Air France-KLM Group

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED DECEMBER 31, 2012

CONSOLIDATED INCOME STATEMENT

In € millions	*Notes*	**01.01.2012 31.12.2012 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months) (*)**
Sales	***6***	**25 633**	**24 363**	**19 037**
Other revenues		16	39	38
Revenues		**25 649**	**24 402**	**19 075**
External expenses	***7***	(16 432)	(15 517)	(11 951)
Salaries and related costs	***8***	(7 660)	(7 460)	(5 658)
Taxes other than income taxes		(184)	(191)	(149)
Amortization	***9***	(1 591)	(1 642)	(1 233)
Depreciation and provisions	***9***	(157)	(55)	(63)
Other income and expenses	***10***	75	110	29
Income from current operations		**(300)**	**(353)**	**50**
Sales of aircraft equipment	***11***	7	16	19
Other non-current income and expenses	***11***	(587)	(143)	(43)
Income from operating activities		**(880)**	**(480)**	**26**
Cost of financial debt		(436)	(463)	(351)
Income from cash and cash equivalents		83	92	71
Net cost of financial debt	***12***	***(353)***	***(371)***	***(280)***
Other financial income and expenses	***12***	139	(180)	(247)
Income before tax		**(1 094)**	**(1 031)**	**(501)**
Income taxes	***13***	(27)	245	75
Net income of consolidated companies		**(1 121)**	**(786)**	**(426)**
Share of profits (losses) of associates	***21***	(66)	(19)	(12)
Net income from continuing operations		**(1 187)**	**(805)**	**(438)**
Net income for the period		**(1 187)**	**(805)**	**(438)**
- Equity holders of Air France-KLM		**(1 192)**	**(809)**	**(442)**
- Non controlling interests		5	4	4
Earnings per share – Equity holders of Air France-KLM (in euros)	***15.1***			
- basic		(4.03)	(2.73)	(1.50)
- diluted		(4.03)	(2.73)	(1.50)

(*) Amounts indicated in this column concern information published as of December 31, 2011 for a 9-month period.
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

In € millions	**01.01.2012 31.12.2012 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months) [(*)]**
Net income for the period	**(1 187)**	**(805)**	**(438)**
Fair value adjustment on available-for-sale securities			
Change in fair value recognized directly in other comprehensive income	269	(232)	(74)
Change in fair value transferred to profit or loss	(97)	4	-
Cash flow hedges			
Effective portion of changes in fair value hedge recognized directly in other comprehensive income	124	523	(104)
Change in fair value transferred to profit or loss	(251)	(429)	(363)
Items of the recognized income and expenses of equity shares	**(7)**	**5**	**(1)**
Currency translation adjustment	**-**	**(2)**	**11**
Tax on items related to other comprehensive income	**30**	**(20)**	**146**
Total of other comprehensive income included in the recognized income and expenses	**68**	**(151)**	**(385)**
Recognized income and expenses	**(1 119)**	**(956)**	**(823)**
- Equity holders of Air France-KLM	**(1 124)**	**(959)**	**(825)**
- Non-controlling interests	5	3	2

[(*)] Amounts indicated in this column concern information published as of December 31, 2011 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, 2012**	**December 31, 2011**
Goodwill	***16***	252	426
Intangible assets	***17***	842	774
Flight equipment	***19***	10 048	10 689
Other property, plant and equipment	***19***	1 932	2 055
Investments in equity associates	***21***	383	422
Pension assets	***22***	3 470	3 217
Other financial assets(*)	***23***	1 665	2 015
Deferred tax assets	***13.4***	1 151	1 143
Other non-current assets	***26***	152	168
Total non-current assets		**19 895**	**20 909**
Assets held for sale	***14***	7	10
Other short-term financial assets(*)	***23***	933	751
Inventories	***24***	521	585
Trade accounts receivables	***25***	1 859	1 774
Income tax receivables		11	10
Other current assets	***26***	828	995
Cash and cash equivalents	***27***	3 420	2 283
Total current assets		**7 579**	**6 408**
Total assets		**27 474**	**27 317**

(*) Including:

In € millions	**December 31, 2012**	**December 31, 2011**
Deposits related to financial debts	806	656
Marketable securities (including cash secured)	956	987

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

CONSOLIDATED BALANCE SHEET (continued)

Liabilities and equity *In € millions*	***Notes***	**December 31, 2012**	**December 31, 2011**
Issued capital	***28.1***	300	300
Additional paid-in capital	***28.2***	2 971	2 971
Treasury shares	***28.3***	(85)	(89)
Reserves and retained earnings	***28.4***	1 738	2 858
Equity attributable to equity holders of Air France-KLM		**4 924**	**6 040**
Non-controlling interests		56	54
Total equity		**4 980**	**6 094**
Provisions and retirement benefits	***30***	2 287	2 061
Long-term debt	***31***	9 565	9 228
Deferred tax liabilities	***13.4***	431	466
Other non-current liabilities	***32***	384	321
Total non-current liabilities		**12 667**	**12 076**
Provisions	***30***	555	156
Current portion of long-term debt	***31***	1 434	1 174
Trade accounts payables		2 219	2 599
Deferred revenue on ticket sales		2 115	1 885
Frequent flyer programs		770	784
Current tax liabilities		3	6
Other current liabilities	***32***	2 474	2 386
Bank overdrafts	***27***	257	157
Total current liabilities		**9 827**	**9 147**
Total liabilities		**22 494**	**21 223**
Total liabilities and equity		**27 474**	**27 317**

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

Air France-KLM Group

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, 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**
Other comprehensive income included in the recognized income and expenses	-	-	-	-	**(383)**	**(383)**	**(2)**	**(385)**
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**
Fair value adjustment on available for sale securities	-	-	-	-	168	**168**	-	**168**
Gain / (loss) on cash flow hedges	-	-	-	-	(100)	**(100)**	-	**(100)**
Currency translation adjustment	-	-	-	-	-	-	-	-
Other comprehensive income included in the recognized income and expenses	-	-	-	-	68	**68**	-	**68**
Net income for the year	-	-	-	-	**(1 192)**	**(1 192)**	**5**	**(1 187)**
Total of income and expenses recognized	-	-	-	-	**(1 124)**	**(1 124)**	**5**	**(1 119)**
Stock based compensation (ESA) and stock option	-	-	-	-	3	**3**	-	**3**
Dividends paid	-	-	-	-	-	-	(2)	**(2)**
OCEANE	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	4	-	**4**	-	**4**
Change in consolidation scope	-	-	-	-	1	**1**	(1)	-
December, 31 2012	**300 219 278**	**300**	**2 971**	**(85)**	**1 738**	**4 924**	**56**	**4 980**

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

Air France-KLM Group

CONSOLIDATED STATEMENTS OF CASH FLOWS

In € millions	*Notes*	**01.01.2012 31.12.2012 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months)(*)**
Net income for the period – Equity holders of Air France-KLM		(1 192)	(809)	(442)
Non-controlling interests		5	4	4
Amortization, depreciation and operating provisions	***9***	1 748	1 697	1 296
Financial provisions	***12***	(15)	(2)	(3)
Gain on disposals of tangible and intangible assets		(24)	(6)	(7)
Loss / (gain) on disposals of subsidiaries and associates		-	(2)	-
Gain on Amadeus operation	***11***	(97)	-	-
Derivatives – non monetary result		(86)	(8)	12
Unrealized foreign exchange gains and losses, net		(94)	95	169
Share of (profits) losses of associates	***21***	66	19	12
Deferred taxes	***13***	(14)	(266)	(100)
Other non-monetary items	***38.1***	505	(369)	(296)
Subtotal		**802**	**353**	**645**
(Increase) / decrease in inventories		65	15	(13)
(Increase) / decrease in trade receivables		(140)	(49)	142
Increase / (decrease) in trade payables		(307)	690	343
Change in other receivables and payables		431	(75)	(559)
Net cash flow from operating activities		**851**	**934**	**558**
Acquisition of subsidiaries, of shares in non-controlled entities	***38.2***	(39)	(30)	(7)
Purchase of property plants equipments and intangible assets	***20***	(1 472)	(2 433)	(1 872)
Proceeds on Amadeus transaction	***11***	466	-	-
Proceeds on disposal of subsidiaries and investments in associates		1	-	-
Proceeds on disposal of property, plant and equipment and intangible assets		745	1 168	862
Dividends received		24	28	28
Decrease (increase) in investments, net between 3 months and 1 year		30	(562)	(412)
Net cash flow used in investing activities		**(245)**	**(1 829)**	**(1 401)**
Increase in capital		-	6	-
Purchase of non-controlling interests, of owned shares	***38.2***	-	(21)	(6)
Disposal of subsidiaries without loss of control,of owned shares	***38.3***	7	2	2
Issuance of debt		1 780	1 414	868
Repayment on debt		(847)	(990)	(874)
Payment of debt resulting from finance lease liabilities		(514)	(838)	(689)
New loans		(90)	(145)	(102)
Repayment on loans		100	265	185
Dividends paid		(2)	(4)	(3)
Net cash flow from financing activities		**434**	**(311)**	**(619)**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		**(3)**	**(19)**	**-**
Change in cash and cash equivalents and bank overdrafts		**1 037**	**(1 225)**	**(1 462)**
Cash and cash equivalents and bank overdrafts at beginning of period	***27***	2 126	3 351	3 588
Cash and cash equivalents and bank overdrafts at end of period	***27***	3 163	2 126	2 126
Income tax (paid) / reimbursed (flow included in operating activities)		(45)	(37)	(27)
Interest paid (flow included in operating activities)		(414)	(468)	(335)
Interest received (flow included in operating activities)		35	64	49

(*) Amounts indicated in this column concern information published as of December 31, 2011 for a 9-month period.
The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Air France-KLM Group

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.

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, 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 the Group’s financial statements is the euro, which is also Air France-KLM’s functional currency.

2. CHANGE OF CLOSING DATE

The Extraordinary Shareholders’ Meeting of July 7, 2011 approved the change of closing date for the Air France-KLM Group’s financial statements from March 31 to December 31, with effect from the year ended December 31, 2011.
As a result, the financial statements closed on December 31, 2012 for the period from January 1, 2012 to December 31, 2012 are not comparable with the financial information published on December 31, 2011, reflecting a nine-month period.
To facilitate comparison, proforma financial information has been established based on the Group’s quarterly published financial information. As such, some assumptions and options have been adopted including:

- For the income and cash flow statements, proforma financial information for the twelve-month period ended December 31, 2011 (from January 1, 2011 to December 31, 2011) has been obtained by adding the 4th quarter of the year ended March 31,2011 (from January 1, 2011 to March 31, 2011) and the nine-month 2011 fiscal year ended December 31, 2011 (from April 1, 2011 to December 31, 2011),
- Pension costs have not been recalculated based on the calendar year. They are based on an evaluation carried out by external actuaries as of March 31, 2010 for the period from January 1, 2011 to March 31, 2011 and as of March 31, 2011 for the period from April 1, 2011 to December 31, 2011,
- The current and deferred taxes recognized in the proforma income have not been recalculated based on the calendar year. For the period from January 1, 2011 to March 31, 2011, they correspond to the taxes as calculated for the last quarter of the financial year ended March 31, 2011 and for the period from April 1, 2011 to December 31, 2011 to the taxes calculated for the corresponding period in respect of the financial year ended December 31, 2011.

3. SIGNIFICANT EVENTS

3.1. Arising during the accounting period

On March 1, 2012 the Group launched a private placement of 33.6 million Amadeus IT Holding SA shares, corresponding 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 amounted to €466 million which generated a gain on disposal of €97 million in the income statement, as referred to in note 11.

The Group initiated a restructuring plan concerning the company Air France and some of its affiliates. This plan mainly comprises two parts: an adjustment in the fleet and a plan to reduce the number of staff.
Based on the measures presented to the different bodies officially representing the Air France Group, the Group has made its best estimate of the costs involved and has recorded a provision for restructuring (see note 11).

On November 13, 2012, the Group entered into a hedging transaction with Société Générale to protect the value of its shares in Amadeus IT Holding SA amounting to up to 2.7% of the issued shares, i.e a third of its shareholding. As part of this transaction, a loan of the same number of shares has been set up with Société Générale. This is described in note 23. The Group, together with Iberia and Lufthansa agreed to a minimum lock-up period of 90 days, from November 13, 2012.

On December 6, 2012, Air France-KLM launched a bond issue raising €500 million. The characteristics of this bond are described in note 31.

3.2. Subsequent events

The Board of Directors of Alitalia, which took place on February 14, 2013, approved the implementation of a convertible shareholder loan amounting to €150 million. Air France-KLM will contribute in accordance with its 25% stake, i.e €37.5 million.

As of January 1, 2013, the revised standard IAS 19, particularly including pension obligations, will become applicable. Effects arising from this standard are detailed in note 4.1.2 - Change in accounting principles.

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, 2012 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 February 21, 2013.

4.1.2 Change in accounting principles

- <u>IFRS standards, amendments and IFRIC interpretations (IFRS Interpretation Committee) applicable on a mandatory basis to the 2012 financial statements</u>

The text whose application became mandatory during the accounting period ended December 31, 2012 is the following:
- The amendment to IFRS 7 "Disclosure in the transfer of financial assets" is applicable for fiscal years beginning on or after July 1, 2011.

This amendment has no impact on the consolidated financial statements of the Group at December 31, 2012.

- <u>IFRS standards, amendments and IFRIC interpretations which are not applicable on a mandatory basis to the 2012 financial statements</u>

  - Amendment to IAS 1 on presentation of other comprehensive income (applicable for annual periods beginning on or after July 1, 2012)
  - The revised standard IAS 19 "Employee Benefits" (applicable for annual periods beginning on or after January 1, 2013). The main consequence of the revision to IAS 19 is 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 other comprehensive income. 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 €1.1 billion net of tax
    - an adjustment in the 2012 result amounting to about €(39) million gross reduced by the tax effect to €(33) million net of tax
    - a negative adjustment in equity as of December 31, 2012 amounting to about €1.9 billion gross reduced by the tax effect to €1.3 billion net of tax.

The standards applicable to the Group on a mandatory basis from January 1, 2013 are the following:

- Standard IFRS 13 “Fair Value Measurement”,
- Amendment to IFRS 7 “Disclosures – Offsetting Financial assets and Financial liabilities”.

The standards applicable to the Group on a mandatory basis from January 1, 2014, but applied early from January 1, 2013 are the following:

- 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 the SIC 12 interpretation “Consolidation – Special Purpose Entities”,
- Standard IFRS 11 “Joint Arrangements” which will replace IAS 31 “Interests in Joint Ventures” and also the SIC 13 interpretation “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”,
- Standard IFRS 12 “Disclosure on Interests in Other Entities”,
- Standard IAS 28 “Investments in Associates”,
- Amendment to IAS 32 “Presentation - Offsetting Financial assets and Financial liabilities”.

One other standard potentially applicable to the Group, published by the IASB but not yet adopted by the European Union, is described below. Subject to its approval by the European Union, this standard will have to be applied for the accounting periods starting January 1, 2015:

- Standard IFRS 9 “Financial instruments - Classification and measurement of financial assets and liabilities”

The application of IFRS 10 (a single definition of control) and IFRS 11 (abolition of the proportional method of consolidation for Joint Venture) is currently being considered. Nevertheless, the Group doesn’t expect significative changes in its consolidation perimeter.

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 4.22 – Deferred taxes,
- Note 4.7 – Flying Blue frequent flyer program,
- Notes 4.17, 4.18 and 4.19 – Provisions (included Employee benefits)

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 economic and financial crisis unfolding 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 this 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 all the items initially recognized in equity 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 global result 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.

The Group's share of losses of an associate that exceed the value of the Group's interest and net investment (long term receivables on which no reimbursement is scheduled or likely) 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 accounted for by the equity method and are valued at their fair value on the date of loss of significant influence or joint control and 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.

4.4. 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.

Monetary assets and monetary 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.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies assessed on an historical cost basis are translated using the rate in effect at the transaction date or using the hedged rate where necessary (see 4.13.2).

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 (2008) "Business combinations". In accordance with this standard, all assets and liabilities assumed 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 corresponding, at the acquisition date, to the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts of the identifiable assets acquired and the liabilities assumed at the acquisition date, 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 consideration transferred, 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 (according to IAS 32). 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 (2004) "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 4.23, 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, the Group use the exception of accounting at costs (i.e acquisition cost less impairment, if any).

Potential gains and losses, except for impairment charges, are recorded in a specific component of other comprehensive income "Derivatives and available for sale securities reserves". If there is an indication of impairment of the financial asset, the amount of the loss resulting from the impairment test 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 incurred on shares, 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 other comprehensive income 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 SICAVs and FCPs, 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 corresponds, at the acquisition date, to the aggregation of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts of the identifiable amounts acquired and the liabilities assumed at the acquisition-date.

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 and liabilities acquired exceeds the consideration transferred, 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 or an equity affiliate, 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.
Since January 1, 2012, airlines have been subject to the ETS (Emission Trading Scheme) market regulations as described in note 4.20 and the "Risks on carbon credit" paragraph in note 33.1. As such, the Group is required to purchase CO2 quotas to offset its emissions. The Group records the CO2 quotas as intangible assets. These assets are not depreciable.

Intangible assets with a definite 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 for most of the aircraft in the fleet. This useful life can, however, be extended to 25 years for some aircraft.

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”, tangible 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 excess amount is then recognized over the expected average remaining working lives of the employees participating in the plan.
Movements in provisions for retirement benefits which have an impact on the income statement are recorded in "salaries and related costs".

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. Emission Trading Scheme

As of January 2012, European airlines entered the scope of companies subject to the Emission Trading Scheme (ETS).
In the absence of an IFRS standard or interpretation regarding ETS accounting, the Group chose the following scheme known as the “netting approach”.

According to this approach, the quotas are recognized as intangible assets:

- Free quotas given by the State are valued at nil, and
- Quotas purchased on the market are accounted at the acquisition cost.

These intangible assets are not amortized.

If the difference between recognized quotas and real emissions is negative then the Group recognizes a provision. This provision is assessed at acquisition cost for acquired rights and, for the non-hedged part, with reference to the market price as of each closing date. At the date of the restitution of the quotas corresponding to real emissions, the provision is written-off and the intangible assets are returned.

4.21. 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.

4.22. 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 tax losses carry forward 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 taxes 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 (see 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”.

4.23. 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.

4.24. Share-based compensation

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 during 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

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

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.

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, 2012 (12 months)**

In € millions	Passenger	Cargo	Maintenance	Other	Non-allocated	Total
Total sales	21 705	3 084	3 134	1 901	-	29 824
Inter-segment sales	(1 519)	(27)	(2 038)	(607)	-	(4 191)
External sales	**20 186**	**3 057**	**1 096**	**1 294**	**-**	**25 633**
Income from current operations	(235)	(222)	145	12	-	(300)
Income from operating activities	(676)	(326)	108	14	-	(880)
Share of profits (losses) of associates	-	-	-	-	(66)	(66)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(214)	(214)
Income taxes	-	-	-	-	(27)	(27)
Net income from continuing operations	**(676)**	**(326)**	**108**	**14**	**(307)**	**(1 187)**
Depreciation and amortization for the period	(1 094)	(69)	(278)	(150)	-	(1 591)
Other non monetary items	(392)	(64)	(30)	(229)	(945)	(1 660)
Total assets	**11 386**	**1 177**	**2 679**	**1 499**	**10 733**	**27 474**
Segment liabilities	6 034	276	713	835	3 380	11 238
Financial debt, bank overdraft and equity	-	-	-	-	16 236	16 236
Total liabilities and equity	**6 034**	**276**	**713**	**835**	**19 616**	**27 474**
Purchase of property, plant and equipment and Intangible assets	**1 112**	**36**	**201**	**123**	**-**	**1 472**

Non-allocated assets amounting to €10.7 billion are mainly financial assets held by the Group. They comprise marketable securities for €3.8 billion, pension assets for €3.5 billion, financial assets for €1.4 billion, deferred tax for €1.2 billion, cash for €0.6 billion and derivatives for €0.3 billion.
Non-allocated liabilities amounting to €3.4 billion mainly comprise a portion of provisions and retirement benefits for €1.5 billion, tax and employee-related liabilities for €1.1 billion, deferred tax for €0.4 billion and derivatives for €0.4 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	(466)	(69)	94	(39)	-	(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	**(466)**	**(69)**	**94**	**(39)**	**(325)**	**(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**	**1 779**	**9 265**	**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**

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

- **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)	(57)	73	18	-	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)**	**(57)**	**73**	**18**	**(464)**	**(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**	**1 779**	**9 265**	**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**

Non-allocated assets amounting to €9.3 billion are mainly financial assets held by the Group. They comprise pension assets for €3.2 billion, financial assets for €1.8 billion, marketable securities for €1.9 billion, deferred tax for €1.2 billion, cash for €0.4 billion and derivatives for €0.7 billion.
Non-allocated liabilities amounting to €3.3 billion mainly comprise a portion of provisions and retirement benefits for €1.1billion, deferred tax for €0.5 billion, employee-related liabilities for €1.3 billion and derivatives for €0.4 billion.
Financial debts, bank overdrafts and equity are not allocated.

6.2. Information by geographical area

Sales by geographical area

- **Year ended December 31, 2012 (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	5 842	6 304	365	1 265	3 415	2 071	19 262
Other passenger sales	368	303	14	61	63	115	924
Total passenger	**6 210**	**6 607**	**379**	**1 326**	**3 478**	**2 186**	**20 186**
Scheduled cargo	372	1 123	30	206	524	617	2 872
Other cargo sales	51	49	4	10	41	30	185
Total cargo	**423**	**1 172**	**34**	**216**	**565**	**647**	**3 057**
Maintenance	709	351	-	-	36	-	1 096
Others	400	805	29	59	-	1	1 294
Total	**7 742**	**8 935**	**442**	**1 601**	**4 079**	**2 834**	**25 633**

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- **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, 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**

Traffic sales by geographical area of destination

- **Year ended December 31, 2012 (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	1 970	4 635	1 401	2 567	5 248	3 441	19 262
Scheduled cargo	5	49	148	603	1 168	899	2 872
Total	**1 975**	**4 684**	**1 549**	**3 170**	**6 416**	**4 340**	**22 134**

- **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, 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**

7. EXTERNAL EXPENSES

In € millions	01.01.2012 31.12.2012 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.04.2011 31.12.2011 (9 months)
Aircraft fuel	7 328	6 438	5 012
Chartering costs	556	571	441
Aircraft operating lease costs	957	848	641
Landing fees and en route charges	1 862	1 818	1 399
Catering	595	577	446
Handling charges and other operating costs	1 389	1 342	1 028
Aircraft maintenance costs	1 151	1 172	907
Commercial and distribution costs	876	847	670
Other external expenses	1 718	1 904	1 407
Total	**16 432**	**15 517**	**11 951**
Excluding aircraft fuel	*9 104*	*9 079*	*6 939*

8. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

In € millions	01.01.2012 31.12.2012 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.04.2011 31.12.2011 (9 months)
Wages and salaries	5 556	5 521	4 160
Social contributions	1 826	1 806	1 381
Net periodic costs linked to pensions defined benefit plans	306	206	170
Expenses related to share-based compensation	5	11	4
Other expenses	(33)	(84)	(57)
Total	**7 660**	**7 460**	**5 658**

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.

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Average number of employees

	01.01.2012 31.12.2012 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.04.2011 31.12.2011 (9 months)
Flight deck crew	8 403	8 560	8 550
Cabin crew	22 347	22 749	22 869
Ground staff	69 994	70 703	70 858
Total	**100 744**	**102 012**	**102 277**

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

9. AMORTIZATION, DEPRECIATION AND PROVISIONS

In € millions	01.01.2012 31.12.2012 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.04.2011 31.12.2011 (9 months)
Intangible assets	67	68	52
Flight equipment	1 252	1 291	971
Other property, plant and equipment	272	283	210
Amortization	**1 591**	**1 642**	**1 233**
Inventories	-	(4)	(3)
Trade receivables	(1)	4	8
Risks and contingencies	158	55	58
Depreciation and provisions	**157**	**55**	**63**
Total	**1 748**	**1 697**	**1 296**

The revision of the useful lives of some aircraft impacts for €(29) million the value of amortization as of December 31, 2012 (see note 4.13.2).
The amortization changes for 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	01.01.2012 31.12.2012 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.04.2011 31.12.2011 (9 months)
Joint operation of routes	(39)	49	28
Operations-related currency hedges	119	31	5
Other	(5)	30	(4)
Total	**75**	**110**	**29**

11. OTHER NON-CURRENT INCOME AND EXPENSES

In € millions	**01.01.2012 31.12.2012 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months)**
Sales of aircraft equipment	**7**	**16**	**19**
Restructuring costs	(471)	-	3
Impairment	(173)	-	-
Disposals of subsidiaries and affiliates	97	1	-
Other	(40)	(144)	(46)
Total	**(587)**	**(143)**	**(43)**

- **Period from January 1 to December 31, 2012**

Restructuring costs

The Group has initiated a restructuring plan concerning all the companies of the Group. This plan mainly comprises two parts: a fleet capacity adjustment and a plan to reduce staff.
Concerning the Air France Group, the plan’s conditions were presented to employee representative bodies of Air France in June 2012 and to its affiliates during the fourth quarter of 2012.
Concerning the resizing of the fleet, the modalities may result in the disposal, sale or dismantling of aircraft or the termination of operating lease contracts.
The Air France staff reduction plan concerning 5,122 positions includes assistance for voluntary retirement and a voluntary departure plan whose period of application starts during the fourth quarter of 2012.
Concerning KLM, a resizing of the fleet was carried out, resulting in the booking of fair value for aircraft MD11s which were withdrawn from operation.
Given the items mentioned above, the Group has made its best estimate of the costs involved in these purposes and has recorded a provision for restructuring amounting to €421 million as of December 31, 2012.
This provision will be updated as the application conditions evolve.

Moreover, a provision for onerous lease contracts on three Martinair B747s has been recorded for an amount of €50 million.

Impairment

Within the framework of the "Transform 2015" restructuring plan as presented at the end of August to the Works Councils of the relevant companies, the Air France Group has decided to reorganize its "regional" activity by separating the French activity regrouped within the “Pôle Régional France” (PRF) from the other regional airlines, particularly in Ireland and Belgium.
Within this framework, the Group proceeded to review the assets of City Jet and its subsidiary VLM, which will now be done independently. This review prompted the Group to depreciate all the goodwill attached to VLM amounting to €168 million (see note 16).

Disposals of subsidiaries and affiliates

The “disposals of subsidiaries and affiliates” line includes €97 million corresponding to the gain on disposal realised by the Group on March 1, 2012 concerning a private placement of Amadeus IT Holding SA shares, whose sale proceeds amounted to €466 million, as described in note 3.1.

Other

The “other” line mainly includes:

- an exceptional tax on salaries in the Netherlands, linked to the EU economic crisis, amounting to €17 million,

- an additional provision related to anti-competitive cargo practices in Switzerland, Brazil and the United-States amounting to €20 million (see note 30.3).

- **Period from January 1 to December 31, 2011 (proforma)**

The “other” line included the impact of the closure of a pension plan in the United States, amounting to €(26) million.

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

In € millions	**01.01.2012 31.12.2012 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months)**
Income from marketable securities	28	32	25
Other financial income	55	60	46
Financial income	**83**	**92**	**71**
Loan interests	(269)	(294)	(223)
Lease interests	(87)	(96)	(73)
Capitalized interests	14	25	19
Other financial expenses	(94)	(98)	(74)
Cost of financial debt	**(436)**	**(463)**	**(351)**
Net cost of financial debt	**(353)**	**(371)**	**(280)**
Foreign exchange gains (losses), net	62	(116)	(186)
Change in fair value of financial assets and liabilities	62	(66)	(64)
Net charge release to provisions	15	2	3
Other	-	-	-
Other financial income and expenses	**139**	**(180)**	**(247)**
Total	**(214)**	**(551)**	**(527)**

The interest rate used in the calculation of capitalized interest is 4% for the year ended December 31, 2012 versus 4.33 % for the year ended December 31, 2011 (9 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, 2012, the Group recorded financial income of €38 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, 2012, the change in fair value of financial assets and liabilities also arises from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to €30 million.

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 (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 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.

13. INCOME TAXES

13.1. Income tax expense

Current income tax expenses and deferred income tax are detailed as follows:

In € millions	**01.01.2012 31.12.2012 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months)**
(Expense) / income for the year	(41)	(21)	(25)
Current tax (expense) / income	**(41)**	**(21)**	**(25)**
Change in temporary differences	(60)	(188)	(163)
Change in tax rates	-	-	-
CAVE impact	3	4	3
(Use) / recognition of tax loss carryforwards	71	450	260
Deferred tax income / (expense) from continuing operations	**14**	**266**	**100**
Total	**(27)**	**245**	**75**

The current tax expense 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 year ended December 31, 2012, the Group recognized deferred tax assets on fiscal losses amounting to €71 million, mainly relating to the Dutch fiscal group, given the gains previously realized and the prospects of recoverability of these losses on future profits. In the Netherlands, tax losses can be carried forward for a period of nine years, without any limit on the amount that can be recovered in any one year.

In France, tax losses can be carried forward for an unlimited period. However, the 2011 finance law limited the amount of the fiscal loss recoverable each year. This measure led the Group to limit the recognition of the deferred tax asset on fiscal losses from October 1, 2011.
The 2012 finance law led the limitation of the amount from 60% to 50% of the profit for the period over the first million. This measure has the effect to extend the recovery period (see note 13.4).

During the year ended December 31, 2011 (9 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), given the gains previously realized and the prospects of recoverability of these losses on future profits.

13.2. Deferred tax recorded directly in equity – Group

In € millions	**01.01.2012 31.12.2012 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months)**
Treasury shares	(3)	11	7
Other comprehensive income included in the recognized income and expenses	31	(20)	146
Total	**28**	**(9)**	**153**

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	**01.01.2012 31.12.2012 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months)**
Income before tax	(1 094)	(1 031)	(501)
Standard tax rate in France	34.43%	34.43%	34.43%
Theoretical tax calculated with the standard tax rate in France	377	354	172
Differences in French / foreign tax rates	(7)	(18)	(3)
Goodwill	(59)	-	-
Non deductible expenses or non taxable income	2	(2)	3
Variation of unrecognized deferred tax assets	(323)	(91)	(92)
CAVE impact	(21)	(17)	(13)
Other	4	19	8
Income tax expenses	**(27)**	**245**	**75**
Effective tax rate	NS	24%	15%

The tax rates applicable in France and the Netherlands were set at, respectively, 34.43% and 25%.

13.4. Deferred tax recorded on the balance sheet

In € millions	**January 1, 2012**	**Amounts recorded in income**	**Amounts recorded in OCI**	**Amounts recorded in equity**	**Currency translation adjustment**	**Reclassification and other**	**December 31, 2012**
Flight equipment	(1 147)	(110)	-	-	-	-	(1 257)
Pension assets	(786)	(61)	-	-	-	-	(847)
Financial debt	614	144	-	-	-	-	758
Other liabilities	84	(55)	44	-	-	-	73
Deferred revenue on ticket sales	170	(4)	-	-	-	-	166
Others	(343)	29	(13)	(3)	-	1	(329)
Deferred tax corresponding to fiscal losses	2 085	71	-	-	-	-	2 156
Deferred tax asset / (liability)	**677**	**14**	**31**	**(3)**	**-**	**1**	**720**

In € millions	**April 1, 2011**	**Amounts recorded in income**	**Amounts recorded in OCI**	**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	(2)	7	-	(1)	2 085
Deferred tax asset / (liability)	**422**	**100**	**146**	**7**	**-**	**2**	**677**

Deferred taxes recognized on fiscal losses for the French and Dutch fiscal perimeters amount to €2 100 million as of December 31, 2012 (€1 645 million for the French fiscal group and €455 million for the Dutch fiscal group).
The recognition of this asset for each of the two perimeters is based on the prospects for taxable income established by the Group’s three-year plan and based on the same assumptions as those described in note 18 “Impairment” to these consolidated financial statements.
Based on these prospects for taxable income, the recoverability horizon is 11 years for the French perimeter and 6 years for the Dutch perimeter. The non realization of these assumptions could have a significant impact on the recoverability horizon for these deferred tax assets.

13.5. Unrecognized deferred tax assets

Year ended *In € millions*	**December 31, 2012**		**December 31, 2011**	
	Basis	Tax	Basis	Tax
Temporary differences	469	159	32	8
Tax losses	938	285	410	107
Total	**1 407**	**444**	**442**	**115**

As of December 31, 2012, the cumulative limitation effect of the French fiscal group results in the non-recognition of a deferred tax assets amounting to €394 million (corresponding to a basis of €1 144 million), including €239 million relating to tax losses and €155 million relating to temporary differences (non-recognition of deferred tax assets relating to restructuration provisions).

As of December 31, 2011, the limitation effect of the French fiscal group during the third quarter resulted in the non-recognition of a deferred tax asset amounting to €68 million, corresponding to a basis of €198 million.

Other unrecognized deferred tax asset 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, 2012**

As of December 31, 2012, the line “assets held for sale” included the fair value of 6 aircraft held for sale for an amount of €7 million.

- **Year ended December 31, 2011**

As of December 31, 2011, the line “assets held for sale” included the fair value of 3 aircraft held for sale for an amount of €10 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	**01.01.2012 31.12.2012 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months)**
Net income for the period – Equity holders of Air France-KLM	(1 192)	(809)	(442)
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)	**(1 192)**	**(809)**	**(442)**
Impact of potential ordinary shares :			
- interest paid on convertible bonds (net of tax)	-	-	-
Net income for the period – Equity holders of Air France-KLM (used to calculate diluted earnings per share)	**(1 192)**	**(809)**	**(442)**

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

	01.01.2012 31.12.2012 (12 months)	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months)**
Weighted average number of:			
- Ordinary shares issued	300 219 278	300 219 278	300 219 278
- Treasury stock held regarding stock option plan	(1 116 420)	(1 229 714)	(1 229 714)
- Treasury stock held in stock buyback plan	(159 712)	(133 675)	(537 424)
- Other treasury stock	(3 073 029)	(2 960 869)	(2 959 877)
Number of shares used to calculate basic earnings per share	**295 870 117**	**295 895 020**	**295 492 263**
Oceane conversion	-	-	-
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	**295 870 117**	**295 895 020**	**295 492 263**

15.2. Non dilutive instruments

Given the trend in the average Air France-KLM stock price for the periods presented, non-dilutive instruments relate 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, 2012			December 31, 2011		
	Gross value	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
VLM	168	(168)	-	168	-	168
UTA	112	-	112	112	-	112
Régional	60	-	60	60	-	60
Aeromaintenance Group	21	(4)	17	21	-	21
Britair	20	-	20	20	-	20
Cityjet	11	-	11	11	-	11
NAS Airport Services Limited	24	(1)	23	24	-	24
Other	10	(1)	9	10	-	10
Total	**426**	**(174)**	**252**	**426**	**-**	**426**

The goodwill concerns mainly the "Passenger" business.

Movement in net book value of goodwill

In € millions	**December 31, 2012**	**December 31, 2011**
Opening balance	**426**	**422**
Acquisitions	-	-
Impairment	(173)	-
Currency translation adjustment	(1)	4
Closing balance	**252**	**426**

The impairment recorded mainly concerns the VLM goodwill. Within the framework of the "Transform 2015" restructuring plan, the Group proceeded to review the assets of City Jet and its subsidiary VLM as described in note 11. This review led the Group to depreciate all the goodwill attached to VLM amounting to €168 million as of December 31, 2012. The related expense is recognized in non-current expenses in the income statement.

17. INTANGIBLE ASSETS

In € millions	**Trademarks and slots**	**Customer relationships**	**Other intangible assets**	**Total**
Gross value				
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**
Additions	-	-	146	**146**
Change in scope	-	-	-	**-**
Disposals	-	-	(25)	**(25)**
Transfer	-	-	(4)	**(4)**
Amount as of December 31, 2012	**315**	**107**	**924**	**1 346**
Depreciation				
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)**
Charge to depreciation	-	-	(68)	**(68)**
Releases on disposal	-	-	19	**19**
Transfer	-	-	-	**-**
Amount as of December 31, 2012	**-**	**(102)**	**(402)**	**(504)**
Net value				
As of December 31, 2011	315	5	454	**774**
As of December 31, 2012	315	5	522	**842**

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. These 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), corresponding to their business segments (see “Accounting Policies”).

As of December 31, 2012, goodwill and intangible fixed assets with an indefinite useful life are attached principally to the “Passenger” CGU for €201 million and €798 million respectively.

The recoverable value of the CGU assets has been determined by reference to the value used at September 30, 2012 (no change relative to December 31, 2011). 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% has been applied from the fourth to the tenth year of the test followed by a growth rate of 1.5% as of the eleventh year (rate used to determine the terminal value).

The discount rate used for the test corresponds to the Group’s weighted average cost of capital (WACC). It amounts to 7.7% at December 31, 2012 against 7.4% at December 31, 2011.

An increase of 0.5% of the WACC would not have any impact on the CGU of the Group valuated as of December 31, 2012. Regarding the long term growth rate, a decrease of 0.5% would not impact the value of the CGU. In addition, we obtain the same result with both an increase of 0.5% of the WACC and a decrease of 0.5% of the long term growth rate.

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, 2011	**10 622**	**4 788**	**969**	**2 107**	**18 486**	**2 642**	**1 270**	**67**	**901**	**4 880**	**23 366**
Acquisitions	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**
Acquisitions	351	161	764	105	1 381	46	51	55	29	181	**1 562**
Disposals	(922)	(77)	(63)	(150)	(1 212)	(41)	(23)	-	(27)	(91)	**(1 303)**
Fair value hedge	-	-	48	-	48	-	-	-	-	-	**48**
Transfer	(480)	883	(1 130)	37	(690)	64	10	(100)	15	(11)	**(701)**
Currency translation adjustment	-	-	-	-	-	-	-	-	-	-	-
Amounts as of December 31, 2012	**9 821**	**6 183**	**347**	**2 135**	**18 486**	**2 742**	**1 326**	**55**	**925**	**5 048**	**23 534**
Depreciation											
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)**
Charge to depreciation	(800)	(364)	-	(128)	(1 292)	(134)	(82)	-	(56)	(272)	**(1 564)**
Releases on disposal	286	73	-	134	493	34	20	-	15	69	**562**
Transfer	721	(111)	-	21	631	(1)	-	-	2	1	**632**
Currency translation adjustment	-	-	-	-	-	-	-	-	-	-	-
Amounts as of December 31, 2012	**(5 488)**	**(2 047)**	**-**	**(903)**	**(8 438)**	**(1 523)**	**(896)**	**-**	**(697)**	**(3 116)**	**(11 554)**
Net value											
Amounts as of December 31, 2011	5 177	3 571	728	1 213	**10 689**	1 251	454	100	250	**2 055**	**12 744**
Amounts as of December 31, 2012	4 333	4 136	347	1 232	**10 048**	1 219	430	155	128	**1 932**	**11 980**

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 amounts to €4 618 million as of December 31, 2012 versus €4 025 million as of December 31, 2011.

The charge to depreciation as of December 31, 2012 includes an amount of €40 million relating to the resizing of the fleet of the Group, booked in restructuring costs (see note 11).

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	**01.01.2012 31.12.2012 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months)**
Acquisition of tangible assets	1 358	2 288	1 761
Acquisition of intangible assets	146	179	124
Accounts payable on acquisitions and capitalized interest	(32)	(34)	(13)
Total	**1 472**	**2 433**	**1 872**

21. EQUITY AFFILIATES

Movements over the period

The table below presents the movement in equity affiliates:

In € millions	**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**
Share in net income of equity affiliates	(61)	(12)	7	(66)
Distributions	-	(1)	(3)	(4)
Change in consolidation scope	-	1	2	3
Fair value adjustment	(4)	(2)	-	(6)
Other variations	-	36	1	37
Currency translation adjustment	-	(3)	-	(3)
Carrying value of share in investment as of December 31, 2012	**209**	**76**	**98**	**383**
Market value for listed companies		**40**		

- **As of December 31, 2012**

Air France-KLM holds 25% of the capital of Alitalia.
KLM holds 26.7% of the capital of Kenya Airways.
The “share of profits/(losses) of associates” includes mainly the €(61) million share of the Alitalia Group loss.

- **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, 2012 mainly concern the following companies, in which the Group has a significant influence:

- **Alitalia**
  Alitalia Compagnia Aerea 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 78 destinations in Italy and around the world with more than 4,200 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 2012 and 2011 (excluding consolidation adjustments) is presented below:

In € millions	**Alitalia**	**Kenya Airways**
	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
	12/31/2012	**03/31/2012**
% holding as of December 31, 2012	25%	26.7%
Operating revenues	ND	949
Operating income	ND	11
Net income / loss	ND	14
Stockholders' equity	ND	203
Total assets	ND	681
Total liabilities and stockholders' equity	ND	681

22. PENSION ASSETS

In € millions	**December 31, 2012**	**December 31, 2011**
Opening balance	**3 217**	**2 995**
Net periodic pension (cost) / income for the period	(111)	(36)
Contributions paid to the funds	363	258
Reclassification	1	-
Currency translation adjustment	-	-
Closing balance	**3 470**	**3 217**

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

23. OTHER FINANCIAL ASSETS

In € millions	December 31, 2012		December 31, 2011	
	Current	**Non current**	**Current**	**Non current**
Financial assets available for sale				
Available shares	-	475	-	901
Shares secured	-	229	-	-
Assets at fair value through profit and loss				
Marketable securities	235	85	149	210
Cash secured	636	-	533	95
Loans and receivables				
Financial lease deposit (bonds)	31	125	40	125
Financial lease deposit (others)	11	639	4	487
Loans and receivables	20	124	15	208
Miscellaneous financial assets	-	-	10	-
Gross value	**933**	**1 677**	**751**	**2026**
Impairment at opening	**-**	**(11)**	**-**	**(13)**
New impairment charge	-	(11)	-	-
Use of provision	-	10	-	2
Impairment at closing	**-**	**(12)**	**-**	**(11)**
Total	**933**	**1 665**	**751**	**2 015**

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, 2012						
Amadeus (*)	659	7.73%	ND	ND	19.05	December 2012
Club Med (*)	9	2.1%	ND	ND	13.38	October 2012
Voyages Fram	8	8.71%	ND	ND	NA	December 2012
Others	28	-	-	-	-	-
Total	**704**					
As of December 31, 2011						
Amadeus (*)	854	15.23%	1 266	730	12.54	December 2011
Club Med (*)	8	1.70%	512	2	15.20	October 2011
Voyages Fram	9	8.71%	89	(16)	NA	December 2011
Others	30	-	-	-	-	-
Total	**901**					

(*) Listed company

Assets at fair value through profit and loss mainly comprise shares in liqidity 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 the guarantee given to the European Union concerning the anti-trust litigation (see notes 30).

Concerning the Amadeus shares, on November 13, 2012, the Group entered into a hedging transaction with Société Générale to hedge the value of one third of its stake, i.e 12 million shares. The hedging instrument implemented is a collar. As part of this transaction, a loan of the same number of shares has been set up with Société Générale. The collar was qualified as a fair value hedge. Its fair value amounts to €0.2 million as of December 31, 2012.

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

Transfer of financial assets that are not derecognised in their entirety:

- **Transfer of receivables agreement between the Group and Société Générale:**

The Group and Société Générale entered into a loan agreement secured by the 1% logement receivables of Air France. For each of the CILs (Comités interprofessionnels du logement), Air France and Société Générale concluded a tripartite receivables delegation agreement which refers to the loan agreement. Through this agreement, the CILs commit to repaying Société Générale directly on each payment date. These are imperfect delegations: in the event of non repayment by the CILs in that, Air France remains liable to Société Générale for the loan repayments and interest. As of December 31, 2012, the amount of transferred receivables amounts to €112 million.

- **Loan of shares agreement between the Group and Société Générale:**

On November 13, 2012, the Group and Société Générale signed a loan of shares agreement on Amadeus shares, within the framework of the hedging transaction to protect the value of Amadeus shares, as described above. As of December 31, 2012, the amount of the loan, excluding hedge effect, amounts to €229 million.

Transfer of financial assets that are derecognised in their entirety:

- **Transfer of receivables agreement between the Group and Natixis Factor:**

The Group and Natixis Factor entered into a transfer agreement concerning receivables from agency agreements with travel agencies. The contract concerns all the receivables issued in France (including Monaco and Andorra), Martinique, Guadeloupe, French Guyana and Reunion Island. It is a non recourse agreement for eligible receivables. As of December 31, 2012, the amount of transferred receivables amounts to €84 million.
The maintained link between the Group and these transferred assets is a partial dilution risk. The maximum exposure of the Group increases to 5% of the amount of transferred receivables.

- **Transfer of receivables agreement between the Group and Compagnie Générale d'Affacturage:**

The Group and Compagnie Générale d'Affacturage entered into a transfer agreement concerning receivables issued by American Express Travel Services Company and American Expres Payment Services Limited. It is a non recourse agreement for eligible receivables. As of December 31, 2012, the amount of transferred receivables amounts to €111 million. The maintained link between the Group and these transferred assets is a partial dilution risk (chargebacks).

- **Other transfer of receivables agreements:**

In addition, the Group has 3 other transfer of receivables agreements amounting, as of December 31, 2012, to €51 million.

24. INVENTORIES

In € millions	**December 31, 2012**	**December 31, 2011**
Aeronautical spare parts	508	559
Other supplies	176	191
Production work in progress	7	8
Gross value	**691**	**758**
Opening valuation allowance	**(173)**	**(174)**
Charge to allowance	(18)	(15)
Use of allowance	18	14
Releases of allowance no longer required	-	-
Reclassification	3	2
Closing valuation allowance	**(170)**	**(173)**
Net value of inventory	**521**	**585**

25. TRADE ACCOUNTS RECEIVABLES

In € millions	**December 31, 2012**	**December 31, 2011**
Airlines	495	525
Other clients:		
* Passenger	625	604
* Cargo	378	400
* Maintenance	364	249
* Other	82	84
Gross value	**1 944**	**1 862**
Opening valuation allowance	**(88)**	**(83)**
Charge to allowance	(18)	(16)
Use of allowance	19	8
Currency translation adjustment	-	-
Reclassification	2	3
Closing valuation allowance	**(85)**	**(88)**
Net value	**1 859**	**1 774**

26. OTHER ASSETS

In € millions	**December 31, 2012**		**December 31, 2011**	
	Current	**Non current**	**Current**	**Non current**
Suppliers with debit balances	161	-	118	-
State receivable	71	-	74	-
Derivative instruments	201	103	315	149
Prepaid expenses	156	49	209	19
Other debtors	241	-	281	-
Gross value	**830**	**152**	**997**	**168**
Opening valuation allowance	**(2)**	**-**	**(2)**	**-**
Charge to allowance	-	-	-	-
Use of allowance	-	-	-	-
Reclassification	-	-	-	-
Closing valuation allowance	**(2)**	**-**	**(2)**	**-**
Net realizable value of other assets	**828**	**152**	**995**	**168**

The non-current derivatives comprise an amount of €9 million relative to currency hedges on financial debt as of December 31, 2012.
The derivative instruments did not comprise any currency hedges on financial debt as of December 31, 2011.

27. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

In € millions	**December 31, 2012**	**December 31, 2011**
Liquidity funds (SICAV) (assets at fair value through profit and loss)	2 467	1 552
Bank deposits and term accounts (assets at fair value through profit and loss)	334	293
Cash in hand	619	438
Total cash and cash equivalents	**3 420**	**2 283**
Bank overdrafts	(257)	(157)
Cash, cash equivalents and bank overdrafts	**3 163**	**2 126**

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

28.1. Issued capital

As of December 31, 2012, the issued capital of Air France-KLM comprised 300,219,278 fully paid-up shares. Each share with a nominal value of one euro is entitled to one vote.

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

In number of shares		**December 31, 2012**	**December 31, 2011**
At the beginning of the period		**300 219 278**	**300 219 278**
Issuance of shares for OCEANE conversion		-	-
At the end of the period		**300 219 278**	**300 219 278**
Of which:	- number of shares issued and paid up	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 or 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 conferring immediate or future rights to Air France-KLM's capital limited to a total maximum nominal amount of €120 million.

Breakdown of the share capital and voting rights

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

	% of capital		**% of voting rights**	
	December 31, 2012	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**
French State	16%	16%	16%	16%
Employees and former employees	10%	10%	10%	10%
Treasury shares	1%	2%	-	-
Other	73%	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.

28.3. Treasury shares

	Treasury shares	
	Number	In € millions
March 31, 2011	**4 549 912**	**(94)**
Change in the period	1 089 565	5
December 31, 2011	**5 639 477**	**(89)**
Change in the period	(1 450 072)	4
December 31, 2012	**4 189 405**	**(85)**

As of December 31, 2012, Air France-KLM held 3,072,985 of its own shares acquired pursuant to the annual authorizations granted by the Shareholders’ Meeting. As of December 31, 2012, 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, 2012**	**December 31, 2011**
Legal reserve	70	70
Distributable reserves	850	962
Derivatives reserves	(43)	55
Available for sale securities reserves	253	86
Other reserves	1 800	2 127
Net income (loss) – Group share	(1 192)	(442)
Total	**1 738**	**2 858**

As of December 31, 2012, 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, 2012

As of December 31, 2012, there where no outstanding share-based compensation plans in the Air France-KLM Group.

29.2. Changes in options

	Average exercise price (€)	Number of options
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***
Options forfeited during the period	34.21	(390 517)
Options exercised during the period	-	-
Options granted during the period	-	-
Options outstanding as of December 31, 2012	**-**	**-**
Of which : options exercisable at December 31, 2012	*-*	*-*

29.3. 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 stock-option plan granted by KLM in July 2007 are such that one third of the options vest at grant date with a further one third after one and two years, respectively. Vesting was 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 2005 Shares-for-Salary Exchange 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, 2012 and December 31, 2011, Share Appreciation Rights (SARs) were granted by KLM, corresponding to share-based plans and with settlement in cash.

Plans	Grant date	Number of SARs granted	Start date for SARs exercise	Date of expiry	Number of SARs exercised as of 31/12/2012
KLM	01/07/2008	153 080	01/07/2008	01/07/2013	38 808
KLM	01/07/2009	136 569	01/07/2009	01/07/2014	23 628
KLM	01/07/2010	145 450	01/07/2010	01/07/2015	-
KLM	01/07/2011	144 235	01/07/2011	01/07/2016	-
KLM	01/04/2012	146 004	01/04/2012	01/04/2016	-

The changes in SARs were as follows:

	Number de SARs
SARs outstanding as of March 31,2011	**333 765**
*Of which:SARs exercisable at March 31, **2011***	***193 276***
SARs granted during the period	144 235
SARs exercised during the period	(11 088)
SARs forfeited during the period	(1 415)
SARs outstanding as of December 31, 2011	**465 497**
*Of which:SARs exercisable at December 31, **2011***	***270 908***
SARs granted during the period	146 004
SARs exercised during the period	(51 348)
Other changes in SARs during the period	13 493
SARs outstanding as of December 31, 2012	**573 646**
*Of which:SARs exercisable at December 31, **2012***	***357 687***

The vesting conditions of the SAR plans granted by KLM 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 i.e €6.99:

SARs	Fair value as of December 31, 2012 (in € millions)
01/07/2008	0.5
01/07/2009	0.5
01/07/2010	0.9
01/07/2011	1.1
01/04/2012	1.0

29.4. Salary expenses related to share-based compensation

In € millions	**01.01.2012 31.12.2012 (12 months)**	**01.01.2011 31.12.2011 (12 months) Proforma**	**01.04.2011 31.12.2011 (9 months)**
2005 Shares-for-Salary Exchange	3	11	5
Stock option plan	2	-	(1)
Salary expenses (note 8)	**5**	**11**	**4**

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, 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***
New provision		127	259	442	51	103	**982**
Use of provision		(91)	(119)	(26)	(15)	(39)	**(290)**
Reversal of unnecessary provisions		-	(3)	-	(1)	-	**(4)**
Currency translation adjustment		1	1	-	-	1	**3**
Discount/Accretion impact		-	(25)	-	-	-	**(25)**
Reclassification		1	(47)	-	-	5	**(41)**
Amount as of December 31, 2012		**1 094**	**641**	**428**	**439**	**240**	**2 842**
Of which:	*Non-current*	*1 094*	*545*	*4*	*429*	*215*	***2 287***
	Current	*-*	*96*	*424*	*10*	*25*	***555***

As of December 31, 2012, impact on the net periodic pension cost, amounting to €68 million, linked to the restructuring plans of Air France and its regional affiliates has been recorded in “Other non-current income and expenses” (see note 11).
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 (see note 11).
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, 2012 and December 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 the different geographical areas are thus determined based on the duration of each of the plans, taking into account the average trend in interest rates on high quality bonds, observed on the main available indices. In some countries, where the market regarding this type of bond is not broad enough, the discount rate is determined with reference to government bonds. Most of the Group's benefit obligations are located in the Euro zone.

	As of December 31, 2012	**As of December 31, 2011**
Euro zone - Duration 4 to 5 years	3.00%	4.25%
Euro zone - Duration 10 to 15 years	3.00%	4.75%
Euro zone - Duration 15 years and more	3.65%	5.00%

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, 2012**	**Sensitivity of the assumptions for the year ended December 31, 2011**
0.25% increase in the discount rate		
Impact on the obligation	(667)	(533)
0.25% decrease in the discount rate		
Impact on the obligation	825	697

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

	As of December 31, 2012	**As of December 31, 2011**
Euro Zone	Between 3.00% and 3.65%	Between 3.00% and 6.75%

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, 2012 (12 months)**	**Sensitivity of the assumptions for the year ended December 31, 2011 (9 months)**
0.25% increase in the expected return for plan assets		
Impact on the cost	40	36
0.25% decrease in the expected return for plan assets		
Impact on the cost	(40)	(36)

- Assumption on increase in healthcare costs:

	As of December 31, 2012	**As of December 31, 2011**
USA-Canada	Between 7.3% and 8.0%	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, 2012 (12 months)**	**Sensitivity of the assumptions for the year ended December 31, 2011 (9 months)**
1% increase in healthcare costs		
Impact on the cost	-	-
Impact on the obligation	9	7
1% decrease in healthcare costs		
Impact on the cost	-	-
Impact on the obligation	(7)	(5)

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

	Pension benefits		**Other benefits**	
	As of December 31, 2012	**As of December 31, 2011**	**As of December 31, 2012**	**As of December 31, 2011**
Discount rate	3.58%	4.94%	3.44%	4.48%
Salary inflation rate	1.69%	2.45%	-	-
Expected long-term rate of return on plan assets	3.65%	5.64%	-	-

Air France-KLM Group

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, 2012 and December 31, 2011.

(In € millions)	**Pension benefits**		**Other benefits**	
	As of December 2012 (12 months)	**As of December 2011 (9 months)**	**As of December 2012 (12 months)**	**As of December 2011 (9 months)**
Benefit obligation at beginning of year	**14 085**	**13 270**	**48**	**40**
Service cost	413	285	1	-
Interest cost	682	504	2	2
Employees' contribution	55	39	-	-
Plan amendments	1	4	-	-
Settlements / curtailments	(86)	-	-	-
Benefits paid	(510)	(385)	(3)	(2)
Transfers of assets/liability through balance sheet	-	2	-	-
Actuarial loss / (gain)	1 626	333	12	4
Currency translation adjustment	12	33	(1)	4
Other	(18)	-	-	-
Benefit obligation at end of year	**16 260**	**14 085**	**59**	**48**
Including benefit obligation resulting from schemes totally or partly funded	*16 037*	*13 879*	-	-
Including unfunded benefit obligation	*223*	*206*	*59*	*48*
Fair value of plan assets at beginning of year	**14 781**	**14 174**	-	-
Actual return on plan assets	2 060	602	-	-
Employers' contributions	423	309	-	-
Employees' contributions	55	39	-	-
Transfers of assets/liability through balance sheet	1	2	-	-
Benefits paid	(482)	(367)	-	-
Currency translation adjustment	10	22	-	-
Other	(18)	-	-	-
Fair value of plan assets at end of year	**16 830**	**14 781**	**-**	**-**
Amounts recorded in the balance sheet:				
Funded status	570	696	(59)	(48)
Unrecognized prior service cost	123	151	-	-
Unrecognized actuarial (gains) / losses	1 722	1 353	20	9
Prepaid (accrued) pension cost	**2 415**	**2 200**	**(39)**	**(39)**
Amounts recorded in the balance sheet(*) :				
Pension asset (note 22)	3 470	3 217	-	-
Provision for retirement benefits	(1 055)	(1 017)	(39)	(39)
Net amount recognized	**2 415**	**2 200**	**(39)**	**(39)**
Net periodic cost:				
Service cost	413	286	1	-
Interest cost	682	505	2	1
Expected return on plan assets	(834)	(647)	-	-
Settlement / curtailment	(69)	-	-	-
Amortization of prior service cost	18	17	-	-
Amortization of unrecognized actuarial (gain) loss	24	10	1	-
Net periodic cost	**234**	**171**	**4**	**1**

(*)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, 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)
As of December 31, 2012	16 319	16 830	511	41	1 226

Asset allocation

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

	Funds invested	
	As of December 31, 2012	**As of December 31, 2011**
Equities	39%	36%
Bonds	50%	52%
Real estate	9%	12%
Others	2%	-
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, 2012, over the next ten years:

In € millions	**Pensions and similar benefits**
Estimated contribution to be paid for the year ended December 31, 2013	427
Estimated benefit payments as of December 31:	
2013	516
2014	492
2015	518
2016	537
2017	562
2018-2022	3 163

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 different collective agreements. Any change in regulations/and or collective agreements could have an impact on the level of solvency ratios required for the pension funds.

30.2. PROVISIONS FOR RESTRUCTURING

As of December 31, 2012, provision for restructuring mainly includes the restructuring provisions of Air France and its regional affiliates (see note 11).

30.3. PROVISIONS FOR LITIGATION

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 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 actions in the air-freight industry.

The proceedings initiated in the United States, Australia and Canada resulted in Plea Agreements made by Air France, KLM and Martinair with the appropriate agencies, and the payment of settlement amounts putting an end to those proceedings. As of July, 2012, a settlement negociation was finalized between the Competition Commission of South Africa and Air France and KLM resulting in a total settlement amount of €1.8 million, which the Competition Tribunal has confirmed as a consent order on October 17, 2012.

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 already paid, for anti-competitive practices prior to September 2004. The Group companies filed an appeal before the competent Seoul High Court in December 2010.

On May 16, 2012 the 6th chamber of the Seoul High Court vacated the KFTC's decision against Air France-KLM on the ground that Air France-KLM was not engaged in the air freight transportation business after it converted in a holding company on September 15, 2004. Accordingly this decision, which was issued after the expiration of the statute of limitations, was illegal. With regard to the appeals of Air France and KLM, the Court found in favour of the KFTC. Appeal filings against the Court decisions were submitted to the Supreme Court by both Air France and KLM. Generally, the Supreme Court appeal process will take 1-2 years to conclude.

As of 31 December 2012, two antitrust investigations are still pending, one in Brazil and one in Switzerland. Provisions are recorded in the financial accounts of Air France and KLM for both procedures.

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).

The total amount of provisions as of December 31, 2012 amounts to €368 million for the whole proceedings.

30.4. OTHER PROVISIONS

Other provisions are mainly provisions for power-by-hour contracts (maintenance activity of the Group), provisions for parts of CO_2 emission not covered by free allowance of quotas and provisions for dismantling buildings.

30.5. 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) Civil suits in the air freight industry

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

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 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.
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. The parties who opted out are free to sue Air France, KLM and Martinair individually.
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 and the repaid amount was included as a provision.

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.
Equilib currently states that it has purchased claims from 175 indirect 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. So far it has not substantiated its claim.
The proceedings are still in a preliminary stages and it is not expected that the matter will soon be dealt with in substance as the Amsterdam District Court ruled on March 7, 2012 that the proceedings should be stayed until the pending appeals against the European Commission's decision of November 9, 2010 have fully run their course.
Equilib appealed this judgment and proceedings are currently pending before the Amsterdam Court of Appeal.
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 to ensure that if the Amsterdam Court ultimately decides that the Group companies are liable, the burden will be shared amongst all responsible parties.

Air France and KLM, as well as other airlines, were also summoned on February 2012 to appear before the District Court of Amsterdam in a similar civil suit by a company named East West debt BV. In its writ, East West Debt claims to represent eight recipients of airfreight services that allegedly suffered loss in relation to an anti-trust infringement in the European market between 2000 and 2006.
East West debt currently estimates its claim at €27.9 million. So far, however, its claim has not been substantiated.
On November 7, 2012, the Amsterdam Court issued a similar ruling as that on Equilib and stayed the proceedings. The Group companies have filed contribution proceedings against the other addressees of the European Commission decision to ensure that if the Amsterdam Court ultimately decides that the Group companies are liable, the burden will be shared amongst all responsible parties. In the contribution proceedings, the Amsterdam Court has not yet decided on whether to stay the proceedings.

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. To date, British Airways has neither quantified nor substantiated its purported claims. These contribution proceedings have been stayed. In the main proceedings, the plaintiffs were granted permission to add parties to the proceedings, resulting in 267 plaintiffs.

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 (August 15, 2011), Cathay Pacific (August 15, 2011), Lufthansa (November 4, 2011), Air New Zealand (December 5, 2011) and British Airways (December 19, 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. The Group companies have filed defences to these cross claims in which they deny that the respondent airlines are entitled to any contribution from them, particularly since they 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 2013.
The Group companies intend to vigorously oppose all such civil actions.

Norway

On May 25, 2012, a civil suit was filed by a company named Marine Harvest before the Norwegian court on the grounds of allegedly additional costs caused by anticompetitive practices. Companies of the Group brought an action before the Tribunal to suspend this procedure.

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

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.
To terminate the case, Air France has accepted to pay an amount of USD 0.9 million without any admission of liability. The settlement agreement was concluded on November 15, 2012. KLM also terminated the case on the basis of a non-monetary settlement.

<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 2001 attacks, had entered into an agreement for the provision of safety officers on certain flights.
Despite a non prosecution decision by the Public Prosecutor, the investigating magistrate has decided on February 7, 2012 to bring the case to a court.

Company Air France challenges its implication in this case and will deny any guilt in court.
Financial risks related to this litigation are not material.

b) KLM minority shareholders

On January 2008, the association Vereniging van 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, 30.3 and 30.4, 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, 2012**	**As of December 31, 2011**
Non current financial debt		
Perpetual subordinated loan stock in Yen	256	270
Perpetual subordinated loan stock in Swiss francs	347	355
OCEANE (convertible bonds)	988	929
Bonds	1 950	1 450
Capital lease obligations	3 919	3 618
Other debt	2 105	2 606
Total	**9 565**	**9 228**
Current financial debt		
OCEANE (convertible bonds)	-	67
Capital lease obligations	588	446
Other debt	734	539
Accrued interest	112	122
Total	**1 434**	**1 174**

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. € 256 million as of December 31, 2012.
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 as of August 28, 2019. This 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. €347 million as of December 31, 2012.
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, 2012 and December 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 December 31, 2012, 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 could request reimbursement as of April 1, 2012 and will also be able to do this as of April 1, 2016. Air France holds a call option triggering early cash reimbursement which can be exercised starting April 1, 2010 and, under certain conditions, encouraging 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 aforementioned 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 did not exercise its early repayment option on 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 on the OCEANEs i.e. 2.75% and pays variable interest indexed to Euribor 6 months. At the swap termination, Air France and Natixis will also exchange the difference between the OCEANE price 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 guarantee for 100% of the notional of the swap (see note 23). From April 1, 2012, the guarantee can 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 involved 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 corresponded to the fair value, at December 14, 2011, of the OCEANEs without “an 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 reflected 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 €38 million and a fair value amounts of €14 million as of December 31, 2012, against, respectively, €2 million and €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”.

As of December 31, 2012, the debt value amounts to €419 million.

Of the 3,258,150 OCEANEs not purchased by Natixis within the framework of the contractual acquisition procedure, 1,501,475 OCEANEs were reimbursed on April 2, 2012, for an amount of €31 million, following exercice of the repayment option by some holders.

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 of interest and nominal discounted at the rate of a similar bond without a conversion option. As of December 31, 2012, the debt value amounts to €569 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%.

31.3.3. Bonds issued in 2012

As of December 14, 2012, Air France-KLM issued bonds for a total amount of €500 million, maturing on January 18, 2018 and bearing an annual interest rate of 6.25%.

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, 2012**	**As of December 31, 2011**
Aircraft			
Future minimum lease payments – due dates			
Y+1		651	529
Y+2		605	549
Y+3		576	511
Y+4		510	504
Y+5		489	407
Over 5 years		1 760	1 634
Total		**4 591**	**4 134**
Including:	Principal	4 015	3 596
	Interest	576	538
Buildings			
Future minimum lease payments – due dates			
Y+1		58	57
Y+2		59	56
Y+3		59	55
Y+4		44	55
Y+5		49	39
Over 5 years		212	223
Total		**481**	**485**
Including:	Principal	401	389
	Interest	80	96
Other property, plant and equipment			
Future minimum lease payments – due dates			
Y+1		13	9
Y+2		12	9
Y+3		11	9
Y+4		9	9
Y+5		9	8
Over 5 years		87	90
Total		**141**	**134**
Including:	Principal	91	79
	Interest	50	55

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, 2012**	**As of December 31, 2011**
Reservation of ownership clause and mortgage debt	1 773	2 191
Other debt	1 066	954
Total	**2 839**	**3 145**

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, 2012**	**As of December 31, 2011**
Maturities in			
Y+1		1 817	1 568
Y+2		2 256	1 463
Y+3		1 815	2 122
Y+4		2 095	1 621
Y+5		920	1 887
Over 5 years		4 081	3 524
Total		**12 984**	**12 185**
Including:	- Principal	10 999	10 402
	- Interest	1 985	1 783

As of December 31, 2012, the expected financial costs amount to €383 million for the 2013 financial year, €1 082 million for the financial years 2014 to 2017, and €520 million thereafter.

As of December 31, 2012, 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 investor put date, i.e April 1, 2016 for the majority of the 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, 2009 and 2012.

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, 2012**	**As of December 31, 2011**
Euro	9 059	8 802
US dollar	867	610
Swiss franc	357	355
Yen	716	626
Kenyan Shilling	-	9
Total	**10 999**	**10 402**

31.8. Credit lines

On December 31, 2012, 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 its 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 Group's 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;
- Tangible and financial 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, 2012.

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;
- Tangible and financial 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, 2012.

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;
- Tangible and financial 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, 2012.

32. OTHER LIABILITIES

In € millions	As of December 31, 2012		As of December 31, 2011	
	Current	**Non current**	**Current**	**Non current**
Tax liabilities	502	-	504	-
Employee-related liabilities	844	-	821	-
Non current assets' payables	48	-	42	-
Derivative instruments	85	279	178	231
Deferred income	122	32	80	19
Other	873	73	761	71
Total	**2 474**	**384**	**2 386**	**321**

Derivative instruments comprise €13 million of currency hedges on financial debts as of December 31, 2012, all as non current liability (€4 million as of December 31, 2011, also all non current).

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 of Air France-KLM, the Chief Executive Officers of Air France and of KLM, the Chief Financial Officer of Air France-KLM, and the Chief Financial Officers of Air France and 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-house procedures governing risk management prohibit speculation.
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 concerns 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.

Air France-KLM Group

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 mainly 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, 2012, 87% 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 to other currencies mainly concerns yen, US dollar and Swiss Franc.
Despite this active hedging policy, all exchange rate risks are not covered, especially in the event of significant 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 71% 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. The impact of any interest rate variation will consequently be neutral at the level of 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.

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). To date, the volumes are almost entirely covered in Brent, given the relatively unattractive market price levels on Diesel and Jet Fuel.

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.

- **Risks on carbon credit**

To meet its regulatory obligations, the CO2 emission quota acquisition strategy has been monitored and reviewed by every meeting of the RMC since October 2011. Its implementation led to covering exclusively the needs of the year 2012, gradually, for each current quarter, in accordance with the obligation defined by the European Commission. On November 12, 2012, the European Commission announced the suspension of the application of its CO2 emission permit system for intercontinental flights, until the next triennial assembly of the ICAO in autumn 2013. In practice, flights between European and non-European countries will not be subject to the CO2 emission permit system for 2012. Operations relating to the intra-European area have been carried out in the futures markets, with delivery of credits during the first quarter of 2013, for transfer to our account register on April 30, 2013.

- **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.
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.

- **Equity risks**

The Air France-KLM Group holds a limited number of shares which are listed for trading.
The value of these investments may vary during their ownership. These investments are accounted for using either the equity method (associated companies) if the Group has the ability to exercise significant influence, or at their fair value. If the fair value can not be determined from a practical point of view, the value of the investment is measured at its acquisition cost.
The Group is exposed to the risk of significant and unexpected change in the fair value of its shares in Amadeus IT Holding. The Group consequently entered into a hedge agreement with Société Générale for approximately one third of its stake (12 million Amadeus shares) in November 2012, enabling the value of these shares to be protected. Treasury shares held by Air France-KLM are not deemed to be investments. Furthermore, the shares are not considered at risk, since any variation in the value of these shares is recognized directly in equity until they are sold on the market, with no impact on the net income.

- **Counterparty risk management**

The transactions which can lead to counterparty risk 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, 2012	As of December 31, 2011
AAA	104	117
AA+	53	48
AA	7	257
AA-	243	46
A+	400	1 366
A	1 133	309
A-	6	14
BBB	94	-
NR	-	15
Total	**2 040**	**2 172**

33.2. Derivative instruments

- **Year ended December 31, 2012**

Book value *In € millions*	**Assets**		**Liabilities**	
	Non-current	**Current**	**Non-current**	**Current**
Currency exchange risk (operating and financial operations)				
Fair value hedge	13	22	22	3
Cash flow hedge	24	58	24	39
Fair value through profit and loss	14	3	14	3
Interest rate risk (financial operations)				
Cash flow hedge	-	5	158	2
Fair value hedge	19	-	27	-
Fair value through profit and loss	-	-	13	-
Commodities risk				
Cash flow hedge	33	113	7	28
Carbon credit (investment operation)				
Cash flow hedge	-	-	-	10
OCEANE – Total Return Swap (see note 31.2.1)				
Fair value through profit and loss	-	-	14	-
Total	**103**	**201**	**279**	**85**

The value of the derivatives used to hedge the equity risk on AMADEUS is not filed due to its low amount (lower than € 1 million).

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	146	113	33	-	-	-	-
	Liability	(35)	(24)	(11)	-	-	-	-
Interest rate derivative instruments	Asset	24	4	1	-	3	-	16
	Liability	(200)	(7)	(17)	(14)	(19)	(29)	(114)
Currency exchange derivative instruments	Asset	134	84	34	4	-	5	7
	Liability	(105)	(44)	(33)	(11)	(2)	(6)	(9)
Crabon credit derivative instruments	Asset	-	-	-	-	-	-	-
	Liability	(10)	(10)	-	-	-	-	-
OCEANE swap instrument	Asset	-	-	-	-	-	-	-
	Liability	(14)	-	-	-	(14)	-	-
Total	**Asset**	**304**	**201**	**68**	**4**	**3**	**5**	**23**
	Liability	**(364)**	**(85)**	**(61)**	**(25)**	**(35)**	**(35)**	**(123)**

- **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**

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, 2012**

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	2 307	70	321	182	214	336	1 184	(145)
Other	459	76	46	98	30	209	-	(10)
Operations qualified as fair value hedging								
Interest rate swaps	593	-	30	32	60	-	471	(8)
Operations qualified as fair value through profit and loss								
Interest rate swaps	104	-	-	-	-	16	88	(13)
Others	42	-	-	-	-	42	-	-
TOTAL	**3 505**	**146**	**397**	**312**	**304**	**603**	**1 743**	**(176)**

- **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)**

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.
  For cash flow hedges, the efficient variations of fair value of derivatives are booked in stockholders' equity. These amounts 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, 2012				As of December 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	**2 198**	**2.2%**	**2 198**	**2.2%**	**2 249**	**2.4%**	**2 249**	**2.4%**
Perpetual subordinated loans	603	4.5%	634	4.4%	625	4.0%	733	4.2%
OCEANE (convertible bond)	988	4.1%	569	5.0%	996	4.2%	613	2.6%
Bonds	1 950	5.7%	1 950	5.7%	1 450	5.8%	1 450	5.8%
Other financial debts	2 132	3.6%	4 599	3.5%	1 878	4.1%	3 982	3.6%
Fixed-rate financial liabilities	**5 673**	**4.5%**	**7 752**	**4.2%**	**4 949**	**4.6%**	**6 778**	**4.0%**
Floating-rate financial assets and liabilities								
Floating-rate financial assets	**2 299**	**1.1%**	**2 299**	**1.1%**	**1 899**	**1.5%**	**1 899**	**1.5%**
OCEANE (convertible bond)	-	-	419	1.7%	-	-	383	1.8%
Other financial debts	5 326	2.1 %	2 828	1.9%	5 453	2.4%	3 241	3.0%
Bank overdraft	257	1.9%	257	1.9%	157	0.6%	157	0.6%
Floating-rate financial liabilities	**5 583**	**2.2%**	**3 504**	**1.9%**	**5 610**	**2.4%**	**3 781**	**2.8%**
Without-rate financial assets	**1 521**	**-**	**1 521**	**-**	**901**	**-**	**901**	**-**

As of December 31, 2012 and December 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 use hedging to reduce its exposure to exchange rate variations, with this hedging being based on forward sales or purchase contracts and/or option-based strategies.

Acquisition of flight equipment:
Capital expenditure on flight equipment is mainly 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 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, 2012**

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	**4 414**	**2 949**	**1 460**	**4**	**1**	**-**	**-**	**19**
Exchange rate options								
US Dollar	1 847	1 223	624	-	-	-	-	(8)
Yen	286	174	112	-	-	-	-	21
Pound sterling	140	106	34	-	-	-	-	(1)
Other currencies	5	5	-	-	-	-	-	-
Forward purchases								
US Dollar	1 687	1 140	542	4	1	-	-	(14)
Other currencies	30	30	-	-	-	-	-	-
Forward sales								
Yen	237	136	101	-	-	-	-	24
Pound sterling	181	134	47	-	-	-	-	(3)
Other currencies	1	1	-	-	-	-	-	-
Others								
US Dollar	-	-	-	-	-	-	-	-
Exchange risk (Fair value hedging of flight equipment acquisition)	**1 360**	**471**	**336**	**249**	**105**	**79**	**120**	**10**
Forward purchases US Dollar	1 322	433	336	249	105	79	120	7
Forward sales US Dollar	38	38	-	-	-	-	-	3
Exchange risk (trading)	**540**	**82**	**76**	**64**	**-**	**102**	**216**	**-**
Forward purchases								
US Dollar	267	38	38	32	-	51	108	15
Yen	3	3	-	-	-	-	-	(1)
Forward sales								
US Dollar	267	38	38	32	-	51	108	(15)
Yen	3	3	-	-	-	-	-	1
Total	**6 314**	**3 502**	**1 872**	**317**	**106**	**181**	**336**	**29**

- **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**

Within the framework of cash flow hedges, the efficient variations of fair value of derivatives are booked in stockholders' equity. 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, 2012**

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	451	224	227	-	-	-	-	16
Options	5 831	4 387	1 444	-	-	-	-	95
Total	**6 282**	**4 611**	**1 671**	**-**	**-**	**-**	**-**	**111**

- **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**

Within the framework of cash flow hedges, the efficient variations of fair value of derivatives are booked in stockholders' equity. Therefore, amounts of fair value presented in stockholders' equity are recycled in income at realization dates of hedged items.

Carbon credit risk

Since January 1, 2012, the Group is subject to the Emission Trading Scheme (ETS). In order to meet these new demands and to optimize the price of the quotas, the Group deals on the dedicated market.

The nominal amounts of the Group's commitments are shown below:

- **Year ended December 31, 2012**

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	14	14	-	-	-	-	-	(7)
Options	2	1	1	-	-	-	-	(3)
Total	**16**	**15**	**1**	**-**	**-**	**-**	**-**	**(10)**

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, 2012 and December 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, 2012 and December 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, 2012**		**December 31, 2011**	
	Net book value	**Estimated market value**	**Net book value**	**Estimated market value**
Financial assets				
Financial assets available for sale				
Shares	704	704	901	901
Assets at fair value through profit and loss				
Marketable securities and cash secured	956	956	987	987
Loans and receivables				
Loans				
Fixed-rate	160	171	168	150
Floating-rate	10	10	136	136
Trade accounts receivables	1 859	1 859	1 774	1 774
Other assets (except derivatives instruments)	676	676	699	699
Derivatives				
Interest rate derivative instruments				
Interest rate swaps	24	24	25	25
Exchange rate derivative instruments				
Exchange rate options	36	36	86	86
Forward currency contracts	98	98	196	196
Currency swaps	-	-	-	-
Commodity derivative instruments				
Petroleum swaps and options	146	146	157	157
Cash and cash equivalents				
Cash equivalents	2 801	2 801	1 845	1 845
Cash in hand	619	619	438	438
Financial liabilities				
Debt measured at amortized cost				
Bonds (*)				
Fixed-rate	2 938	3 201	2 446	2 490
Perpetual subordinated loans	603	306	625	733
Other borrowings and financial debt				
Fixed-rate	2 132	4 599	1 878	2 000
Variable-rate	5 326	2 828	5 453	5 320
Derivatives				
Interest rate derivative instruments				
Interest rate swaps	200	200	134	134
Exchange derivative instruments				
Exchange rate options	24	24	24	24
Forward currency contracts	-	-	49	49
Currency swaps	81	81	-	-
Commodity derivative instruments				
Petroleum swaps and options	35	35	151	151
Fair value through profit and loss				
OCEANE – Total Return Swap (see note 31.2.1)	14	14	51	51
Hedging derivatives on Carbon credit	10	10	-	-
Other debt				
Trade accounts payable	2 219	2 219	2 599	2 599
Deferred revenue on ticket sales	2 115	2 115	1 885	1 885
Frequent flyer programs	770	770	784	784
Other liabilities (except derivatives instruments)	2 494	2 494	2 298	2 298

(*) 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 respectively €700 million and €500 million of bonds issued in October 2009 and December 2012 by Air France-KLM.

OCEANE issued in April 2005: The market value of €433 million was determined based on the bond's market price as of December 31, 2012. This market value includes the fair value of the debt component (amount of €374 million in the financial statements as of December 31, 2012) as well as the fair value of the conversion option recorded in equity for €45 million.
OCEANE issued in June 2009: The market value of €718 million was determined based on the bond's market price as of December 31, 2012. This market value includes the fair value of the debt component (amount of €614 million in the financial statements as of December 31, 2012) as well as the fair value of the conversion option recorded in equity for €47 million.
Bond issued in September 2006 and April 2007: The characteristics of this bond are described in note 31.3. The market value is €767 million.
Bond issued in October 2009: The characteristics of this bond are described in note 31.3. The market value is €257 million.
Bond issued in December 2012: The characteristics of this bond are described in note 31.3. The market value is €526 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, 2012	**As of December 31, 2011**	**As of December 31, 2012**	**As of December 31, 2011**	**As of December 31, 2012**	**As of December 31, 2011**	**As of December 31, 2012**	**As of December 31, 2011**
Financial assets available for sale								
Shares	684	890	20	11	-	-	**704**	**901**
Assets at fair value through profit and loss								
Marketable securities and cash secured	36	33	920	954	-	-	**956**	**987**
Cash equivalents	2 653	1 525	148	320	-	-	**2 801**	**1 845**
Derivative instruments asset)								
Interest rate derivatives	-	-	24	25	-	-	**24**	**25**
Currency exchange derivatives	-	-	134	282	-	-	**134**	**282**
Commodity derivatives	-	-	146	157	-	-	**146**	**157**

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.

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, 2012**		**December 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	123	(194)	234	(195)
Gains / (losses) taken to equity	290	(213)	134	(190)

Currency hedge sensitivity

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

In € millions	**Monetary assets**		**Monetary liabilities**	
	December 31, 2012	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**
US dollar	228	609	432	878
Pound sterling	26	-	1	20
Yen	8	352	819	344
Swiss franc	8	-	347	351
Canadian dollar	4	3	2	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, 2012	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**
Income before tax	9	(44)	(7)	(2)	(79)	(81)
Gains / (losses) taken to equity	392	457	(22)	(23)	(44)	(51)

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, 2012	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**
Income before tax	(60)	(44)	(1)	2	68	76
Gains / (losses) taken to equity	(266)	(276)	22	14	45	24

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 €6 million on the financial charges for the year ended December 31, 2012 versus €21 million for the year ended December 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, 2012	**As of December 31, 2011**
Flight equipment		
Due dates		
Y+1	913	961
Y+2	841	854
Y+3	717	663
Y+4	615	549
Y+5	513	496
Over 5 years	1 423	1 747
Total	**5 022**	**5 270**
Buildings		
Due dates		
Y+1	221	221
Y+2	169	165
Y+3	148	149
Y+4	134	129
Y+5	107	117
Over 5 years	956	979
Total	**1 735**	**1 760**

The expense relating to operating leases for flight equipment amounted to €957 million as of December 31, 2012 (12 months), versus €848 million as of December 31, 2011 (12 months proforma) and €641 million as of December 31, 2011 (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, 2012**	**As of December 31, 2011**
Y+1	511	867
Y+2	431	566
Y+3	434	495
Y+4	354	224
Y+5	248	324
> Y+5	2 162	2 508
Total	**4 140**	**4 984**

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, 2012 decreased by 18 units compared with December 31, 2011 to 43 units.
The changes are explained by the delivery of 18 aircraft over the period.

Discussions are ongoing with Airbus and Rolls Royce to finalize an Airbus A350 order.
Deals have been signed with manufacturers to postpone some deliveries: three A320 and one B777-300. Discussions are still in progress with Airbus to define a new reference regarding deliveries on next A380 still on order.

Long-haul fleet

Passenger

The Group took delivery of 2 Airbus A380s and 5 Boeing B777s.

Cargo

The Group did not take any deliveries.

Medium-haul fleet

The Group took delivery of 2 Boeing B737s and 2 Airbus A320s.

Regional fleet

The Group took delivery of 5 Embraer 190s and 2 CRJ1000s.

Air France-KLM Group

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, 2012	2	2	-	-	-	-	**4**
	As of December 31, 2011	2	2	2	-	-	-	**6**
A330	As of December 31, 2012	1	-	-	-	-	-	**1**
	As of December 31, 2011	-	1	-	-	-	-	**1**
B787	As of December 31, 2012	-	-	-	3	3	19	**25**
	As of December 31, 2011	-	-	-	-	3	22	**25**
B777	As of December 31, 2012	1	-	3	1	-	-	**5**
	As of December 31, 2011	5	1	1	3	-	-	**10**
Medium-haul fleet								
A320	As of December 31, 2012	-	-	3	-	-	-	**3**
	As of December 31, 2011	5	-	-	-	-	-	**5**
B737	As of December 31, 2012	2	2	-	-	-	-	**4**
	As of December 31, 2011	2	4	-	-	-	-	**6**
Regional fleet								
EMB190	As of December 31, 2012	-	-	-	-	-	-	**-**
	As of December 31, 2011	5	-	-	-	-	-	**5**
CRJ 1000	As of December 31, 2012	-	-	1	-	-	-	**1**
	As of December 31, 2011	2	1	-	-	-	-	**3**

36. OTHER COMMITMENTS

36.1. Commitments made

In € millions	As of December 31, 2012	As of December 31, 2011
Call on investment securities	3	4
Put on investment securities	-	-
Warranties, sureties and guarantees	284	277
Secured debts	6 279	6 255
Other purchase commitments	106	87

The restrictions and pledges as of December 31, 2012 were as follows:

In € millions	Starting date of pledge	End of pledge	Amount pledged	NBV of balance sheet entry concerned	Corresponding %
Intangible assets	-	-	-	842	-
Tangible assets	March 1998	September 2027	7 757	11 980	64.8%
Other financial assets	October 1998	May 2027	1 515	2 598	57.8%
Total			**9 272**	**15 420**	

36.2. Commitments received

In € millions	As of December 31, 2012	As of December 31, 2011
Warranties, sureties and guarantees	142	224

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, 2012**	**As of December 31, 2011**
Short term benefits	0.4	2.9
Post-employment benefits (amortization of actuarial gains or losses)	-	(0.7)
Total	**0.4**	**2.2**

Directors' fees paid during the year ended December 31, 2012 in respect of attendance at Board meetings during the year ended December 31, 2011 amounted to €0.5 million.

37.2. Transactions with other related parties

The total amounts of transactions with related parties for the financial years ended December 31, 2012 (12 months) and December 31, 2011 (9 months) are as follows:

In € millions	**As of December 31, 2012**	**As of December 31, 2011**
Assets		
Net trade accounts receivable	128	126
Other current assets	12	8
Other non-current assets	21	23
Total	**161**	**157**
Liabilities		
Trade accounts payable	183	207
Other current liabilities	66	67
Other long-term liabilities	35	38
Total	**284**	**312**

In € millions	**As of December 31, 2012 (12 months)**	**As of December 31, 2011 (9 months)**
Net sales	215	157
Landing fees and other rents	(415)	(374)
Other selling expenses	(158)	(117)
Passenger service	(43)	(35)
Other	(56)	(32)
Total	**(457)**	**(401)**

Air France-KLM Group

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 €373 million and €348 million for the periods ended December 31, 2012 (12 months) and December 31, 2011 (9 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 €67 million as of December 31, 2012 (12 months) versus €43 million for the year ended December 31, 2011 (9 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 €115 million as of December 31, 2012 (12 months) versus €86 million for the year ended December 31, 2011 (9 months).

Amadeus

For the year ended December 31, 2012 (12 months), total transactions with Amadeus amounted to a cost of €141 million compared with €97 million for the year ended December 31, 2011 (9 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, 2012 (12 months), the amount of transactions made with Alitalia represents for the Group revenues of €53 million (compared with €41 million for the year ended December 31, 2011 (9 months)) and a cost of €14 million (compared with €10 million for the year ended December 31, 2011 (9 months)).

38. CONSOLIDATED STATEMENT OF CASH FLOW

38.1. Other non-monetary items

In € millions	Notes	01.01.2012 31.12.2012 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.04.2011 31.12.2011 (9 months)
Variation of provisions relating to restructuring plan	*11*	388	(149)	(110)
Variation of provisions relating to pension and pension assets		(144)	(223)	(157)
Variation of provisions relating to goodwill	*16*	173	-	-
Variation of provisions relating to onerous contracts	*11*	50	-	-
Other		38	3	(29)
Total		**505**	**(369)**	**(296)**

38.2. Acquisitions of subsidiaries, of shares in non-controlled entities

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

In € millions	01.01.2012 31.12.2012 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.04.2011 31.12.2011 (9 months)
Cash disbursement for acquisitions	(39)	(52)	(13)
Cash from acquired subsidiaries	-	1	-
Net cash disbursement	**(39)**	**(51)**	**(13)**

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

38.3. Disposal of subsidiaries without loss of control, of owned shares

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

In € millions	01.01.2012 31.12.2012 (12 months)	01.01.2011 31.12.2011 (12 months) Proforma	01.04.2011 31.12.2011 (9 months)
Proceeds from sales of own shares	7	-	-
Proceeds from disposals	-	2	2
Cash of disposed subsidiaries	-	-	-
Net proceeds from disposals	**7**	**2**	**2**

38.4. Non cash transactions

During the financial year ended December 31, 2012, the Group entered into a financial lease for the acquisition of an A380 aircraft for €149 million and for the acquisition of a building dedicated to handling delayed luggage for €25 million.
The Group also renewed a lease contract for a B747-400 aircraft for €12 million and reclassified an A340 aircraft under financial lease for €14 million.

Neither the acquisition nor the debt attached to these four items has any impact on the cash flow statement.
There were no significant non-cash transactions during the periods ended December 31, 2011 (9 months and 12 months proforma).

39. FEES OF STATUTORY AUDITORS

In € millions	KPMG			
	As of 31 December 31, 2012 (12 months)		**As of 31 December 31, 2011 (9 months)**	
	Amount	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	3.8	85%	4.3	98%
- Air France-KLM SA	*0.7*	-	*0.8*	-
- Consolidated subsidiaries	*3.1*	-	*3.5*	-
Other ancillary services and audit services	0.6	13%	0.1	2%
- Air France-KLM SA	*0.1*	-	*0.1*	-
- Consolidated subsidiaries	*0.5*	-	-	-
Sub-total	**4.4**	**98%**	**4.4**	**100%**
Other services				
Legal, tax and corporate	0.1	2%	-	-
Information technology	-	-	-	-
Internal audit	-	-	-	-
Others	-	-	-	-
Total Air France-KLM	**4.5**	**100%**	**4.4**	**100%**

In € millions	Deloitte & Associés			
	As of December 31, 2012 (12months)		**As of December 31, 2011 (9 months)**	
	Amount	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	3.8	87%	4.5	98%
- Air France-KLM SA	*0.7*	-	*0.9*	-
- Consolidated subsidiaries	*3.1*	-	*3.6*	-
Other ancillary services and audit services	0.5	11%	-	-
- Air France-KLM SA	*0.1*	-	-	-
- Consolidated subsidiaries	*0.4*	-	-	-
Sub-total	**4.3**	**98%**	**4.5**	**98%**
Other services				
Legal, tax and corporate	0.1	2%	0.1	2%
Information technology	-	-	-	-
Internal audit	-	-	-	-
Others	-	-	-	-
Total Air France-KLM	**4.4**	**100%**	**4.6**	**100%**

40. CONSOLIDATION SCOPE AS OF DECEMBER 31, 2012

The scope includes 161 fully-consolidated entities and 39 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
KONINKLIJKE LUCHTVAART MAATSCHAPPIJ 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 SOLUTIONS 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
MILES HOUSE	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

Entity	Country	Segment	% interest	% control
TURBINE SUPPORT INTERNATIONAL LLC	United States	Maintenance	100	100
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
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
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
DAKAR CATERING	Senegal	Other	64	65
ETS SCHIPHOL 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 AIRL 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
MARTINAIR AFRICA LTD.	Kenya	Other	99	49
MARTINAIR FAR EAST LTD.	Hong Kong	Other	99	49

Entity	Country	Segment	% interest	% control
MARTINAIR HK LTD.	Hong Kong	Other	99	49
MARTINAIR VESTIGING VLIEGVELD LELYSTAD B.V.	Netherlands	Other	99	49
MARTINIQUE CATERING	France	Other	91	93
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 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	84	86
SERVAIR GHANA	Ghana	Other	56	57
SERVAIR RETAIL FDF	France	Other	98	100
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
SVRL@LA REUNION	France	Other	49	50
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
TAKEOFF 9 LIMITED	Ireland	Other	100	100
TAKEOFF 10 LIMITED	Ireland	Other	100	100

Entity	Country	Segment	% interest	% control
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 BV	Netherlands	Other	99	49
TRANSAVIA AIRLINES C.V.	Netherlands	Other	99	49
TRANSAVIA AIRLINES LTD.	Bermuda	Other	99	49
TRANSAVIA FINANCE B.V.	Netherlands	Other	99	49
TRANSAVIA FRANCE S.A.S.	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
AIR COTE D'IVOIRE	Ivory Coast	Passenger	20	20
AEROLIS	France	Passenger	50	50
ALITALIA	Italy	Passenger	25	25
FINANCIERE LMP	France	Passenger	40	40
CARGO SERVICE CENTER INDIA PTV.	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
CITY LOUNGE SERVICES	France	Other	17	35
COTONOU CATERING	Benin	Other	24	49
DOUAL'AIR	Cameroon	Other	25	25
FLYING FOOD CATERING	United States	Other	48	49
FLYNG 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
GUEST LOUNGE SERVICES	France	Other	17	35
INTERNATIONAL AEROSPACE MANAGEMENT COMPANY S.C.R.L.	Italy	Other	20	20
KENYA AIRWAYS LIMITED	Kenya	Other	26	27
DUTYFLY SOLUTIONS	France	Other	49	50
LOME CATERING SA	Togo	Other	17	35

Entity	Country	Segment	% interest	% control
MACAU CATERING SERVICES	Macao	Other	17	34
MAINPORT INNOVATION FUND BV	Netherlands	Other	25	25
NEWREST SERVAIR UK LTD	United Kingdom	Other	39	40
NOSOPAL	Senegal	Other	34	35
PRIORIS	France	Other	33	34
SCHIPHOL LOGISTICS PARK BV	Netherlands	Other	45	45
SCHIPHOL LOGISTICS PARK CV	Netherlands	Other	52	45
SERVAIR CONGO	Congo	Other	49	50
SERVAIR EUREST	Spain	Other	34	35
SHELTAIR	France	Other	50	50
SKYENERGY B.V.	Netherlands	Other	30	30
TERMINAL ONE GROUP ASSOCIATION	United States	Other	25	25