Air France – KLM Group

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

April 1, 2007 – September 30, 2007

Air France – KLM Group

CONSOLIDATED INCOME STATEMENTS (unaudited)

In € millions **Period from April 1 to September 30,**	***Notes***	**2007**	**2006**
Sales	***4***	**12 434**	**11 933**
Other revenues		3	3
Revenues		**12 437**	**11 936**
External expenses	***5***	(6 914)	(6 632)
Salaries and related costs	***6***	(3 460)	(3 305)
Taxes other than income taxes		(114)	(129)
Amortization and depreciation	***7***	(799)	(870)
Provisions	***7***	(35)	(23)
Other income and expenses	***8***	25	2
Income from current operations		**1 140**	**979**
Sales of aircraft equipment	***9***	7	5
Other non-current income and expenses	***9***	329	(30)
Income from operating activities		**1 476**	**954**
Cost of financial debt	***10***	(189)	(193)
Income from cash and cash equivalents	***10***	142	108
Net cost of financial debt		***(47)***	***(85)***
Other financial income and expenses	***10***	93	(39)
Income before tax		**1 522**	**830**
Income taxes	***12***	(346)	(238)
Net income of consolidated companies		**1 176**	**592**
Share of profits (losses) of associates	***11***	(11)	15
Net income from continuing operations		**1 165**	**607**
Net income from discontinued operations		-	-
Net income for the period		**1 165**	**607**
- Group		**1 151**	**618**
- Minority interest		14	(11)
Earnings per share – Group (in euros)			
- basic	***13***	4.13	2.33
- diluted	***13***	3.73	2.16

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

Air France – KLM Group

CONSOLIDATED BALANCE SHEETS (unaudited)

Assets *In € millions*	***Notes***	**September 30, 2007**	**March 31, 2007**
Goodwill		211	204
Intangible assets	***14***	446	424
Flight equipment	***15***	11 994	11 551
Other property, plant and equipment	***15***	2 050	2 007
Investments in equity associates		177	228
Pension assets		2 153	2 097
Other financial assets *(which includes € 805 million of deposits related to financial leases as of September 30, 2007 and € 835 million as of march 31, 2007)*		1 023	1 095
Deferred tax assets		24	26
Other non-current assets		911	604
Total non current assets		**18 989**	**18 236**
Other short term financial assets *(which includes € 708 million of deposits related to financial leases and investments between 3 months and 1 year as of September 30, 2007 and € 631 million as of march 31, 2007)*		752	689
Inventories	***16***	479	360
Trade accounts receivable		2 757	2 610
Income tax receivables		-	7
Other current assets		1 307	1 271
Cash and cash equivalents		4 089	3 497
Total current assets		**9 384**	**8 434**
Total assets		**28 373**	**26 670**

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Air France – KLM Group

CONSOLIDATED BALANCE SHEETS (unaudited) (continued)

Liabilities and equity *In € millions*	***Notes***	**September 30, 2007**	**March 31, 2007**
Issued capital	***17.1***	2 385	2 375
Additional paid-in capital		553	539
Treasury shares		(43)	(30)
Reserves and retained earnings	***17.3***	6 575	5 415
Equity attributable to equity holders of Air France-KLM		**9 470**	**8 299**
Minority interest		127	113
Total Equity		**9 597**	**8 412**
Provisions and retirement benefits	***19***	1 205	1 387
Long-term debt	***20***	7 219	7 419
Deferred tax		1 178	891
Other non-current liabilities		608	401
Total non-current liabilities		**10 210**	**10 098**
Provisions	***19***	261	225
Current portion of long-term debt	***20***	1 133	1 098
Trade accounts payable		2 170	2 131
Deferred revenue on ticket sales		2 062	2 217
Current tax liabilities		127	21
Other current liabilities		2 525	2 335
Bank overdrafts		288	133
Total current liabilities		**8 566**	**8 160**
Total liabilities		**18 776**	**18 258**
Total liabilities and equity		**28 373**	**26 670**

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

Air France – KLM Group

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)

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	Minority interests	Total equity
March 31, 2006	**269 383 518**	**2 290**	**430**	**(58)**	**5 072**	**7 734**	**119**	**7 853**
Fair value adjustment on available for sale securities	-	-	-	-	(3)	**(3)**	-	**(3)**
Gain / (loss) on cash flow hedges	-	-	-	-	(392)	**(392)**	-	**(392)**
Currency translation adjustment	-	-	-	-	(2)	**(2)**	(2)	**(4)**
Net income for the period	-	-	-	-	618	**618**	(11)	**607**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**221**	**221**	**(13)**	**208**
Stock based compensation (ESA)	-	-	-	-	17	**17**	-	**17**
Dividends paid	-	-	-	-	(81)	**(81)**	(1)	**(82)**
Treasury shares	-	-	-	9	-	**9**	-	**9**
Other	-	-	-	-	-	-	5	**5**
September 30, 2006	**269 383 518**	**2 290**	**430**	**(49)**	**5 229**	**7 900**	**110**	**8 010**
March 31, 2007	**279 365 707**	**2 375**	**539**	**(30)**	**5 415**	**8 299**	**113**	**8 412**
Fair value adjustment on available for sale securities	**-**	-	-	-	-	-	-	-
Gain / (loss) on cash flow hedges	**-**	-	-	-	128	**128**	2	**130**
Currency translation adjustment	**-**	-	-	**-**	(1)	**(1)**	(1)	**(2)**
Net income for the period	**-**	**-**	-	**-**	1 151	**1 151**	14	**1 165**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**1 278**	**1 278**	**15**	**1 293**
Stock based compensation (ESA)	-	-	-	-	16	**16**	-	**16**
Increase in capital	1 267 184	10	14	-	-	**24**	-	**24**
Dividends paid	-	-	-	-	(134)	**(134)**	(1)	**(135)**
Treasury shares	-	-	-	(13)	-	**(13)**	-	**(13)**
Other	-	-	-	-	-	-	-	-
September 30, 2007	**280 632 891**	**2 385**	**553**	**(43)**	**6 575**	**9 470**	**127**	**9 597**

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

Air France – KLM Group

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSES (unaudited)

In € millions	September 30, 2007	September 30, 2006
Fair value adjustment on available for sale securities		
Valuation gains / (losses) taken to equity	-	(3)
Transferred to profit or loss on sale	-	-
Cash flow hedges		
Gains / (losses) taken to equity	406	(139)
Transferred to profit or loss on sale	(226)	(453)
Currency translation adjustment	**(1)**	**(2)**
Tax on items taken directly to or transferred from equity		
Gains / (losses) taken to equity	(52)	200
Income and expenses directly recognized in equity – Group	**127**	**(397)**
Net income for the period – Group	1 151	618
Total of income and expenses recognized for the period – Group	**1 278**	**221**
Total of income and expenses recognized for the period – Minority interest	15	(13)
Total recognized income and expenses for the period	**1 293**	**208**

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

Air France-KLM Group
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

In € millions

Period from April 1 to September 30,	***Notes***	**2007**	**2006**
Net income for the period – Group		1 151	618
Minority interests		14	(11)
Amortization, depreciation and operating provisions		834	893
Financial provisions		5	18
Gain on disposals of tangible and intangible assets		(9)	(7)
Loss / (gain) on disposals of subsidiaries and associates		(41)	(1)
Gain on WAM (Amadeus GTD) transaction	*9*	(284)	-
Derivatives – non monetary result		(105)	18
Unrealized foreign exchange gains and losses, net		(5)	(9)
Share of (profits) losses of associates – non monetary part	*11*	11	(15)
Deferred taxes		238	255
Other non-monetary items		(45)	(62)
Subtotal		**1 764**	**1 697**
(Increase) / decrease in inventories		(47)	(20)
(Increase) / decrease in trade receivables		(109)	(272)
Increase / (decrease) in trade payables		29	161
Change in other receivables and payables		21	61
Payment of the ESA 2003 soulte		(110)	-
Additional contribution to pension fund		(198)	-
Net cash flow from operating activities		**1 350**	**1 627**
Acquisitions of subsidiaries and investments in associates, net of cash acquired		(8)	(27)
Purchase of property, plant and equipment and intangible assets		(1 275)	(1 114)
Proceeds on disposal of subsidiaries and investments in associates		80	15
Proceeds on WAM (Amadeus GTD) transaction	*9*	284	-
Proceeds on disposal of property, plant and equipment and intangible assets		37	60
Dividends received		4	2
Decrease (increase) in investments, net between 3 months and 1 year		(123)	(93)
Net cash used in investing activities		**(1 001)**	**(1 157)**
Increase in capital		218	-
Issuance of long-term debt		585	942
Repayments on long-term debt		(214)	(223)
Payment of debt resulting from finance lease liabilities		(397)	(282)
New loans		(32)	(27)
Repayments on loans		65	24
Dividends paid		(135)	(82)
Net cash flow from financing activities		**90**	**352**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		**(2)**	**(1)**
Change in cash and cash equivalents and bank overdrafts		**437**	**821**
Cash and cash equivalents and bank overdrafts at beginning of period		3 364	2 844
Cash and cash equivalents and bank overdrafts at end of period		3 801	3 665
Income tax paid (flow included in operating activities)		(2)	(268)
Interest paid (flow included in operating activities)		(178)	(216)
Interest received (flow included in operating activities)		139	112

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

April 1, 2007 – September 30, 2007

1. BUSINESS DESCRIPTION

As used herein, the term "Air France–KLM" refers to Air France-KLM S.A., a limited liability company organized under French law without its consolidated subsidiaries. The term “Group” refers to Air France-KLM together with its consolidated subsidiaries.
The Group is headquartered in France and is one of the largest airlines in the world. The Group’s core business is passenger transportation. The Group’s activities also include cargo, aeronautics maintenance and other air-transport related activities, including principally catering and charter services.
The limited company Air France-KLM SA, domiciled 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), Amsterdam (Euronext) and New-York (NYSE).
The Group’s functional currency is the euro.

2. SIGNIFICANT EVENTS OF THE YEAR

The income for the six-month period ended September 30, 2007 includes a gain of € 284 million before tax relating to the WAM (Amdeus GTD) transaction described in note 9.

3. ACCOUNTING POLICIES

3.1. Accounting principles

Accounting principles used for the interim condensed consolidated financial statements as of September 30, 2007 are the same as those used as of March 31, 2007 and described in the consolidated financial statements of the year ended March 31, 2007.

The interim condensed consolidated financial statements as of September 30, 2007 are prepared in accordance with IAS 34 “Interim financial reporting” and must be read in connection with the annual consolidated financial statements for the year ended March 31, 2007. They have been prepared in accordance with those IFRS as of November 21, 2007, date on which the accounts have been approved by the Board of Directors.

3.2. Preparation of unaudited interim condensed consolidated financial statements

Revenues and income from current operations are characterized by their seasonal nature related to a high level of activity during the first half of the fiscal year. This phenomenon varies in magnitude depending on the year. In accordance with IFRS, revenues and the related expenses are recognized over the period in which they are realized and incurred respectively.
For the interim statements, the tax charge (current and deferred) is calculated by applying to the book income for the period the estimated annual average tax rate for the current year for each entity or tax group.

3.3. Use of estimates

The preparation of the condensed 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 condensed consolidated financial statements and the reported amounts of revenues and expenses. The significant areas of estimations described in the note 3 of the March 31, 2007 consolidated financial statements, concerned:

- Revenue recognition related to deferred revenue on ticket sales,
- Tangible and intangible assets,

- Financial assets,
- Deferred tax assets
- Flying Blue frequent flyer program
- Provisions

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

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

4. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

The Group’s primary reporting format is business segmentation.

Business segments’ results are those that are either directly attributable or that can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments correspond to the income from current operations. Other elements of the income statement are presented in the “non allocated” column.

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

The Group’s secondary reporting format is geographical segmentation based on origin of sales.
Only segment revenues are allocated by geographical sales area.

Business 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.

Geographical segments

Group activities are broken down into five geographical regions:

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

4.1. Information by business segment

- **Six month period ended September 30, 2007**

In € millions	**Passenger**	**Cargo**	**Maintenance**	**Other**	**Non allocated**	**Total**
Total sales	10 350	1 419	1 424	934	-	14 127
Intersegment sales	(417)	(8)	(948)	(320)	-	(1 693)
External sales	**9 933**	**1 411**	**476**	**614**	**-**	**12 434**
Income from current operations	**1 044**	**(29)**	**48**	**77**	**-**	**1 140**
Income from operating activities	1 044	(29)	48	77	336	1 476
Share of profits (losses) of associates	-	-	-	-	(11)	(11)
Net cost of financial debt and other financial income and expenses	-	-	-	-	46	46
Income taxes	-	-	-	-	(346)	(346)
Net income from continuing operations	**1 044**	**(29)**	**48**	**77**	**25**	**1 165**

- **Six month period ended September 30, 2006**

In € millions	**Passenger**	**Cargo**	**Maintenance**	**Other**	**Non allocated**	**Total**
Total sales	9 874	1 466	1 394	819	-	13 553
Intersegment sales	(388)	(13)	(914)	(305)	-	(1 620)
External sales	**9 486**	**1 453**	**480**	**514**	**-**	**11 933**
Income from current operations	**868**	**22**	**14**	**75**	**-**	**979**
Income from operating activities	868	22	14	75	(25)	954
Share of profits (losses) of associates	-	-	-	-	15	15
Net cost of financial debt and other financial income and expenses	-	-	-	-	(124)	(124)
Income taxes	-	-	-	-	(238)	(238)
Net income from continuing operations	**868**	**22**	**14**	**75**	**(372)**	**607**

4.2. Information by geographical area

Sales by geographical area

- **Six month period ended September 30, 2007**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	6 204	212	625	1 623	785	9 449
Other passenger sales	365	23	17	29	50	484
Total passenger	**6 569**	**235**	**642**	**1 652**	**835**	**9 933**
Scheduled cargo	597	17	90	169	441	1 314
Other cargo sales	62	2	4	14	15	97
Total cargo	**659**	**19**	**94**	**183**	**456**	**1 411**
Maintenance	472	-	-	-	4	476
Others	599	10	5	-	-	614
Total	**8 299**	**264**	**741**	**1 835**	**1 295**	**12 434**

- **Six month period ended September 30, 2006**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	5 773	213	615	1 605	764	8 970
Other passenger sales	367	28	20	41	60	516
Total passenger	**6 140**	**241**	**635**	**1 646**	**824**	**9 486**
Scheduled cargo	589	18	91	172	473	1 343
Other cargo sales	76	2	4	11	17	110
Total cargo	**665**	**20**	**95**	**183**	**490**	**1 453**
Maintenance	475	-	-	-	5	480
Others	501	9	4	-	-	514
Total	**7 781**	**270**	**734**	**1 829**	**1 319**	**11 933**

Air France-KLM Group

Traffic sales by geographical area of destination

- **Six month period ended September 30, 2007**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	3 754	594	1 263	2 334	1 504	9 449
Scheduled cargo	32	90	184	405	603	1 314
Total	**3 786**	**684**	**1 447**	**2 739**	**2 107**	**10 763**

- **Six month period ended September 30, 2006**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	3 673	576	1 190	2 174	1 357	8 970
Scheduled cargo	34	94	175	420	620	1 343
Total	**3 707**	**670**	**1 365**	**2 594**	**1 977**	**10 313**

5. EXTERNAL EXPENSES

In € millions ***Six month period ended September 30,***	**2007**	**2006**
Aircraft fuel	2 285	2 181
Chartering costs	326	330
Aircraft operating lease costs	305	305
Landing fees and en route charges	915	881
Catering	238	215
Handling charges and other operating costs	663	635
Aircraft maintenance costs	498	434
Commercial and distribution costs	617	620
Other external expenses	1 067	1 031
Total	**6 914**	**6 632**

“Other external expenses” correspond mainly to rent and insurance costs.

The increase of “aircraft maintenance costs” is mainly due to the reclassification of spare parts from flight equipment to inventories as described in note 16.

6. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

In € millions ***Six month period ended September 30,***	**2007**	**2006**
Wages and salaries	2 550	2 425
Social contributions	819	766
Net periodic pension cost	42	73
Expenses related to share-based compensation	15	15
Other expenses	34	26
Total	**3 460**	**3 305**

Average number of employees

Six month period ended September 30,	**2007**	**2006**
Flight deck crew	8 185	7 974
Cabin crew	21 605	20 676
Ground staff	75 201	74 697
Total	**104 991**	**103 347**

7. AMORTIZATION, DEPRECIATION AND PROVISIONS

In € millions ***Six month period ended September 30,***	**2007**	**2006**
Amortization and depreciation		
Intangible assets	22	19
Flight equipment	646	728
Other property, plant and equipment	131	123
	799	**870**
Provisions		
Inventories	8	5
Trade receivables	5	-
Risks and contingencies	22	18
	35	**23**
Total	**834**	**893**

The decrease of the “depreciation of flight equipment” is mainly due to the reclassification of spare parts from flight equipment to inventories as described in note 16.

8. OTHER INCOME AND EXPENSES

In € millions ***Six month period ended September 30,***	**2007**	**2006**
Joint operation of routes	16	(2)
Operations-related currency hedges	1	5
Other	8	(1)
Total	**25**	**2**

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

- **Six month period ended September 30, 2007**

During the six month period ended September 30, 2007, the Group sold its shares in Alpha recording a gain on disposal of € 40 million. The company Alpha, previously held at 26%, was accounted for under the equity method in the Group's condensed consolidated financial statements.

The gain on WAM (Amadeus GTD) transaction that amounts to € 284 million, corresponds to the reimbursement of the shareholder capital for € 202 million, of the shareholders' loan for an amount of € 76 million and to a payment of interests for € 6 million. The shares and the loan had been recognized at a value of nil in the operation of reinvestment of Air France-KLM within the LBO operation initiated in July 2005.

- **Six month period ended September 30, 2006**

The result on disposal of aircraft equipment that amounts to € 5 million corresponds to the sale of an aircraft owned by AFPL.
Moreover, AFPL has recorded a loss of € 20 million relating to an aircraft destined to be sold.

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

In € millions		
Six month period ended September 30,	**2007**	**2006**
Income from cash and cash equivalents		
Income from marketable securities	43	38
Other financial income	99	70
	142	**108**
Cost of financial debt		
Loan interests	(115)	(115)
Lease interests	(94)	(96)
Capitalized interests	20	18
	(189)	**(193)**
Net cost of financial debt	**(47)**	**(85)**
Other financial income and expenses		
Foreign exchange gains (losses), net	2	(9)
Change in fair value of financial assets and liabilities	105	(18)
Net (charge) release to provisions	(5)	(18)
Other	(9)	6
	93	**(39)**
Total	**46**	**(124)**

The interest rate used in the calculation of capitalized interest is 4.96% for the six month period ended September 30, 2007 (4.45% for the six month period ended September 30, 2006).

Net foreign exchange result includes an unrealized net gain of € 5 million for the six month period ended September 30, 2007 and a gain of € 9 million for the six month period ended September 30, 2006, mainly due to the change of the US dollar rate.

Net charge to provisions includes an unrealized loss on shares of Alitalia for an amount of € 4 million and € 9 million, as a result of the stock price decreasing significantly during the six month period ended September 30, 2007 and 2006, respectively.

11.SHARE OF PROFITS (LOSSES) OF ASSOCIATES

Share of profits (losses) of associates includes a new provision for risk recorded in the accounts of Martinair concerning the inquiry of the US Department Of Justice (DOJ) about an alleged conspiracy to fix the price of air shipping services. Because of the status of discussions with the US DOJ, Martinair has recorded a provision net of tax amounting to € 23 million. The part of the Group is a cost amounting to € 11 million.

12.INCOME TAXES

12.1 Income tax charge

In € millions ***Six month period ended September 30,***	**2007**	**2006**
Current tax (expense) / benefit	**(108)**	**17**
Charge for the period	(108)	(3)
Adjustment of previous current tax charges	-	20
Deferred tax income / (expense) from continuing operations	**(238)**	**(255)**
Change in temporary differences	(107)	(24)
Change in tax rates	-	-
(Use) / recognition of tax loss carryforwards	(131)	(231)
Total income tax (expense) / credit	**(346)**	**(238)**

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

12.2 Deferred tax recorded directly in equity

Deferred tax directly recorded in equity amounts to an income of € 53 million as of September 30, 2007 against an income of € 200 million for the period ended September 30, 2006. These deferred taxes relate to the accounting of cash flow hedges.

13 EARNINGS PER SHARE

<u>Reconciliation of income used to calculate earnings per share</u>

In € millions ***Six month period ended September 30,***	**2007**	**2006**
Income for the period – Group share	1 151	618
Dividends to be paid to priority shares	-	-
Income for the period – Group share (used to calculate basic earnings per share)	**1 151**	**618**
Impact of potential ordinary shares :		
- interest paid on convertible bonds (net of tax)	5	5
Income for the period – Group share (used to calculate diluted earnings per share)	**1 156**	**623**

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

Six month period ended September 30,	**2007**	**2006**
Weighted average number of:		
- Ordinary shares issued	280 164 858	269 383 518
- Treasury stock held regarding stock option plan	(1 616 586)	(3 943 674)
- Treasury stock held for the share buyback plan	(40 154)	(96 985)
Number of shares used to calculate basic earnings per share	**278 508 118**	**265 342 859**
Weighted average number of ordinary shares:		
- Conversion of convertible bonds	22 609 230	21 951 219
- Conversion of warrants	8 083 123	-
- Exercise of stock options	633 978	596 306
Number of potential ordinary shares	**31 326 331**	**22 547 525**
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	**309 834 449**	**287 890 384**

14 INTANGIBLE ASSETS

Starting April 1, 2007, software development expenses are capitalized and amortized over their useful lives. For that purpose, the Group equipped with the necessary tools that enabled a tracking by project of all the stages of development, and particularly the internal and external expenses directly related to each project during its development phase. Capitalized software development expenses amount to € 31 million as of September 30, 2007.

15. TANGIBLE ASSETS

In € millions	**As of September 30, 2007**			**As of March 31, 2007**		
	Gross value	**Depreciation**	**Net Value**	**Gross value**	**Depreciation**	**Net Value**
Owned aircraft	8 706	2 331	6 375	7 972	2 091	5 881
Leased aircraft	4 409	1 031	3 378	4 435	908	3 527
Assets in progress	1 386	-	1 386	1 170	-	1 170
Other	1 546	691	855	1 716	743	973
Flight equipment	**16 047**	**4 053**	**11 994**	**15 293**	**3 742**	**11 551**
Land and buildings	2 276	966	1 310	2 172	909	1 263
Equipment and machinery	956	599	357	933	572	361
Assets in progress	892	623	269	145	-	145
Other	114	-	114	831	593	238
Other tangible assets	**4 238**	**2 188**	**2 050**	**4 081**	**2 074**	**2 007**
Total	**20 285**	**6 241**	**14 044**	**19 374**	**5 816**	**13 558**

The net value of tangible assets financed under capital lease amounts to € 3 651 million as of September 30, 2007 and € 3 811 million as of March 31, 2007.

16. INVENTORIES

As of April 1, 2007, € 87 million of spare parts with useful lives of less than a year have been reclassified from flight equipment to inventories.

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

17.1 Breakdown of stock and voting rights

	As of September 30, 2007		**As of March 31, 2007**	
	Capital	Voting rights	Capital	Voting rights
French State	18%	18%	18%	18%
Employees and former employees	11%	11%	11%	11%
Treasury shares	1%	-	1%	-
Other	70%	71%	70%	71%
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.

17.2 Other securities giving access to common stock

On April 22, 2005, Air France issued 15-year bonds with an option of conversion and/or exchange for new or existing Air France-KLM shares (OCEANE). 21,951,219 bonds were issued for a total amount of € 450 million. Because each bond can be exchanged for a share Air France-KLM, the potential maximum increase of equity of Air France-KLM amounts to € 450 million.

Following the Exchange Offer, 45,093,299 Equity Warrants for new or existing shares (Bons d'Acquisition et/ou de Souscription d'Actions, BASA) were issued. Three BASAs give the holder the right to purchase and/or subscribe to 2.066 new or existing shares of Air France-KLM stock, with a par value of 8.50 euros, at an exercise price of 20 euros per Air France-KLM share. BASA holders will have the option, at any time during a 24-month period beginning November 2005, to obtain new or existing shares, at the Group's discretion, upon exercise of the BASA.
During the six month period ended September 30, 2007, 1 839 336 BASA were exercised, leading to the issuance of 1 266 659 shares.
As of September 30, 2007, 28 747 934 BASA remain floating. The maximum potential increase in the equity capital of Air France-KLM is € 383 million.

17.3 Reserves and retained earnings

In € millions	**As of September 30, 2007**	**As of March 31, 2007**
Legal reserve	57	46
Distributable reserve	989	973
Derivatives and available for sale securities reserves	673	550
Aggregate results of consolidated subsidiaries	3 705	2 955
Net income (loss)	1 151	891
Total	**6 575**	**5 415**

18 SHARE BASED COMPENSATION

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, 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 by Air France-KLM made 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 six-year period, the unvested 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 euros 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 grant. The ESA 2003 plan share-based payment is therefore recognized on a straight-line basis over the requisite service period for each separately vested portion.

19 PROVISIONS AND RETIREMENT BENEFITS

In € millions	As of September 30, 2007			As of March 31, 2007		
	Non current	**Current**	**Total**	**Current**	**Non current**	**Total**
Retirement benefits	805	-	805	990	-	990
Restitution of aircraft	236	164	400	221	153	374
Restructuring	-	35	35	32	7	39
Litigation	34	59	93	32	60	92
Other	130	3	133	112	5	117
Total	**1 205**	**261**	**1 466**	**1 387**	**225**	**1 612**

The decrease of the « retirement benefits » is mainly explained by the payment of an additional contribution of € 198 million to the funds covering the termination indemnities in France.

CONTINGENT LIABILITIES

The Group is involved in several disputes, and the potential losses have not been recorded in the consolidated financial statements.

The Group was definitively removed by the Court of Appeals of Richmond, Virginia on December 9, 2004, from in the HALL action, the name of one of the travel agents who had filed a class action suit against American and European airlines, including Air France and KLM, accusing them of illegal agreements to reduce the commissions collected on the sale of airline tickets.
In another lawsuit based on the same complaints, filed by fifty travel agents acting individually against the same airlines a settlement agreement between Air France and the plaintiffs has been executed in May 2007.

In the dispute between Servair a subsidiary of the Group, and its employees for payment of meal times, all judgments issued to date by the courts have dismissed the claims of the employees involved. Only one proceeding with 255 employees is still pending before the Labor Board. This action, like the preceding cases, is considered to be not relevant by the Group and no provisions have been recorded.

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As of February 14, 2006, authorities from the EU Commission and the US Department Of Justice (DOJ) presented themselves at the offices of Air France and KLM, as well as most airlines and world major cargo operators, formally requesting information about an alleged conspiracy to fix the price of air shipping services. Skyteam Cargo, a Company in which Air France held shares, was subject to the same investigations.
Air France-KLM as well as Air France and KLM are cooperating with these investigations which were still ongoing as of September 30, 2007.
As of the same date 2007, over 140 purported class action lawsuits were filled in the US against air cargo operators including Air France-KLM, Air France, KLM and/or related entities. Plaintiffs allege that defendants engaged in a conspiracy to fix the price of air shipping services since January 1, 2000 including various surcharges in air cargo services in violation of antitrust laws. They consequently seek compensatory damages and treble monetary damages in unspecified amounts, costs and attorney’s fees, as well as injunctive relief amounting to triple amount of compensatory damages. These actions have been transferred and consolidated before the US District Court of the Eastern District of New-York. The consolidated case is currently in the pleading process, with the first consolidated amended complaint filed by the plaintiffs in February 2007. Air France and KLM filed a motion to dismiss on July 2007. A decision by the Court on the motion to dismiss is not expected before several weeks.
At this time, Air France-KLM is unable to predict the outcome of these investigations requested by antitrust and civil litigation authorities, or the amount of penalties and compensatory damages which could be due.

On July 20, 2006, Air France was placed under formal investigation for (i) possible illegal employment practices and (ii) being a possible accessory to misappropriation of funds by Pretory, a company that supplied on board safety guards to Air France for flights to the US or other destinations following the September 11 terrorist attacks.
Air France has denied any illegal practice and immediately filed an appeal against the judge’s decision as of September 30, 2007. This appeal was still pending before the Paris Court of Appeal.

To the Group's knowledge, there is no other litigation, arbitration or other threatened or pending disputes that could have or has had in the recent past a material impact on the financial position, earnings, business or holdings of the Group.

20 FINANCIAL DEBT

In € millions	**As of September 30, 2007**			**As of March 31, 2007**		
	Non current	**Current**	**Total**	**Non current**	**Current**	**Total**
Perpetual subordinated loan stock	446	-	446	462	122	584
OCEANE (convertible bonds)	386	-	386	386	-	386
Bonds	750	-	750	550	-	550
Capital lease obligations	3 668	692	4 360	3 917	657	4 574
Other long-term debt	1 969	322	2 291	2 104	224	2 328
Accrued interest	-	119	119	-	95	95
Total	**7 219**	**1 133**	**8 352**	**7 419**	**1 098**	**8 517**

On April 23, 2007, the company Air France, subsidiary of the Group Air France-KLM has made a bond in euro for an amount of € 200 million with a maturity as of January 22, 2014. Characteristics of this bond are as follows:

- Amount : € 200 million
- Coupon : 4.75%
- Starting date : April 23, 2007
- Maturity date : January 22, 2014

21 LEASE COMMITMENTS

21.1 Capital lease

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

In € millions **As of**	**September 30, 2007**	**March 31, 2007**
Flight equipment	4 962	5 153
Buildings	403	422
Other	12	-
Total	**5 377**	**5 575**

21.2 Operating leases

The undiscounted amount of the future minimum operating lease payments for aircraft under operating lease totaled € 2 729 million as of September 30, 2007 (€ 2 786 million at March 31, 2007).

22 FLIGHT EQUIPMENT ORDERS

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

In € millions	**As of September 30, 2007**	**As of March 31, 2007**
N + 1	927	870
N + 2	1 323	571
N + 3	959	688
N + 4	776	416
N + 5	388	287
> 5 years	-	-
Total	**4 373**	**2 832**

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

The number of aircraft on firm order as of September 30, 2007 increased by 50 units compared with March 31, 2007 to 97 units. The number of options increased by 28 units over the same period to reach 62 aircraft. These movements can be explained by:

- the delivery of 8 aircraft over the period;
- new orders: 47 firm orders and 39 options;
- the conversion of 11 options into firm orders.

Long-haul fleet

Passenger

The Group took delivery of 4 Boeing B777. Concerning this aircraft type, the Group has ordered a firm order of 5 units, converted 6 options into firm orders (including one coming form Boeing B777F) and ordered 8 options. Moreover, the Group has converted two options on Airbus A380.

As of September 30, 2007, the Group’s backlog for the long-haul fleet comprised firm orders for 12 Airbus A380s and 18 Boeing B777s. It comprised also 13 options: 2 Airbus A380s and 11 Boeing B777.

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Cargo

Following to the conversion of an option on Boeing B777F transformed into B777, the Group has ordered a new option. The outstanding orders concerning the cargo long-haul fleet are stable with 8 Boeing B777F (five firm orders and three options). The first deliveries will begin during the winter of 2008-2009.

Medium-haul fleet

The Group took delivery of one Boeing B737 finally under operational lease.
The Group has ordered a firm order of 15 Airbus A320/A321 and taken the three options on Airbus A318 converted into A320/A321. This new order is accompanied with ten options. Concerning the Boeing B737, the Group has ordered a firm order for seven aircraft and two options.

As of September 30, 2007, the Group's backlog comprised 18 Airbus A320/A321 and 16 Boeing B737. The Group has 20 options equally shared between Airbus A320 and Boeing B737.

Regional fleet

The Group took delivery of three Canadair CRJ700. It has placed an order with Embraer for 12 ERJ170 (6 firm orders and 6 options) and for 26 ERJ190 (14 firm orders and 12 options).

As of September 30, 2007, the Group's backlog comprised 28 aircraft under firm orders (eight CRJ1000, six ERJ170 and fourteen ERJ190) and 26 options (eight CRJ1000, six ERJ170 and twelve ERJ190).

The Group's commitments concern the following aircraft:

Aircraft type		To be delivered in	N+1	N+2	N+3	N+4	N+5	Beyond N+5
A 318	As of September 30, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	2	1	-	-	-
A 320	As of September 30, 2007	Firm orders	-	1	2	4	5	-
		Options	-	-	-	-	4	6
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
A 321	As of September 30, 2007	Firm orders	-	1	-	3	2	-
		Options	-	-	-	-	-	-
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
A 380	As of September 30, 2007	Firm orders	-	3	3	4	2	-
		Options	-	-	-	-	2	-
	As of March 31, 2007	Firm orders	-	-	5	3	2	-
		Options	-	-	-	1	2	1
B 737	As of September 30, 2007	Firm orders	9	3	2	1	1	-
		Options	-	3	-	-	1	6
	As of March 31, 2007	Firm orders	4	6	-	-	-	-
		Options	-	2	5	1	-	-
B 777	As of September 30, 2007	Firm orders	4	6	5	2	1	-
		Options	-	-	-	-	7	4
	As of March 31, 2007	Firm orders	6	4	1	-	-	-
		Options	-	-	5	3	-	-
B 777 F	As of September 30, 2007	Firm orders	-	4	1	-	-	-
		Options	-	-	1	1	1	-
	As of March 31, 2007	Firm orders	-	3	2	-	-	-
		Options	-	-	1	2	-	-
CRJ 700	As of September 30, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2007	Firm orders	3	-	-	-	-	-
		Options	-	-	-	-	-	-
CRJ 1000	As of September 30, 2007	Firm orders	-	1	3	4	-	-
		Options	-	-	-	-	4	4
	As of March 31, 2007	Firm orders	-	-	1	4	3	-
		Options	-	-	-	-	-	8
Emb 170	As of September 30, 2007	Firm orders	1	4	1	-	-	-
		Options	-	-	1	4	1	-
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
Emb 190	As of September 30, 2007	Firm orders	-	9	5	-	-	-
		Options	-	-	1	8	3	-
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-

23 RELATED PARTIES

During the six-months period ended September 30, 2007, relationships of the Group with its related parties have not changed significantly in terms of amounts and or scope, except the WAM (Amadeus GTD) transaction described in note 9.

24 SUBSEQUENT EVENTS

A strike of cabin crew of Air France company has occurred during October 2007. Total cost of this strike has been estimated by the management to € 60 million on the income from current operation and will be recorded in the third quarter 2007-08.