses) of associates	-	-	-	-	(12)	(12)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(527)	(527)
Income taxes	-	-	-	-	75	75
Net income from continuing operations	**(8)**	**(51)**	**84**	**25**	**(488)**	**(438)**
Depreciation and amortization for the period	(826)	(68)	(222)	(117)	-	(1 233)
Other non monetary items	(102)	(12)	(1)	(190)	(443)	(748)
Total assets	**12 440**	**1 278**	**2 555**	**4 996**	**6 048**	**27 317**
Segment liabilities	5 788	294	664	596	3 322	10 664
Financial debt, bank overdraft and equity	-	-	-	-	16 653	16 653
Total liabilities and equity	**5 788**	**294**	**664**	**596**	**19 975**	**27 317**
Purchase of property, plant and equipment and Intangible assets	**1 387**	**113**	**230**	**142**	**-**	**1 872**

The income from operating activities not allocated mainly corresponds to non-current income and expenses detailed in note 11.

Non-allocated assets amounting to €6 billion are mainly financial assets held by the Group. They comprise financial assets for €1.8 billion, marketable securities of €1.9 billion, deferred tax of €1.2 billion, cash of €0.4 billion and derivatives of €0.7 billion.

Non-allocated liabilities amounting to €3.3 billion mainly comprise a portion of provisions and retirement benefits of €1.1billion, deferred tax of €0.5 billion and employee-related liabilities of €1.3 billion and derivatives of €0.4 billion.

Financial debts, bank overdrafts and equity are not allocated.

- **Year ended December 31, 2010 (9 months)**

In € millions	Passenger	Cargo	Maintenance	Other	Non-allocated	Total
Total sales	14 820	2 402	2 331	1 529	-	21 082
Inter-segment sales	(789)	(12)	(1 535)	(457)	-	(2 793)
External sales	**14 031**	**2 390**	**796**	**1 072**	**-**	**18 289**
Income from current operations	323	78	117	7	-	525
Income from operating activities	323	78	117	7	867	1 392
Share of profits (losses) of associates	-	-	-	-	(14)	(14)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(425)	(425)
Income taxes	-	-	-	-	26	26
Net income from continuing operations	**323**	**78**	**117**	**7**	**454**	**979**
Depreciation and amortization for the period	(795)	(77)	(224)	(119)	-	(1 215)
Other non monetary items	(111)	(3)	(14)	(122)	397	147
Total assets	**12 725**	**1 402**	**2 634**	**4 820**	**6 598**	**28 179**
Segment liabilities	4 643	166	558	1 166	3 822	10 355
Financial debt, bank overdraft and equity	-	-	-	-	17 824	17 824
Total liabilities and equity	**4 643**	**166**	**558**	**1 166**	**21 646**	**28 179**
Purchase of property, plant and equipment and Intangible assets	**1 150**	**102**	**193**	**116**	**-**	**1 561**

The income from operating activities not allocated mainly corresponds to non-current income and expenses detailed in note 11.

Non-allocated assets amounting to €6.6 billion are mainly financial assets held by the Group. They comprise financial assets for €1.4 billion, marketable securities of €3 billion, deferred tax of €0.9 billion, cash of €0.5 billion and derivatives of €0.6 billion.
Non-allocated liabilities amounting to €4 billion, mainly comprise a portion of provisions and retirement benefits of €1.2 billion, deferred tax of €0.5 billion and employee-related liabilities of €1.3 billion and derivatives of €0.8 billion.

Financial debts, bank overdrafts and equity are not allocated.

- **Year ended March 31, 2011 (12 months)**

In € millions	Passenger	Cargo	Maintenance	Other	Non-allocated	Total
Total sales	19 154	3 176	3 083	1 928	-	27 341
Inter-segment sales	(1 051)	(17)	(2 054)	(604)	-	(3 726)
External sales	**18 103**	**3 159**	**1 029**	**1 324**	**-**	**23 615**
Income from current operations	(44)	69	143	(46)	-	122
Income from operating activities	(44)	69	143	(46)	764	886
Share of profits (losses) of associates	-	-	-	-	(21)	(21)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(449)	(449)
Income taxes	-	-	-	-	196	196
Net income from continuing operations	**(44)**	**69**	**143**	**(46)**	**490**	**612**
Depreciation and amortization for the period	(1 057)	(103)	(304)	(160)	-	(1 624)
Other non monetary items	(71)	(4)	7	(64)	273	141
Total assets	**12 888**	**1 386**	**2 577**	**4 831**	**7 287**	**28 969**
Segment liabilities	6 153	239	577	633	3 544	11 146
Financial debt, bank overdraft and equity	-	-	-	-	17 823	17 823
Total liabilities and equity	**6 153**	**239**	**577**	**633**	**21 367**	**28 969**
Purchase of property, plant and equipment and Intangible assets	**1 552**	**139**	**269**	**162**	**-**	**2 122**

The income from operating activities not allocated mainly corresponds to non-current income and expenses detailed in note 11.

Non-allocated assets amounting to €7.3 billion are mainly financial assets held by the Group. They comprise financial assets for €1.5 billion, marketable securities of €3.3 billion, deferred tax of €0.9 billion, cash of €0.4 billion and derivatives of €0.9 billion.
Non-allocated liabilities amounting to €3.5 billion mainly comprise a portion of provisions and retirement benefits of €1.1 billion, deferred tax of €0.5 billion and employee-related liabilities of €1.3 billion and derivatives of €0.6 billion.

Financial debts, bank overdrafts and equity are not allocated.

- **Year ended December 31, 2011 (12 months proforma)**

In € millions	Passenger	Cargo	Maintenance	Other	Non-allocated	Total
Total sales	19 945	3 165	3 112	1 960	-	28 182
Inter-segment sales	(1 111)	(22)	(2 072)	(614)	-	(3 819)
External sales	**18 834**	**3 143**	**1 040**	**1 346**	**-**	**24 363**
Income from current operations	(375)	(60)	110	(28)	-	(353)
Income from operating activities	(375)	(60)	110	(28)	(127)	(480)
Share of profits (losses) of associates	-	-	-	-	(19)	(19)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(551)	(551)
Income taxes	-	-	-	-	245	245
Net income from continuing operations	**(375)**	**(60)**	**110**	**(28)**	**(452)**	**(805)**
Depreciation and amortization for the period	(1 088)	(94)	(302)	(158)	-	(1 642)
Other non monetary items	(62)	(13)	20	(132)	(567)	(754)
Total assets	**12 440**	**1 278**	**2 555**	**4 996**	**6 048**	**27 317**
Segment liabilities	5 788	294	664	596	3 322	10 664
Financial debt, bank overdraft and equity	-	-	-	-	16 653	16 653
Total liabilities and equity	**5 788**	**294**	**664**	**596**	**19 975**	**27 317**
Purchase of property, plant and equipment and Intangible assets	**1 789**	**150**	**306**	**188**	**-**	**2 433**

The income from operating activities not allocated mainly corresponds to non-current income and expenses detailed in note 11.

Non-allocated assets and liabilities are detailed in the comments for the year ended December 31, 2011 (9 months).

- **Year ended December 31, 2010 (12 months proforma)**

In € millions	Passenger	Cargo	Maintenance	Other	Non-allocated	Total
Total sales	18 928	3 080	3 076	1 907	-	26 991
Inter-segment sales	(1 018)	(16)	(2 047)	(600)	-	(3 681)
External sales	**17 910**	**3 064**	**1 029**	**1 307**	**-**	**23 310**
Income from current operations	(58)	15	118	(47)	-	28
Income from operating activities	(58)	15	118	(47)	606	634
Share of profits (losses) of associates	-	-	-	-	(13)	(13)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(610)	(610)
Income taxes	-	-	-	-	275	275
Net income from continuing operations	**(58)**	**15**	**118**	**(47)**	**258**	**286**
Depreciation and amortization for the period	(1 049)	(104)	(300)	(161)	-	(1 614)
Other non monetary items	(106)	1	(2)	(199)	(4)	(310)
Total assets	**12 725**	**1 402**	**2 634**	**4 820**	**6 598**	**28 179**
Segment liabilities	4 643	166	558	1 166	3 822	10 355
Financial debt, bank overdraft and equity	-	-	-	-	17 824	17 824
Total liabilities and equity	**4 643**	**166**	**558**	**1 166**	**21 646**	**28 179**
Purchase of property, plant and equipment and Intangible assets	**1 525**	**109**	**261**	**142**	**-**	**2 037**

The income from operating activities not allocated mainly corresponds to non-current income and expenses detailed in note 11.

Non-allocated assets and liabilities are detailed in the comments for the year ended December 31, 2010 (9 months).

6.2. Information by geographical area

Sales by geographical area

- **Year ended December 31, 2011 (9 months)**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	4 451	4 579	284	921	2 444	1 423	14 102
Other passenger sales	270	214	9	43	42	82	660
Total passenger	**4 721**	**4 793**	**293**	**964**	**2 486**	**1 505**	**14 762**
Scheduled cargo	278	883	23	153	391	518	2 246
Other cargo sales	38	27	3	8	30	22	128
Total cargo	**316**	**910**	**26**	**161**	**421**	**540**	**2 374**
Maintenance	462	308	-	-	37	-	807
Others	333	702	12	47	-	-	1 094
Total	**5 832**	**6 713**	**331**	**1 172**	**2 944**	**2 045**	**19 037**

- **Year ended December 31, 2010 (9 months)**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	4 173	4 342	273	940	2 375	1 291	13 394
Other passenger sales	254	216	8	47	49	63	637
Total passenger	**4 427**	**4 558**	**281**	**987**	**2 424**	**1 354**	**14 031**
Scheduled cargo	247	769	23	186	388	652	2 265
Other cargo sales	38	24	3	7	28	25	125
Total cargo	**285**	**793**	**26**	**193**	**416**	**677**	**2 390**
Maintenance	461	304	-	-	31	-	796
Others	299	740	15	18	-	-	1 072
Total	**5 472**	**6 395**	**322**	**1 198**	**2 871**	**2 031**	**18 289**

- **Year ended March 31, 2011 (12 months)**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	5 492	5 720	337	1 163	2 941	1 637	17 290
Other passenger sales	333	272	10	58	54	86	813
Total passenger	**5 825**	**5 992**	**347**	**1 221**	**2 995**	**1 723**	**18 103**
Scheduled cargo	338	1 048	34	236	516	824	2 996
Other cargo sales	49	27	4	12	38	33	163
Total cargo	**387**	**1 075**	**38**	**248**	**554**	**857**	**3 159**
Maintenance	610	381	-	-	38	-	1 029
Others	374	891	19	40	-	-	1 324
Total	**7 196**	**8 339**	**404**	**1 509**	**3 587**	**2 580**	**23 615**

Air France-KLM Group

- **Year ended December 31, 2011 (12 months proforma)**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	5 770	5 957	348	1 144	3 010	1 769	17 998
Other passenger sales	349	270	11	54	47	105	836
Total passenger	**6 119**	**6 227**	**359**	**1 198**	**3 057**	**1 874**	**18 834**
Scheduled cargo	369	1 162	34	203	519	690	2 977
Other cargo sales	49	30	4	13	40	30	166
Total cargo	**418**	**1 192**	**38**	**216**	**559**	**720**	**3 143**
Maintenance	611	385	-	-	44	-	1 040
Others	408	853	16	69	-	-	1 346
Total	**7 556**	**8 657**	**413**	**1 483**	**3 660**	**2 594**	**24 363**

- **Year ended December 31, 2010 (12 months proforma)**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	5 473	5 655	337	1 160	2 891	1 574	17 090
Other passenger sales	343	271	11	56	61	78	820
Total passenger	**5 816**	**5 926**	**348**	**1 216**	**2 952**	**1 652**	**17 910**
Scheduled cargo	382	925	29	244	502	822	2 904
Other cargo sales	47	30	5	10	37	31	160
Total cargo	**429**	**955**	**34**	**254**	**539**	**853**	**3 064**
Maintenance	584	405	-	-	40	-	1 029
Others	369	892	22	24	-	-	1 307
Total	**7 198**	**8 178**	**404**	**1 494**	**3 531**	**2 505**	**23 310**

Air France-KLM Group

Traffic sales by geographical area of destination

- **Year ended December 31, 2011 (9 months)**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 536	3 486	978	1 860	3 781	2 461	14 102
Scheduled cargo	4	39	120	457	889	737	2 246
Total	**1 540**	**3 525**	**1 098**	**2 317**	**4 670**	**3 198**	**16 348**

- **Year ended December 31, 2010 (9 months)**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 430	3 243	888	1 978	3 484	2 371	13 394
Scheduled cargo	5	36	126	454	831	813	2 265
Total	**1 435**	**3 279**	**1 014**	**2 432**	**4 315**	**3 184**	**15 659**

- **Year ended March 31, 2011 (12 months)**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 885	4 160	1 234	2 541	4 400	3 070	17 290
Scheduled cargo	6	48	158	600	1 133	1 051	2 996
Total	**1 891**	**4 208**	**1 392**	**3 141**	**5 533**	**4 121**	**20 286**

- **Year ended December 31, 2011 (12 months proforma)**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 991	4 403	1 324	2 423	4 697	3 160	17 998
Scheduled cargo	5	51	152	603	1 191	975	2 977
Total	**1 996**	**4 454**	**1 476**	**3 026**	**5 888**	**4 135**	**20 975**

- **Year ended December 31, 2010 (12 months proforma)**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 956	4 067	1 211	2 548	4 334	2 974	17 090
Scheduled cargo	5	49	171	588	1 055	1 036	2 904
Total	**1 961**	**4 116**	**1 382**	**3 136**	**5 389**	**4 010**	**19 994**

7. EXTERNAL EXPENSES

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Aircraft fuel	5 012	4 294	5 720	6 438	5 534
Chartering costs	441	383	513	571	499
Aircraft operating lease costs	641	624	831	848	806
Landing fees and en route charges	1 399	1 328	1 747	1 818	1 722
Catering	446	423	554	577	550
Handling charges and other operating costs	1 028	989	1 303	1 342	1 300
Aircraft maintenance costs	907	874	1 139	1 172	1 155
Commercial and distribution costs	670	719	896	847	922
Other external expenses	1 407	1 355	1 852	1 904	1 818
Total	**11 951**	**10 989**	**14 555**	**15 517**	**14 306**
Excluding aircraft fuel	*6 939*	*6 695*	*8 835*	*9 079*	*8 772*

8. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Wages and salaries	4 160	4 069	5 430	5 521	5 414
Social contributions	1 381	1 336	1 761	1 806	1 780
Net periodic pension costs	170	149	185	206	217
Expenses related to share-based compensation	4	19	26	11	25
Other expenses	(57)	(42)	(69)	(84)	(51)
Total	**5 658**	**5 531**	**7 333**	**7 460**	**7 385**

The Group pays contributions to a multi-employer plan in France, the CRPN (public pension fund for crew). This multi-employer plan being assimilated with a French State plan, it is accounted for as a defined contribution plan in "social contributions".

The "other expenses" notably comprise the capitalization of salary costs on aircraft and engine overhaul.

Average number of employees

	01.04.2011 31.12.2011 (9 months)	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Flight deck crew	8 550	8 687	8 662	8 560	8 706
Cabin crew	22 869	22 534	22 498	22 749	22 454
Ground staff	70 858	70 725	70 852	70 703	71 022
Total	**102 277**	**101 946**	**102 012**	**102 012**	**102 182**

The Group has consolidated started March 31,2011 retroactively to October 1, 2010, a Kenyan catering company, NAS Airport Services Limited. With this change in scope, number of employees in the Group includes NAS Airport employees for 1 078 FTE as of December 31, 2011 (9 months), 1 055 FTE as of December 31, 2011 (12 months) and 495 FTE as of March 31, 2011 (12 months).

9. AMORTIZATION, DEPRECIATION AND PROVISIONS

In € millions	01.04.2011 31.12.2011 (9 months)	01.04.2010 31.12.2010 (9 months)	01.04.2010 31.03.2011 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.01.2010 31.12.2010 (12 months) Proforma
Intangible assets	52	42	58	68	56
Flight equipment	971	961	1 281	1 291	1 273
Other property, plant and equipment	210	212	285	283	285
Amortization	**1 233**	**1 215**	**1 624**	**1 642**	**1 614**
Inventories	(3)	15	14	(4)	16
Trade receivables	8	2	(2)	4	2
Risks and contingencies	58	43	40	55	35
Depreciation and provisions	**63**	**60**	**52**	**55**	**53**
Total	**1 296**	**1 275**	**1 676**	**1 697**	**1 667**

The amortization changes of intangible and tangible assets are presented in notes 17 and 19.

The changes in inventories and trade receivables impairment are presented in notes 24, 25 and 26.

The movements in provisions for risks and charges are detailed in note 30.

10. OTHER INCOME AND EXPENSES

In € millions	01.04.2011 31.12.2011 (9 months)	01.04.2010 31.12.2010 (9 months)	01.04.2010 31.03.2011 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.01.2010 31.12.2010 (12 months) Proforma
Joint operation of routes	28	(6)	15	49	28
Operations-related currency hedges	5	149	175	31	180
Other	(4)	19	53	30	36
Total	**29**	**162**	**243**	**110**	**244**

11. OTHER NON-CURRENT INCOME AND EXPENSES

In € millions	01.04.2011 31.12.2011 (9 months)	01.04.2010 31.12.2010 (9 months)	01.04.2010 31.03.2011 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.01.2010 31.12.2010 (12 months) Proforma
Sales of aircraft equipment	**19**	**11**	**8**	**16**	**(10)**
Amadeus operation	-	1 030	1 030	-	1 030
Disposals of subsidiaries and affiliates	-	12	13	1	12
Restructuring costs	3	(15)	(18)	-	(167)
Loss on aircraft held for sale	-	-	(6)	-	(48)
Other	(46)	(171)	(263)	(144)	(211)
Total	**(43)**	**856**	**756**	**(143)**	**616**

Amadeus operation

On April 29, 2010, the company Amadeus was the subject of an Initial Public Offering (IPO) on the Madrid stock exchange. This operation was executed in two stages:

1. A capital increase reserved to the market, to which the Group did not subscribe
2. The concomitant sale of a portion of the shares held by the Group

After the operation, the Group's holding decreased from 22% to 15%. At the same time, the governance of Amadeus was changed. These two items involved the loss of significant influence for the Group as well as a change in the valuation method of the remaining shareholding.

As a consequence, consistent with IFRS, since the April 29, 2010 IPO, the shares held by the Group have been valued at their market value (market price).

The overall profit recorded in the income statement at the operation date, amounted to €1 030 million, broke down as follows:

- gain on disposal of shares: €280 million, including €193 million of cash received
- valuation at the market price of the remaining shares held by the Group: €750 million.

After this operation, the Amadeus shares held by the Group were reclassified as "assets available for sale" (in "other financial assets non current"). The value of the shares is updated at each closing period as a function of the share price. The counterpart of this revaluation is recorded in the other comprehensive income.

Disposals of subsidiaries and affiliates

No other significant disposals of subsidiaries or affiliates occurred during these financial years.

Restructuring costs

The Group recorded a provision to cover a voluntary redundancy plan concerning about 1,800 posts for its subsidiary Air France. The departures mainly took place in 2010. The impact of this plan on the different periods is detailed below:

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Voluntary redundancy plan	9	(12)	(12)	9	(160)

Loss on aircraft held for sale

- **Year ended December 31, 2010 (12 months proforma)**

This line included the impact of a €35 million provision corresponding to the indemnities due on two cargo aircraft having been withdrawn from operation.

Other

In Europe, the European Commission announced on November 9, 2010 its decision to impose fines on 14 airlines including Air France, KLM and Martinair related to anti-competitive practices - mainly concerning fuel.

The Commission imposed an overall fine of €340 million on the companies of the Air France-KLM Group.
As of December 31,2010 and March 31,2011, this fine was €127 million higher than the provisions already made by the Group in its accounts and consequently an additional “non current expense” was recorded.

During the year ended March 31, 2011 (12 months), a pension plan was closed in the United States. The impact of this closure amounted to € (26) million.

The impact on several financial years is detailed below:

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Freight fine, Europe	(1)	(127)	(127)	-	(127)
Pension plan	-	-	(26)	(26)	-

12. NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Income from marketable securities	25	16	23	32	21
Other financial income	46	47	61	60	63
Financial income	**71**	**63**	**84**	**92**	**84**
Loan interests	(223)	(220)	(291)	(294)	(293)
Lease interests	(73)	(72)	(95)	(96)	(101)
Capitalized interests	19	21	27	25	26
Other financial expenses	(74)	(72)	(96)	(98)	(87)
Cost of financial debt	**(351)**	**(343)**	**(455)**	**(463)**	**(455)**
Net cost of financial debt	**(280)**	**(280)**	**(371)**	**(371)**	**(371)**
Foreign exchange gains (losses), net	(186)	(103)	(33)	(116)	(191)
Change in fair value of financial assets and liabilities	(64)	(46)	(48)	(66)	(53)
Net (charge) release to provisions	3	4	3	2	5
Other	-	-	-	-	-
Other financial income and expenses	**(247)**	**(145)**	**(78)**	**(180)**	**(239)**
Total	**(527)**	**(425)**	**(449)**	**(551)**	**(610)**

The interest rate used in the calculation of capitalized interest is 4.33% for the year ended December 31, 2011 (9 months), 3.73% for the year ended December 31, 2010 (9 months) and 3.75 % for the year ended March 31, 2011 (12 months).

The financial income mainly comprises interest income and gains on the sale of financial assets at fair value through profit and loss.

As of December 31, 2011 (9 months and 12 months proforma), the Group recorded a financial expense amounting to €51 million under change in fair value of financial assets and liabilities, linked to the swap on the OCEANE 2005 (see note 31.2.1).

As of December 31, 2011 (9 months), the change in fair value of financial assets and liabilities also arose from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to €(21) million, together with the change in value of derivative instruments no longer qualified as hedging amounting to €15 million.

As of December 31, 2010 (9 months), the change in fair value of financial assets and liabilities arose mainly from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to €(33) million.

As of March 31, 2011 (12 months), the change in fair value of financial assets and liabilities arose mainly from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to €(34) million, together with the change in value of derivative instruments no longer qualified as hedging amounting to €(11) million.

As of December 31, 2011 (12 months proforma), the change in fair value of financial assets and liabilities also arose from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to €(12) million.

As of December 2010 (12 months proforma), the change in fair value of financial assets and liabilities arose mainly from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to €(48) million.

13. INCOME TAXES

13.1. Income tax charge

Current and deferred income taxes are detailed as follows:

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Current tax (expense) / income	**(25)**	**(23)**	**(19)**	**(21)**	**(30)**
(Charge) / income for the year	(25)	(23)	(19)	(21)	(30)
Deferred tax income / (expense) from continuing operations	**100**	**49**	**215**	**266**	**305**
Change in temporary differences	(163)	(151)	(176)	(188)	(133)
Change in tax rates	-	8	8	-	8
CAVE impact	3	3	4	4	(28)
(Use) / recognition of tax loss carryforwards	260	189	379	450	458
Total	**75**	**26**	**196**	**245**	**275**

The current tax charge relates to the amounts paid or payable in the short term to the tax authorities in respect of the financial year, in accordance with the regulations prevailing in various countries and any applicable treaties.

During the years ended December 31, 2011 (9 months) and March 31, 2011 (12 months), the Group recognized deferred tax assets on fiscal losses amounting to €260 million (€218 million concerning the French fiscal group and €40 million concerning the Dutch fiscal group) and €379 million (€307 million concerning the French fiscal group and €64 million concerning the Dutch fiscal group) respectively, given the gains previously realized and the prospects of recoverability of these losses on the future profits.

In France, tax losses can be carried forward for an unlimited period. However, the 2011 finance law has limited the amount of the fiscal loss recoverable each year (amount limited to 60% of the amount of profit for the period over the first million euros). This measure has the effect of extending the recovery period.
This new measure has driven the Group to limit the recognition of the deferred tax asset on fiscal losses starting the third quarter of the year ended December 31, 2011.

In the Netherlands, tax losses can be carried forward until their ninth birthday, with no limit on the amount that can be recovered in any one year.

13.2. Deferred tax recorded directly in equity – Group

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Treasury shares	7	(4)	-	11	(4)
Cash flow hedge and available for sale	146	(150)	(316)	(20)	(204)
Total	**153**	**(154)**	**(316)**	**(9)**	**(208)**

13.3. Effective tax rate

The difference between the standard tax rate in France and the effective tax rate is detailed as follows:

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Income before tax	(501)	967	437	(1 031)	24
Standard tax rate in France	34.43%	34.43%	34.43%	34,43%	34.43%
Theoretical tax calculated with the standard tax rate in France	172	(333)	(151)	354	(8)
Differences in French / foreign tax rates	(3)	10	(5)	(18)	(22)
Non deductible expenses or non taxable income	3	321	316	(2)	317
Variation of unrecognized deferred tax assets	(92)	26	27	(91)	26
CAVE impact	(13)	(11)	(15)	(17)	(48)
Other	8	13	24	19	10
Income tax expenses	**75**	**26**	**196**	**245**	**275**
Effective tax rate	15%	(3)%	(45)%	24%	Not significant

The tax rates applicable in France and the Netherlands were set at, respectively, 34.43% and 25%. The Dutch tax rate was reduced by 0.5 percentage points starting January 1, 2011.

13.4. Deferred tax recorded on the balance sheet

In € millions	**April 1, 2011**	**Amounts recorded in income**	**Amounts recorded in equity**	**Currency translation adjustment**	**Reclassification and other**	**December 31, 2011**
Flight equipment	(1 091)	(28)	-	-	(28)	(1 147)
Pension assets	(732)	(54)	-	-	-	(786)
Financial debt	486	128	-	-	-	614
Other liabilities	11	(20)	92	-	1	84
Deferred revenue on ticket sales	205	(35)	-	-	-	170
Others	(283)	(146)	56	-	30	(343)
Deferred tax corresponding to fiscal losses	1 826	255	5	-	(1)	2 085
Deferred tax asset / (liability)	**422**	**100**	**153**	**-**	**2**	**677**

In € millions	**April 1, 2010**	**Amounts recorded in income**	**Amounts recorded in equity**	**Currency translation adjustment**	**Reclassification and other**	**March 31, 2011**
Flight equipment	(1 039)	(78)	-	-	26	(1 091)
Pension assets	(683)	(50)	-	-	1	(732)
Financial debt	453	36	-	-	(3)	486
Other liabilities	387	(31)	(236)	-	(109)	11
Deferred revenue on ticket sales	206	-	-	-	(1)	205
Others	(252)	(41)	(80)	-	90	(283)
Deferred tax corresponding to fiscal losses	1 452	379	-	-	(5)	1 826
Deferred tax asset / (liability)	**524**	**215**	**(316)**	**-**	**(1)**	**422**

In € millions	April 1, 2010	Amounts recorded in income	Amounts recorded in equity	Currency translation adjustment	Reclassification and other	December 31, 2010
Flight equipment	(1 039)	(45)	-	-	-	(1 084)
Pension assets	(683)	(38)	-	-	1	(720)
Financial debt	453	8	-	-	9	470
Other liabilities	387	(28)	(118)	-	(107)	134
Deferred revenue on ticket sales	206	(4)	-	-	-	202
Others	(252)	(37)	(33)	-	98	(224)
Deferred tax corresponding to fiscal losses	1 452	193	(4)	-	(1)	1 640
Deferred tax asset / (liability)	**524**	**49**	**(154)**	**-**	**-**	**418**

Deferred taxes recognized on fiscal losses for the French and Dutch fiscal perimeters amount to €2 019 million as of December 31, 2011 (€1 645 million for the French fiscal group and €374 million for the Dutch fiscal group).
The recognition of this asset of each perimeter is based on the perspective of taxable incomes established according to the Group three-years plan and to the same assumptions that these described in the note 18 “Impairment” of this consolidated financial statements.
Based on the perspectives of taxable incomes, the recoverability horizon is 10 years for the French perimeter and 7 years for the Dutch perimeter. The non realization assumptions taken into accounts could have a significant impact on the recoverability horizon of this deferred tax asset.

13.5. Unrecognized deferred tax assets

Year ended *In € millions*	**December 31, 2011**		**March 31, 2011**	
	Basis	Tax	Basis	Tax
Temporary differences	32	8	31	8
Tax losses	410	107	196	38
Total	**442**	**115**	**227**	**46**

As of December 31, 2011, the limitation effect of the French fiscal group during the third quarter results in the non-recognition of a deferred tax assets amounting to €68 million, corresponding to a basis of €198 million.
Other unrecognized deferred tax assets mainly correspond to a portion of the tax loss carry forwards of Air France group subsidiaries, as well as tax loss carry forwards in some subsidiairies in the United Kingdom.

14. ASSETS HELD FOR SALE AND LIABILITIES RELATED TO ASSETS HELD FOR SALE

- **Year ended December 31, 2011**

As of December 31, 2011, the line “assets held for sale” included the fair value of three aircraft held for sale for an amount of €10 million.

- **Year ended March 31, 2011**

As of March 31, 2011, the line “assets held for sale” included the fair value of five aircraft held for sale for an amount of €21 million.

- **Year ended December 31, 2010**

As of December 31, 2010, the line “assets held for sale” included the fair value of one aircraft held for sale for an amount of €2 million.

15. EARNINGS PER SHARE

15.1. Income for the period – Equity holders of Air France-KLM per share

Reconciliation of income used to calculate earnings per share

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Net income for the period – Equity holders of Air France-KLM	(442)	980	613	(809)	289
Dividends to be paid to priority shares	-	-	-	-	-
Net income for the period – Equity holders of Air France-KLM (used to calculate basic earnings per share)	**(442)**	**980**	**613**	**(809)**	**289**
Impact of potential ordinary shares : - interest paid on convertible bonds (net of tax)	-	33	44	-	44
Net income for the period – Equity holders of Air France-KLM (used to calculate diluted earnings per share)	**(442)**	**1 013**	**657**	**(809)**	**333**

Reconciliation of the number of shares used to calculate earnings per share

	01.04.2011 31.12.2011 (9 months)	01.04.2010 31.12.2010 (9 months)	01.04.2010 31.03.2011 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.01.2010 31.12.2010 (12 months) Proforma
Weighted average number of:					
- Ordinary shares issued	300 219 278	300 219 278	300 219 278	300 219 278	300 219 278
- Treasury stock held regarding stock option plan	(1 229 714)	(1 368 543)	(1 334 312)	(1 229 714)	(1 403 025)
- Treasury stock held in stock buyback plan	(537 424)	(820 560)	(661 716)	(133 675)	(924 181)
- Other treasury stock	(2 959 877)	(2 961 484)	(2 961 300)	(2 960 869)	(2 961 656)
Number of shares used to calculate basic earnings per share	**295 492 263**	**295 068 691**	**295 261 950**	**295 895 020**	**294 930 416**
Oceane conversion	-	78 618 524	78 617 611	-	78 618 524
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	**295 492 263**	**373 687 215**	**373 879 561**	**295 895 020**	**373 548 940**

15.2. Non dilutive instruments

Given the trend in the average Air France-KLM stock price during the period presented, non-dilutive instruments related to all the stock option plans described in note 29.

15.3. Instruments issued after the closing date

No instruments were issued after the closing date.

16. GOODWILL

Detail of consolidated goodwill

In € millions	December 31, 2011			March 31, 2011			December 31, 2010		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value
VLM	168	-	168	168	-	168	168	-	168
UTA	112	-	112	112	-	112	112	-	112
Régional	60	-	60	60	-	60	60	-	60
Aeromaintenance Group	21	-	21	20	-	20	21	-	21
Britair	20	-	20	20	-	20	20	-	20
Cityjet	11	-	11	11	-	11	11	-	11
SIA Kenya	24	-	24	22	-	22	-	-	-
Other	10	-	10	9	-	9	9	-	9
Total	**426**	**-**	**426**	**422**	**-**	**422**	**401**	**-**	**401**

The goodwill concerns mainly the “Passenger” business.

Movement in net book value of goodwill

In € millions	**December 31, 2011**	**March 31, 2011**	**December 31, 2010 (9 months)**
Opening balance	**422**	**401**	**401**
Acquisitions	-	22	-
Currency translation adjustment	4	(1)	-
Closing balance	**426**	**422**	**401**

As of the year ended March 31, 2011, goodwill was recorded on the acquisition of 60% of SIA Kenya, a subsidiary of Servair Group.

17. INTANGIBLE ASSETS

In € millions	**Trademarks and slots**	**Customer relationships**	**Other intangible assets**	**Total**
Gross value				
Amount as of March 31, 2010	**315**	**107**	**574**	**996**
Additions	-	-	98	**98**
Change in scope	-	-	-	**-**
Disposals	-	-	(18)	**(18)**
Transfer	-	-	(1)	**(1)**
Amount as of December 31, 2010	**315**	**107**	**653**	**1 075**
Amount as of March 31, 2010	**315**	**107**	**574**	**996**
Additions	-	-	153	**153**
Change in scope	-	-	-	**-**
Disposals	-	-	(20)	**(20)**
Transfer	-	-	(6)	**(6)**
Amount as of March 31, 2011	**315**	**107**	**701**	**1 123**
Additions	-	-	124	**124**
Change in scope	-	-	-	**-**
Disposals	-	-	(30)	**(30)**
Transfer	-	-	12	**12**
Amount as of December 31, 2011	**315**	**107**	**807**	**1 229**
Depreciation				
Amount as of March 31, 2010	**-**	**(93)**	**(291)**	**(384)**
Charge to depreciation	-	(6)	(38)	**(44)**
Releases on disposal	-	-	13	**13**
Transfer	-	-	2	**2**
Amount as of December 31, 2010	**-**	**(99)**	**(314)**	**(413)**
Amount as of March 31, 2010	**-**	**(93)**	**(291)**	**(384)**
Charge to depreciation	-	(7)	(53)	**(60)**
Releases on disposal	-	-	13	**13**
Transfer	-	-	3	**3**
Amount as of March 31, 2011	**-**	**(100)**	**(328)**	**(428)**
Charge to depreciation	-	(2)	(50)	**(52)**
Releases on disposal	-	-	25	**25**
Transfer	-	-	-	**-**
Amount as of December 31, 2011	**-**	**(102)**	**(353)**	**(455)**
Net value				
As of December 31, 2010	315	8	339	**662**
As of March 31, 2011	315	7	373	**695**
As of December 31, 2011	315	5	454	**774**

Intangible assets mainly comprise:
- the KLM and Transavia brands and slots (takeoff and landing) acquired by the Group as part of the acquisition of KLM. The intangible assets have an indefinite useful life as the nature of the assets means they have no time limit.
- software and capitalized IT costs.

18. IMPAIRMENT

With regards to the methodology followed to test impairment, the Group has allocated each goodwill and intangible fixed asset with an indefinite useful life to Cash Generating Units (CGU), which correspond to their business segments (see “Accounting Policies”).

As of December 31, 2011, goodwill and intangible fixed assets with an indefinite useful life are attached principally to the “Passenger” CGU for €369 million and €699 million respectively.

The recoverable value of the assets of CGUs has been determined by reference to the value used at September 30, 2011 (no change with regard to December 31, 2010). The tests have been realized for all the CGUs on the basis of a three-year Group plan, approved by the management, including a recovery hypothesis after the economic slowdown, enabling the achievement of the medium-term forecasts made by the Group before the emergence of the crisis.

An annual growth rate of 3.5% has been applied from the 4th to the 10th year of the test followed by a growth rate of 1.5 % as of the 11th year (rate used to determine the terminal value).

The discount rate of 7.4% at December 31, 2011 and of 7% at March 31, 2011 corresponds to the Group’s weighted average cost of capital.

A discount rate higher than 13% would involve the recognition of an impairment.

If the annual growth applied as of the 11th year were to be reduced from 1.5% to 1%, no impairment would be accounted.

19. TANGIBLE ASSETS

In € millions	**Flight equipment**					**Other tangible assets**					**Total**
	Owned aircraft	Leased aircraft	Assets in progress	Other	Total	Land and buildings	Equipment and machinery	Assets in progress	Other	Total	
Gross value											
Amounts as of March 31, 2010	**10 348**	**4 653**	**913**	**1 936**	**17 850**	**2 576**	**1 206**	**122**	**915**	**4 819**	**22 669**
Additions	343	4	895	119	1 361	25	28	46	20	119	**1 480**
Disposals	(741)	(7)	-	(112)	(860)	(4)	(6)	(1)	(32)	(43)	**(903)**
Changes in consolidation scope	(2)	-	-	-	(2)	-	-	-	-	-	**(2)**
Fair value hedge	-	-	(10)	-	(10)	-	-	-	-	-	**(10)**
Transfer	657	103	(824)	112	48	25	48	(112)	14	(25)	**23**
Currency translation adjustment	-	-	-	-	-	-	-	-	1	1	**1**
Amounts as of December 31, 2010	**10 605**	**4 753**	**974**	**2 055**	**18 387**	**2 622**	**1 276**	**55**	**918**	**4 871**	**23 258**
Amounts as of March 31, 2010	**10 348**	**4 653**	**913**	**1 936**	**17 850**	**2 576**	**1 206**	**122**	**915**	**4 819**	**22 669**
Additions	493	7	1 172	142	1 814	34	52	78	34	198	**2 012**
Disposals	(1 127)	(7)	-	(144)	(1 278)	(10)	(47)	-	(66)	(123)	**(1 401)**
Changes in consolidation scope	(2)	-	-	-	(2)	2	5	-	5	12	**10**
Fair value hedge	-	-	59	-	59	-	-	-	-	-	**59**
Transfer	910	135	(1 175)	173	43	40	56	(133)	13	(24)	**19**
Currency translation adjustment	-	-	-	-	-	-	(2)	-	-	(2)	**(2)**

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In € millions	Flight equipment					Other tangible assets					Total
	Owned aircraft	Leased aircraft	Assets in progress	Other	Total	Land and buildings	Equipment and machinery	Assets in progress	Other	Total	
Amounts as of March 31, 2011	**10 622**	**4 788**	**969**	**2 107**	**18 486**	**2 642**	**1 270**	**67**	**901**	**4 880**	**23 366**
Additions	495	113	912	80	1 600	20	35	77	29	161	**1 761**
Disposals	(824)	(14)	(113)	(113)	(1 064)	(8)	(15)	(2)	(29)	(54)	**(1 118)**
Fair value hedge	-	-	(107)	-	(107)	-	-	-	-	-	**(107)**
Transfer	579	329	(933)	69	44	19	(5)	(42)	6	(22)	**22**
Currency translation adjustment	-	-	-	-	-	-	3	-	1	4	**4**
Amounts as of December 31, 2011	**10 872**	**5 216**	**728**	**2 143**	**18 959**	**2 673**	**1 288**	**100**	**908**	**4 969**	**23 928**
<u>Depreciation</u>											
Amounts as of March 31, 2010	**(4 510)**	**(1 176)**	**-**	**(815)**	**(6 501)**	**(1 201)**	**(730)**	**-**	**(636)**	**(2 567)**	**(9 068)**
Charge to depreciation	(641)	(224)	-	(105)	(970)	(100)	(64)	-	(48)	(212)	**(1 182)**
Releases on disposal	213	7	-	94	314	3	6	-	31	40	**354**
Transfer	(51)	41	-	(57)	(67)	-	-	-	(1)	(1)	**(68)**
Amounts as of December 31, 2010	**(4 989)**	**(1 352)**	**-**	**(883)**	**(7 224)**	**(1 298)**	**(788)**	**-**	**(654)**	**(2 740)**	**(9 964)**
Amounts as of March 31, 2010	**(4 510)**	**(1 176)**	**-**	**(815)**	**(6 501)**	**(1 201)**	**(730)**	**-**	**(636)**	**(2 567)**	**(9 068)**
Charge to depreciation	(851)	(299)	-	(142)	(1 292)	(133)	(87)	-	(65)	(285)	**(1 577)**
Releases on disposal	307	7	-	126	440	7	17	-	65	89	**529**
Changes in consolidation scope	-	-	-	-	-	(1)	(4)	-	(4)	(9)	**(9)**
Transfer	(149)	127	-	(71)	(93)	-	-	-	2	2	**(91)**
Currency translation adjustment	-	-	-	-	-	-	1	-	-	1	**1**
Amounts as of March 31, 2011	**(5 203)**	**(1 341)**	**-**	**(902)**	**(7 446)**	**(1 328)**	**(803)**	**-**	**(638)**	**(2 769)**	**(10 215)**
Charge to depreciation	(606)	(258)	-	(110)	(974)	(100)	(62)	-	(48)	(210)	**(1 184)**
Releases on disposal	123	14	-	109	246	6	13	-	29	48	**294**
Transfer	(9)	(60)	-	(27)	(96)	-	19	-	-	19	**(77)**
Currency translation adjustment	-	-	-	-	-	-	(1)	-	(1)	(2)	**(2)**
Amounts as of December 31, 2011	**(5 695)**	**(1 645)**	**-**	**(930)**	**(8 270)**	**(1 422)**	**(834)**	**-**	**(658)**	**(2 914)**	**(11 184)**
Net value											
Amounts as of December 31, 2010	5 616	3 401	974	1 172	**11 163**	1 324	488	55	264	**2 131**	**13 294**
Amounts as of March 31, 2011	5 419	3 447	969	1 205	**11 040**	1 314	467	67	263	**2 111**	**13 151**
Amounts as of December 31, 2011	5 177	3 571	728	1 213	**10 689**	1 251	454	100	250	**2 055**	**12 744**

Aeronautical assets under construction mainly include advance payments and maintenance work in progess concerning engines and modifications of aircraft.

Note 36 details the amount of pledged tangible assets.

Commitments to property purchases are detailed in notes 35 and 36.

The net book value of tangible assets financed under capital lease amounted to €3 765 million as of December 31, 2010 versus €3 826 million as of March 31, 2011 and €4 025 million as of December 31, 2011.

20. CAPITAL EXPENDITURE

The detail of capital expenditures on tangible and intangible assets presented in the consolidated cash flow statements is as follows:

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Acquisition of tangible assets	1 761	1 485	2 012	2 288	1 921
Acquisition of intangible assets	124	98	153	179	135
Accounts payable on acquisitions and capitalized interest	(13)	(22)	(43)	(34)	(19)
Total	**1 872**	**1 561**	**2 122**	**2 433**	**2 037**

21. EQUITY AFFILIATES

Movements over the period

The table below presents the movement in equity affiliates:

In € millions	**WAM Acquisition (Amadeus GTD)**	**Alitalia**	**Kenya Airways**	**Other**	**Total**
Value of share in investment as of March 31, 2010	**-**	**338**	**47**	**61**	**446**
Share in net income of equity affiliates		(23)	6	3	(14)
Distributions		-	(1)	(1)	(2)
Change in consolidation scope		-	-	12	12
Fair value adjustment		(15)	2	-	(13)
Other variations		-	-	2	2
Currency translation adjustment		-	-	-	-
Carrying value of share in investment as of December 31, 2010	**-**	**300**	**54**	**77**	**431**
Carrying value of share in investment as of March 31, 2010	**-**	**338**	**47**	**61**	**446**
Share in net income of equity affiliates		(31)	7	3	(21)
Distributions		-	(1)	(2)	(3)
Change in consolidation scope		-	-	12	12
Fair value adjustment		(9)	3	-	(6)
Other variations		-	-	2	2
Currency translation adjustment		-	(8)	-	(8)

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In € millions	WAM Acquisition (Amadeus GTD)	Alitalia	Kenya Airways	Other	Total
Carrying value of share in investment as of March 31, 2011	**-**	**298**	**48**	**76**	**422**
Share in net income of equity affiliates		(22)	5	5	(12)
Distributions		-	(1)	(1)	(2)
Change in consolidation scope		-	-	6	6
Fair value adjustment		(2)	-	-	(2)
Other variations		-	-	2	2
Currency translation adjustment		-	5	3	8
Carrying value of share in investment as of December 31, 2011	**-**	**274**	**57**	**91**	**422**
Market value for listed companies			**23**		

- **As of December 31, 2010**

Air France-KLM holds 25% of the capital of Alitalia.
KLM holds 26% of the capital of Kenya Airways.
On April 29, 2010, the company Amadeus was the subject of an Initial Public Offering (IPO) on the Madrid stock exchange. This operation is detailed in note 11.

The “share of profits (losses) of associates” includes mainly the €(23) million share of the Alitalia Group loss. This corresponds to Alitalia’s activity from January 1 to September 30, 2010, its annual closing date being December 31.

- **As of March 31, 2011**

Air France-KLM holds 25% of the capital of Alitalia.
KLM holds 26% of the capital of Kenya Airways.
On April 29, 2010, the company Amadeus was the subject of an Initial Public Offering (IPO) on the Madrid stock exchange. This operation is detailed in note 11.

The “share of profits (losses) of associates” includes mainly the €(31) million share of the Alitalia Group loss. This corresponds to Alitalia’s activity from January 1 to December 31, 2010, its annual closing date being December 31.

- **As of December 31, 2011**

Air France-KLM holds 25% of the capital of Alitalia.
KLM holds 26% of the capital of Kenya Airways.

The “share of profits (losses) of associates” includes mainly the €(22) million share of the Alitalia Group loss. This corresponds to Alitalia’s activity from January 1 to December 31, 2011.

Simplified financial statements of the main equity affiliates

The equity affiliates as of December 31, 2011 mainly concern the following companies, in which the Group has a significant influence:

- **Alitalia**
  Alitalia Compagnia Aero Italiana Spa comprises the passenger business of the former Alitalia and the assets acquired with the acquisition of Air One. This company started trading on January 12, 2009 and serves 92 destinations in Italy and around the world with more than 2 200 flights a week.

- **Kenya Airways**
  Kenya Airways is a Kenyan airline based in Nairobi.

The financial information for the principal equity affiliates for the years 2011 and 2010 (excluding consolidation adjustments) is presented below:

In € millions	**Alitalia**	**Kenya Airways**
	12/31/2010	**03/31/2010**
% holding as of March 31, 2011	25%	26%
Operating revenues	3 225	653
Operating income	(107)	17
Net income / loss	(168)	19
Stockholders' equity	548	192
Total assets	2 856	706
Total liabilities and stockholders' equity	2 856	706
	12/31/2011	**03/31/2011**
% holding as of December 31, 2011	25%	26%
Operating revenues	3 478	785
Operating income	(6)	53
Net income / loss	(69)	32
Stockholders' equity	479	212
Total assets	2 798	721
Total liabilities and stockholders' equity	2 798	721

22. PENSION ASSETS

In € millions	**December 31, 2011**	**March 31, 2011**	**December 31, 2010 (9 months)**
Opening balance	**2 995**	**2 733**	**2 733**
Net periodic pension (cost) / income for the period	(36)	(71)	(38)
Contributions paid to the funds	258	331	249
Reclassification	-	2	-
Currency translation adjustment	-	-	-
Closing balance	**3 217**	**2 995**	**2 944**

The detail of these pension assets is presented in note 30.1.

23. OTHER FINANCIAL ASSETS

In € millions	**December 31, 2011**		**March 31, 2011**		**December 31, 2010**	
	Current	**Non current**	**Current**	**Non current**	**Current**	**Non current**
Financial assets available for sale						
Shares	-	901	-	977	-	1 130
Assets at fair value through profit and loss						
Marketable securities	149	210	271	-	424	-
Cash secured	533	95	303	-	-	-
Loans and receivables						
Financial lease deposit (bonds)	40	125	103	94	95	112
Financial lease deposit (others)	4	487	46	409	77	415
Loans and receivables	15	256	15	235	17	237
Miscellaneous financial assets	10	-	13	-	15	-
Gross value	**751**	**2 074**	**751**	**1 715**	**628**	**1 894**
Impairment at opening	**-**	**(61)**	**-**	**(56)**	**-**	**(56)**
New impairment charge	-	-	-	(5)	-	(2)
Use of provision	-	2	-	-	-	-
Impairment at closing	**-**	**(59)**	**-**	**(61)**	**-**	**(58)**
Total	**751**	**2 015**	**751**	**1 654**	**628**	**1 836**

Financial assets available for sale are as follows:

In € millions	**Fair Value**	**% interest**	**Stockholder's equity**	**Net income**	**Stock price (in €)**	**Closing date**
As of December 31, 2011						
Amadeus (*)	854	15.23%	ND	ND	12.54	December 2011
Club Med (*)	8	2.00%	ND	ND	15.20	October 2011
Voyages Fram	9	8.71%	ND	ND	NA	December 2011
Others	30	-	-	-	-	-
Total	**901**					
As of March 31, 2011						
Amadeus (*)	920	15.23%	767	384	13.50	December 2010
Club Med (*)	10	2.00%	516	(14)	15.20	October 2010
Voyages Fram	9	8.71%	108	(6)	NA	December 2010
Others	38	-	-	-	-	-
Total	**977**					

(*) Listed company

Assets at fair value through profit and loss mainly comprise shares in mutual funds that do not meet the "cash equivalents" definition and cash account secured mainly within the framework of the swap contract with Natixis on the OCEANE 2005 (see note 31) and within this of guarantee given to the European Union concerning the anti-trust litigation (see notes 30.2).

Loans and receivables mainly include deposits on flight equipment made within the framework of operating and capital leases.

24. INVENTORIES

In € millions	**December 31, 2011**	**March 31, 2011**	**December 31, 2010 (9 months)**
Aeronautical spare parts	559	582	588
Other supplies	191	144	158
Production work in progress	8	6	8
Gross value	**758**	**732**	**754**
Opening valuation allowance	**(174)**	**(163)**	**(163)**
Charge to allowance	(15)	(21)	(19)
Use of allowance	14	7	5
Releases of allowance no longer required	-	-	-
Reclassification	2	3	2
Closing valuation allowance	**(173)**	**(174)**	**(175)**
Net value of inventory	**585**	**558**	**579**

25. TRADE ACCOUNTS RECEIVABLES

In € millions	**December 31, 2011**	**March 31, 2011**	**December 31, 2010 (9 months)**
Airlines	525	459	369
Other clients:			
* Passenger	604	873	712
* Cargo	400	409	401
* Maintenance	249	186	266
* Other	84	94	122
Gross value	**1 862**	**2 021**	**1 870**
Opening valuation allowance	**(83)**	**(89)**	**(89)**
Charge to allowance	(16)	(14)	(7)
Use of allowance	8	15	4
Currency translation adjustment	-	1	1
Reclassification	3	4	-
Closing valuation allowance	**(88)**	**(83)**	**(91)**
Net value	**1 774**	**1 938**	**1 779**

26. OTHER ASSETS

In € millions	December 31,2011		March 31, 2011		December 31, 2010 (9 months)	
	Current	**Non current**	**Current**	**Non current**	**Current**	**Non current**
Suppliers with debit balances	118	-	119	-	115	-
State receivable	74	-	86	-	80	-
Derivative instruments	315	149	808	138	473	113
Prepaid expenses	209	19	259	18	209	14
Other debtors	281	-	280	-	240	-
Gross value	**997**	**168**	**1 552**	**156**	**1 117**	**127**
Opening valuation allowance	**(2)**	**-**	**(4)**	**-**	**(4)**	**-**
Charge to allowance	-	-	-	-	-	-
Use of allowance	-	-	1	-	-	-
Reclassification	-	-	1	-	-	-
Closing valuation allowance	**(2)**	**-**	**(2)**	**-**	**(4)**	**-**
Net realizable value of other assets	**995**	**168**	**1 550**	**156**	**1 113**	**127**

The derivative instruments did not comprise any currency hedges on financial debt as of December 31, 2011 and March 31, 2011.

27. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

In € millions	**December 31, 2011**	**March 31, 2011**	**December 31, 2010**
Mutual funds (SICAV) (assets at fair value through profit and loss)	1 552	3 219	2 835
Bank deposits and term accounts (assets at fair value through profit and loss)	293	124	185
Cash in hand	438	374	476
Total cash and cash equivalents	**2 283**	**3 717**	**3 496**
Bank overdrafts	(157)	(129)	(145)
Cash, cash equivalents and bank overdrafts	**2 126**	**3 588**	**3 351**

28. EQUITY ATTRIBUABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM SA

28.1. Issued capital

As of December 31, 2011, the issued capital of Air France-KLM comprised 300,219,278 fully paid-up shares. Each share is entitled to one vote.
On August 5, 2010, a capital reduction operation amounting to €2,252 million took place. Since that date, the nominal value of each share has been €1 compared with €8.50 previously.

The change in the number of issued shares is as follows:

In number of shares		December 31, 2011	March 31, 2011	December 31, 2010 (9 months)
At the beginning of the period		**300 219 278**	**300 219 278**	**300 219 278**
Issuance of shares for OCEANE conversion		-	-	-
At the end of the period		**300 219 278**	**300 219 278**	**300 219 278**
Of which:	- number of shares issued and paid up	300 219 278	300 219 278	300 219 278
	- number of shares issued and not paid up	**-**	**-**	**-**

The shares comprising the issued capital of Air France-KLM are subject to no restriction nor priority concerning dividend distribution or reimbursement of the issued capital.

Authorized stock

The Extraordinary Shareholders' Meeting of July 7, 2011, authorized the Board of Directors, for a period of 26 months from the date of the meeting, to issue shares and/or other securities giving immediate or future rights to Air France-KLM capital limited to a total maximum nominal amount of €120 million.

Breakdown of share capital and voting rights

The breakdown of share capital and voting rights is as follows:

	% of capital		% of voting rights	
	December 31, 2011	**March 31, 2011**	**December 31, 2011**	**March 31, 2011**
French State	16%	16%	16%	16%
Employees and former employees	10%	10%	10%	10%
Treasury shares	2%	2%	-	-
Other	72%	72%	74%	74%
Total	**100%**	**100%**	**100%**	**100%**

The item "Employees and former employees" includes shares held by employees and former employees identified in funds or by a Sicovam code.

Other securities giving access to common stock

OCEANE

Please refer to note 31.2.

28.2. Additional paid-in capital

Additional paid-in capital represents the difference between the nominal value of equity securities issued and the value of contributions in cash or in kind received by Air France-KLM.

In € millions	**December 31, 2011**	**March 31, 2011**	**December 31, 2010**
Other paid-in capital	2 971	2 971	2 971
Total	**2 971**	**2 971**	**2 971**

28.3. Treasury shares

	Treasury shares	
	Number	In € millions
March 31, 2010	**5 730 474**	**(106)**
Change in the period	(1 539 649)	13
December 31, 2010	**4 190 825**	**(93)**
March 31, 2010	**5 730 474**	**(106)**
Change in the period	(1 180 562)	12
March 31, 2011	**4 549 912**	**(94)**
Change in the period	1 089 565	5
December 31, 2011	**5 639 477**	**(89)**

As of December 31, 2011, Air France-KLM held 4 523 057 of its own shares (including 1 450 000 within the framework of the liquidity agreement), acquired pursuant to the annual authorizations granted by the Shareholders' Meeting. As of December 31, 2011, the Group also held 1 116 420 of its own shares for KLM stock option programs. All these treasury shares are classified as a reduction of equity.

28.4. Reserves and retained earnings

In € millions	**December 31, 2011**	**March 31, 2011**	**December 31, 2010 (9 months)**
Legal reserve	70	70	70
Distributable reserves	962	1 032	1 032
Derivatives reserves	55	363	(25)
Available for sale securities reserves	86	173	325
Other reserves	2 127	1 424	1 420
Net income (loss) – Group share	(442)	613	980
Total	**2 858**	**3 675**	**3 802**

As of December 31, 2011, the legal reserve of €70 million represented 23% of Air France-KLM's issued capital. French company law requires that a limited company (*société anonyme*) allocates 5% of its unconsolidated statutory net income each year to this legal reserve until it reaches 10% of the Group's issued capital. The amount allocated to this legal reserve is deducted from the distributable income for the current year. The legal reserve of any company subject to this requirement may only be distributed to shareholders upon liquidation of the company.

29. SHARE-BASED COMPENSATION

29.1. Outstanding share-based compensation plans and other plans as of December 31, 2011

Plans	Grant date	Number of shares granted	Start date for option exercise	Date of expiry	Exercise price (euros)	Number of options exercised as of 31/12/2011
<u>Stock-option plans</u>						
KLM	26/07/2006	411 105	31/07/2006	26/07/2011	17.83	-
KLM	27/07/2007	428 850	31/07/2007	25/07/2012	34.21	-

Other plans

Plans	Grant date	Number of shares granted	Date of expiry	Exercise price (euros)	Number of shares exercised as of 31/12/2011
Air France - KLM – ESA(*) 2005	01/02/2005	12 612 671	21/02/2005	14.00	12 612 671

(*) ESA: Shares-for-salary exchange

29.2. Changes in options

	Average exercise price (€)	Number of options
Options outstanding as of March 31, 2010	**22.00**	**1 143 182**
Of which : options exercisable at March 31, 2010	***22.00***	***1 143 182***
Options forfeited during the period	13.42	(372 966)
Options exercised during the period	-	-
Options granted during the period	-	-
Options outstanding as of December 31, 2010	**26.16**	**770 216**
Of which : options exercisable at December 31, 2010	***26.16***	***770 216***
Options outstanding as of March 31, 2010	**22.00**	**1 143 182**
Of which : options exercisable at March 31, 2010	***22.00***	***1 143 182***
Options forfeited during the period	13.49	(374 966)
Options exercised during the period	-	-
Options granted during the period	-	-
Options outstanding as of March 31, 2011	**26.16**	**768 216**
Of which : options exercisable at March 31, 2011	***26.16***	***768 216***
Options forfeited during the period	17.83	(377 699)
Options exercised during the period	-	-
Options granted during the period	-	-
Options outstanding as of December 31, 2011	**34.21**	**390 517**
Of which : options exercisable at December 31, 2011	***34.21***	***390 517***

29.3. Price range of available options as of December 31, 2011

Range of exercise prices per share	Number of options	Weighted average remaining life (years)	Weighted average exercise price per share (in euros)
From 20 to 35 euros per share	390 517	0.58	34.21
Total	**390 517**	**0.58**	**34.21**

29.4. Description of the plans

KLM stock-option plans

Prior to the combination with Air France, members of the Management Board and the key executives of KLM had been granted KLM stock options. Within the combination agreement between KLM and Air France, stock-options and SAR (Share Appreciation Rights) that were not exercised during the operation were modified on May 4, 2004 so that their holders could purchase Air France-KLM shares and SARs attached to Air France-KLM shares. The shares held by KLM within this plan were converted into Air France-KLM shares and transferred to a foundation whose sole purpose is their retention until the stock options are exercised or forfeited.

The vesting conditions of the options granted by KLM on July 2007 and 2006 are such that one third of the options vest at grant date with a further one third after one and two years, respectively. Vesting is conditional on KLM achieving predetermined non-market-dependent performance criteria.

Air France-KLM 2005 Shares-for Salary Exchange

On February 1, 2005, the Group launched a Shares-for-Salary Exchange scheme, in which all Air France employees residing in France were offered the opportunity to purchase Air France-KLM shares at a price of €14 per share in exchange for wage concessions over a 6-year period. The offer was limited to a maximum of 13 186 853 ordinary shares. At the date the offer was closed, i.e. February 21, 2005, Air France employees had acquired 12 612 671 Air France-KLM shares.

These shares were granted by the French State, the largest Air France-KLM shareholder, subject to a €110 million payment made by the Group in April 2007.
The wage concessions cover the period from May 2005 to May 2011.

In the event an employee leaves the Group prior to the end of the 6-year period, the unvested and irredeemable shares are returned to Air France which, in turn, returns them to the French State. The fair value of the services provided under the Shares-for-Salary Exchange scheme was calculated on the basis of the market price of the Air France-KLM share on the date the offer was closed, namely €14.30 and amounts to €180 million. The corresponding salary expense covers the acquisition period of voting rights from May 2005 to May 2011. Each installment, corresponding to the annual decrease of salary, is treated as a separate award. The Shares-for Salary Exchange 2005 plan share-based payment is therefore recognized on a straight-line basis over the requisite service period for each separately-vested portion.

KLM SARs plan

During the periods ending December 31, 2011, March 31, 2011, March 31, 2010 and March 31, 2009, Share Appreciation Rights (SARs) were granted by KLM, corresponding to share-based plans and paid in cash.

Plans	Grant date	Number of SARs granted	Start date for SARs exercise	Date of expiry	Number of SARs exercised as of 31/12/2011
KLM	01/07/2008	153 080	01/07/2008	01/07/2013	11 088
KLM	01/07/2009	136 569	01/07/2009	01/07/2014	-
KLM	01/07/2010	145 450	01/07/2010	01/07/2015	-
KLM	01/07/2011	144 235	01/07/2011	01/07/2016	-

The changes in SARs were as follows:

	Number de SARs
SARs outstanding as of March 31, 2010	**243 060**
*Of which:SARs exercisable at March 31, **2010***	***104 638***
SARs forfeited during the period	(54 333)
SARs exercised during the period	-
SARs granted during the period	145 450
SARs outstanding as of December 31, 2010	**334 177**
*Of which:SARs exercisable at December 31, **2010***	***193 688***
SARs outstanding as of March 31, 2010	**243 060**
*Of which:SARs exercisable at March 31,**2010***	***104 638***
SARs forfeited during the period	(54 745)
SARs exercised during the period	-
SARs granted during the period	145 450
SARs outstanding as of March 31,2011	**333 765**
*Of which:SARs exercisable at March 31, **2011***	***193 276***
SARs forfeited during the period	(1 415)
SARs exercised during the period	(11 088)
SARs granted during the period	144 235
SARs outstanding as of December 31, 2011	**465 497**
*Of which:SARs exercisable at December 31, **2011***	***270 908***

The vesting conditions of the SARs granted by KLM on July 1, 2011, 2010, 2009 and 2008 are such that one third of the options vest at grant date, with a further one third after one and two years, respectively. Vesting is conditional on KLM achieving predetermined non-market-dependent performance criteria.

The fair value of the services provided under the SARs plan has been determined according to the market value of the Air France-KLM share at the closing date concerned:

- For the July 2008 plan: a market value of €3.97 and a fair market value of €0.4 million
- For the July 2009 plan: a market value of €3.97 and a fair market value of €0.4 million
- For the July 2010 plan: a market value of €3.97 and a fair market value of €0.5 million
- For the July 2011 plan: a market value of €3.97 and a fair market value of €0.6 million

29.5. Salary expenses related to share-based compensation

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Shares-for-Salary Exchange 2005	5	18	25	11	24
Stock option plan	(1)	1	1	-	1
Salary expenses (note 8)	**4**	**19**	**26**	**11**	**25**

30. PROVISIONS AND RETIREMENT BENEFITS

In € millions		Retirement benefits note 30.1	Restitution of aircraft	Restruc-turing	Litigation	Others	Total
Amount as of March 31, 2010		**919**	**516**	**195**	**359**	**139**	**2 128**
Of which:	*Non-current*	*919*	*345*	*1*	*38*	*129*	***1 432***
	Current	*-*	*171*	*194*	*321*	*10*	***696***
New provision		114	163	12	135	35	**459**
Use of provision		(59)	(117)	(43)	(81)	(28)	**(328)**
Reversal of unnecessary provisions		-	(4)	-	-	-	**(4)**
Currency translation adjustment		4	-	-	-	-	**4**
Discount/Accretion impact		-	(6)	-	-	-	**(6)**
Reclassification		(1)	(7)	-	(1)	1	**(8)**
Amount as of December 31, 2010		**977**	**545**	**164**	**412**	**147**	**2 245**
Of which:	*Non-current*	*977*	*408*	*-*	*39*	*142*	***1 566***
	Current	*-*	*137*	*164*	*373*	*5*	***679***

In € millions		Retirement benefits note 30.1	Restitution of aircraft	Restruc-turing	Litigation	Others	Total
Amount as of March 31, 2010		**919**	**516**	**195**	**359**	**139**	**2 128**
Of which:	*Non-current*	*919*	*345*	*1*	*38*	*129*	***1 432***
	Current	*-*	*171*	*194*	*321*	*10*	***696***
New provision		148	250	15	147	44	**604**
Use of provision		(86)	(166)	(86)	(103)	(38)	**(479)**
Reversal of unnecessary provisions		-	(15)	(2)	(2)	-	**(19)**
Currency translation adjustment		-	(3)	-	-	-	**(3)**
Change in scope		3	-	-	-	-	**3**
Discount/Accretion impact		-	(9)	-	-	-	**(9)**
Reclassification		2	(17)	-	-	7	**(8)**
Amount as of March 31, 2011		**986**	**556**	**122**	**401**	**152**	**2 217**
Of which:	*Non-current*	*986*	*414*	*-*	*382*	*148*	***1 930***
	Current	*-*	*142*	*122*	*19*	*4*	***287***
New provision		136	173	4	26	45	**384**
Use of provision		(72)	(115)	(114)	(23)	(30)	**(354)**
Reversal of unnecessary provisions		-	(3)	-	-	-	**(3)**
Currency translation adjustment		6	3	-	-	3	**12**
Discount/Accretion impact		-	(10)	-	-	-	**(10)**
Reclassification		-	(29)	-	-	-	**(29)**
Amount as of December 31, 2011		**1 056**	**575**	**12**	**404**	**170**	**2 217**
Of which:	*Non-current*	*1 056*	*459*	*-*	*390*	*156*	***2 061***
	Current	*-*	*116*	*12-*	*14*	*14*	***156***

Movements in provisions for retirement benefits which have an impact on the income statement are recorded in "salaries and related costs".
As of March 31, 2011, the impact of the closure of a pension plan in the United States was recorded in "Other non-current income and expenses" (see note 11).
Movements in provisions for restructuring which have an impact on the income statement are recorded in "other non-current income and expenses" when the plans concerned have a material impact.
Movements in provisions for restitution of aircraft which have an impact on the income statement are recorded in "provisions" except for the discount/accretion impact which is recorded in "other financial income and expenses".
Movements in provisions for litigation and in provisions for other risks and charges which have an impact on the income statement are recorded, depending on their nature, in the different lines of the income statement.

30.1. RETIREMENT BENEFITS

The Group holds a large number of retirement and other long-term benefits plans for its employees. The specific characteristics (benefit formulas, funding policies and types of assets held) of the plans vary according to the regulations and laws in the particular country in which the employees are located. Several of the plans are defined benefit plans.

Pension fund surplus

For a certain number of pension obligations, the Group funds pension funds.
The obligations of KLM Group are, for the most part, funded in accordance with Dutch regulation and the Group's collective agreement. With regard to the level of coverage of the commitments, particularly for the pilots and crews' program as well as that for the ground staff, significant "funding requirements" constraints require the Group to be always in a position of "over-funding".

Actuarial assumptions used

Actuarial valuations of the Group's benefit obligation were computed as of December 31, 2011 and March 31, 2011. These calculations include:

- Assumptions on staff turnover, life expectancy and salary increases.
- Assumptions of retirement age varying from 55 to 67 depending on the localization and the applicable laws.
- Discount rates used to determine the actuarial present value of the projected benefit obligations. The discount rates for each geographical area are determined according to the duration of each plan, taking into account the trend in average interest rates on AA-rated bonds in the market, observed on the main index available. In some countries, where the market regarding this type of bond is not large enough, the discount rate is determined with reference to government bonds. Most of the Group's obligations are located in the Euro zone.

	As of December 31, 2011	**As of March 31, 2011**
Euro zone - Duration 4 to 5 years	4.25%	4.25%
Euro zone - Duration 10 to 15 years	4.75%	4.75%
Euro zone - Duration 15 years and more	5.00%	5.20%

The sensitivity of the annual cost and the obligation to variations in the discount rate is as follows:

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2011 (9 months)**	**Sensitivity of the assumptions for the year ended March 31, 2011 (12 months)**
0.25% increase in the discount rate		
Impact on the cost	(22)	(18)
Impact on the obligation	(533)	(481)
0.25% decrease in the discount rate		
Impact on the cost	47	19
Impact on the obligation	697	481

- The expected long-term rates of return on funded pension plans assets are as follows:

	As of December 31, 2011	**As of March 31, 2011**
Euro Zone	Between 3.0% and 6.8%	Between 3.0% and 6.8%

The expected average long-term rates of return on plan assets have been determined based on the expected long-term rates of return of the different asset classes: equities, bonds, real estate or other, weighted according to the asset allocation strategy in these schemes.

The sensitivity of the annual cost to variations in the expected return for plan assets is as follows :

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2011 (9 months)**	**Sensitivity of the assumptions for the year ended March 31, 2011 (12 months)**
0.25% increase in the expected return for plan assets		
Impact on the cost	36	35
0.25% decrease in the expected return for plan assets		
Impact on the cost	(36)	(35)

- Assumption on increase in healthcare costs:

	As of December 31, 2011	**As of March 31, 2011**
USA-Canada	Between 9.5% and 10.0%	Between 9.5% and 10.0%

The sensitivity of the annual cost and the obligation to variations in the healthcare costs of the schemes is as follows:

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2011 (9 months)**	**Sensitivity of the assumptions for the year ended March 31, 2011 (12 months)**
1% increase in healthcare costs		
Impact on the cost	-	-
Impact on the obligation	7	5
1% decrease in healthcare costs		
Impact on the cost	-	-
Impact on the obligation	(5)	(5)

- On average, the main assumptions used in the actuarial valuations of obligations are summarized below:

	Pension benefits		Other benefits	
	As of December 31, 2011	As of March 31, 2011	As of December 31, 2011	As of March 31, 2011
Discount rate	4.94%	5.14%	4.48%	5.42%
Salary inflation rate	2.45%	2.53%	-	-
Expected long-term rate of return on plan assets	5.64%	6.09%	-	-

Changes in benefit obligations

The following table details the reconciliation between the benefits obligation and plan assets of the Group and the amounts recorded in the financial statements for the years ended December 31, 2011 and March 31, 2011.

(In € millions)

	Pension benefits		Other benefits	
	As of December 2011 (9 months)	As of March 31, 2011 (12 months)	As of December 2011 (9 months)	As of March 31, 2011 (12 months)
Benefit obligation at beginning of year	**13 270**	**13 082**	**40**	**40**
Service cost	285	367	-	-
Interest cost	504	634	2	2
Employees' contribution	39	52	-	-
Plan amendments	4	-	-	-
Change of scope	-	3	-	-
Settlements / curtailments	-	(124)	-	-
Benefits paid	(385)	(503)	(2)	(2)
Transfers of assets/liability through Balance Sheet	2	(3)	-	-
Actuarial loss / (gain)	333	(245)	4	2
Currency translation adjustment	33	7	4	(2)
Benefit obligation at end of year	**14 085**	**13 270**	**48**	**40**
Including benefit obligation resulting from schemes totally or partly funded	*13 879*	*13 077*	-	-
Including unfunded benefit obligation	*206*	*193*	*48*	*40*
Fair value of plan assets at beginning of year	**14 174**	**13 487**	-	-
Actual return on plan assets	602	832	-	-
Employers' contributions	309	394	-	-
Employees' contributions	39	52	-	-
Change of scope	-	-	-	-
Settlements / curtailments	-	(111)	-	-
Transfers of assets/liability through Balance Sheet	2	(3)	-	-
Benefits paid	(367)	(482)	-	-
Currency translation adjustment	22	5	-	-
Fair value of plan assets at end of year	**14 781**	**14 174**	-	-
Amounts recorded in the balance sheet:				
Funded status	696	904	(48)	(40)
Unrecognized prior service cost	151	164	-	-
Unrecognized actuarial (gains) / losses	1 353	977	9	4
Prepaid (accrued) pension cost	**2 200**	**2 045**	**(39)**	**(36)**
Amounts recorded in the balance sheet(*) :				
Pension asset (note 22)	3 217	2 995	-	-
Provision for retirement benefits	(1 017)	(950)	(39)	(36)
Net amount recognized	**2 200**	**2 045**	**(39)**	**(36)**
Net periodic cost:				
Service cost	286	367	-	-
Interest cost	505	634	1	2
Expected return on plan assets	(647)	(836)	-	-
Settlement / curtailment	-	21	-	-
Amortization of prior service cost	17	18	-	-
Amortization of unrecognized actuarial (gain) loss	10	13	-	-
Other	-	-	-	-
Net periodic cost	**171**	**217**	**1**	**2**

(*)Except for those pension plans for which the balance is a net asset fully recorded as a non-current asset, all the obligations are recorded as non-current liabilities.

The benefit obligations, fair value of plan assets and experience adjustments are as follows:

In € millions	Benefit obligation	Fair value of plan assets	Funded status	Experience adjustments on	
				Benefit obligation	Plan assets
As of March 31, 2008	10 909	13 176	2 267	(95)	(989)
As of March 31, 2009	11 095	11 031	(64)	(133)	(2 788)
As of March 31, 2010	13 122	13 487	365	95	1 854
As of March 31, 2011	13 310	14 174	864	47	(4)
As of December 31, 2011	14 133	14 781	648	73	(44)

Asset allocation

The weighted average allocation of the funds invested in Group pension plans is as follows:

	Funds invested	
	As of December 31, 2011	**As of March 31, 2011**
Equities	36%	40%
Bonds	52%	50%
Real estate	12%	10%
Total	**100%**	**100%**

Expected cash outflows

The table below shows the expected cash outflows on pensions and other post-employment benefits, as of December 31, 2011, over the next ten years:

In € millions	Pensions and similar benefits
Estimated contribution to be paid for the year ended December 31, 2012	415
Estimated benefit payments as of December 31:	
2012	496
2013	496
2014	523
2015	553
2016	580
2017-2021	3 327

Risks on pension obligation

Some of the Group's commitments are subject to "over-hedging" which is determined both by the local regulations and the collective agreements. Any change in regulations could have a favorable or unfavorable impact on the commitments and / or level of coverage of these commitments.

30.2. OTHER PROVISIONS

Provision for litigation with third parties

An assessment of litigation risks with third parties was carried out with the Group's attorneys and provisions have been recorded whenever circumstances rendered it necessary.
Provisions for litigation with third parties also include provisions for tax risks. Such provisions are set up when the Group considers that the tax authorities could challenge a tax position adopted by the Group or one of its subsidiaries.

In the normal course of its activities, the Air France-KLM Group and its subsidiaries Air France and KLM (and their subsidiaries) are involved in litigation, some of which may be significant.

Provision for restructuring

As of March 31, 2011, the provision for restructuring mainly included the provision for the Air France voluntary redundancy plan (see note 11).

Litigation concerning anti-trust laws

In the air-freight industy

a) Investigation of the anti-trust authorities

Air France, KLM and Martinair, a wholly-owned subsidiary of KLM since January 1, 2009, have been involved, since February 2006, with up to twenty-five other airlines in investigations initiated by the anti-trust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted action in the air-freight industry.

The proceedings initiated in the United States, Australia and Canada resulted, during financial year 2008-09, in Plea Agreements made by Air France, KLM and Martinair with the appropriate agencies, and the payment of fines putting an end to those proceedings. As of December 31, 2011 discussions are underway with the Competition Commission of South Africa to conclude a settlement agreement which would result in the payment by the Group of a penalty of €1.8 million.

In Europe, the European Commission announced, on November 9, 2010, its decision to impose fines on 14 airlines including Air France, KLM and Martinair related to anti-competition practices - mainly concerning fuel surcharges. The Commission imposed an overall fine of €340 million on the Air France-KLM Group companies.

As the Group's parent company, Air France-KLM was considered by the European Commission to be jointly and severally liable for the anti-competitive practices of which the Group companies were found guilty.

On January 24 and 25, 2011, the Group companies filed an appeal against the decision before the General Court of the European Union.
Since the appeal does not suspend the payment of the fines, the Group companies chose not to pay the fine immediately, but to provide bank guarantees until a definitive ruling by the European Courts.

In South Korea on November 29, 2010, the Korean antitrust authority (KFTC) imposed on Air France-KLM, Air France and KLM a total fine of €8.8 million for anti-competitive practices prior to September 2004. This fine will not impact the Group's financial statements given that provisions have already been booked. The Group companies have filed an appeal before the competent Court.

b) Civil actions

On September 19, 2011 the Group companies entered into a Settlement agreement with the Canadian plaintiffs achieving a final resolution of all claims in Canada. Under the settlement agreement the Group companies have paid an amount of CAD 6.5 million (€4.6 million). This agreement is subject to the approval of the Ontario court.

The total amount of provisions as of December 31, 2011 amounts to €351 million for the whole proceedings.

Other provisions

Other provisions are mainly provisions for power-by-hour contracts (maintenance activity of the Group) and provisions for dismantling buildings.

30.3. CONTINGENT LIABILITIES

The Group is involved in a number of governmental, legal and arbitrage procedures for which provisions have not been recorded in the financial statements.

Litigations concerning anti-trust laws

These litigations have not been provisioned given that the Group is unable, given the current status of proceedings, to evaluate its exposure.

a) In the air-freight industry

a.1) Investigation of the anti-trust authorities

The proceedings in Switzerland and Brazil are still ongoing as of December 31, 2011.
With regard to the revenues involved, these risks are not individually significant.

a.2) Civil Suits

Pursuant to the initiation in February 2006 of the various competition authority investigations, class actions were brought by forwarding agents and air-freight shippers in the United States and Canada against Air France, KLM and Martinair, and the other freight carriers. In addition, civil suits have been filed in Europe by shippers following the European Commission's decision of November 9, 2010.

United States

In the United States, the Group concluded a Settlement Agreement with the representatives of the class action in July 2010. The Settlement Agreement, under which the Group accepted to pay USD 87 million, brings to a close all claims, lawsuits and legal proceedings in the past, present or future by plaintiffs seeking to obtain financial compensation from the Air France-KLM Group for unlawful practices in freight transportation to, from or within the United States.

On March 14, 2011, the Court issued an order granting final approval of the Air France-KLM settlement with the class action plaintiffs. Prior to that date, pursuant to procedures established by the Court, 36 entities elected to be excluded from the settlement, which permits them to separately pursue claims, although only four of those were customers of Air France, KLM or Martinair.
With respect to those Air France and KLM customers who have chosen to be excluded, a portion of the settlement proportional to the revenue Air France and KLM received from those parties for a specified period as compared with Air France and KLM's overall revenue for that period will be segregated in a separate escrow. If claims by those parties, including written demands, are made against Air France and KLM, then the portion of the separate escrow attributable to the claiming parties will be transferred to Air France and KLM.
In 2011, written demands were made to Air France and KLM by two customers. Consequently a portion of the escrow amount attributable to those customers, was transferred to Air France and KLM.

Netherlands

In the Netherlands, KLM, Martinair and Air France were summoned on September 30, 2010, to appear before the District Court of Amsterdam in a civil suit brought by a company named Equilib which states that it has purchased claims from 145 purchasers of airfreight services who allegedly suffered losses as a result of an anti-trust infringement in the European market between 2000 and 2006.
Equilib is seeking to obtain a declaratory judgment confirming that the Group companies have been guilty of unlawful conduct and are jointly and severally liable, along with other carriers, for the losses suffered by the airfreight purchasers. Equilib initially estimates its claims at €400 million. Sofar it has not substantiated its claim.
The Group companies served a contribution writ of summons on the other airlines fined by the European Commission on November 9, 2010 and simultaneously a claim to make these airlines join the proceedings. The latter claim was however denied by the court. Meanwhile some airlines have voluntarily joined the proceedings.

In addition, the Group asked to the Tribunal of Amsterdam to stay the proceedings until a final decision will be made by the courts of the European Union concerning the recourse on annulment brought against the penalty decision of the European Commission .

In April 2011, the Group companies filed a claim against Equilib with the Commercial Court of Paris requesting that Equilib be declared a fictitious company and, as such, be deemed invalid.
Under a ruling made on January 31, 2012, the Commercial Court declared inadmissible the claim made by the Group companies. This decision can be appealed.

United Kingdom
In the United Kingdom, a civil suit has been filed with the competent court in the UK against British Airways by two flower importers. British Airways issued contribution proceedings against all the airlines fined by the European Commission including entities of the Group.

Australia
Within the context of ongoing class action proceedings instituted in 2007 against seven airlines (excluding the Air France-KLM group) in the Australian Federal Court, cross claims have been filed against Air France, KLM and Martinair by Singapore Airlines (15 August 2011), Cathay Pacific (15 August 2011), Lufthansa (4 November 2011), Air New Zealand (5 December 2011) and British Airways (19 December 2011). In the cross claims, the respondent airlines claim that if, despite their denial of the claims of wrongdoing in the class action, they are ordered to pay damages, they will seek contribution from the cross respondents including Air France. Air France has filed defences to these cross claims in which it denies that the respondent airlines are entitled to any contribution from Air France, particularly since Air France did not operate direct flights to or from Australia during the relevant period. It is unlikely that any trial in the class action proceeding will occur during 2012.

The Group companies intend to vigorously oppose all such civil actions.

b) <u>In the air transport industry (passengers)</u>

b.1) Investigation of the European Commission into the air transport industry (passengers) between Europe and Japan

Air France and KLM, like other air carriers, were subject on March 11, 2008 to searches and seizures in connection with an investigation by the European Commission into possible anti-competitive agreements or concerted practices in the area of air transport services (passengers) between the States parties to the agreement on the European Economic Area and Japan.
On 10^{th} of November 2011, the European Commission informed Air France and KLM that this file had been closed.

b.2) Civil actions

During 2009, Air France and KLM were subpoenaed in a class action involving all the airlines operating transpacific routes between the United States and Asia/Oceania, on the basis of allegations of price-fixing on such routes.
Air France, which has only one transpacific route between the United States and Tahiti, and KLM, which is not involved on these routes, strongly deny these allegations.

<u>Other litigations</u>

a) Pretory

Company Air France, as a legal entity, was placed under investigation on July 20, 2006 on charges of concealed employment and as an accessory to misuse of corporate assets in connection with a judicial investigation initiated against the officers of Pretory, a company with which Air France, pursuant to the September 2011 attacks, had entered into an agreement for the provision of safety officers on certain flights.

Company Air France challenges its implication in this case.
Financial risks related to this litigation are not material.

b) KLM minority shareholders

On January 2008, the association Vereniging vzn Effectenbezitters (VEB) served KLM and Air France-KLM before the Amsterdam Civil Court claiming that KLM and Air France-KLM be ordered to pay to minority shareholders a higher

dividend than the €0.58 per ordinary share paid for fiscal year 2007-2008.
On September 1, 2010 the Court dismissed the case on the grounds that the dividend resolution met the test of reasonableness and fairness. VEB have appealed the Amsterdam Court decision.
On November 15, 2011 the Amsterdam Court of appeals upheld the decision. Claimants have filed for cassation with the Netherlands Supreme Court on February 15, 2012.

c) Rio-Paris AF447 flight

Following to the crash of the Rio-Paris AF447 flight in the South Atlantic, a number of legal actions have been brought in the United States and Brazil and, more recently, in France by the victims' heirs.
All these proceedings are aimed at receiving damages as reparation for the losses suffered by the heirs of the passengers who died in the crash.
In the United States, all the proceedings have been consolidated in California before the Northern District Court.
On October 4, 2010, the District judge granted the defendants' motion for dismissal on grounds of "forum non convenience" and suggested that they pursue their claim in France.
On March 17 and 18, 2011 respectively, Airbus and Air France were indicted for manslaughter by the investigating magistrate and incur the penalties of fines prescribed by law. Air France intends to challenge its implication in this case. These penalties should not have a material effect on the financial situation of Air France.
The damages as reparation for the losses suffered by the heirs of the passengers who died in the crash are covered by Air France's third-party liability insurance policy.

Except for the matters specified under the paragraphs 30.2 and 30.3, the Group is not aware of any dispute or governmental, judicial and arbitration proceedings (including any proceedings of which the issuer is aware, or that are pending or threatened against it) that could have or have recently had a significant impact on the Group's financial position, earnings, assets, liabilities or profitability, during a period including at least the past twelve months.

31. FINANCIAL DEBT

In € millions	**As of December 31, 2011**	**As of March 31, 2011**	**As of December 31, 2010**
Non current financial debt			
Perpetual subordinated loan stock in Yen	270	241	260
Perpetual subordinated loan stock in Swiss francs	355	325	335
OCEANE (convertible bonds)	929	984	979
Bonds	1 450	1 450	1 450
Capital lease obligations	3 618	3 059	3 029
Other debt	2 606	2 921	2 783
Total	**9 228**	**8 980**	**8 836**
Current financial debt			
OCEANE (convertible bonds)	67	-	-
Capital lease obligations	446	695	805
Other debt	539	994	860
Accrued interest	122	119	146
Total	**1 174**	**1 808**	**1 811**

31.1. Perpetual subordinated bond

31.1.1 Perpetual subordinated bond in Japanese Yen

The perpetual subordinated bond in Japanese Yen was issued by KLM in 1999 for a total amount of JPY 30 billion, i.e. €270 million as of December 31, 2011.
The perpetual subordinated bond in Japanese Yen is until 2019 subject to the payment of a coupon of 5.28% on a USD

notional of USD 248 million.
The debt is perpetual. It is nevertheless reimbursable at nominal value at the Group's discretion on August 28, 2019. The reimbursement does not involve a premium. A premium would be due if the debt were to be reimbursed in a currency other than the yen.
This debt is subordinated to all other existing and future KLM debts.

31.1.2 Perpetual subordinated bond in Swiss francs

The perpetual subordinated bond in Swiss francs was issued by KLM in two installments in 1985 and 1986 for a total original amount of CHF 500 million. Following the purchases made by KLM, the outstanding subordinated bond amounts to CHF 419 million, i.e. €355 million as of December 31, 2011.
The bonds are reimbursable on certain dates at the Group's discretion at a price between nominal value and 101.25% (depending on the bond and date of early repayment).

This loan is subject to the payment of a coupon considered to be fixed-rate (5¾% on a CHF 270 million portion and 2 1/8% on a CHF 149 million portion) for the years ended December 31, 2011 and March 31, 2011.

This debt is subordinated to all other existing and future KLM debts.

31.2. OCEANE (Convertible bonds)

31.2.1. OCEANE issued in 2005

On April 2005, the company Air France, a subsidiary of the Air France-KLM Group, issued convertible bonds maturing in 15 years. The conversion option allows for conversion and/or exchange at any time into new or existing Air France-KLM shares (OCEANE). 21,951,219 bonds were issued for a total amount of €450 million. Each bond has a nominal value of €20.50. As of March 31, 2011, the conversion ratio is 1.03 Air France-KLM shares for one bond.

The maturity date for this convertible bond is April 1, 2020. Bond holders may request reimbursement as of April 1, 2012 and April 1, 2016. Air France holds a call option triggering early cash reimbursement which can be exercised starting April 1, 2010 under certain conditions prompting OCEANE holders to convert into Air France-KLM shares. The annual coupon is 2.75% payable in arrears at the end of each period ended April 1.
The conversion period of these bonds runs from June 1, 2005 to March 23, 2020, except in the event of early reimbursement.

On December 6, 2011, to optimize its debt repayment schedule by neutralizing the exercise of the OCEANE repayment option on April 1, 2012, Air France signed a swap agreement relating to these OCEANEs (total return swap) with Natixis expiring on April 1, 2016 at the latest.

In order to hedge this contract, Natixis launched a contractual acquisition procedure to purchase the said OCEANEs.

This contract was thus reflected in the following operations:

· The purchase by Natixis of 18,692,474 OCEANEs (i.e. 85.16% of the amount initially issued) at a fixed price of €21 following a contractual acquisition procedure open between December 7 and December 13, 2011. Natixis is the owner of the acquired OCEANEs and benefits from all the attached rights. Natixis will not exercise its early repayment option of April 1, 2012.

· The entry into force effective December 14 of a swap contract expiring on April 1, 2016 whose notional amounts to €392.5 million (number of OCEANEs acquired by Natixis multiplied by the purchase price of €21). Regarding this swap, Air France receives the coupon of the Oceane i.e. 2.75% and pays variable interest indexed on Euribor 6 months. At the swap termination, Air France and Natixis will also exchange the difference between the price of Oceane at that date and the initial price of 21 euros.

. Air France has a termination option on the swap starting December 19, 2012 and expiring on February 1, 2016.

· The contract is the subject of a remunerated cash guarantee for 100% of the notional of the swap (see note 23). Starting from April 1, 2012, the guarantee may partially comprise securities provided this portion does not exceed 50% of the notional amount of the swap.

Impact on the financial statements:

The operation mainly involves the replacement of a portion of the OCEANEs with an "April 1, 2012 investor put" with OCEANEs without an “April 1, 2012 investor put”.

Consistent with IAS 39, the debt of €345 million figuring under liabilities as of December 14,2011 and corresponding to the 18,692,474 OCEANEs purchased by Natixis has been derecognized in the financial statements.

In counterparty, Air France has entered a debt of €333 million in the financial statements and recognized the value of the attached option in equity for an amount of €6 million. The €339 million sum corresponds to the fair value, at December 14, 2011, of the OCEANEs “without April 1, 2012 investor put”.

The fair value without put was determined based on a model using observable market data (price and volatility of the Air France-KLM stock, dividend forecast, interest rate, Air France credit spread).

The earnings impact reflects a profit of €3 million, net of the costs relating to this operation.

The swap contract has been recognized in the financial statements as a derivative instrument under “other non-current liabilities” at its fair value on December 14, 2011, i.e. €53 million. In that this swap cannot be documented within the framework of a hedging relationship, future changes in fair value are recorded in the financial result under the heading “other financial income and expenses”.

The change in fair value thus represents a financial income of €2 million for the period. This fair value amounts to €51 million as of December 31, 2011.

The collateral is recognized in the accounts under “other short-term financial assets”, the related interest income being recorded under “net cost of financial debt”.

The 3,258,150 OCEANEs not purchased by Natixis within the framework of the contractual acquisition procedure remain subject to the repayment option potentially exercisable at the discretion of the holders on April 1, 2012. The effective interest rate on the related debt has been increased in order to take into account the highly probable exercise of the put in April 1, 2012 and is reflected by the accounting of a financial expense amounting to €7 million.

31.2.2. OCEANE issued in 2009

As of June 26, 2009, Air France-KLM issued a bond with an option of conversion and/or exchange for new or existing Air France-KLM shares (OCEANE) with a maturity date fixed at April 1, 2015. 56 016 949 bonds were issued for a total amount of €661 million. Each bond has a nominal value of €11.80. The annual coupon amounts to 4.97%.
The conversion period of these bonds runs from August 6, 2009 to the seventh working day preceding the normal or early reimbursement date.

Air France-KLM can impose the cash reimbursement of these bonds by exercising a call as of April 1, 2013 and under certain conditions encouraging OCEANE owners to convert their bonds into Air France-KLM shares.

Upon issue of this convertible debt, Air France-KLM recorded a debt of €556 million, corresponding to the present value of future payments for interest discounted at the rate of a similar bond without a conversion option. As of March 31, 2011, the debt value amounts to €596 million.

The option value was evaluated by deducting this debt value from the total nominal amount (i.e. €661 million) and was recorded in equity.

31.3. Bonds

31.3.1. Bonds issued in 2006 and 2007

On September 2006 and April 2007, the company Air France, a subsidiary of the Air France-KLM Group, issued bonds for a total amount of €750 million, maturing on January 22, 2014 and bearing an annual interest rate of 4.75%

31.3.2. Bonds issued in 2009

As of October 27, 2009, Air France-KLM issued bonds for a total amount of €700 million, maturing on October 27, 2016 and bearing an annual interest rate of 6.75%.

31.4. Capital lease commitments

The breakdown of total future minimum lease payments related to capital leases is as follows:

In € millions		**As of December 31, 2011**	**As of March 31, 2011**
Aircraft			
Future minimum lease payments – due dates			
Y+1		529	786
Y+2		549	443
Y+3		511	506
Y+4		504	480
Y+5		407	374
Over 5 years		1 634	1 337
Total		**4 134**	**3 926**
Including:	Principal	3 596	3 427
	Interest	538	499
Buildings			
Future minimum lease payments – due dates			
Y+1		57	41
Y+2		56	39
Y+3		55	37
Y+4		55	37
Y+5		39	37
Over 5 years		223	109
Total		**485**	**300**
Including:	Principal	389	246
	Interest	96	54
Other property, plant and equipment			
Future minimum lease payments – due dates			
Y+1		9	9
Y+2		9	9
Y+3		9	9
Y+4		9	9
Y+5		8	8
Over 5 years		90	96
Total		**134**	**140**
Including:	Principal	79	81
	Interest	55	59

The lease expenses over the period do not include contingent leases. Deposits made on purchase options are presented in note 23.

31.5. Other debt

Other debt breaks down as follows:

In € millions	**As of December 31, 2011**	**As of March 31, 2011**
Reservation of ownership clause and mortgage debt	2 191	2 449
Other debt	954	1 466
Total	**3 145**	**3 915**

Other debt corresponds mainly to bank borrowings.

Mortgage debt is a debt secured by a mortgage on an aircraft. The mortgage is filed at the national civil aviation authority (the DGAC in France) in order to be publicly available to third parties. A mortgage grants to the mortgagee a right to enforce the security (by order of a judge), the sale of the asset and a priority claim on the sale proceeds in line with the amount of the loan, the balance reverting to the other creditors.

31.6. Maturity analysis

The financial debt maturities break down as follows:

I*n € millions*		**As of December 31, 2011**	**As of March 31, 2011**
Maturities in			
Y+1		1 568	2 165
Y+2		1 463	1 669
Y+3		2 122	2 069
Y+4		1 621	1 264
Y+5		1 887	1 383
Over 5 years		3 524	3 904
Total		**12 185**	**12 454**
Including:	- Principal	10 402	10 788
	- Interest	1 783	1 666

As of December 31, 2011, the expected financial costs amount to €394 million for the 2012 financial year, €989 million for the financial years 2013 to 2016, and €400 million thereafter.

As of December 31, 2011, it has been considered that the perpetual subordinated loan stocks, the OCEANEs and the bonds would be reimbursed according to their most probable maturity:

- Date of probable call on unlimited loan stock
- Second date of the period of the investor put being April 1, 2016 for the majority of OCEANEs first issued in 2005 (see note 31.2.1)
- Maturity date for the OCEANE contract issued in 2009 and the repayable bond issued in 2006, 2007 and 2009

31.7. Currency analysis

The breakdown of financial debt by currency after impact of derivative instruments is as follows:

In € millions	**As of December 31, 2011**	**As of March 31, 2011**
Euro	8 802	9 285
US dollar	610	745
Swiss franc	355	325
Yen	626	422
Kenyan Shilling	9	11
Total	**10 402**	**10 788**

31.8. Credit lines

On December 31, 2011, the Group had credit lines amounting to €1 859 million, of which only €7 million have been drawn down. The three main credit lines amounted respectively, to €1 060 million for Air France, €540 million for KLM and €250 million for the holding company Air France-KLM.

On April 4, 2011, Air France renewed this credit facility maturing on April 7, 2012 with a €1 060 million revolving credit facility maturing on April 4, 2016, subject to the following financial covenants based on the Air France consolidated financial statements:

- EBITDAR must not be lower than two and a half times the net interest charges increased by one third of operating lease payments;
- Non-current assets in the balance sheet, not pledged as collateral, must be at least equal to unsecured financial net debts.

These ratios are calculated every six months and were respected at December 31, 2011.

KLM's credit facility, which amounts to €540 million with a maturity in 2016, is subject to the company respecting the following financial covenants:

- EBITDAR must not be lower than two and a half times the sum of net interest charges and one third of operating lease payments;
- Non-current assets in the balance sheet, not pledged as collateral, must be at least equal to unsecured net debts.

These ratios are calculated every six months based on KLM's consolidated financial statements and were respected at December 31, 2011.

Air France-KLM's credit facility, which amounts to €250 million, with a maturity as of October 4, 2017 and reduced by €50 million per year starting 2013, is subject to respect of the following financial covenants calculated based on the Air France-KLM consolidated financial statements:

- EBITDAR must be at least equal to one and a half times net interest charges added to one third of operating lease payments;
- Non-current assets in the balance sheet, not pledged as collateral, must be at least equal to unsecured financial net debt.

These ratios are calculated every six months and were respected at December 31, 2011.

32. OTHER LIABILITIES

In € millions	As of December 31, 2011		As of March 31, 2011		As of December 31, 2010	
	Current	**Non current**	**Current**	**Non current**	**Current**	**Non current**
Tax liabilities	504	-	463	-	410	-
Employee-related liabilities	821	-	867	-	848	-
Non current assets' payables	42	-	43	-	27	-
Derivative instruments	178	231	396	194	412	346
Deferred income	80	19	120	1	106	1
Other	761	71	797	77	792	83
Total	**2 386**	**321**	**2 686**	**272**	**2 595**	**430**

Derivative instruments comprise €4 million of currency hedges on financial debts as of December 31, 2011, all as non current liability (€36 million as of March 31, 2011).

33. FINANCIAL INSTRUMENTS

33.1. Risk management

- **Market risk management**

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, the 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 and interest rates, 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 preferred types of hedging instrument. The aim is to reduce the exposure of Air France-KLM to the fluctuations of the market. The RMC also defines the counterparty-risk policy.
The decisions made by the RMC are implemented by the treasury and fuel purchasing departments within each company, in compliance with the procedures governing the delegation of powers. In-house procedures governing risk management prohibit speculation.
The instruments used are swaps, futures and options.
Regular meetings are held between the fuel purchasing and treasury departments of both companies in order to exchange information concerning matters such as hedging instruments used, strategies planned and counterparties.
The cash management departments of each company circulate information on the level of cash and cash equivalents to their respective executive managements on a daily basis. 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 executive managements.
The implementation of the policy on fuel hedging is the responsibility of the fuel purchasing departments, which are also in charge of purchasing fuel for physical delivery. A weekly report, enabling the evaluation of the net-hedged fuel cost of the current fiscal year and the two following years, is sent to the executive management. This mainly covers the transactions carried out during the week, the valuation of all positions, the hedge percentages as well as the breakdown of instruments and the underlyings used, average hedge levels, the resulting net prices and stress scenarii, as well as market commentary. Furthermore, the fuel purchasing department issues a weekly Air France-KLM Group report (known as the GEC Report) which consolidates the figures from the two companies relating to fuel hedging and physical cost.

- **Currency risk**

Most of the Group's revenues are generated in euros. However, because of its international activities, the Group incurs a foreign exchange risk. The principal exposure is to the US dollar.
With regard to the US dollar, since expenditure on items such as fuel, operating leases and component costs exceed the level of revenue, the Group is a net buyer. This 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 other currencies, the level of revenues exceeding expenditure. The main exposure concern the yen and sterling. As a result, any significant decline in these currencies relative to the euro could have a negative effect on the Group's activity and financial results.
In order to reduce its currency exposure, the Group has adopted hedging strategies.
Both companies progressively hedge their net exposure over a rolling 24-month period.
Aircraft are purchased in US dollars, meaning that the Group is highly exposed to a rise in the dollar against the euro for its aeronautics investments. The hedging policy plans the progressive and systematic implementation of hedging between the date of the aircraft order and their delivery date.
The exchange rate risk on the Group's financial debt is limited. At December 31, 2011, 85% of the Group's gross debt, after taking into account derivative instruments, was issued in or converted into euros, thereby markedly reducing the risk of currency fluctuation on the debt. The exposure of the debt on other currencies mainly concern yen, US dollar and Swiss Franc.
Despite this active hedging policy, all exchange rate risks are not covered, especially in case of high variation of currencies in which debts are denominated. The Group and its subsidiaries might then encounter difficulties in managing currency risks, which could have a negative impact on the Group's business and financial results.

- **Interest rate risk**

At both Air France and KLM, most financial debt is 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 and options to convert a significant proportion of their debt. After hedging, the Air France-KLM Group's gross debt contracted at fixed rates represents 73% of the overall total.
Given this policy, the Group shows an amount of floating-rate debt close to the amount of cash invested at floating rates.
An interest rate increase will consequently have no significant effect on the Group's financial results.

- **Fuel price risk**

Risks linked to the jet fuel price are hedged within the framework of a hedging strategy for the whole of the Air France-KLM Group and approved by the executive management. This strategy was restructured in September 2009 and presented to the Audit Committee and the Board of the Air France-KLM Group, who approved it. The main changes were to reduce the time span of the hedges from four to two years and the overall hedged volume from two years to one year of consumption.

Main characteristics of the hedge strategy

Hedge horizon: 2 years

Minimum hedge percentage:

- quarter underway: 60% of the volumes consumed,
- quarter 1 to quarter 3: 60% of the volumes consumed,
- quarter 4: 50% of the volumes consumed,
- quarter 5: 40% of the volumes consumed,
- quarter 6: 30% of the volumes consumed,
- quarter 7: 20% of the volumes consumed,
- quarter 8: 10% of the volumes consumed.

Increment of coverage ratios: 10% by quarter

Underlyings: Brent, Gasoil and Jet CIF
At least 30% of volumes consumed during the two first quarters of the program (excluding the quarter underway) must be hedged in average distillates (Jet Fuel and Gasoil).

Instruments:
Swap, call, call spread, three ways, four ways and collar.

IAS 39 rule:
The instruments and underlyings used within the framework of the strategy must be compliant with IAS 39 “Financial instruments: recognition and measurement”.

Implementation of monitoring indicators on positions:
To ensure more effective monitoring of the marked-to-market positions and a dynamic management of its exposure, the Air France-KLM group uses the VAR (value at risk) metric to help measure the risk for its portfolio. This monitoring is also reinforced by taking into account the maximum loss and maximum gain which can limit the scale of variation of this same portfolio and enable the appropriate reaction.

- **Investment risks**

The cash resources of Air France, KLM and Air France-KLM are currently invested in short term, primarily money market mutual funds and certificates mainly rated A1/P1, the other lines being rated A2/P2. A small portion of the surplus has, however, been invested in debt securities with maturities of up to three years from high-grade issuers in order to increase the overall returns on the cash.
Lastly, in order to reduce the currency risk on the debt, a portion of KLM’s liquid assets is invested in foreign-currency AAA-rated bonds.

- **Counterparty risk management**

Transactions which can lead to counterparty risk for the Group are as follows:
- financial investments;
- derivative instruments;
- trade receivables.

  - Counterparty risk linked to financial investments and derivative instruments is managed by the Risk Management Committee which establishes limits by counterparty, for all instruments except investments in money market funds (OPCVM) for which the counterparty risk is deemed not to be significant. The Group’s counterparty-risk reporting is circulated each month to the executive managements, the risk being measured at the fair market value of each instrument. The exceeding of any limit immediately results in the implementation of corrective measures.
  - Counterparty risk relating to trade receivables is limited due to the large number and geographical diversity of customers comprising the trade receivables portfolio.

The Group has identified the following exposure to counterparty risk:

LT Rating (Standards & Poors)	**Total exposure in € millions**	
	As of December 31, 2011	**As of March 31, 2011**
AAA	117	449
AA+	48	54
AA	257	84
AA-	46	243
A+	1 366	1 052
A	309	354
A-	14	-
NR	15	-
Total	**2 172**	**2 236**

33.2. Derivative instruments

- **Year ended December 31, 2011**

Book value *In € millions*	**Assets**		**Liabilities**	
	Non-current	**Current**	**Non-current**	**Current**
Currency exchange risk (operating and financial operations)				
Fair value hedge	57	47	1	17
Cash flow hedge	47	122	16	35
Fair value through profit and loss	1	8	1	3
Interest rate risk (financial operations)				
Cash flow hedge	-	2	104	1
Fair value hedge	20	1	12	-
Fair value through profit and loss	2	-	17	-
Commodities risk				
Cash flow hedge	22	135	29	122
OCEANE – Total Return Swap (see note 31.2.1) Fair value through profit and loss	-	-	51	-
Total	**149**	**315**	**231**	**178**

The expected maturity of the fair market value of derivative instruments is as follows:

In € millions		**Total**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Y+5**	**> Y+5**
Commodities derivative instruments	Asset	157	135	22	-	-	-	-
	Liability	(151)	(122)	(29)	-	-	-	-
Interest rate derivative instruments	Asset	25	3	-	1	-	2	19
	Liability	(134)	-	(7)	(20)	(14)	(17)	(76)
Currency exchange derivative instruments	Asset	282	177	72	12	5	6	10
	Liability	(73)	(56)	(17)	-	-	-	-
OCEANE swap instruments	Asset	-	-	-	-	-	-	-
	Liability	(51)	-	-	-	-	(51)	-
Total	**Asset**	**464**	**315**	**94**	**13**	**5**	**8**	**29**
	Liability	**(409)**	**(178)**	**(53)**	**(20)**	**(14)**	**(68)**	**(76)**

- **Year ended March 31, 2011**

Book value *In € millions*	**Assets**		**Liabilities**	
	Non-current	**Current**	**Non-current**	**Current**
Currency exchange risk (operating and financial operations)				
Fair value hedge	23	12	37	28
Cash flow hedge	(5)	7	25	67
Fair value through profit and loss	4	1	2	4
Interest rate risk (financial operations)				
Cash flow hedge	7	2	38	1
Fair value hedge	4	2	24	-
Fair value through profit and loss	-	-	13	-
Commodity risk				
Fair value hedge	-	-	-	-
Cash flow hedge	105	784	55	296
Fair value through profit and loss	-	-	-	-
Total	**138**	**808**	**194**	**396**

Exposure to interest rate risk

In order to manage interest rate risk on short-term and long-term borrowings, the Group uses instruments with the following nominal values as of the balance sheet date:

- **Year ended December 31, 2011**

In € millions	Nominal	Maturity below 1 year	Maturity between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging								
Interest rate swaps	2 254	380	344	381	291	247	611	(98)
Other	507	-	88	66	104	150	99	(5)
Operations qualified as fair value hedging								
Interest rate swaps	347	87	46	49	27	21	117	9
Operations qualified as fair value through profit and loss	195	6	-	-	-	89	100	(15)
TOTAL	**3 303**	**473**	**478**	**496**	**422**	**507**	**927**	**(109)**

- **Year ended March 31, 2011**

In € millions	Nominal	Maturity below 1 year	Maturity between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging								
Interest rate swaps	2 392	360	355	335	384	264	694	(32)
Other	389	75	-	96	115	103	-	2
Operations qualified as fair value hedging								
Interest rate swaps	395	132	67	41	42	15	98	(18)
Operations qualified as fair value through profit and loss	120	-	14	-	-	1	105	(13)
TOTAL	**3 296**	**567**	**436**	**472**	**541**	**383**	**897**	**(61)**

These instruments have different purposes:

- Hedging of fair value risk relating to fixed-rate financial debt:
  In contracting a fixed-rate debt, the Group is exposed to an opportunity risk if the rate decreases. Given the current level of market rates compared with the fixed contractual interest rates on part of its debt, the Group has entered into a number of fixed to floating-rate swaps, recorded in the financial statements within fair value hedge,

- Hedging of cash-flow risk relating to floating-rate financial debt:
  The Group has sought to fix or cap the rate of certain floating-rate loans and has thus entered into a number of floating to fixed-rate swaps or options, recorded in the financial statements within cash flow hedge.
  Within the framework of cash flow hedges, maturities relate to realization dates of hedged items. Therefore, amounts of fair value presented in stockholders' equity are recycled in income at the realization date of hedged items.

Based on the hedging arrangements, the Group's exposure to interest rate risks breaks down as follows:

In € millions	**As of December 31, 2011**				**As of March 31, 2011**			
	Before hedging		**After hedging**		**Before hedging**		**After hedging**	
	Base	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**
Fixed-rate financial assets and liabilities								
Fixed-rate financial assets	**2 249**	**2.4%**	**2 249**	**2.4%**	**1 879**	**1.8%**	**1 879**	**1.8%**
Perpetual subordinated loans	625	4.0%	733	4.2%	566	4.2%	594	4.3%
OCEANE (convertible bond)	996	4.2%	613	2.6%	984	4.1%	984	4.7%
Bonds	1 450	5.8%	1 450	5.8%	1 450	5.7%	1 450	5.7%
Other financial debts	1 878	4.1%	3 982	3.6%	2 164	5.2%	4 488	4.3%
Fixed-rate financial liabilities	**4 949**	**4.6%**	**6 778**	**4.0%**	**5 164**	**5.0%**	**7 516**	**4.7%**
Floating-rate financial assets and liabilities								
Floating-rate financial assets	**1 899**	**1.5%**	**1 899**	**1.5%**	**3 266**	**2.6%**	**3 266**	**2.6%**
Bonds	-	-	383	1.8%	-	-	-	-
Other financial debts	5 453	2.4%	3 241	3.0%	5 624	2.1%	3 272	2.4%
Bank overdraft	157	0.6%	157	0.6%	129	0.3%	129	0.4%
Floating-rate financial liabilities	**5 610**	**2.4%**	**3 781**	**2.8%**	**5 753**	**2.0%**	**3 401**	**2.3%**
Without-rate financial assets	**901**	**-**	**901**	**-**	**977**	**-**	**977**	**-**

On December 31, 2011 and March 31, 2011, without-rate financial assets mainly include the revaluation of Amadeus at the fair value.

Exposure to exchange rate risk

Current operations:
Although the Group's reporting currency is the euro, some of its revenues and costs are denominated in other currencies, such as the US dollar, the yen and the pound sterling.

The Group's policy is to reduce the exchange rate risks by hedging. Hedging is achieved through forward sales or purchase contracts and/or option-based strategies.

Acquisition of flight equipment:
Capital expenditure on flight equipment is denominated in US dollars. The Group hedges this exchange risk via forward purchases and/or option-based strategies.

Long-term debt:
A small portion of the debt is denominated in foreign currencies to diversify the sources of funding and take into account cash surpluses generated in various currencies. In order to hedge against the risk of exchange rate fluctuations on debt, currency rate swaps are used. This is a micro-hedging mechanism matched specifically to the borrowing to which it relates.

Nominal amounts of forward currency hedges and swaps are shown below, based on the nature of the hedging transaction.

- **Year ended December 31, 2011**

In € millions		Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
				1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Exchange risk (cash flow hedging of operating flows		**4 783**	**3 542**	**1 217**	**18**	**6**	**-**	**-**	**118**
Exchange rate options									
US Dollar		2 193	1 654	539	-	-	-	-	84
Yen		296	157	139	-	-	-	-	(19)
Other currencies		143	108	35	-	-	-	-	(3)
Forward purchases									
US Dollar		1 469	1 065	380	18	6	-	-	81
Forward sales									
Yen		260	173	87	-	-	-	-	(16)
Pound sterling		187	150	37	-	-	-	-	(2)
Norwegian Krone		116	116	-	-	-	-	-	(1)
Swiss franc		35	35	-	-	-	-	-	-
Other currencies		67	67	-	-	-	-	-	(6)
Others									
US Dollar		17	17	-	-	-	-	-	-
Exchange risk (Fair value hedging of flight equipment acquisition)		**1 404**	**597**	**322**	**176**	**68**	**2**	**239**	**86**
Forward purchases	US Dollar	1 404	597	322	176	68	2	239	86
Exchange risk (trading)		**217**	**146**	**23**	**-**	**-**	**48**	**-**	**5**
Forward purchases	US Dollar	169	146	23	-	-	-	-	5
Other	US Dollar	48	-	-	-	-	48	-	-
Total		**6 404**	**4 285**	**1 562**	**194**	**74**	**50**	**239**	**209**

- **Year ended March 31, 2011**

In € millions		Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
				1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Exchange risk (cash flow hedging of operating flows)		**4 114**	**2 880**	**1 184**	**32**	**15**	**3**	**-**	**(90)**
Exchange rate options									
US Dollar		1 992	1 408	584	-	-	-	-	(65)
Yen		213	125	88	-	-	-	-	5
Other currencies		139	107	32	-	-	-	-	2
Forward purchases									
US Dollar		1 045	664	336	27	15	3	-	(33)
Forward sales									
Yen		203	132	71	-	-	-	-	2
Pound sterling		205	144	61	-	-	-	-	4
Norwegian Krone		121	121	-	-	-	-	-	(1)
Swiss franc		38	38	-	-	-	-	-	(1)
Other currencies		110	110	-	-	-	-	-	(2)
Others									
US Dollar		48	31	12	5	-	-	-	(1)
Exchange risk (Fair value hedging of flight equipment acquisition)		**1 596**	**757**	**446**	**108**	**59**	**14**	**212**	**(30)**
Forward purchases	US Dollar	1 571	732	446	108	59	14	212	(30)
Exchange rate options	US Dollar	25	25	-	-	-	-	-	-
Exchange risk (trading)		**326**	**204**	**71**	**-**	**-**	**-**	**51**	**(1)**
Forward purchases	US Dollar	98	27	71	-	-	-	-	5
Exchange rate options	US Dollar	177	177	-	-	-	-	-	(4)
Other	US Dollar	51	-	-	-	-	-	51	(2)
Total		**6 036**	**3 841**	**1 701**	**140**	**74**	**17**	**263**	**(121)**

Within the framework of cash flow hedges, maturities relate to the realization dates of hedged items. Therefore, amounts of fair value presented in stockholders' equity are recycled in income at the realization dates of the hedged items.

Commodity risk linked to fuel prices

In the normal course of its business, the Group conducts transactions on petroleum product markets in order to effectively manage the risks related to the purchases of fuel.

The nominal amounts of the Group's commitments on the crude and refined oil markets are shown below:

- **Year ended December 31, 2011**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Commodity risk (cash flow hedging operating flows)								
Swap	122	122	-	-	-	-	-	(3)
Options	5 976	4 120	1 856	-	-	-	-	9
Total	**6 098**	**4 242**	**1 856**	**-**	**-**	**-**	**-**	**6**

- **Year ended March 31, 2011**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Commodity risk (cash flow hedging operating flows)								
Swap	124	124	-	-	-	-	-	29
Options	5 671	3 832	1 839	-	-	-	-	509
Total	**5 795**	**3 956**	**1 839**	**-**	**-**	**-**	**-**	**538**

Within the framework of cash flow hedges, maturities relate to realization dates of hedged items. Therefore, amounts of fair value presented in stockholders' equity are recycled in income at realization dates of hedged items.

33.3. Market value of financial instruments

Market values are estimated for most of the Group's financial instruments using a variety of valuation methods, such as discounted future cash flows. However, the methods and assumptions used to provide the information set out below are theoretical in nature. They bear the following inherent limitations:

- Estimated market values cannot take into consideration the effect of subsequent fluctuations in interest or exchange rates,
- Estimated amounts as of December 31, 2011 and March 31, 2011 are not indicative of gains and/or losses arising upon maturity or in the event of cancellation of a financial instrument.

The application of alternative methods and assumptions may, therefore, have a significant impact on the estimated market values.

The methods used are as follows:

- *Cash, trade receivables, other receivables, short-term bank facilities, trade payables and other payables :*
  The Group believes that, due to its short-term nature, net book value can be deemed a reasonable approximation of market value.

- *Marketable securities, investments and other securities:*
  The market value of securities is determined based mainly on the market price or the prices available on other similar securities. Where no comparable exists, the Group uses their book value, which is deemed a reasonable approximation of market value in this instance.

- *Borrowings, other financial debts and loans:*
  The market value of fixed and floating-rate loans and financial debts is determined based on discounted future cash flows at market interest rates for instruments with similar features.

- *Derivatives instruments:*
  The market value of derivatives instruments corresponds to the amounts payable or receivable were the positions to be closed out as of December 31, 2011 and March 31, 2011 calculated using the year-end market rate.

Market values calculated in this way are shown in the table below:

In € millions	December 31, 2011		March 31, 2011	
	Net book value	Estimated market value	Net book value	Estimated market value
Financial assets				
Financial assets available for sale				
Shares	901	901	977	977
Assets at fair value through profit and loss				
Marketable securities	987	987	574	574
Loans and receivables				
Loans				
Fixed-rate	168	150	216	229
Floating-rate	136	136	117	117
Trade accounts receivables	1 774	1 774	1 938	1 938
Other assets (except derivatives instruments)	699	699	760	760
Derivatives				
Interest rate derivative instruments				
Interest rate swaps	25	25	15	15
Exchange rate derivative instruments				
Exchange rate options	86	86	(16)	(16)
Forward currency contracts	196	196	58	58
Currency swaps	-	-	-	-
Commodity derivative instruments				
Petroleum swaps and options	157	157	889	889
Cash and cash equivalents				
Cash equivalents	1 845	1 845	3 343	3 343
Cash in hand	438	438	374	374
Financial liabilities				
Debt measured at amortized cost				
Bonds (*)				
Fixed-rate	2 446	2 490	2 434	2 822
Perpetual subordinated loans	625	733	566	594
Other borrowings and financial debt				
Fixed-rate	1 878	2 000	2 164	2 176
Variable-rate	5 453	5 320	5 624	5 531
Derivatives				
Interest rate derivative instruments				
Interest rate swaps	134	134	76	76
Exchange derivative instruments				
Exchange rate options	24	24	46	46
Forward currency contracts	49	49	114	114
Currency swaps	-	-	3	3
Commodity derivative instruments				
Petroleum swaps and options	151	151	351	351
Fair value through profit and loss				
OCEANE – Total Return Swap (see note 31.2.1)	51	51	-	-
Other debt				
Trade accounts payable	2 599	2 599	2 211	2 211
Deferred revenue on ticket sales	1 885	1 885	2 440	2 440
Frequent flyer programs	784	784	806	806
Other liabilities (except derivatives instruments)	2 298	2 298	2 368	2 368

(*) The fixed rate bonds comprise the OCEANE (convertible bonds) issued in April 2005 and June 2009, as well as €750 million of bonds issued in September 2006 and April 2007 by Air France and €700 million of bonds issued in October 2009 by Air France-KLM.

OCEANE issued in April 2005: The market value of €460 million was determined based on the bond's market price as of December 31, 2011. This market value includes the fair value of the debt component (amount of €400 million in the financial statements as of December 31, 2011) as well as the fair value of the conversion option recorded in equity for €50 million.

OCEANE issued in June 2009: The market value of €602 million was determined based on the bond's market price as of December 31, 2011. This market value includes the fair value of the debt component (amount of €596 million in the financial statements as of December 31, 2011) as well as the fair value of the conversion option recorded in equity for €65 million.

Bond issued in September 2006 and April 2007: the characteristics of this bond are described in note 31.3. The market value is €726 million.

Bond issued in October 2009: the characteristics of this bond are described in note 31.3. The market value is €702 million.

33.4. Valuation methods for financial assets and liabilities at their fair value

The breakdown of the Group's financial assets and liabilities is as follows based on the three classification levels (see note 4.10.7):

In € millions	Level 1		Level 2		Level 3		Total	
	As of December 31, 2011	**As of March 31, 2011**	**As of December 31, 2011**	**As of March 31, 2011**	**As of December 31, 2011**	**As of March 31, 2011**	**As of December 31, 2011**	**As of March 31, 2011**
Financial assets available for sale								
Shares	890	941	11	36	-	-	**901**	**977**
Assets at fair value through profit and loss								
Marketable securities and cash secured	33	7	954	567	-	-	**987**	**574**
Cash equivalents	1 525	3 343	320	-	-	-	**1 845**	**3 343**
Derivative instruments asset)								
Interest rate derivatives	-	-	25	15	-	-	**25**	**15**
Currency exchange derivatives	-	-	282	43	-	-	**282**	**43**
Commodity derivatives	-	-	157	888	-	-	**157**	**888**

Financial liabilities at fair value comprise latent capital losses on interest rate, foreign exchange and commodity derivative instruments as well as on debt revalued in accordance with fair value hedges, the valuations classified as level 2.

33.5. Sensitivity

The sensitivity is calculated solely on the valuation of derivatives at the closing date of each period presented.
The range of shocks has been judged reasonable and realistic by the Group's management. The shock assumptions used are coherent with those applied in the prior period.

The impact on equity corresponds to the sensitivity of effective fair value variations on instruments documented in the cash flow hedge (intrinsic value of the options, fair value of closed instruments). The impact on the income statement corresponds to the sensitivity of fair value variations on ineffective hedging instruments (principally time value of options) and fair value variations on transaction instruments.

For fuel and currency, the downward and upward sensitivities are not symmetrical given the use, within the framework of the policy on optional hedging instruments whose risk profile is not linear.
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Fuel hedge sensitivity

The impact on "income before tax" and on "gains/(losses) taken to equity" of a +/- USD 10 variation in the price of a barrel of Brent is presented below:

In € millions	December 31, 2011		March 31, 2011	
	Increase of USD 10 per barrel of Brent	Decrease of USD 10 per barrel of Brent	Increase of USD 10 per barrel of Brent	Decrease of USD 10 per barrel of Brent
Income before tax	234	(195)	50	(78)
Gains / (losses) taken to equity	134	(190)	321	(309)

Currency hedge sensitivity

The value in euros of all monetary assets and liabilities is presented below:

In € millions	Monetary assets		Monetary liabilities	
	December 31, 2011	March 31, 2011	December 31, 2011	March 31, 2011
US dollar	609	348	878	1 204
Pound sterling	-	33	20	-
Yen	352	8	344	453
Swiss franc	-	6	351	322
Canadian dollar	3	4	3	3

The amounts of monetary assets and liabilities disclosed above do not include the effect of the revaluation of assets and liabilities documented in fair value hedged.

The impact on "income before tax" and on "gains/(losses) taken to equity" of a 10% appreciation in foreign currencies relative to the euro is presented below:

In € millions	US dollar		Pound Sterling		Yen	
	December 31, 2011	March 31, 2011	December 31, 2011	March 31, 2011	December 31, 2011	March 31, 2011
Income before tax	(44)	47	(2)	(5)	(81)	(55)
Gains / (losses) taken to equity	457	289	(23)	(15)	(51)	(34)

The impact of the change in fair value of currency derivatives on "income before tax" and on "gains/(losses) taken to equity" of a 10% depreciation in foreign currencies relative to the euro is presented below:

In € millions	US dollar		Pound Sterling		Yen	
	December 31, 2011	March 31, 2011	December 31, 2011	March 31, 2011	December 31, 2011	March 31, 2011
Income before tax	(44)	(40)	2	(3)	76	42
Gains / (losses) taken to equity	(276)	(250)	14	25	24	27

Interest rate sensitivity

The Group is exposed to the risk of interest rate variation. A 100 basis point variation in interest rates would have an impact of €21 million on the financial charges for the year ended December 31, 2011 versus €4 million for the year ended March 31, 2011.

34. LEASE COMMITMENTS

34.1. Capital leases

The debt related to capital leases is detailed in note 31.

34.2. Operating leases

The minimum future payments on operating leases are as follows:

In € millions	Minimum lease payments	
	As of December 31, 2011	**As of March 31, 2011**
Flight equipment		
Due dates		
Y+1	961	821
Y+2	854	801
Y+3	663	670
Y+4	549	528
Y+5	496	449
Over 5 years	1 747	1 381
Total	**5 270**	**4 650**
Buildings		
Due dates		
Y+1	221	223
Y+2	165	184
Y+3	149	160
Y+4	129	149
Y+5	117	125
Over 5 years	979	983
Total	**1 760**	**1 824**

The expense relating to operating leases for flight equipment amounted to €848 million as of December 31, 2011 (12 months proforma), versus €806 million as of December 31, 2010 (12 months proforma), €831 million as of March 31, 2011 (12 months), €641 million as of December 31, 2011 (9 months) and €624 million as of December 31, 2010 (9 months).

The Group may sub-lease flight equipment and buildings. The revenue generated by this activity is not significant for the Group.

35. FLIGHT EQUIPMENT ORDERS

Due dates for commitments in respect of flight equipment orders are as follows:

In € millions	**As of December 31, 2011**	**As of March 31, 2011**
Y+1	867	1 050
Y+2	566	742
Y+3	495	334
Y+4	224	328
Y+5	324	90
> Y+5	2 508	-
Total	**4 984**	**2 544**

These commitments relate to amounts in US dollars, converted into euros at the closing date exchange rate. Furthermore these amounts are hedged.

The number of aircraft under firm order as of December 31, 2011 increased by 5 units compared with March 31, 2011 to 61 units.
The changes are explained by:

- the delivery of 25 aircraft over the period;
- 26 new firm orders;
- the conversion of 4 options into firm orders.

Discussions are ongoing with Airbus and Rolls Royce to finalize the contract for the Airbus A350 order.

Long-haul fleet

Passenger

The Group took delivery of 2 Airbus A380s and 3 Boeing B777s. The Group ordered one Boeing B777 and 25 Boeing B787s.

Cargo

The Group took delivery of a Boeing B777F. On delivery, this aircraft was immediately sold.

Medium-haul fleet

The Group took delivery of 7 Boeing B737s and converted 4 options for this aircraft type into firm orders.
It also took delivery of 6 Airbus A320s and one Airbus A321.

Regional fleet

The Group took delivery of 5 CRJ1000s.

The Group's commitments concern the following aircraft:

Aircraft type	To be delivered in year (*)	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond Y+5	Total
Long-haul fleet – passenger								
A380	As of December 31, 2011	2	2	2	-	-	-	**6**
	As of March 31, 2011	2	2	2	2	-	-	**8**
A330	As of December 31, 2011	-	1	-	-	-	-	**1**
	As of March 31, 2011	-	1	-	-	-	-	**1**
B787	As of December 31, 2011	-	-	-	-	3	22	**25**
	As of March 31, 2011	-	-	-	-	-	-	**-**
B777	As of December 31, 2011	5	1	1	3	-	-	**10**
	As of March 31, 2011	3	5	-	1	3	-	**12**
Long-haul fleet – cargo								
B777F	As of December 31, 2011	-	-	-	-	-	-	**-**
	As of March 31, 2011	1	-	-	-	-	-	**1**
Medium-haul fleet								
A320	As of December 31, 2011	5	-	-	-	-	-	**5**
	As of March 31, 2011	6	5	-	-	-	-	**11**
A321	As of December 31, 2011	-	-	-	-	-	-	**-**
	As of March 31, 2011	1	-	-	-	-	-	**1**
B737	As of December 31, 2011	2	4	-	-	-	-	**6**
	As of March 31, 2011	7	2	-	-	-	-	**9**
Regional fleet								
EMB190	As of December 31, 2011	5	-	-	-	-	-	**5**
	As of March 31, 2011	2	3	-	-	-	-	**5**
CRJ 1000	As of December 31, 2011	2	1	-	-	-	-	**3**
	As of March 31, 2011	7	1	-	-	-	-	**8**

(*) The due dates for deliveries correspond to the calendar year starting from December 2011. The comparables for deliveries remain based on the IATA year ended March 31.

36. OTHER COMMITMENTS

36.1. Commitments made

In € millions	As of December 31, 2011	As of March 31, 2011
Call on investment securities	4	9
Put on investment securities	-	-
Warranties, sureties and guarantees	277	80
Secured debts	6 255	6 203
Other purchase commitments	87	132

The restrictions and pledges as of December 31, 2011 were as follows:

In € millions	Starting date of pledge	End of pledge	Amount pledged	NBV of balance sheet entry concerned	Corresponding %
Intangible assets	-	-	-	774	-
Tangible assets	May 1995	June 2026	7 626	12 744	59,8%
Other financial assets	October 1998	June 2026	1 119	2 766	40,5%
Total			**8 745**	**16 284**	

36.2. Commitments received

In € millions	As of December 31, 2011	As of March 31, 2011
Warranties, sureties and guarantees	224	278

Warranties, sureties and guarantees principally comprise letters of credit from financial institutions.

37. RELATED PARTIES

37.1. Transactions with the principal executives

Directors and their relatives hold less than 0.05% of the voting rights.

Benefits granted to the two principal executives and booked in expenses are detailed as follows:

In € millions	As of December 31, 2011	As of March 31, 2011
Short term benefits	2.9	0.8
Post-employment benefits (amortization of actuarial gains or losses)	(0.7)	0.3
Total	**2.2**	**1.1**

Directors' fees paid during the year ended December 31, 2011 in respect of attendance at Board meetings during the year ended March 31, 2011 amounted to €0.6 million.

37.2. Transactions with other related parties

The total amounts of transactions with related parties for the financial years ended December 31, 2011 (9 months) and March 31, 2011 (12 months) are as follows:

In € millions	As of December 31, 2011	As of March 31, 2011
Assets		
Net trade accounts receivable	126	98
Other current assets	8	3
Other non-current assets	23	23
Total	**157**	**124**
Liabilities		
Trade accounts payable	207	142
Other current liabilities	67	52
Other long-term liabilities	38	41
Total	**312**	**235**

In € millions	As of December 31, 2011 (9 months)	As of March 31, 2011 (12 months)
Net sales	157	214
Landing fees and other rents	(374)	(452)
Other selling expenses	(117)	(138)
Passenger service	(35)	(64)
Other	(32)	(56)
Total	**(401)**	**(496)**

As a part of its normal business, the Group enters into transactions with related parties including transactions with State-owned and governmental entities such as the Defense Ministry, the Paris Airport Authority ("Aéroports de Paris", or

"ADP") and the French civil aviation regulator ("DGAC"). Air France-KLM considers that such transactions are concluded on terms equivalent to those on transactions with third parties. The most significant transactions are described below:

Aéroports De Paris (ADP)

- Land and property rental agreements
- Airport and passenger-related fee arrangements.

In addition, ADP collects airport landing fees on behalf of the French State.

Total expenses incurred by the Group in connection with the above-mentioned arrangements amounted to €348 million and €454 million for the periods ended December 31, 2011 (9 months) and March 31, 2011(12 months).

Defense Ministry

Air France-KLM has entered into contracts with the French Defense Ministry to maintain certain aircraft in the French Air Force. The net revenue derived from such arrangements amounted to €43 million as of December 31, 2011 (9 months) versus €54 million for the year ended March 31 (12 months).

DGAC

The civil aviation regulator is under Ministry of Transport authority, which manages security and safety in French air space. As a result, the DGAC charges fees to Air France-KLM for the use of installations and services amounting to €86 million as of December 31, 2011 (9 months) €108 million for the year ended March 31, 2011 (12 months).

Amadeus

The company Amadeus was consolidated by the equity method in the Group's financial statements until March 31, 2010. Following the Initial Public Offering (IPO) on the Madrid stock exchange (see note 11), the Amadeus shares were reclassified under "assets available for sale".
For the year ended December 31, 2011 (9 months), total transactions with Amadeus amounted to a cost of €97 million compared with €102 million for the year ended March 31, 2011 (12 months).

Transactions with equity affiliates

During the financial year, Air France-KLM executed transactions with equity affiliates. The principal transaction concerned Alitalia.
For the year ended December 31, 2011 (9 months), the amount of transactions made with Alitalia represents for the Group revenues of €41 million (compared with €64 million for the year ended March 31, 2011 (12 months)) and a cost of €10 million (compared with €13 million for the year ended March 31, 2011 (12 months)).

38. CONSOLIDATED STATEMENT OF CASH FLOW

38.1. Other non-monetary items

As of December 31, 2011 (9 months and 12 months proforma) and December 31, 2010 (12 months proforma), other non-monetary items mainly include the variations of provisions relating to the Air France voluntary redundancy plan and provisions on pension and pension assets.
During the years ended December 31, 2010 (9 months) and March 31, 2011 (12 months), other non-monetary items mainly included the variations of provisions relating to pension and pension assets.

38.2. Acquisitions of subsidiaries and investments in associates, net of cash acquired, purchase of non-controlling interest of shares in non-controlled entities

Net cash disbursements related to the acquisition of subsidiaries and investments in associates were as follows:

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Cash disbursement for acquisitions	(13)	(13)	(47)	(52)	(14)
Cash from acquired subsidiaries	-	-	1	1	-
Net cash disbursement	**(13)**	**(13)**	**(46)**	**(51)**	**(14)**

There were no significant acquisitions of subsidiaries and investments for the periods presented.

38.3. Disposal of subsidiaries and investments in associates, disposal of subsidiaries without loss of control and disposal of shares in non-controlled entities

Net proceeds from the disposal of subsidiaries can be analyzed as follows:

In € millions	**01.04.2011 31.12.2011 (9 months)**	**01.04.2010 31.12.2010 (9 months)**	**01.04.2010 31.03.2011 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.01.2010 31.12.2010 (12 months) Proforma**
Proceeds from sales of own shares	-	19	14	-	20
Proceeds from disposals	2	-	-	2	-
Cash of disposed subsidiaries	-	-	-	-	-
Net proceeds from disposals	**2**	**19**	**14**	**2**	**20**

38.4. Non cash transactions

During the years ended December 31, 2011 (9 months), December 31, 2010 (9 months), March 31, 2011 (12 months), December 31, 2011 (12 months proforma) and December 31, 2010 (12 months proforma), there were no significant non-cash transactions.

39. FEES OF STATUTORY AUDITORS

In € millions	**KPMG**			
	As of 31 December 31, 2011 (9 months)		**As of March 31, 2011 (12 months)**	
	Amount	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	4.3	98%	3.8	97%
- Air France-KLM SA	*0.8*		*0.7*	
- Consolidated subsidiaries	*3.5*		*3.1*	
Other ancillary services and audit services	0.1	2%	-	-
- Air France-KLM SA	*0.1*	-	-	-
- Consolidated subsidiaries	-	-	-	-
Sub-total	**4.4**	**100%**	**3.8**	**97%**
Other services				
Legal, tax and corporate	-	-	0.1	3%
Information technology	-	-	-	-
Internal audit	-	-	-	-
Others	-	-	-	-
Total Air France-KLM	**4.4**	**100%**	**3.9**	**100%**

In € millions	**Deloitte & Associés**			
	As of December 31, 2011 (9 months)		**As of March 31, 2011 (12 months)**	
	Amount	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	4.5	98%	3.6	97%
- Air France-KLM SA	*0.9*		*0.7*	
- Consolidated subsidiaries	*3.6*		*2.9*	
Other ancillary services and audit services	-	-	-	-
- Air France-KLM SA	-	-	-	-
- Consolidated subsidiaries	-	-	-	-
Sub-total	**4.5**	**98%**	**3.6**	**97%**
Other services				
Legal, tax and corporate	0.1	2%	0.1	3%
Information technology	-	-	-	-
Internal audit	-	-	-	-
Others	-	-	-	-
Total Air France-KLM	**4.6**	**100%**	**3.7**	**100%**

40. CONSOLIDATION SCOPE AS OF DECEMBER 31, 2011

The scope includes 164 fully-consolidated entities and 33 equity affiliates.
Based on the Air France-KLM ownership in terms of both voting rights and equity interest and on the functioning mode of the Group's Executive Committee, Air France-KLM has the power to manage the KLM Group's financial and operational strategies and controls KLM. KLM is thus fully consolidated in the Air France-KLM's consolidated financial statements.

40.1. Consolidated entities

Entity	Country	Segment	% interest	% control
AIR FRANCE SA	France	Multisegment	100	100
KLM N.V.	Netherlands	Multisegment	99	49
MARTINAIR HOLLAND N.V.	Netherlands	Multisegment	99	49
AIR FRANCE GROUND HANDLING INDIA PVT LTD	India	Passenger	51	51
BLUE LINK	France	Passenger	100	100
BLUE LINK INTERNATIONAL	France	Passenger	100	100
BLUELINK INTERNATIONAL AUSTRALIA	Australia	Passenger	100	100
BLUELINK INTERNATIONAL CZ	Czech Rep.	Passenger	100	100
BLUELINK INTERNATIONAL MAURITIUS	Mauritius	Passenger	100	100
BLUE CONNECT	Mauritius	Passenger	70	70
BRIT AIR	France	Passenger	100	100
CITY JET	Ireland	Passenger	100	100
COBALT GROUND SERVICES LIMITED	United Kingdom	Passenger	99	49
CONSTELLATION FINANCE LIMITED	Ireland	Passenger	100	100
CYGNIFIC B.V.	Netherlands	Passenger	99	49
HEATHROW AIRPORT HANDLING LTD	United Kingdom	Passenger	99	49
IAS ASIA INCORPORATED	Philippines	Passenger	99	49
IASA INCORPORATED	Philippines	Passenger	99	49
ICARE	France	Passenger	100	100
INTERNATIONAL AIRLINE SERVICES EUROPE LIMITED	United Kingdom	Passenger	99	49
INTERNATIONAL AIRLINE SERVICES LIMITED	United Kingdom	Passenger	99	49
INTERNATIONAL MARINE AIRLINE SERVICES LIMITED	United Kingdom	Passenger	99	49
INTERNATIONAL AIRLINE SERVICES AMERICAS L.P	United States	Passenger	99	49
KLM CITYHOPPER B.V.	Netherlands	Passenger	99	49
KLM CITYHOPPER UK LTD	United Kingdom	Passenger	99	49
KLM EQUIPMENT SERVICES B.V.	Netherlands	Passenger	99	49
KLM LUCHTVAARTSCHOOL B.V.	Netherlands	Passenger	99	49
LYON MAINTENANCE	France	Passenger	100	100
REGIONAL COMPAGNIE AERIENNE EUROPEENNE	France	Passenger	100	100
STICHTING STUDENTENHUISVESTING VLIEGVELD EELDE	Netherlands	Passenger	99	49
VLM AIRLINES NV	Belgium	Passenger	100	100
BLUE CROWN B.V.	Netherlands	Cargo	99	49
MEXICO CARGO HANDLING	Mexico	Cargo	100	100
SODEXI	France	Cargo	75	75
AEROMAINTENANCE GROUP	United States	Maintenance	100	100
AIR FRANCE INDUSTRIE US	United States	Maintenance	100	100
CRMA	France	Maintenance	100	100
EUROPEAN PNEUMATIC COMPONENT OVERHAUL AND REPAIR (EPCOR) B.V.	Netherlands	Maintenance	99	49
KLM E&M MALAYSIA SDN BHD	Malaysia	Maintenance	99	49
KLM UK ENGINEERING LIMITED	United Kingdom	Maintenance	99	49
TURBINE SUPPORT INTERNATIONAL LLC	United States	Maintenance	100	100

Entity	Country	Segment	% interest	% control
ACNA	France	Other	98	100
ACSAIR	France	Other	50	51
SERVAIR FORMATION	France	Other	98	100
AFRIQUE CATERING	France	Other	50	51
AIDA	Mauritius	Other	77	77
AIR BLEU SERVICES	France	Other	100	100
SERVAIR AIR CHEF	Italy	Other	49	50
AIR FRANCE FINANCE	France	Other	100	100
AIR FRANCE FINANCE IRELAND	Ireland	Other	100	100
AIR FRANCE KLM FINANCE	France	Other	100	100
AIRPORT MEDICAL SERVICES B.V.	Netherlands	Other	79	39
AIRPORT MEDICAL SERVICES C.V.	Netherlands	Other	79	39
ALL AFRICA AIRWAYS	Mauritius	Other	80	80
AMSTERDAM SCHIPOL PIJPLEIDING BEHEER B.V.	Netherlands	Other	59	49
AMSTERDAM SCHIPOL PIJPLEIDING C.V.	Netherlands	Other	72	49
BASE HANDLING	France	Other	98	100
BLUE YONDER IX B.V.	Netherlands	Other	99	49
BLUE YONDER X B.V.	Netherlands	Other	99	49
BLUE YONDER XII B.V.	Netherlands	Other	99	49
BLUE YONDER XIII B.V.	Netherlands	Other	99	49
BLUE YONDER XIV B.V.	Netherlands	Other	99	49
BLUE YONDER XV B.V.	Netherlands	Other	99	49
BRUNEAU PEGORIER	France	Other	98	100
B.V. KANTOORGEBOUW MARTINAIR	Netherlands	Other	99	49
CARI	France	Other	98	100
CATERING FDF	France	Other	98	100
CATERING PTP	France	Other	98	100
CELL K16 INSURANCE COMPANY	United Kingdom	Other	99	0
CENTRE DE PRODUCTION ALIMENTAIRE	France	Other	98	100
CULIN'AIR PARIS	France	Other	98	100
DAKAR CATERING	Senegal	Other	64	65
ETS SCHIHPOL B.V	Netherlands	Other	99	49
EUROPEAN CATERING SERVICES	United States	Other	98	100
GIE JEAN BART	France	Other	10	10
GIE SERVCENTER	France	Other	98	100
GIE SURCOUF	France	Other	100	100
GUINEENNE DE SERVICES AEROPORTUAIRES S.A.	Guinea	Other	30	60
HEESWIJK HOLDING B.V.	Netherlands	Other	99	49
INTERNATIONALE FINANCIERING EN MANAGEMENT MAATSCHAPPIJ B.V.	Netherlands	Other	99	49
JET CHEF	France	Other	98	100
KES AIRPORT EQUIPMENT FUELLING B.V.	Netherlands	Other	99	49
KES AIRPORT EQUIPMENT LEASING B.V.	Netherlands	Other	99	49
KLM AIR CHARTER B.V.	Netherlands	Other	99	49
KLM CATERING SERVICES SCHIPOL B.V.	Netherlands	Other	99	49
KLM FINANCIAL SERVICES B.V.	Netherlands	Other	99	49
KLM HEALTH SERVICES B.V.	Netherlands	Other	99	49
KLM INTERNATIONAL CHARTER B.V.	Netherlands	Other	99	49
KLM INTERNATIONAL FINANCE COMPANY B.V.	Netherlands	Other	99	49
KLM OLIEMAATSCHAPPIJ B.V.	Netherlands	Other	99	49
KLM UNTERSTUTZUNGSKASSEN GMBH	Germany	Other	99	49
KROONDUIF B.V.	Netherlands	Other	99	49
LYON AIR TRAITEUR	France	Other	98	100
MALI CATERING	Mali	Other	70	99

Entity	Country	Segment	% interest	% control
MARTINIQUE CATERING	France	Other	91	93
MARTINAIR AFRICA LTD	Kenya	Other	99	49
MARTINAIR FAR EAST LTD	Hong Kong	Other	99	49
MARTINAIR HK LTD	Hong Kong	Other	99	49
MARTINAIR VESTIGING VLIEGVELD LELYSTAD B.V.	Netherlands	Other	99	49
MAURITANIE CATERING	Mauritania	Other	25	51
NAS AIRPORT SERVICES LIMITED	Kenya	Other	58	100
O'FIONNAGAIN HOLDING COMPANY LIMITED	Ireland	Other	100	100
ORION-STAETE B.V.	Netherlands	Other	99	49
ORLY AIR TRAITEUR	France	Other	98	100
SERVAIR BURKINA FASO	Burkina Faso	Other	84	86
PASSERELLE	France	Other	98	100
PASSERELLE CDG	France	Other	64	66
PELICAN	Luxembourg	Other	100	100
PMAIR	France	Other	50	51
PRESTAIR	France	Other	98	100
PYRHELIO-STAETE B.V.	Netherlands	Other	99	49
QUASAR-STAETE B.V.	Netherlands	Other	99	49
RIGEL-STAETE B.V.	Netherlands	Other	99	49
SENCA	Senegal	Other	32	51
SEREP	Senegal	Other	57	59
SERVAIR (Cie d'exploitation des services auxiliaires aériens)	France	Other	98	98
SERVAIR ABIDJAN	Ivory Coast	Other	74	76
SERVAIR CONGO	Congo	Other	50	51
SERVAIR GHANA	Ghana	Other	56	57
SERVAIR SATS	Singapore	Other	50	51
SERVAIR SOLUTION ITALIA S.R.L.	Italy	Other	98	100
SERVANTAGE	France	Other	98	100
SERVASCO	Macao	Other	59	60
SERVAIR SOLUTIONS	France	Other	98	100
SERVAIR GABON	Gabon	Other	54	55
SERVLOGISTIC	France	Other	98	100
SIA KENYA HOLDING LIMITED	Kenya	Other	58	59
SIEGA LOGISTICS (PROPRIETARY) PTY	South Africa	Other	99	49
SISALOGISTIC NETHERLANDS B.V.	Netherlands	Other	99	49
SISALOGISTIC U.S. LTD	United states	Other	99	49
SKYCHEF	Seychelles	Other	54	55
SKYLOGISTIC	France	Other	98	100
SKYLOGISTIQUE AFRIQUE	France	Other	64	66
SOCIETE IMMOBILIERE AEROPORTUAIRE	France	Other	98	100
SOGRI	France	Other	95	97
SORI	France	Other	49	50
SPECIAL MEALS CATERING	France	Other	98	100
SPICA-STAETE B.V.	Netherlands	Other	99	49
STICHTING GARANTIEFONDS KLM LUCHTVAARTSCHOOL	Netherlands	Other	99	49
TAKEOFF 1 LIMITED	Ireland	Other	100	100
TAKEOFF 2 LIMITED	Ireland	Other	100	100
TAKEOFF 3 LIMITED	Ireland	Other	100	100
TAKEOFF 4 LIMITED	Ireland	Other	100	100
TAKEOFF 5 LIMITED	Ireland	Other	100	100
TAKEOFF 6 LIMITED	Ireland	Other	100	100
TAKEOFF 7 LIMITED	Ireland	Other	100	100
TAKEOFF 8 LIMITED	Ireland	Other	100	100

Entity	Country	Segment	% interest	% control
TAKEOFF 9 LIMITED	Ireland	Other	100	100
TAKEOFF 10 LIMITED	Ireland	Other	100	100
TAKEOFF 11 LIMITED	Ireland	Other	100	100
TAKEOFF 12 LIMITED	Ireland	Other	100	100
TAKEOFF 13 LIMITED	Ireland	Other	100	100
TAKEOFF 14 LIMITED	Ireland	Other	100	100
TAKEOFF 15 LIMITED	Ireland	Other	100	100
TAKEOFF 16 LIMITED	Ireland	Other	100	100
TRANSAVIA AIRLINES B.V.	Netherlands	Other	99	49
TRANSAVIA AIRLINES C.V.	Netherlands	Other	99	49
TRANSAVIA AIRLINES L.	Bermuda	Other	99	49
TRANSAVIA DENMARK APS	Denmark	Other	99	49
TRANSAVIA FINANCE B.V.	Netherlands	Other	99	49
TRANSAVIA FRANCE	France	Other	100	100
TRAVEL INDUSTRY SYSTEMS B.V.	Netherlands	Other	99	49
UILEAG HOLDING COMPANY LIMITED	Ireland	Other	100	100
WEBLOK B.V.	Netherlands	Other	99	49

40.2. Equity affiliates

Entity	Country	Segment	% interest	% control
AEROLIS	France	Passenger	50	50
ALITALIA	Italy	Passenger	25	25
FINANCIERE LMP	France	Passenger	40	40
CSC INDIA	India	Cargo	49	49
HEATHROW CARGO HANDLING	United Kingdom	Cargo	50	50
SPAIRLINERS	Germany	Maintenance	50	50
AAF SPARES	Ireland	Maintenance	50	50
AEROSTRUCTURES MIDDLE EAST SERVICES	United Arab Emirates	Maintenance	50	50
AEROTECHNIC INDUSTRIES	Morocco	Maintenance	50	50
MAX MRO SERVICE	India	Maintenance	26	26
AIRCRAFT CAPITAL LTD	United Kingdom	Other	40	40
COTONOU CATERING	Benin	Other	24	49
DOUAL'AIR	Cameroon	Other	25	25
FLYING FOOD CATERING	United States	Other	48	49
FLYING FOOD JFK	United States	Other	48	49
FLYING FOOD MIAMI	United States	Other	48	49
FLYING FOOD SAN FRANCISCO	United States	Other	43	44
FLYING FOOD SERVICES	United States	Other	48	49
FLYING FOOD SERVICES USA	United States	Other	49	49
GUANGHOU NANLAND CATERING COMPANY	China	Other	24	25
INTERNATIONAL AEROSPACE MANAGEMENT COMPANY S.C.R.L.	Italy	Other	20	20
KENYA AIRWAYS LIMITED	Kenya	Other	26	26
LOGAIR	France	Other	49	50
LOME CATERING SA	Togo	Other	17	35
MACAU CATERING SERVICES	Macao	Other	17	34
MAINPORT INNOVATION FUND	Netherlands	Other	25	25
NEWREST SERVAIR UK LTD	United Kingdom	Other	39	40

Entity	Country	Segment	% interest	% control
NOSOPAL	Senegal	Other	34	35
PRIORIS	France	Other	33	34
SCHIPOL LOGISTICS PARK C.V.	Netherlands	Other	52	49
SERVAIR EUREST	Spain	Other	34	35
SKYENERGY B.V.	Netherlands	Other	30	30
TERMINAL ONE GROUP ASSOCIATION	United States	Other	25	25