First half financial report

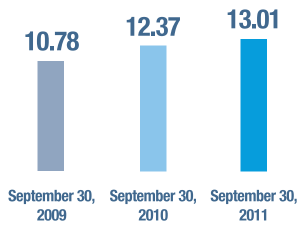
April-September 2011

Société anonyme with share capital of €300,219,278
Registered offices: 2, rue Robert Esnault-Pelterie, 75007 Paris
Mailing address: 45, rue de Paris, 95747 Roissy-CDG Cedex
Paris Trade and Company Register 552 043 002
Free translation into English for convenience only – French version prevails

Key figures

Revenues

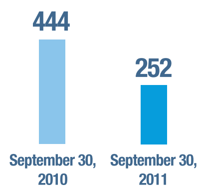
(In € billions)



Economic uncertainties and the geopolitical crises arising in important markets for the Group (Japan, Africa and the Middle East) weighed on revenues which rose by 5.2% after an unfavourable currency effect of 2%.

Income from current operations

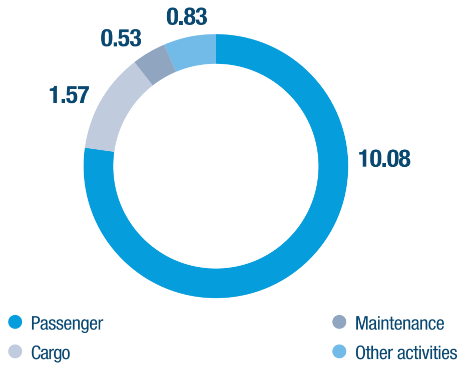
(In € millions)



Geopolitical events had a negative impact of some €130 million on income from current operations at September 30, 2011 (negative impact of €158 million at September 30, 2010 linked to the shutdown of the European airspace).

Breakdown of revenues by business at September 30, 2011

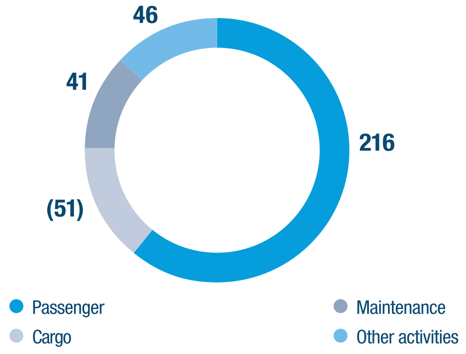
(In € billions)



Passenger revenues grew by 6.2% while cargo revenues rose by 0.8%.

Breakdown of income/(loss) from current operations by business at September 30, 2011

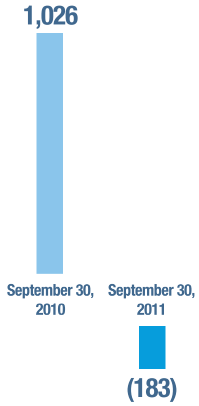
(In € millions)



The level of unit revenues in the passenger and cargo businesses was insufficient to offset the increase in the fuel bill.

Net income/(loss), Group share

(In € millions)



During the first half of 2010, the Group had sold part of its shareholding in Amadeus at the time of the IPO. This transaction enabled the Group to generate a €1 billion capital gain linked to the sale of shares and a profit linked to the revaluation of the remaining shareholding (15.23%) at the IPO price.

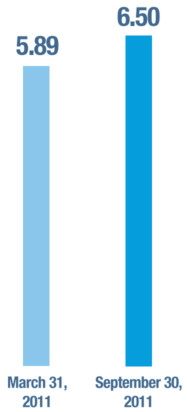
Investments net of disposals

(In € millions)

Financial structure

(In € billions)

➤ Net debt



➤ Gearing ratio

Corporate governance

The Board of Directors

In order to comply with the governance principles as set out in the AFEP-MEDEF Corporate Governance Code and adopt the conclusions of the evaluation of the functioning of the Board of Directors, the Shareholders' Meeting of July 10, 2008 included in the bylaws the option of staggering the renewal of Board director mandates. Consistent with this, and given the significant number of mandates expiring in 2010, the Shareholders' Meeting of July 8, 2010 set the duration of Board directors' terms of office for newly-appointed or re-appointed Board directors at two, three or four years to ensure the smooth renewal of the Board of Directors. (For further information, see the 2010-11 Registration Document).

At September 30, 2011, the composition of the Board of Directors was as follows:

- 12 directors appointed by the Shareholders' Meeting, including two representing the employee shareholders;
- three representatives of the French State appointed by ministerial order.

➤ Experience and training of members of the Board of Directors

Board director	Age at September 30, 2011	Date first appointed to the Group	Date appointed to the Air France-KLM Board	Sector	Current position
Jean-Cyril Spinetta	67 years	September 23, 1997	September 15, 2004	Public Service Air Transport (Air Inter and Air France)	Chairman of the Boards of Directors of Air France-KLM and Air France
Leo van Wijk *(2)*	64 years	June 24, 2004	September 15, 2004	Air Transport (KLM)	Vice-Chairman of the Air France-KLM Board of Directors
Maryse Aulagnon *(1)**	62 years	July 8, 2010	July 8, 2010	Industry (CGE) Office Property (Affine group)	Chairman and CEO of Affine
Patricia Barbizet *(2) (3) **	56 years	January 3, 2003	September 15, 2004	Industry (Renault, Pinault group)	CEO and director of Artémis
Jean-Dominique Comolli	63 years	December 14, 2010	December 14, 2010	Industry (Seita, Altadis) Public Service	Commissioner for State Holdings
Jean-François Dehecq *(1) (3) **	71 years	January 25, 1995	September 15, 2004	Industrie (SNPA and Sanofi) and Véolia Environnement	Honorary Chairman of Sanofi-Aventis
Jean-Marc Espalioux *(2) (3)**	59 years	September 14, 2001	September 15, 2004	Services (CGE, Accor)	Partner and Executive Chairman of Montefiore
Pierre-Henri Gourgeon	65 years	January 20, 2005	January 20, 2005	Aeronautics and Air Transport	Chief Executive Officer of Air France-KLM and Air France

Board director	Age at September 30, 2011	Date first appointed to the Group	Date appointed to the Air France-KLM Board	Sector	Current position
Claude Gressier *(1)*	68 years	June 24, 2004	September 15, 2004	Public Service	Honorary General Public Works Engineer
Peter Hartman	62 years	July 8, 2010	July 8, 2010	Air Transport (KLM)	President and Chief Executive Officer of KLM
Jaap de Hoop Scheffer	63 years	July 7, 2011	July 7, 2011	Public Service	Kooijmanchair for Peace, Justice and Security, Leiden University (Netherlands)
Cornelis van Lede *(1) (3)**	68 years	June 24, 2004	September 15, 2004	Industry (Shell, Akzo, Dutch Industry Federation) Consultancy (McKinsey & Company)	Chairman of the Heineken Supervisory Board
Christian Magne *(1)*	59 years	September 14, 2001	September 15, 2004	Air Transport (Air France)	Finance Executive
Bernard Pédamon *(1)*	50 years	July 8, 2010	July 8, 2010	Air Transport (Air France)	Flight Captain
Marie-Christine Saragosse	51 years	July 27, 2011	July 27, 2011	Public Service Audiovisual	Chief Executive Officer of TV5Monde

** Directors considered independent.*
(1) Member of the Audit Committee.
(2) Member of the Remuneration Committee.
(3) Member of the Appointments Committee.

The Group Executive Committee

The Group Executive Committee comprises 12 members who fulfil responsibilities at the level of the Air France-KLM group while retaining their functions within each entity. The Group Executive Committee meets every two weeks, alternating between Amsterdam and Paris, to determine the Group's main orientations within the framework of the strategy approved by the Board of Directors. As of April 1, 2011 the Group Executive Committee welcomed two new members, Mssrs. Eurlings and Kooijman, Mssrs. de Reij and Wisbrun having resigned from the committee on the same date.

➤ Experience and training of members of the Group Executive Committee

Members	Age at September 30, 2011	Relevant professional experience – Sector	Experience
Pierre-Henri Gourgeon Chief Executive Officer of Air France-KLM and Air France	65 years	Aeronautic and Air Transport	40 years
Peter Hartman President and Chief Executive Officer of KLM	62 years	Air Transport (KLM)	38 years
Philippe Calavia Executive Vice-President, Finance, Air France-KLM and Chief Financial Officer, Air France	62 years	Banking Air Transport (Air France)	7 years 13 years
Alain Bassil Executive Vice-President, Engineering & Maintenance, Air France-KLM and Chief Operating Officer of Air France	55 years	Air Transport (Air France)	31 years
Christian Boireau Executive Vice-President, French Sales, Air France	60 years	French Departmental Directorate for Equipment Air Transport (Air Inter and Air France)	6 years 30 years
Camiel Eurlings Executive Vice-President, Air France-KLM Cargo and managing director of KLM	38 years	Public Service KLM	16 years 9 months
Frédéric Gagey Executive Vice-President, Fleet Management, Air France-KLM and managing director and Chief Financial Officer of KLM	55 years	Air Transport (Air Inter, Air France and KLM)	17 years
Wim Kooijman Executive Vice-President, Management Development, Air France-KLM	52 years	Industry KLM	25 years 14 years
Bertrand Lebel Secretary to the Executive Committee in charge of strategic planning, Air France-KLM	58 years	Consultant Air Transport (Air France)	16 years 13 years
Bruno Matheu Executive Vice-President, Marketing, Revenue Management and Network, Air France-KLM and Chief Commercial Officer, Air France	47 years	Air Transport (UTA and Air France)	25 years
Édouard Odier Executive Vice-President, Information Systems, Air France-KLM and Air France	58 years	Air Transport (Air France and Amadeus)	34 years
Erik Varwijk Executive Vice-President, International and the Netherlands, Air France-KLM and managing director of KLM	49 years	Air Transport (KLM)	22 years

Subsequent change in governance

On October 17, 2011, Pierre-Henri Gourgeon, Chief Executive Officer of Air France-KLM and Air France, submitted his resignation to the respective Boards of Directors who acknowledged this. The Air France-KLM Board of Directors appointed Jean-Cyril Spinetta as Chairman and Chief Executive Officer of the Air France-KLM group and Leo van Wijk as Deputy Chief Executive Officer. As proposed by the Appointments Committee, the Board of Directors also recommended the appointment of Alexandre de Juniac as Chairman and Chief Executive Officer of Air France. This appointment is subject to the opinion of the Ethics Committee and approval by the Air France Board of Directors. Ahead of this appointment, Jean-Cyril Spinetta was named Chairman and Chief Executive Officer of Air France.

Stock market and shareholder structure

Air France-KLM is listed for trading on the Paris and Amsterdam Stock Markets (Euronext Paris and Amsterdam) under the ISIN code FR0000031122. The stock is a component of the CAC next20 index and is also included in the leading sustainable development and employee shareholder indices. In September 2011, Air France-KLM was confirmed as the air transport leader in sustainable development for 2011 and figures in the two Dow Jones Sustainability Indices for the seventh consecutive year.

Stock market performance

As a cyclical stock positioned in an extremely volatile market under the influence of the crisis in the euro zone, the Air France-KLM share price saw a sharp decline during the first half (April to September 2011) on high trading volumes. The share price lost 52% compared with 26% for the CAC 40 and 31% for the sector index.

	April-September 2011	2010-11 Financial Year	2009-10 Financial Year
Share price high ***(In €)***	12.350	15.300	13.080
Share price low ***(In €)***	5.017	8.610	6.485
Number of shares in circulation	300,219,278	300,219,278	300,219,278
Market capitalization at the end of the period ***(In € billions)***	1.7	3.5	3.5

Information relating to the share capital

At September 30, 2011, the share capital of Air France-KLM comprised 300,219,278 shares. The Shareholders' Meeting of July 8, 2010 having decided to reduce the nominal value of the shares from €8.5 to €1, the share capital was thus reduced from €2,551,863,863 to €300,219,278, the amount of the resulting capital reduction being charged to the share premium account.

Period ended	September 30, 2011	March 31, 2011	March 31, 2010
Number of shares in circulation	300,219,278	300,219,278	300,219,278
Share capital	300,219,278	300,219,278	2,551,863,863

The shares are fully paid up and shareholders have a choice between registered and bearer form. Each share confers one voting right. There are no specific rights attached to the shares, nor any securities not representing the share capital.

Securities conferring entitlement to shares

Bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANE) 2.75% 2020

In April 2005, Air France issued 21,951,219 bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANEs), with a 15-year maturity, for a total of €450 million. These bonds have a nominal unit value of €20.50 and mature on April 1, 2020. The annual coupon is 2.75% paid annually in arrears on April 1. These bonds can be converted at any time until March 23, 2020 and the conversion/exchange ratio is 1.03 shares for each bond. After the conversion, during the 2007-08 financial year, of 597 bonds, of which 510 gave rise to the creation of 525 shares, the number of convertible bonds remaining in circulation at September 30, 2011 amounted to 21,950,622.

Bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANE) 4.97% 2015

In June 2009, Air France-KLM issued 56,016,949 bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANEs) for a total of €661 million. These bonds, which are convertible at any time, have a nominal unit value of €11.80, a conversion/exchange ratio of one share for one bond and mature on April 1, 2015. The annual coupon is 4.97% paid annually in arrears on April 1. At September 30, 2011, 8,916 bonds had been converted, of which 435 in the period between April and September 2011. The number of convertible bonds remaining in circulation at September 30, 2011 amounted to 56,008,033.

Shareholder structure

Period ended	September 30, 2011	March 31, 2011	March 31, 2010
Number of shares in circulation	300,219,278	300,219,278	300,219,278
French State	15.8%	15.7%	15.7%
Current and former employees	9.6%	9.8%	11.8%
Treasury stock	1.4%	1.4%	1.9%
Free float	73.2%	73.1%	70.6%

At September 30, 2011, French residents held 68.8% of the share capital and non-residents 31.2%. Amongst the French resident shareholders, other than the French State (47.6 million shares) and employees (28.9 million shares), individual shareholders with 58 million shares represented 19.3% of the capital, i.e. five percentage points more than at September 30, 2010, and institutional investors 55.2% with 165.8 million shares.

Market and environment

After a return to growth in 2010, 2011 is unfolding against a backdrop of uncertainties: global growth, the crisis in the euro zone, oil price and currency volatility, and the impact of geopolitical events. While air transport demand was strong during the first six months (January-June 2011), the key indicators for air transport are weakening.

- Global growth has been the subject of downward revisions since midway through the year with this process accelerating over the summer: still estimated at 3.5% in March 2011, GDP growth had been reduced to 3% by September 2011, its low for the year (*source: Consensus Forecasts – September 2011*). With the exception of GDP in Latin America which was upgraded over the first nine months of the year and stability for the euro zone, the other economic regions have seen their GDP growth forecasts downgraded: to 4.6% in September versus 5.3% in March 2011 for the Asia-Pacific region under the effect of the events in Japan and the slowdown in the Chinese economy while growth forecasts for North America were halved between March and September 2011 (1.6% versus 3.2%). Growth forecasts for 2012 have also been revised down.
- The manufacturing sector confidence index for the leading economies stands at just over 50 reflecting the fact that purchasing managers expect a halt to growth. In parallel, global trade is stagnating after a very strong rebound between 2009 and 2010. The consequences of the tsunami in Japan are still being felt for air cargo in the Asia-Pacific region and the economic slowdown in Europe and the United States is weighing on global traffic.
- During the first half (April-September 2011), the oil price was 47% higher in dollars and 34% higher in euros relative to the same period in 2010.
- The airlines are responding by reducing capacity growth for the Winter 2011-12 season and by pursuing and reinforcing their cost-savings plans. According to IATA, the industry should generate 2011 revenues of US$594 billion (+8.7%) and a net margin of 1.2% versus 2.9% in the previous year. For 2012, IATA is slightly more pessimistic on the basis that air transport is closely linked to global growth, forecasting total revenues of US$632 billion and a net margin of 0.8%.

Highlights

Environment

The main events of the period from April to September 2011 were as follows:

- The economic environment was marked by the escalation of the financial crisis particularly in the euro zone, creating a wait-and-see situation.
- The *Arab Spring* and the events in Japan also affected air transport demand towards these regions.
- Expressed in euros, the level of the oil price during the first half was comparable with its 2008 highs.

Air France-KLM

- Air France-KLM's activity towards Japan, the Ivory Coast, Egypt and Tunisia was strongly impacted by the various crises given its significant presence in these markets.
- On June 22, 2011, the Group signed an agreement with the European Commission, Airbus and bio-fuel manufacturers defining the road map to reach production of two million tons of bio-fuels for aviation by 2020.
- On June 29, 2011, KLM achieved a world first by operating a commercial flight between Amsterdam and Paris using bio-fuel. Since September KLM has operated some 200 flights between the two cities using bio-fuel.
- On July 7, 2011, the General Shareholders' Meeting approved the change in date for the accounting year end to December 31. The current financial year will thus be of nine months' duration (April-December 2011).
- On July 11, 2011, Air France presented its new offer on departure from Marseilles within the framework of its *regional bases* project. This strategy will be extended to Bordeaux, Nice and Toulouse in spring 2012.
- Air France-KLM was confirmed air transport sector leader for sustainable development in 2011 and remains in the two Dow Jones Sustainability Indices, DJSI World and DJSI Europe, for the seventh consecutive year.
- Air France and KLM announced an order for 110 Airbus and Boeing long-haul aircraft, 50 under firm order and options on a further 60. This order is mostly intended to replace the aircraft reaching the end of their operational lives and to support growth. The deliveries will take place between 2016 and 2026.
- At the end of the summer, the Group's Chief Executive Officer announced that the uncertainties weighing on the economy made it necessary to reinforce the cost-savings plan and seek new avenues leading to a structural reduction in the cost base and increased flexibility, particularly within Air France.
- On September 28, 2011, Air France launched its commercial offensive in Marseilles marking the start of the company's new organization in the French regions. Since October 2, the airline has offered 13 new non-stop routes on departure from Marseilles to cities in France, Europe and around the Mediterranean rim.

Strategy

The air transport industry has undergone a profound transformation. The new demand from rapidly-growing countries, tougher competition in mature markets, the emergence of the atypical business model of the Gulf State airlines and changes in consumer behavior are key factors in determining the Group's strategy. The instability of the environment also calls for a significant degree of responsiveness. Furthermore, taking into account the impact of the activities on society and the environment is also becoming a strategic priority. (For further information, see the 2010-11 Registration Document).

It is in this changing world that the Air France-KLM group aims to remain a leading player in the globalized air transport industry.

Fundamental strengths

A powerful, balanced network

The Air France-KLM group currently operates the largest network between Europe and the rest of the world. Of the 197 long-haul destinations served directly by AEA (Association of European Airlines) member airlines in the Summer 2011 season, Air France-KLM accounted for 116 or 59% of the total, compared with 97 destinations or 49% for IAG (British Airways + Iberia) and 99 destinations or 50% for the Lufthansa group (Lufthansa + Swiss + Austrian Airlines + BMI + Brussels Airlines). Furthermore, the Group offers 30 unique destinations which are served by neither IAG nor the Lufthansa group.

Lastly, given its presence in all the major air transport markets, the Group's network is balanced, with no one market representing more than a third of passenger revenues. These markets also behave differently, enabling the Group to partly offset the negative impact of any crises.

Two coordinated hubs at developing airports

The Group's network is coordinated around the two intercontinental hubs of Roissy-Charles de Gaulle and Amsterdam-Schiphol, which are two of the four largest connecting platforms in Europe. Their efficiency is supplemented in southern Europe by the airports of Rome and Milan where Alitalia, the Group's strategic partner since January 2009, operates. Furthermore, these hubs, which are organized in waves known as *banks* and combine connecting with point-to-point traffic, are based at airport platforms whose development potential will further strengthen the role of the large intercontinental hubs. Since 2007, Air France has benefited from the gradual opening of new airport infrastructure providing state-of-the-art facilities for passengers and making Roissy-CDG a model of excellence in Europe.

This large scale pooling of limited flows gives small markets world-wide access while optimizing the fleet and enabling the use of larger aircraft, thereby reducing noise and carbon emissions. The second bank at the Roissy-Charles de Gaulle hub is organized around the arrival of 61 medium-haul flights and the departure of 28 long-haul flights, thereby offering 1,797 possible combinations within a period of under two hours with only 89 aircraft.

This unique combination of hubs is even more important during this period of crisis at a time when the smallest airlines are cancelling non-stop services to some destinations, requiring their passengers to these destinations to use a transfer platform.

A balanced customer base

The Air France-KLM group's policy of meeting the expectations of all its customers in terms of networks, products and fares has enabled it to build a balanced customer base. In 2010, 42% of passengers travelled for business purposes and 58% for personal reasons. The Group also benefits from a balanced breakdown between transfer (56%) and point-to-point passengers (44%). Furthermore, in 2010, 66% of revenues (53% in 2009) were generated by the Group's passenger loyalty strategy (frequent flyer program and corporate contracts).

A global alliance that strengthens the network

At September 30, 2011, the SkyTeam alliance, the number two global alliance in terms of market share with 17%, brought together 15 European, American and Asian airlines. SkyTeam enables the Group to respond to market needs and withstand competition in both passenger and cargo transportation. The alliance comprises Aeroflot, AeroMexico, Air Europa (Spain), Air France and KLM, Alitalia, China Airlines, China Eastern, China Southern, Czech Airlines, Delta, Kenya Airways, Korean Airways, Tarom and Vietnam Airlines. Lastly, Aerolineas Argentinas, Garuda Indonesia, MEA (Lebanon) and Saudi Arabian Airlines will join the alliance in 2012.

Strategic partnerships

Since April 2009, Air France-KLM and Delta have been working together within the framework of a joint-venture agreement on the North Atlantic. The scope of this agreement is very extensive covering all the flights between North America, Mexico and Europe through integrated cooperation, and flights between North America and Mexico to and from the Mediterranean basin, Africa, the Gulf States and India together with flights from Europe to and from Central America, Colombia, Venezuela, Peru and Ecuador through close coordination. This type of contract enables the sharing of revenues and costs.

Air France-KLM chose to step up its cooperation with Alitalia through an operational partnership agreement, cemented with a 25% equity stake in the Italian company. This operation, which took place in January 2009, has significant advantages for the two groups.

A modern fleet

The Group makes an ongoing investment in new aircraft and currently operates one of the most efficient and modern fleets in the sector. Such investment has a triple advantage in that it enables the Group to offer an enhanced level of passenger comfort, achieve substantial fuel savings and respect its sustainability commitments by reducing noise disturbance for local residents and greenhouse gas emissions.

Air France-KLM's strategy

The Group's strategy is to place the customer at the heart of its actions and this customer-centric focus is enshrined in the *Embark* corporate project. Taking into account the new requirements, analyzing the behavior of new customers and differentiating and personalizing the products and services are all key to securing the loyalty of customers who are better informed and increasingly autonomous. The Group is mobilized around multiple projects ranging from technological innovation, to improving products, harmonizing the partnership offers and using electronic distribution as a partial alternative to conventional distribution methods.

Accelerating our development

Passenger business

The Group's development strategy is based on leveraging its strengths in each region:

- in Europe, priority is given to connecting traffic within the framework of a restructured short- and medium-haul activity, organized around more efficient and attractive hubs and reinforced by European partnerships with players that are strong in their national markets;
- in North America, the Group's development is ensured by the joint-venture with Delta and Alitalia, enabling the coordination of commercial activities such as the network, revenue management, the sales and distribution forces and the frequent flyer program;
- in Latin America, the Group plans to reinforce its position by opening new destinations, reinforcing some frequencies and signing partnerships;
- in Africa and the Middle East, the launch of new services and agreements such as those signed with Saudi Arabian Airlines and MEA will offer growth opportunities in these regions;
- in Asia, the Group has three strategic priorities: open new routes, reinforce partnerships and develop joint-ventures on key markets. Since 2010, the Group has accelerated its development in both China and South-East Asia within the framework of the SkyTeam alliance. In parallel, Air France-KLM has implemented or plans to sign joint-ventures with its Chinese partners aimed at establishing, within ten years, a position as strong in Asia as on the North Atlantic.

Cargo business

In response to the 2008 and 2009 economic crisis, the Group took measures to reduce its exposure to the cyclical downturns that are particularly pronounced in the cargo sector. The cargo business now prioritizes the use of bellies of passenger aircraft and combis. The significant capacity of the passenger network is supplemented, in some markets, by a more flexible offer from the 14 full-freighter aircraft. Within the framework of this strategy, the cargo business is becoming a key factor in the profitability of the network and its development. The Group is also looking to reinforce the SkyTeam Cargo alliance and develop partnerships.

Maintenance business

The requirements of airline customers, changes in the competitive environment linked to the offer from aircraft and component manufacturers and the production cost differential between countries are prompting the Group to build a global maintenance network supported by the expertise of the teams based in France and the Netherlands.

Reinforcing flexibility to contend with an uncertain environment

Limited capacity growth for the next few seasons

Faced with the deterioration in the environment, the Group decided to reduce the growth in its long-haul capacity for the Winter 2011-12 schedule and for Summer 2012 and Winter 2012-13.

Cost-cutting plans revised upwards

At the end of the April-June 2011 quarter, the objective for the *Challenge 12* cost-cutting plan was revised upwards to €500 million for the 2011 calendar year. During the first half from April to September 2011, €235 million of savings were achieved. In view of the economic environment, the Group introduced additional measures in September 2011 like a recruitment freeze and strict control of temporary hiring, and again increased the target for its cost-cutting plan to €540 million for the 2011 calendar year, €394 million of which was achieved in the nine months to September 30, 2011.

Regaining a value-creating level of profitability

The Group has the following medium-term financial objectives:

- annual capacity growth of around 4% accompanied by a 2% annual increase, excluding currency, in unit revenue per available seat-kilometer;
- a 3% reduction in unit costs on a constant currency and fuel price basis;
- a significant reduction in the gearing ratio.

Growth in capacity and unit revenues

The Group plans to increase its capacity by around 4% annually, with higher growth in long-haul (+5%) particularly in rapidly-growing markets (+6.5%) and stable medium-haul capacity. This growth is shared between the use of larger/more densified aircraft, the opening of new routes and an increase in the number of flight hours, and is consistent with the forecasts of aircraft manufacturers who expect some 5% annual growth in demand for long-haul air transportation over the next twenty years. In parallel, the Group expects a 2% annual increase in unit revenues excluding currency.

Reducing unit costs

The Air France-KLM group is engaged in a permanent process to reduce costs. In addition to the *Challenge 12* cost-savings plan aimed at containing the increase in costs, the Group plans to improve productivity. Having adapted the number of employees to the level of activity (staff -10% since the beginning of the crisis in September 2008), the Group is looking to increase capacity on a stable staffing level. Each of the business lines is contributing to this process: the use of larger aircraft in long-haul, the recovery in medium-haul and the gradual establishment of French provincial bases for the passenger business; in the cargo business, optimizing the bellies of passenger and combi aircraft to benefit from their lower unit cost; in the maintenance business, the transfer of labor-intensive activities to partners based in countries with lower production costs and the development of high value-added activities in France and the Netherlands. The Group is also reorganizing the support functions.

Reinforcing the financial structure

Since the beginning of the crisis, the Air France-KLM group has adapted its investment plans to meet two objectives: limit the introduction of new capacity within the context of a reduction or modest growth in the offering and preserve the Group's cash. Supported by a young, fuel-efficient fleet and despite a context of recovery, the Group has decided to continue to rein in investment to focus on free cash flow generation to reduce debt and bring gearing down to 0.5.

Being the reference in sustainable development

Renewing the social pact

More than 100,000 people work for the Air France-KLM group, in the respect of diversity. Their expertise, know-how and commitment to the different business lines constitute one of the Group's major assets. Resulting from a contract-based policy and workplace dialogue, the social pact aims to preserve this asset while adapting to changes in the environment. Increasing productivity, modernizing the way the company is organized and increasing the level of employee qualifications are the drivers of the Group's development. Lastly, while respecting the diversity of the companies comprising the Group, the *Embark* strategic plan includes a number of initiatives aimed at fostering the emergence of a Group corporate culture.

A model of excellence in corporate social responsibility

The Air France-KLM group's sustainable development approach has won numerous plaudits and awards. Amongst these many awards, in 2011 the Group was named the airline sector leader in the DJSI indices for the seventh consecutive year. The Group intends to pursue this commitment aimed at consolidating the reputation of the brands with, amongst other objectives, a very high level of operational safety, establishing an ongoing dialogue with stakeholders such as customers, suppliers and local residents, contributing to combating climate change and applying the best corporate governance principles.

Results for the first half ended September 30, 2011

The results for the first half ended September 30, 2011 were impacted by the various crises affecting important networks for the Group. The operating loss attributable to these events is estimated at €130 million.

The passenger business posted respective traffic and capacity increases of 8.6% and 8.1%, the load factor gaining 0.4 of a percentage point to 83.7%. In the cargo business, traffic was stable (-0.1%) for a capacity increase of 3.8%, leading to a 2.5 point decline in the load factor to 65.2%. In the passenger business, unit revenue per available seat-kilometer (RASK) was down by 1.8% after an unfavorable currency effect of 1.8%. This decline was also due to the deployment in the fleet of more densified aircraft leading to an automatic dilution in unit revenues, offset by the improvement in unit costs. In the cargo business, unit revenue per available ton-kilometer (RATK) declined by 2.7% after an unfavorable currency effect of 4.1%.

Total revenues amounted to €13.01 billion (+5.2%). Operating costs increased by 7.0% and by 4.3% excluding fuel. The savings achieved within the framework of *Challenge 12* stood at €235 million during the first six months. Aside from the increase in the fuel bill (+15.1%), the currency hedges figuring in other income and expenses moved from a €113 million profit at September 30, 2010 to a €17 million loss at September 30, 2011.

Income from current operations amounted to €252 million (versus €444 million at September 30, 2010) and adjusted income from current operations stood at €395 million. The adjusted operating margin was 3.0%.

The net result, Group share amounted to a loss of €183 million (income of €1.03 billion at September 30, 2010 after the €1.03 billion capital gain on Amadeus). The net result restated for non-recurrent operations and non-cash items stood at a loss of €94 million (income of €104 million at September 30, 2010).

The loss per share and diluted loss per share both stood at €0.62 versus earnings per share and diluted earnings per share of €3.48 and €2.81, respectively, at September 30, 2010.

Investments net of disposals amounted to €743 million at September 30, 2011 (€696 million at September 30, 2010). Operating cash flow was a positive €263 million. The Group has cash of €3.4 billion and available credit facilities of €1.8 billion.

Stockholders' equity amounted to €6.23 billion and net debt to €6.50 billion (€5.89 billion at March 31, 2011). The gearing ratio stood at 1.04 and 1.04 excluding derivative instruments (0.85 and 0.90 respectively at March 31, 2011).

Outlook

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

At the Board of Directors meeting on November 9, 2011, Jean-Cyril Spinetta, the Group's Chairman and Chief Executive Officer, indicated that the insufficient profitability in recent quarters, in an environment marked by the weak global demand and high oil prices, requires the new management to focus on three priorities: the re-establishment of the Group's competitiveness implying additional cost savings, the restructuring of the short and medium-haul activity and a rapid reduction in debt. An action plan for these priorities will be presented during the first quarter of 2012.

(1) The operating loss for the first nine months of calendar year 2011 was €151 million (unaudited).

Subsequent events

There were no events subsequent to the closing date other than the one described in the governance section.

Activities

Passenger business

First-half activity was impacted by the various crises unfolding in Japan, the Ivory Coast, Tunisia and Egypt. The increase in traffic and capacity (+8.6% and +8.1% respectively) was partly due to a favorable base effect linked to the shut-down of the European airspace in April 2010.

With a fleet of 542 passenger aircraft in operation including 177 regional aircraft, the Group carried 40.6 million passengers (+8.8%) and generated total passenger revenues of €10.1 billion (+6.2%) after an unfavorable currency effect of 1.8%. Income from current operations stood at €216 million after a sharp increase in the fuel bill (+€389 million) and the cost of the geopolitical crises for this activity which is estimated at €130 million. At September 30, 2010, income from current operations had amounted to €311 million.

Key figures by network

	Capacity in ASK *(In million)*		Traffic in RPK *(In million)*		Load factor *(In %)*		Number of passengers *(In thousands)*		Scheduled passenger revenues *(In € millions)*		
First half to September 30	**2011**	**2010***	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010* ****	**2010 Reported**
Europe	29,957	27,868	23,298	21,138	77.8	75.8	28,033	25,571	3,458	3,231	3,190
North and Latin America	45,681	40,964	40,367	36,188	88.4	88.3	5,375	4,871	2,655	2,414	2,405
Asia/Pacific	29,815	27,455	25,712	23,945	86.2	87.2	2,991	2,769	1,654	1,561	1,558
Africa/Middle East	17,968	17,829	14,317	14,357	79.7	80.8	2,641	2,683	1,236	1,301	1,333
Caribbean/Indian Ocean	13,855	12,877	11,152	10,112	80.5	78.5	1,564	1,433	638	575	575
Total	**137,277**	**126,993**	**114,845**	**105,739**	**83.7**	**83.3**	**40,605**	**37,327**	**9,641**	**9,081**	**9,061**

* *After restatement of the breakdown per region.*

** *After reclassification of revenue items.*

In the Summer 2011 season, the **long-haul network** covered 116 destinations in 69 countries, operated by the two airlines out of Paris and Amsterdam. In addition to these destinations there were those operated under code share with partners. The weight of this network was little changed on the previous year with some 80% and 78% of the Group's traffic and capacity. Revenues of €6.18 billion were generated on this network, representing around 65% of total scheduled passenger revenues, as in the previous year.

At September 30, 2011, traffic was up by 8.2% in line with capacity (+8.3%), enabling the load factor to remain stable at 85.3%. The number of passengers carried stood at 12.6 million (+6.9%). Unit revenue per available seat-kilometer (RASK) declined by 2.4% under the effect of a negative currency effect of 2.7%. Unit revenue in Premium class saw a positive progression (+5.4% excluding currency) while unit revenue in economy class was slightly lower (-0.7% excluding currency). The densification in economy class led to an automatic dilution in unit revenues, offset by the improvement in unit costs.

The **Americas**, the Group's premier network and the first long-haul network, saw its contribution increase to 35% of traffic and 33% of capacity. Traffic and capacity grew by 11.5%, the load factor remaining stable at 88.4%. The number of passengers carried increased by 10.3% to 5.37 million. As a result, scheduled passenger revenues rose by 10.0% to €2.66 billion (€2.41 billion at September 30, 2010) after an unfavorable currency effect of 4.0%.

Activity on the **Asia** network was impacted by the crisis in Japan but remained dynamic thanks to China. The Group's second network and the second in long-haul in terms of traffic (around 22% of traffic and capacity), this network posted a traffic increase of 7.4% for capacity up by 8.6%. The load factor lost one percentage point to 86.2%. The number of passengers increased by 8.0% to 3.0 million while scheduled passenger revenues rose by 6.0% to €1.65 billion (€1.56 billion at September 30, 2010) after an unfavorable currency effect of 1.4%.

The political crises in **Africa and the Middle East** weighed on this network with the number of passengers falling by 1.5% to 2.64 million. This network remains the Group's third long-haul and fourth network representing 13% of capacity and 12% of traffic, i.e. a one percentage point decline versus the half year to September 30, 2010 given the geopolitical events. Growth in capacity was limited (+0.8%) and traffic saw a slight decline (-0.3%). The load factor was down by 0.8 of a percentage point to 79.7%. Africa-Middle East was the only network to have seen a decline in scheduled passenger revenues which fell by 5.0% to €1.24 billion (€1.3 billion at September 30, 2010) after an unfavorable currency effect of 2.7%.

Caribbean and Indian Ocean, the Group's smallest network, represents around 10% of overall capacity and traffic. The Group carried 1.56 million passengers (+9.1%) with this network benefiting from the tourism crisis in the Mediterranean basin. Traffic was buoyant (+10.3%) for capacity up by 7.6%, enabling a two percentage point gain in the load factor to 80.5%. Scheduled passenger revenues stood at €638 million versus €575 million at September 30, 2010 (+11% after an unfavorable currency effect of 0.4%).

The **medium-haul** network covers Europe (including France) and North Africa, totaling 123 destinations in 36 countries. This network principally links Europe to the rest of the world thanks to the Group's two hubs. The French domestic market is mostly served out of Orly, notably thanks to the *La Navette* shuttle service which links Paris to the main French regional capitals. The Group's regional subsidiaries, BritAir, Régional, CityJet, VLM and Cityhopper, also contribute to the Group's medium-haul activity.

The Group's third network in terms of traffic, it represented 22% of capacity and 20% of traffic but 69% of passengers and 36% of revenues at September 30, 2011. Traffic was up by 10.2% for a 7.5% increase in capacity, the load factor gaining 1.9 points to 77.8%. The Group carried 28.0 million passengers (+9.6%), generating scheduled passenger revenues of €3.46 billion, up by 7.0% after an unfavorable currency effect of 0.8% (€3.23 billion at September 30, 2010).

➤ Key figures for the passenger business

First half to September 30	2011	2010
Number of passengers ***(In thousands)***	40,605	37,327
Total passenger revenues ***(In €m)***	10,078	9,493
Scheduled passenger revenues ***(In €m)***	9,641	9,061
Unit revenue per RPK ***(In € cents)***	8.39	8.59
Unit revenue per ASK ***(In € cents)***	7.02	7.15
Unit cost per ASK ***(In € cents)***	6.79	6.82
Income from current operations ***(In €m)***	216	311

Unit revenue per revenue passenger-kilometer (RPK) declined by 2.4% and by 0.4% on a constant currency basis. Unit revenue per available seat-kilometer (ASK) fell by 1.8% but remained stable on a constant currency basis. Unit cost per available seat-kilometer fell by 0.5% and by 2.8% on a constant currency and fuel price basis.

Cargo business

While the cargo business benefited from the restructuring measures implemented over the previous twelve months, activity was less dynamic than during the 2010 first half due to the crisis in Japan, the economic slowdown and a situation of overcapacity principally on departures from China. Traffic thus remained stable (-0.1%) for capacity up by 3.8%, the load factor losing 2.5 percentage points to 65.2%. The Group carried 738,576 tons (-0.7%).

The increase in unit revenue per revenue ton-kilometer (RRTK), which was limited by a negative currency effect of 4.1%, was not strong enough to offset the decline in activity and the sharp rise in the fuel price.

First half to September 30	Capacity in ATK *(In millions)*		Traffic in RTK *(In millions)*		Load factor *(In %)*		No. of tons *(In thousands)*		Cargo transportation revenues *(In €m)*	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Europe	300	254	43	35	14.3	13.7	28	26	27	26
North and Latin America	3,414	3,244	2,246	2,200	65.8	67.8	280	274	586	535
Asia/Pacific	3,086	2,968	2,324	2,360	75.3	79.5	266	271	497	547
Africa/Middle East	1,374	1,411	851	882	61.9	62.5	137	144	302	295
Caribbean/Indian Ocean	538	516	216	207	40.1	40.2	28	28	78	72
Total	**8,711**	**8,394**	**5,680**	**5,685**	**65.2**	**67.7**	**739**	**743**	**1,490**	**1,475**

The three main networks are the Americas, Asia and Africa-Middle East. They represent 96% of traffic, 91% of capacity and 93% of revenues.

The **Asia** network is the first network in terms of traffic and represents around 35% of capacity, 41% of traffic and 33% of cargo revenues. Traffic was down by 1.5% for a capacity increase of 4.0%, leading to a 4.2 percentage point loss in the load factor to 75.3%. Revenues stood at €497 million, down by 9.1% on the previous year due to the Japanese crisis and the situation of overcapacity.

The **Americas** network represents some 39% of traffic and capacity and 39% of cargo revenues. Traffic rose by 2.1% for capacity up by 5.2%, the load factor standing at 65.8% (minus two percentage points). Revenues rose by 9.5% to €586 million.

Africa-Middle East is the cargo activity's third network and by far the smallest with around 15% of capacity and traffic and 20% of cargo transportation revenues. As with the Asia-Pacific network, this network was impacted by one-off events. Traffic declined by 3.5% for capacity down by 2.6%, the load factor standing at 61.9% (-0.6 of a percentage point). Revenues amounted to €302 million, up by 2.4%.

➤ **Key figures for the cargo business**

First half to September 30	2011	2010
Tonnage transported *(In thousands)*	739	743
Total cargo business revenues *(In €m)*	1,572	1,560
Revenues from the transportation of cargo *(In €m)*	1,490	1,475
Unit revenue per RTK *(In € cents)*	26.25	25.96
Unit revenue per ATK *(In € cents)*	17.12	17.58
Unit cost per ATK *(In € cents)*	17.43	17.10
Income/(loss) from current operations *(In € millions)*	(51)	18

Unit revenue per RTK (revenue ton-kilometer) increased by 1.1% and by 5.5% on a constant currency basis. Unit revenue per ATK (available ton-kilometer) declined by 2.7% but increased by 1.6% on a constant currency basis. The unit cost per ATK rose by 1.9% but was down by 2.0% on a constant currency and fuel price basis.

Maintenance business

The maintenance business generated third-party revenues of €534 million (+0.4%) and income from current operations of €41 million versus €81 million in the previous year. This business was affected by dollar weakness and by the exceptional costs arising from a line maintenance strike. The engine and component support businesses continued to be positively oriented while the heavy maintenance business remained loss-making.

Other businesses

The other businesses principally comprise the leisure and catering activities. Total revenues from these other businesses amounted to €825 million at September 30, 2011, i.e. growth of 5.1% (€785 million at September 30, 2010). Income from current operations stood at €46 million (€34 million at September 30, 2010).

The **leisure** business comprises the Transavia group and, since January 1, 2009, the Martinair leisure business whose activity continues to be scaled back with the progressive take-over of capacity by KLM. The leisure business had also been significantly impacted by the shut-down of the European airspace in April 2010. Over the first half to September 30, 2011, revenues grew by 3.9% to €612 million and income from current operations increased from €23 million at September 30, 2010 to €40 million thanks to a good level of activity, the closure of Transavia Denmark and the reduction in Martinair's activity.

The **catering** business posted revenues of €179 million (+11%) while income from current operations amounted to €13 million versus €8.4 million one year earlier, i.e. a 54.8% increase.

The Air France-KLM fleet

At September 30, 2011, the Air France-KLM group fleet comprised 617 aircraft, of which 598 in operation. The regional fleet amounted to 184 aircraft with 177 in operation. The Transavia group fleet comprised 39 medium-haul aircraft. There were firm orders for 40 aircraft, 16 fewer units than at March 31, 2011. The change relative to March 31, 2011 is explained by the delivery of 21 aircraft during the first half, the conversion of four options into firm orders and a new order.

On September 16, 2011, the Air France-KLM group announced an order for 110 Airbus A350 and Boeing B787 aircraft, of which 50 firm orders and 60 options, for delivery between 2016 and 2026. Around 70% of this order is to replace the 200 to 350-seater aircraft currently in the fleet and 30% to support growth. This order did not figure in commitments at September 30, 2011, the contracts being in the finalization process.

The Air France group fleet

The Air France group fleet comprised 404 aircraft at September 30, 2011, of which 392 in operation.

The Air France fleet

The Air France fleet totaled 260 aircraft at September 30, 2011 including 255 in operation, of which 106 were long-haul aircraft, seven cargo aircraft and 147 medium-haul aircraft.

Of the total fleet, 45% of the aircraft are fully owned, 10% are under finance lease and 44% under operating lease.

Over the first half, two Airbus A380s and three Boeing B777-300s joined the long-haul fleet while five Airbus A320s joined the medium-haul fleet.

	Owned		Finance lease		Operating lease		Total		In operation	
Aircraft	**09/30/11**	**03/31/11**	**09/30/11**	**03/31/11**	**09/30/11**	**03/31/11**	**09/30/11**	**03/31/11**	**09/30/11**	**03/31/11**
B747-400	3	3	-	-	7	7	10	10	10	10
B777-300	14	16	5	2	15	13	34	31	34	31
B777-200	15	15	2	2	8	8	25	25	25	25
A380-800	2	2	1	-	3	2	6	4	6	4
A340-300	10	10	2	2	4	4	16	16	15	16
A330-200	3	3	2	2	10	10	15	15	15	15
Long-haul	***47***	***49***	***12***	***8***	***47***	***44***	***106***	***101***	***105***	***101***
B747-400	2	2	-	-	3	3	5	5	3	3
B777-F Cargo	-	-	2	2	-	-	2	2	2	2
Cargo	***2***	***2***	***2***	***2***	***3***	***3***	***7***	***7***	***5***	***5***
A321	11	11	1	1	12	12	24	24	24	24
A320	24	24	3	3	34	29	61	56	59	55
A319	21	21	4	4	19	19	44	44	44	44
A318	13	13	5	5	-	-	18	18	18	18
Medium-haul	***69***	***69***	***13***	***13***	***65***	***60***	***147***	***142***	***145***	***141***
Total	**118**	**120**	**27**	**23**	**115**	**107**	**260**	**250**	**255**	**247**

The fleet of the regional subsidiaries and Transavia

At September 30, 2011, the regional subsidiaries (BritAir, Régional, CityJet and VLM) had a fleet of 136 aircraft, of which 129 were operational. Some 60% of this fleet is fully owned, 21% is under finance lease and 18% under operating lease. Over the first half, four aircraft entered the fleet and four were withdrawn at BritAir, one aircraft was withdrawn from the Régional fleet and one was withdrawn at VLM.

Transavia France returned one aircraft under operating lease during the first half.

Aircraft	Owned		Finance lease		Operating lease		Total		In operation	
	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11
BritAir										
Canadair Jet 1000	10	6	-	-	-	-	10	6	10	6
Canadair Jet 900	-	-	-	-	-	1	-	1	-	1
Canadair Jet 700	6	6	9	9	-	-	15	15	15	15
Canadair Jet 100	11	11	2	2	1	2	14	15	14	15
F100-100	3	3	-	-	1	3	4	6	4	6
Total	**30**	**26**	**11**	**11**	**2**	**6**	**43**	**43**	**43**	**43**
CityJet										
AVRO RJ 85	15	15	-	-	11	12	26	27	22	22
Total	**15**	**15**	**-**	**-**	**11**	**12**	**26**	**27**	**22**	**22**
Régional										
EMB190	4	4	-	-	6	6	10	10	10	10
EMB170	8	8	2	2	-	-	10	10	10	10
EMB145-EP/MP	9	9	13	13	4	5	26	27	26	27
EMB135-ER	4	4	3	3	-	-	7	7	4	6
Total	**25**	**25**	**18**	**18**	**10**	**11**	**53**	**54**	**50**	**53**
VLM Airlines										
Fokker 50	12	13	-	-	2	2	14	15	14	15
Total	**12**	**13**	**-**	**-**	**2**	**2**	**14**	**15**	**14**	**15**
Total regional fleet	**82**	**79**	**29**	**29**	**25**	**31**	**136**	**139**	**129**	**133**
Transavia France										
B737 800	-	-	-	-	8	9	8	9	8	9
Total	**-**	**-**	**-**	**-**	**8**	**9**	**8**	**9**	**8**	**9**
Total Air France group	**200**	**199**	**56**	**52**	**148**	**147**	**404**	**398**	**392**	**389**

The KLM group fleet

The KLM group fleet comprises 213 aircraft of which 206 in operation after the integration of the Martinair fleet.

The KLM fleet

The KLM fleet totaled 120 aircraft at September 30, 2011, of which 116 in operation, with 63 long-haul, four cargo and 53 medium-haul aircraft. Some 33% of the fleet is fully owned, 34% is under finance lease and 33% under operating lease.

During the first half, six B737-700s and one Boeing B737-800 joined the medium-haul fleet while one Boeing B737-400 and one Boeing B737-300 were withdrawn. There were no changes in the long-haul and cargo fleets.

	Owned		Finance lease		Operating lease		Total		In operation	
Aircraft	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11
B747-400	13	13	4	4	5	5	22	22	22	22
B777-300	-	-	5	5	-	-	5	5	5	5
B777-200	-	-	6	6	9	9	15	15	15	15
MD11	8	8	2	1	-	1	10	10	10	10
A330-200	-	-	6	6	5	5	11	11	11	11
Long-haul	**21**	**21**	**23**	**22**	**19**	**20**	**63**	**63**	**63**	**63**
B747-400	-	-	3	3	1	1	4	4	4	4
Cargo	**-**	**-**	**3**	**3**	**1**	**1**	**4**	**4**	**4**	**4**
B737-900	-	-	2	2	3	3	5	5	5	5
B737-800	7	5	6	8	10	9	23	22	23	22
B737-700	3	-	7	6	6	4	16	10	16	10
B737-400	6	6	-	-	1	2	7	8	3	8
B737-300	2	3	-	-	-	-	2	3	2	3
Medium-haul	**18**	**14**	**15**	**16**	**20**	**18**	**53**	**48**	**49**	**48**
Total	**39**	**35**	**41**	**41**	**40**	**39**	**120**	**115**	**116**	**115**

The subsidiaries' fleet

The Transavia and Martinair fleet

The Transavia Netherlands fleet comprises 31 aircraft in operation, of which 10% is fully owned, 26% is under finance lease and 65% under operating lease.

The Martinair fleet comprises 14 aircraft, of which 11 in operation at September 30, 2011. It has three long-haul aircraft, all in operation, and 11 cargo aircraft, of which eight are in operation. Some 21% of the fleet is fully owned, with 14% under finance lease and 64% under operating lease.

Aircraft	Owned		Finance lease		Operating lease		Total		In operation	
	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11
Transavia Netherlands										
B737-800	3	3	3	3	15	13	21	19	21	19
B737-700	-	-	5	5	5	5	10	10	10	10
Total	**3**	**3**	**8**	**8**	**20**	**18**	**31**	**29**	**31**	**29**
Martinair										
B767-300	-	-	-	-	3	4	3	4	3	4
Long-haul	***-***	***-***	***-***	***-***	***3***	***4***	***3***	***4***	***3***	***4***
B747-400 BCF	-	-	-	-	4	4	4	4	1	1
MD-11-CF	3	3	-	-	1	1	4	4	4	4
MD-11-F	-	2	2	-	1	1	3	3	3	3
Cargo	***3***	***5***	***2***	***-***	***6***	***6***	***11***	***11***	***8***	***8***
Total	**3**	**5**	**2**	**-**	**9**	**10**	**14**	**15**	**11**	**12**
Total other fleet	**6**	**8**	**10**	**8**	**29**	**28**	**45**	**44**	**42**	**41**

The regional fleet

At September 30, 2011, the KLM Cityhopper regional subsidiary had a fleet of 48 aircraft, all of which were operational. This fleet is 58% fully-owned, 33% under finance lease and 8% under operating lease. During the first half, four Fokker 50s were withdrawn from the fleet.

Aircraft	Owned		Finance lease		Operating lease		Total		In operation	
	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11	09/30/11	03/31/11
KLM Cityhopper										
F100	5	5	-	-	-	-	5	5	5	5
F70	23	23	3	3	-	-	26	26	26	26
F50	-	4	-	-	-	-	-	4	-	-
EMB190	-	-	13	13	4	4	17	17	17	17
Total	**28**	**32**	**16**	**16**	**4**	**4**	**48**	**52**	**48**	**48**

Risks and risk management

Risk factors

There were no significant changes to the risks and uncertainties of the Air France-KLM group during this half year relative to the 2010-11 Registration Document filed on June 15, 2011.

Related parties

The information concerning related parties can be found in Note 20 of the consolidated financial statements.

Comments on the financial statements

Consolidated results for the first half ended September 30, 2011

There were no major changes in the Air France-KLM group's consolidation scope at September 30, 2011 versus that of September 30, 2010.

(In € millions)	**September 30, 2011**	**September 30, 2010**	**Change** *(In %)*
Revenues	13,009	12,370	5.2
Income from current operations	252	444	(43.2)
Income from operating activities	251	1,327	(81.1)
Net income/(loss) from continuing operations	(180)	1,024	ns
Net income/(loss), Group share	(183)	1,026	ns
Basic earnings/(loss) per share *(In €)*	(0.62)	3.48	ns

Revenues

Consolidated revenues amounted to €13.01 billion for the period, up by 5.2% after an unfavorable currency effect of 2.0%. The economic uncertainties and geopolitical events in Japan, Africa and the Middle East had a negative impact on both passenger revenues, which rose by 6.2% to €10.08 billion, and revenues in the cargo business which saw a slight increase (+0.8%) to €1.57 billion.

Operating expenses

Operating expenses rose by 7.0% to €12.76 billion. Excluding fuel, the increase was only 4.3%. The Group achieved €235 million of cost savings within the framework of the *Challenge 12* plan. For production measured in EASK (equivalent available seat-kilometers) up by 6.8%, unit costs per EASK increased by 0.6% and fell by 2.2% on a constant currency and fuel price basis.

External expenses increased by 8.4% to €8.05 billion versus €7.43 billion one year earlier. Excluding fuel, the increase was 3.9%.

The breakdown of operating expenses was as follows:

(In € millions)	September 30, 2011	September 30, 2010	Change *(In %)*
Aircraft fuel	3,390	2,944	15.1
Chartering costs	301	245	22.9
Aircraft operating lease costs	421	416	1.2
Landing fees and en route charges	948	901	5.2
Catering	297	285	4.2
Handling charges and other operating costs	689	665	3.6
Aircraft maintenance costs	614	595	3.2
Commercial and distribution costs	461	496	(7.1)
Other external expenses	931	884	5.3
Total	**8,052**	**7,431**	**8.4**

The main changes were as follows:

- aircraft fuel: first half fuel expenses amounted to €3.39 billion versus €2.94 billion at September 30, 2010. The increase in the fuel bill was due to the combined effect of a 4% decline in volumes, a favorable currency effect of 12% and a 24% rise in the fuel price after hedging;
- chartering costs: aircraft chartering costs paid within the framework of chartering aircraft capacity from other airlines rose by 22.9% to €301 million. This increase was explained by the level of activity and by chartering to offset the effects of a strike in one part of the maintenance business over the summer;
- aircraft operating lease costs: aircraft operating lease costs increased by 1.2% to €421 million thanks to the favorable euro/dollar exchange rate;
- landing fees and en route charges: landing fees and en route charges for the use of airspace and airports increased in line with activity to €948 million (€901 million at September 30, 2010);
- catering: catering costs relating to services supplied on board aircraft amounted to €297 million versus €285 million at September 30, 2010, i.e. an increase of 4.2%. These expenses relate to the costs incurred by the Air France-KLM group for its own account and those incurred by the Group's catering subsidiary on behalf of its third-party clients;
- handling charges and other operating costs: handling charges mainly cover aircraft handling on the ground, passenger handling for the Group and, for a small proportion, those incurred on behalf of third-party clients. They rose by 3.6% to €689 million, in line with activity;
- aircraft maintenance costs: these include the maintenance of the Group's aircraft and procurement for the third-party activity. They amounted to €614 million, up by 3.2% relative to their level at September 30, 2010;
- commercial and distribution costs: commercial and distribution costs fell by 7.1% to €461 million under the effect, notably, of the reduction in interline commissions paid between the SkyTeam alliance partners;
- other external expenses: other external expenses principally comprise rental costs, telecommunication costs, insurance and fees. They amounted to €931 million at September 30, 2011 versus €884 million one year earlier.

Salaries and related costs stood at €3.79 billion versus €3.69 billion at September 30, 2010, i.e. a 2.8% increase. On a constant scope, the average headcount declined by 0.9% to 102,516 employees.

Taxes other than income taxes amounted to €100 million versus €90 million at September 30, 2010.

Amortization, depreciation and provisions stood at €817 million versus €812 million at September 30, 2010.

Other income and expenses (+€9 million at September 30, 2011 versus +€136 million at September 30, 2010) include currency hedges which moved from a €113 million profit at September 30, 2010 to a loss of €17 million at September 30, 2011.

Income from current operations

Income from current operations amounted to €252 million versus €444 million at September 30, 2010.

The contribution to revenues and income/(loss) from current operations by sector of activity was as follows:

(In € millions)	September 30, 2011		September 30, 2010	
	Revenues	Income/(loss) from current operations	Revenues	Income/(loss) from current operations
Passenger	10,078	216	9,493	311
Cargo	1,572	(51)	1,560	18
Maintenance	534	41	532	81
Others	825	46	785	34
Total	**13,009**	**252**	**12,370**	**444**

Income from operating activities

Income from operating activities stood at €251 million versus €1.33 billion at September 30, 2010 which had included a €1.03 billion capital gain on the disposal of one third of the Group's holding in Amadeus on the occasion of the IPO in the Madrid stock market in April 2010 and the revaluation of the remaining shareholding (15.2%) at the IPO price. The result at September 30, 2010 had also included a €127 million adjustment to the provision relating to the fines imposed by the European Commission on the companies Air France, KLM and Martinair for anti-competitive practices in the air freight sector.

Net cost of financial debt

The net cost of financial debt amounted to €182 million versus €189 million at September 30, 2010.

Other financial income and expenses

Net financial expenses amounted to €297 million versus €72 million at September 30, 2010 with the breakdown as follows:

- a €158 million foreign exchange loss;
- a €140 million negative change in the fair value of financial assets and liabilities. This loss was mainly due to the change in the inefficient portion of fuel derivatives;
- €1 million of provision write-backs.

Net income/(loss), Group share

Income tax amounted to a €72 million gain versus a €10 million charge at September 30, 2010, deriving an effective tax rate of 31.4% versus 0.9% in the previous half year. The low effective tax rate at September 30, 2010 was notably explained by the virtual exoneration from tax of the capital gain relating to the Amadeus transaction.

The **share of profits/(losses) of associates** amounted to a €24 million negative at September 30, 2011 (versus a negative €32 million at September 30, 2010). This mostly comprised the €33 million share of Alitalia group losses for the January-June 2011 half year, the equity accounting taking place with a lag of a quarter.

Net income/(loss), Group share was a loss of €183 million at September 30, 2011 (versus income of €1.03 billion at September 30, 2010).

The contributions to the net result by quarter were, respectively, a net loss of €197 million at June 30, 2011 and income of €14 million at September 30, 2011.

The basic loss per share amounted to €0.62 at September 30, 2011 versus earnings per share of €3.48 at September 30, 2010.

Investments and financing of the Group

The Air France-KLM group's net capital expenditure on tangible and intangible assets amounted to €743 million during the first half versus €696 million at September 30, 2010. Net investment in the fleet amounted to €231 million, ground investment to €94 million, spare parts and aeronautical modifications to €160 million, capitalized maintenance costs to €180 million and investment in intangible assets to €78 million.

Operating cash flow stood at €263 million versus €708 million at September 30, 2010. This deterioration came from:

- firstly, a €242 million decline in cash flow from operations to €600 million at September 30, 2011.
- secondly, the change in working capital which moved from €(134) million at September 30, 2010 to €(337) million at September 30, 2011.

At the closing date, the net cash position stood at €3.38 billion. Furthermore, the Group still had available credit facilities totalling €1.8 billion at September 30, 2011 after the renewal of its credit facilities for a five-year period during the first half.

Stockholders' equity amounted to €6.23 million (€6.91 billion at March 31, 2011). Net financial debt stood at €6.50 billion (€5.89 billion at March 31, 2011). The gearing ratio stood at 1.04 and 1.04 excluding derivative instruments (0.85 and 0.90, respectively, at March 31, 2011).

Air France-KLM parent company results

As a holding company, Air France-KLM has no operating activity. Its revenues comprise royalties paid by the two operating subsidiaries for use of the Air France-KLM logo and its expenses essentially comprise financial communication costs, Statutory Auditors' fees, the remuneration of corporate officers and the financial expenses corresponding to the bonds issued in 2009. In total, operating income amounted to a €0.6 million positive. The net result was a €42 million loss taking into account the financial expenses linked to the bond issues.

Key financial indicators

Adjusted operating margin

In accordance with generally accepted practice for the financial analysis of the air transport sector, operating leases are capitalized at seven times for the capital employed and gearing ratio calculations. Consequently, income from current operations is adjusted by the portion of operating leases considered to be financial charges, i.e. 34% of operating leases, the percentage resulting from the capitalization rate of the operating leases. The result is an adjusted operating margin which, by eliminating the accounting impact of different methods of aircraft financing, makes it easier to compare the profitability of the different airlines.

(In € millions)	At September 30, 2011	At September 30, 2010
Income from current operations	252	444
Portion of operating leases considered to be financial charges	143	141
Adjusted income from current operations	395	585
Revenues	13,009	12,370
Adjusted operating margin	3.0%	4.7%

Gearing ratio

The gearing ratio expresses net debt as a percentage of stockholders' equity. Net debt is the result of deducting cash (cash and cash equivalents plus investments, minus bank overdrafts) from short and long-term debt. Deposits on leased aircraft are deducted from financial debt since they reduce the purchase option payments on aircraft at the end of leasing contracts.

(In € millions)	September 30, 2011	March 31, 2011
Current and non-current financial debt	10,498	10,788
Interest not yet due	(124)	(119)
Deposits on leased aircraft	(509)	(455)
Currency hedges on debt	18	36
Total financial debt	**9,883**	**10,250**
Cash and cash equivalents	2,879	3,717
Investments of over three months	509	574
Triple A deposits	155	197
Bank overdrafts	(159)	(129)
Net cash	**3,384**	**4,359**
Net financial debt	**6,499**	**5,891**
Consolidated stockholders' equity	6,227	6,906
Net debt/consolidated stockholders' equity	1.04	0.85
Net debt/consolidated stockholders' equity excluding fair value of hedging instruments	1.04	0.90

Restated net income

The Group presents a restated net income figure when:

- oil price volatility has an impact on the value of the fuel hedging portfolio; this impact was particularly significant within the framework of the fuel hedging policy applied before 2009;
- non-recurrent operations are significant relative to the net result.

(In € millions)	**September 30, 2011**	**September 30, 2010**
Net income/(loss), Group share	(183)	1,026
Income taxes	(72)	10
Net income/(loss), Group share before income tax	(255)	1,036
Non-recurrent items*	1	(883)
Non-cash part of value of hedging instruments**	107	(14)
Restated net income/(loss), Group share before income tax	(147)	139
Income tax	53	(35)
Restated net income/(loss)	(94)	104

* *Non-recurrent items: income and expenses accounted for between income/(loss) from current operations and income/(loss) from operating activities. At September 30, 2010, mainly the Amadeus transaction for €1.03 billion and the additional cargo fine of €127 million.*

** *See consolidated statements of cash flow.*

Unaudited interim condensed consolidated financial statements

April 1, 2011 – September 30, 2011

Consolidated income statement (unaudited)

Period from April 1 to September 30, *(In € millions)*	**Notes**	**2011**	**2010**
Sales	***4***	***13,009***	***12,370***
Other revenues		26	5
Revenues		***13,035***	***12,375***
External expenses	5	(8,052)	(7,431)
Salaries and related costs	6	(3,792)	(3,690)
Taxes other than income taxes		(100)	(90)
Amortization and depreciation	7	(817)	(812)
Provisions	7	(31)	(44)
Other income and expenses	8	9	136
Income from current operations		***252***	***444***
Sales of aircraft equipment		9	6
Other non-current income and expenses	9	(10)	877
Income from operating activities		***251***	***1,327***
Cost of financial debt	10	(230)	(231)
Income from cash and cash equivalents	10	48	42
Net cost of financial debt		***(182)***	***(189)***
Other financial income and expenses	10	(297)	(72)
Income before tax		***(228)***	***1,066***
Income taxes	11	72	(10)
Net income of consolidated companies		***(156)***	***1,056***
Share of profits (losses) of associates	12	(24)	(32)
Net income from continuing operations		***(180)***	***1,024***
Net income for the period		***(180)***	***1,024***
♦ ***Equity holders of Air France-KLM***		***(183)***	***1,026***
♦ Non-controlling interests		3	(2)
Earnings per share – Equity holders of Air France-KLM ***(in euros)***			
♦ basic	13	(0.62)	3.48
♦ diluted	13	(0.62)	2.81

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

Consolidated statement of recognized income and expenses (unaudited)

(In € millions)	September 30, 2011	September 30, 2010
Net income for the period	***(180)***	***1,024***
Fair value adjustment on available-for-sale securities		
Change in fair value recognized directly in equity	(106)	174
Change in fair value transferred to profit or loss	-	-
Cash flow hedges		
Effective portion of changes in fair value hedge recognized directly in equity	(323)	(117)
Change in fair value transferred to profit or loss	(230)	149
Items of the recognized income and expenses of equity shares	***1***	***(8)***
Currency translation adjustment	***(2)***	***(4)***
Tax on items recognized directly in or transferred from equity		
Income/(expense) recognized directly in equity	153	(16)
Total of other comprehensive income included in the recognized income and expenses	**(507)**	**178**
Recognized income and expenses	***(687)***	***1,202***
♦ ***Equity holders of Air France-KLM***	***(689)***	***1,204***
♦ Non-controlling interests	2	(2)

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

Consolidated balance sheet (unaudited)

Assets *(In € millions)*	**Notes**	**September 30, 2011**	**March 31, 2011**
Goodwill		421	422
Intangible assets		744	695
Flight equipment	14	10,894	11,040
Other property, plant and equipment	14	2,051	2,111
Investments in equity associates		401	422
Pension assets		3,143	2,995
Other financial assets *(including €569 million of deposits related to financial leases and €150 million of investments over one year as of September 30, 2011, compared to €503 million of deposits related to financial leases as of March 31, 2011)*		1,785	1,654
Deferred tax assets		1,140	933
Other non-current assets		116	156
Total non-current assets		***20,695***	***20,428***
Assets held for sale		21	21
Other short term financial assets *(including €95 million of deposits related to financial leases and €359 million of investments between 3 months and 1 year as of September 30, 2011, compared respectively to €149 million and €574 million as of March 31, 2011)*		482	751
Inventories		595	558
Trade accounts receivables		2,140	1,938
Income tax receivables		5	6
Other current assets		922	1,550
Cash and cash equivalents		2,879	3,717
Total current assets		***7,044***	***8,541***
Total assets		**27,739**	**28,969**

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

Consolidated balance sheet (unaudited) (continued)

Liabilities and equity *(In € millions)*	**Notes**	**September 30, 2011**	**March 31, 2011**
Issued capital	15.1	300	300
Additional paid-in capital		2,971	2,971
Treasury shares		(87)	(94)
Reserves and retained earnings	15.2	2,990	3,675
Equity attributable to equity holders of Air France-KLM		***6,174***	***6,852***
Non-controlling interests		53	54
Total equity		***6,227***	***6,906***
Provisions and retirement benefits	16	2,006	1,930
Long-term debt	17	8,676	8,980
Deferred tax liabilities		462	511
Other non-current liabilities		319	272
Total non-current liabilities		***11,463***	***11,693***
Liabilities related to assets held for sale		-	-
Provisions	16	174	287
Current portion of long-term debt	17	1,822	1,808
Trade accounts payables		2,338	2,211
Deferred revenue on ticket sales		2,217	2,440
Frequent flyer programs		784	806
Current tax liabilities		6	3
Other current liabilities		2,549	2,686
Bank overdrafts		159	129
Total current liabilities		***10,049***	***10,370***
Total liabilities		**21,512**	**22,063**
Total liabilities and equity		**27,739**	**28,969**

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

Consolidated statement 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	Non-controlling interests	Total equity
March 31, 2010	***300,219,278***	***2,552***	***719***	***(106)***	***2,198***	***5,363***	***55***	***5,418***
Fair value adjustment on available for sale securities	-	-	-	-	171	171	-	171
Gain/(loss) on cash flow hedges	-	-	-	-	11	11	-	11
Currency translation adjustment	-	-	-	-	(4)	(4)	-	(4)
Net income for the period	-	-	-	-	1,026	1,026	(2)	1,024
Total of income and expenses recognized	***-***	***-***	***-***	***-***	***1,204***	***1,204***	***(2)***	***1,202***
Stock based compensation (ESA) and stock options	-	-	-	-	12	12	-	12
Dividends paid	-	-	-	-	-	-	(2)	(2)
Capital decrease	-	(2,252)	2,252	-	-	-	-	-
Treasury shares	-	-	-	8	-	8	-	8
September 30, 2010	***300,219,278***	***300***	***2,971***	***(98)***	***3,414***	***6,587***	***51***	***6,638***
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	-	-	-	-	(119)	(119)	-	(119)
Gain/(loss) on cash flow hedges	-	-	-	-	(385)	(385)	(1)	(386)
Currency translation adjustment	-	-	-	-	(2)	(2)	-	(2)
Net income for the period	-	-	-	-	(183)	(183)	3	(180)
Total of income and expenses recognized	***-***	***-***	***-***	***-***	***(689)***	***(689)***	***2***	***(687)***
Stock based compensation (ESA) and stock options	-	-	-	-	4	4	-	4
Dividends paid	-	-	-	-	-	-	(2)	(2)
Capital decrease	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	7	-	7	-	7
Other variations	-	-	-	-	-	-	(1)	(1)
September 30, 2011	***300,219,278***	***300***	***2,971***	***(87)***	***2,990***	***6,174***	***53***	***6,227***

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

Consolidated statement of cash flows (unaudited)

Period from April 1 to September 30, *(In € millions)*	**Notes**	**2011**	**2010**
Net income for the period – Equity holders of Air France-KLM		(183)	1,026
Non-controlling interests		3	(2)
Amortization, depreciation and operating provisions		848	856
Financial provisions		(1)	(8)
Gain on disposals of tangible and intangible assets		(15)	(8)
Gain on Amadeus operation	9	-	(1,030)
Derivatives – non monetary results		107	(14)
Unrealized foreign exchange gains and losses, net		136	61
Share of (profits) losses of associates		24	32
Deferred taxes		(94)	(4)
Other non-monetary items		(225)	(67)
Subtotal		**600**	**842**
(Increase)/ decrease in inventories		(36)	(23)
(Increase)/ decrease in trade receivables		(159)	(229)
Increase/ (decrease) in trade payables		48	253
Change in other receivables and payables		(190)	(135)
Net cash flow from operating activities		***263***	***708***
Acquisition of subsidiaries and investments in associates, net of cash acquired		(6)	(6)
Purchase of property, plant and equipment and intangible assets		(1,423)	(1,128)
Proceeds on Amadeus transaction	9	-	193
Proceeds on disposal of property, plant and equipment and intangible assets		680	432
Dividends received		26	6
Decrease (increase) in investments, net between 3 months and 1 year		65	(76)
Net cash flow used in investing activities		***(658)***	***(579)***

Period from April 1 to September 30, *(In € millions)*	**Notes**	**2011**	**2010**
Purchase of non-controlling interests, of shares in non-controlled entities		(2)	(3)
Disposal of subsidiaries without loss of control, of shares in non-controlled entities		-	10
Issuance of long-term debt		510	297
Repayment on long-term debt		(778)	(435)
Payment of debt resulting from finance lease liabilities		(276)	(258)
New loans		(33)	(43)
Repayment on loans		112	107
Dividends paid		(2)	(2)
Net cash flow from financing activities		***(469)***	***(327)***
Effect of exchange rate on cash and cash equivalents and bank overdrafts		***(4)***	***(3)***
Change in cash and cash equivalents and bank overdrafts		***(868)***	***(201)***
Cash and cash equivalents and bank overdrafts at beginning of period		*3,588*	*3,635*
Cash and cash equivalents and bank overdrafts at end of period		*2,720*	*3,434*
Income tax paid (flow included in operating activities)		*(20)*	*(16)*
Interest paid (flow included in operating activities)		*(216)*	*(194)*
Interest received (flow included in operating activities)		*31*	*20*

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

Notes to the unaudited interim condensed consolidated financial statements

April 1, 2011 – September 30, 2011

Note 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 excluding its consolidated subsidiaries.

The term "Group" is represented by the economic definition of Air France-KLM and its subsidiaries. The Group is headquartered in France and is one of the largest airlines in the world. The Group's core business is passenger transportation. The Group's activities also include cargo, aeronautics maintenance and other air-transport related activities, including principally catering and charter services.

The limited company Air France-KLM SA, domiciled at 2 rue Robert Esnault-Pelterie 75007 Paris – France, is the parent company of the Air France-KLM group. Air France-KLM is listed for trading in Paris (Euronext), Amsterdam (Euronext).

The Group's functional currency is the euro.

Note 2 Significant events of the year

By decision of the General Shareholders' Meeting held on July 7, 2011, the opening and closing dates of the financial year have been changed, the IATA year having being replaced by the calendar year.

This change allows the Group to come into line with the practice of the majority of airlines, hereby facilitating comparison.

The current financial year which opened on April 1, 2011 will exceptionally be of nine months' duration, closing on December 31, 2011.

Note 3 Accounting policies

3.1 Accounting principles

Accounting principles used for the interim condensed consolidated financial statements

Pursuant to the European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of the Air France-KLM group as of March 31, 2011 have been established in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Commission on the date of these consolidated financial statements were drawn up.

The interim condensed consolidated financial statements as of September 30, 2011 are prepared in accordance with IFRS, as adopted by the European Union on the date these condensed consolidated financial statements were drawn up, and are presented according to IAS 34 "Interim financial reporting". They must be read in connection with the annual consolidated financial statements for the year ended March 31, 2011.

The interim condensed consolidated financial statements as of September 30, 2011 are prepared in accordance with the accounting principles used by the Group for consolidated financial statements for the year 2010-11 with the exception of the standards and interpretations adopted by the European Union applicable for the Group starting April 1, 2011.

The condensed consolidated financial statements were approved by the Board of Directors on November 9, 2011.

Change in accounting principles

IFRS standards, Amendments and IFRIC's interpretations applicable effective April 1, 2011 have no significant impact on the Group's interim consolidated financial statements as of September 30, 2011 .

Standards potentially applicable to the Group, published by the IASB, but not adopted by the European Union are described below. They will have to be applied, subject to their approbation by the European Union, to the accounting periods started January 1, 2013.

- Standard IFRS 10 "Consolidated Financial Statements" which will replace IAS 27 "Consolidated and Separate Financial Statements" for the part concerning the consolidated financial statements and also SIC 12 "Consolidation – Special Purpose Entities".
- Standard IFRS 11 "Joint Arrangements" which will replace IAS 31 "Interests in Joint Ventures" and also the interpretation SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers"
- Standard IFRS 12 "Disclosure on Interests in Other Entities".
- The revision of standards IAS 27 "Consolidated and Separate Financial Statements" and IAS 28 "Investments in Associates".
- Standard IFRS 13 "Fair Value Measurement".
- Standard IFRS 9 "Financial instruments – Classification and measurement of financial assets and liabilities".
- The revision of the standard IAS 19 "Employee Benefits".

The impact analysis of these standards on the Group's financial statements is currently under way, including those resulting from the amendment to IAS 19, whose consequence is mainly the removal of the corridor method currently used by the Group.

The following texts will also be applicable on a mandatory basis if approved by the European Union:

- Amendment to IFRS 7 "Disclosure in the transfer of financial assets" (application is mandatory for fiscal years beginning on or after July 1, 2011);
- Amendment to IAS 1 on presentation of other comprehensive income (applicable on a mandatory basis to fiscal years beginning on or after July 1, 2012).

3.2 Preparation of unaudited interim consolidated financial statements

Seasonality of the activity

Revenues and income from current operations are characterized by their seasonal nature given the 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.

Income taxes

For the interim financial statements, the tax charge (current and deferred) is calculated by applying to the income before tax 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 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 Note 3 of the March 31, 2011 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.

Note 4 Information by activity and geographical area

Information by business segments

The Group is organized with 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.

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.

Information by geographical segments

Group 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 revenues are allocated by geographical sales area.

4.1 Information by business segment

➤ Six month period ended September 30, 2011

(In € millions)	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	10,652	1,583	1,564	1,149	-	14,948
Intersegment sales	(574)	(11)	(1,030)	(324)	-	(1,939)
External sales	***10,078***	***1,572***	***534***	***825***	***-***	***13,009***
Income from current operations	216	(51)	41	46	-	252
Income from operating activities	216	(51)	41	46	(1)	251
Share of profits (losses) of associates	-	-	-	-	(24)	(24)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(479)	(479)
Income taxes	-	-	-	-	72	72
Net income from continuing operations	***216***	***(51)***	***41***	***46***	***(432)***	***(180)***

➤ Six month period ended September 30, 2010

(In € millions)	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	10,027	1,568	1,553	1,087	-	14,235
Intersegment sales	(534)	(8)	(1,021)	(302)	-	(1,865)
External sales	***9,493***	***1,560***	***532***	***785***	***-***	***12,370***
Income from current operations	311	18	81	34	-	444
Income from operating activities	311	18	81	34	883	1,327
Share of profits (losses) of associates	-	-	-	-	(32)	(32)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(261)	(261)
Income taxes	-	-	-	-	(10)	(10)
Net income from continuing operations	***311***	***18***	***81***	***34***	***580***	***1,024***

4.2 Information by geographical area

Sales by geographical area

➤ Six month period ended September 30, 2011

(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	3,005	3,025	206	648	1,760	997	9,641
Other passenger sales	177	143	6	30	27	54	437
Total passenger	**3,182**	**3,168**	**212**	**678**	**1,787**	**1,051**	**10,078**
Scheduled cargo	174	592	14	104	254	352	1,490
Other cargo sales	24	17	2	5	19	15	82
Total cargo	**198**	**609**	**16**	**109**	**273**	**367**	**1,572**
Maintenance	299	216	-	-	19	-	534
Others	245	546	9	25	-	-	825
Total	**3,924**	**4,539**	**237**	**812**	**2,079**	**1,418**	**13,009**

➤ Six month period ended September 30, 2010

(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	2,750	2,868	196	664	1,694	889	9,061
Other passenger sales	173	146	6	33	35	39	432
Total passenger	**2,923**	**3,014**	**202**	**697**	**1,729**	**928**	**9,493**
Scheduled cargo	152	494	13	123	252	441	1,475
Other cargo sales	27	16	2	4	19	17	85
Total cargo	**179**	**510**	**15**	**127**	**271**	**458**	**1,560**
Maintenance	304	207	-	-	21	-	532
Others	214	548	11	12	-	-	785
Total	**3,620**	**4,279**	**228**	**836**	**2,021**	**1,386**	**12,370**

Traffic sales by geographical area of destination

➤ Six month period ended September 30, 2011

(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	1,051	2,407	638	1,236	2,655	1,654	9,641
Scheduled cargo	2	25	78	302	586	497	1,490
Total	**1,053**	**2,432**	**716**	**1,538**	**3,241**	**2,151**	**11,131**

➤ Six month period ended September 30, 2010

(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	973	2,217	575	1,333	2,405	1,558	9,061
Scheduled cargo	3	23	72	295	535	547	1,475
Total	**976**	**2,240**	**647**	**1,628**	**2,940**	**2,105**	**10,536**

Note 5 External expenses

Six month period ended September 30, *(In € millions)*	**2011**	**2010**
Aircraft fuel	3,390	2,944
Chartering costs	301	245
Aircraft operating lease costs	421	416
Landing fees and air route charges	948	901
Catering	297	285
Handling charges and other operating costs	689	665
Maintenance costs	614	595
Commercial and distribution costs	461	496
Other external expenses	931	884
Total	**8,052**	**7,431**
Excluding aircraft fuel	*4,662*	*4,487*

"Other external expenses" correspond mainly to rent and insurance costs.

Note 6 Salaries and number of employees

➤ Salaries and related costs

Six month period ended September 30, *(In € millions)*	**2011**	**2010**
Wages and salaries	2,766	2,721
Social contributions	923	886
Net periodic pension cost	116	99
Expenses related to share-based compensation	3	12
Other expenses	(16)	(28)
Total	**3,792**	**3,690**

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

➤ Average number of employees

Six month period ended September 30,	**2011**	**2010**
Flight deck crew	8,567	8,716
Cabin crew	23,097	22,648
Ground staff	70,852	71,097
Total	**102,516**	**102,461**

Note 7 Amortization, depreciation and provisions

Six month period ended September 30, *(In € millions)*	2011	2010
Amortization and depreciation		
Intangible assets	34	27
Flight equipment	645	643
Other property, plant and equipment	138	142
	817	**812**
Provisions		
Inventories	(2)	9
Trade receivables	5	1
Risks and contingencies	28	34
	31	**44**
Total	**848**	**856**

Note 8 Other income and expenses

Six month period ended September 30, *(In € millions)*	2011	2010
Joint operation of routes	32	2
Operations-related currency hedges	(17)	113
Other	(6)	21
Total	**9**	**136**

Note 9 Other non-current income and expenses

Six month period ended September 30, *(In € millions)*	2011	2010
Amadeus operation	-	1,030
Other	(10)	(153)
Other non-current income and expenses	**(10)**	**877**

Six month period ended September 30, 2010

On April 29, 2010, the company Amadeus was the subject of an Initial Public Offering (IPO) on the Spanish stock exchange.

This operation was executed in two stages:

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

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

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

The total profit recorded in the income statement for an amount of €1,030 million breaks down as follows:

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

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

The "Others" line mainly included an additional provision of €127 million related to the fines imposed by the European Commission on the Air France, KLM and Martinair entities with respect to anti competitive agreements in the air freight industry (cf. Note 16) as well as an additional provision of €15 million related to the Air France voluntary redundancy plan which was extended.

Note 10 Net cost of financial debt and other financial income and expenses

Six month period ended September 30, *(In € millions)*	**2011**	**2010**
Income from marketable securities	17	6
Other financial income	31	36
Income from cash and cash equivalents	***48***	***42***
Loan interests	(149)	(148)
Lease interests	(43)	(48)
Capitalized interests and other non monetary items	(38)	(35)
Cost of financial debt	***(230)***	***(231)***
Net cost of financial debt	***(182)***	***(189)***
Foreign exchange gains (losses), net	(158)	(54)
Change in fair value of financial assets and liabilities	(140)	(26)
Net (charge) release to provisions	1	8
Other	-	-
Other financial income and expenses	***(297)***	***(72)***

The interest rate used in the calculation of capitalized interest is 4.26% for the six-month period ended September 30, 2011 (3.71% for the six-month period ended September 30, 2010).

The change in fair value of financial assets and liabilities recorded as of September 30, 2011 arose mainly from the variation in the ineffective portion of fuel and foreign currency exchange derivatives.

Note 11 Income taxes

11.1 Income tax charge

Six month period ended September 30, *(In € millions)*	**2011**	**2010**
Current tax (expense)/ benefit	***(24)***	***(14)***
Charge for the period	(26)	(14)
Adjustment of previous current tax charges	2	-
Deferred tax income/ (expense) from continuing operations	***96***	***4***
Change in temporary differences	(54)	(138)
CAVE impact	2	3
(Use)/ recognition of tax loss carryforwards	148	139
Income tax (expense)/ income from continuing operations	***72***	***(10)***

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

11.2 Deferred tax recorded directly in equity

Deferred tax recorded directly in equity amounts to revenue of €153 million as of September 30, 2011 against a loss of €16 million for the period ended September 30, 2010.

For the six-month periods ended September 30, 2011 and 2010 these deferred taxes related to the accounting of cash flow hedges.

Note 12 Share of profits (losses) of associates

The “share of profits (losses) of associates” includes mainly the share of Alitalia group losses, amounting to €33 million as of September 30, 2011. The share of losses was €35 million as of September 30, 2010.

It corresponds to the activity from January 1 to June 30, the annual closing date being December 31.

Note 13 Earnings per share

➤ Reconciliation of income used to calculate earnings per share

Six month period ended September 30, *(In € millions)*	2011	2010
Net income for the period – Equity holders of Air France-KLM	**(183)**	**1,026**
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)	**(183)**	**1,026**
Impact of potential ordinary shares:		
♦ interest paid on convertible bonds (net of tax)	-	22
Net income for the period – Equity holders of Air France-KLM (used to calculate diluted earnings per share)	***(183)***	***1,048***

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

Six month period ended September 30,	2011	2010
Weighted average number of:		
♦ Ordinary shares issued	300,219,278	300,219,278
♦ Treasury stock held regarding stock option plan	(1,229,714)	(1,438,337)
♦ Treasury stock held for the share buyback plan	(292,057)	(1,172,666)
♦ Other treasury stock	(2,959,933)	(2,961,608)
Number of shares used to calculate basic earnings per share	***295,737,574***	***294,646,667***
Weighted average number of ordinary shares:		
♦ Conversion of convertible bonds	-	78,618,766
♦ Exercise of stock options	-	-
Number of potential ordinary shares	***-***	***78,618,766***
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	***295,737,574***	***373,265,433***

Note 14 Tangible assets

	As of September 30, 2011			As of March 31, 2011		
(In € millions)	Gross value	Depreciation	Net Value	Gross value	Depreciation	Net Value
Owned aircraft	10,557	5,434	5,123	10,622	5,203	5,419
Leased aircraft	5,489	1,649	3,840	4,788	1,341	3,447
Assets in progress	726	-	726	969	-	969
Other	2,138	933	1,205	2,107	902	1,205
Flight equipment	***18,910***	***8,016***	***10,894***	***18,486***	***7,446***	***11,040***
Land and buildings	2,648	1,389	1,259	2,642	1,328	1,314
Equipment and machinery	1,281	835	446	1,270	803	467
Assets in progress	97	-	97	67	-	67
Other	893	644	249	901	638	263
Other tangible assets	***4,919***	***2,868***	***2,051***	***4,880***	***2,769***	***2,111***
Total	**23,829**	**10,884**	**12,945**	**23,366**	**10,215**	**13,151**

The net value of tangible assets financed under capital lease amounts to €4,265 million as of September 30, 2011 (€3,826 million as of March 31, 2011).

Note 15 Equity attributable to equity holders of Air France-KLM SA

15.1 Breakdown of stock and voting rights

As of September 30, 2011, the issued capital of Air France-KLM comprised 300,219,278 fully paid-up shares with a nominal value of €1. Each share is entitled to one vote.

The breakdown of stock and voting rights is as follows:

	As of September 30, 2011		As of March 31, 2011	
	Capital	Voting rights	Capital	Voting rights
French State	16%	16%	16%	16%
Employees and former employees	10%	10%	10%	10%
Treasury shares	2%	-	2%	-
Other	72%	74%	72%	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.

15.2 Reserves and retained earnings

(In € millions)	As of September 30, 2011	As of March 31, 2011
Legal reserve	70	70
Distributable reserve	962	1,032
Derivatives reserves	(22)	363
Available for sale securities reserves	54	173
Other reserves	2,109	1,424
Net income (loss) – Equity holders of Air France-KLM	(183)	613
Total	**2,990**	**3,675**

Note 16 Provisions and retirement benefits

	As of September 30, 2011			As of March 31, 2011		
(In € millions)	Non current	Current	Total	Non current	Current	Total
Retirement benefits	1,040	-	1,040	986	-	986
Restitution of aircraft	429	140	569	414	142	556
Restructuring	-	11	11	-	122	122
Litigation	379	17	396	382	19	401
Other	158	6	164	148	4	152
Total	**2,006**	**174**	**2,180**	**1,930**	**287**	**2,217**

16.1 Provisions

Provision for litigation with third parties

An assessment of litigation risks with third parties was carried out with the Group's attorneys and provisions have been recorded whenever circumstances rendered it necessary.

Provisions for litigation with third parties also include provisions for tax risks. Such provisions are set up when the Group considers that the tax authorities could challenge a tax position adopted by the Group or one of its subsidiaries.

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

Provision for restructuring

As of September 30, 2011 and March 31, 2011, the provision for restructuring mainly includes the provision for the Air France voluntary redundancy plan.

Litigation concerning anti-trust laws

In the air-freight industry

a) Investigation of the anti-trust authorities

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

The proceedings initiated in the United States, Australia and Canada resulted, during financial year 2008-09, in Plea Agreements made by Air France, KLM and Martinair with the appropriate agencies, and the payment of fines putting an end to those proceedings. As of September 30, 2011 discussions are underway with the Competition Commission of South Africa to conclude a settlement agreement which would result in the payment by the Group of a penalty of €1.8 million.

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

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

On January 24 and 25, 2011, the Group companies filed an appeal against the decision before the General Court of 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 €8.6 million. The Group companies have filed an appeal before the competent Court.

This fine will not impact the financial statements of the Group given that provisions have already been booked.

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 accepted to pay an amount of CAD 6.5 million (€4.6 million). This agreement is subject to the approval of the Ontario court.

The total amount of provisions as of September 30, 2011 amounts to €354 million for the whole proceedings.

Other provisions

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

16.2 Contingent liabilities

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

Litigations concerning anti-trust laws

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

a) In the air-freight industry

a1) Investigation of the anti-trust authorities

The proceedings in Switzerland and Brazil are still ongoing as of September 30, 2011.

With regard to the revenues involved, these risks are not individually significant.

a2) Civil suits

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

United States

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

On March 14, 2011, The Court issued an order granting final approval of the Air France-KLM settlement with the class action plaintiffs. Prior to that date, pursuant to procedures established by the Court, 36 entities elected to be excluded from the settlement, which permits them to separately pursue claims although only four were customers of Air France, KLM or Martinair.

With respect to those Air France-KLM customers who chose to be excluded, a portion of the settlement proportional to the revenue Air France-KLM received from those parties for a specified period as compared with Air France-KLM's overall revenue for that period will be segregated in a separate escrow. If claims by those parties, including written demands, are made against Air France-KLM, then the portion of the separate escrow attributable to the claiming parties will be transferred to Air France-KLM.

Netherlands

In the Netherlands, KLM, Martinair and Air France were summoned on September 30, 2010, to appear before the District Court of Amsterdam in a civil suit brought by a company named Equilib which states that it has purchased claims from 145 purchasers of airfreight services who allegedly suffered losses as a result of an anti-trust infringement in the European market between 2000 and 2006.

Equilib is seeking to obtain a declaratory judgment confirming that the Group companies have been guilty of unlawful conduct and are jointly and severally liable, along with other carriers, for the losses suffered by the airfreight purchasers. Equilib currently estimates its claims at €400 million but does not substantiate that figure.

The Group companies served a contribution writ of summons on the other airlines fined by the European Commission on November 9, 2010.

In April 2011, the Group companies have filed a claim against Equilib with the Commercial Court of Paris requesting that Equilib be declared a fictitious company and, as such, be deemed as invalid.

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.

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

b) In the air transport industry (passengers)

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

Air France and KLM, like other air carriers, were subject on March 11, 2008 to searches and seizures in connection with an investigation by the European Commission into possible anti-competitive agreements or concerted practices in the area of air transport services (passengers) between the States parties to the agreement on the European Economic Area and Japan.

On February 13, 2009, Air France and KLM replied to a questionnaire from the Commission pointing out the background of air traffic relations between France and the Netherlands, on the one hand, and Japan on the other hand. These relations are governed by bilateral agreements requiring the approval of fares by the civil aviation authorities in the States concerned after agreement among the air carriers designated pursuant to such agreements.

A second questionnaire was sent to the Group by the European Commission on October 1, 2009. The last request was received in June 2011. To date, the Group is unable to state an opinion regarding the action that will be taken in connection with such enquiries by the European Commission.

b.2) Civil actions

During 2009, Air France and KLM were subpoenaed in a class action involving all the airlines operating transpacific routes between the United States and Asia/Oceania, on the basis of allegations of price-fixing on such routes.

Air France, which has only one transpacific route between the United States and Tahiti, and KLM, which is not involved on these routes, strongly deny these allegations.

Other litigations

a) Pretory

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

Company Air France challenges its implication in this case.

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 2007-08.

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.

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 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. 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.

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.

To the best of Air France-KLM's knowledge, there is no other dispute, arbitration or non-recurring event that could have or has had in the recent past a significant impact on the Group's financial position, earnings or assets and liabilities.

Except for the matters specified under the paragraphs 16.1 and 16.2, the company is not aware of any governmental, judicial or 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 issuer's and/or Group's financial position or profitability, during a period including at least the past twelve months.

Note 17 Financial debt

(In € millions)	As of September 30, 2011			As of March 31, 2011		
	Non current	Current	Total	Non current	Current	Total
Perpetual subordinated loan stock	611	-	611	566	-	566
OCEANE (convertible bonds)	520	475	995	984	-	984
Bonds	1,450	-	1,450	1,450	-	1,450
Capital lease obligations	3,543	703	4,246	3,059	695	3,754
Other long-term debt	2,552	520	3,072	2,921	994	3,915
Accrued interest	-	124	124	-	119	119
Total	**8,676**	**1,822**	**10,498**	**8,980**	**1,808**	**10,788**

Note 18 Lease commitments

18.1 Capital leases

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

As of *(In € millions)*	September 30, 2011	March 31, 2011
Flight equipment	4,745	3,926
Buildings	438	300
Other	134	140
Total	**5,317**	**4,366**

18.2 Operating leases

The undiscounted amount of the future minimum operating lease payments for aircraft under operating lease totaled €4,961 million as of September 30, 2011 (€4,650 million as of March 31, 2011).

Note 19 Flight equipment orders

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

(In € millions)	As of September 30, 2011	As of March 31, 2011
IATA Y (6 months)	227	N/A
IATA Y+1	837	1,050
IATA Y+2	483	742
IATA Y+3	347	334
IATA Y+4	99	328
IATA Y+5	-	90
Total	**1,993**	**2,544**

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

The number of aircraft on firm order as of September 30, 2011 decreased by 16 units compared with March 31, 2011 to 40 units. This change in the backlog is explained as follows:

- the delivery of 21 aircraft over the period;
- the conversion of 4 option into firm order;
- and a new order.

Long-haul fleet

Passenger
The Group took delivery of 2 Airbus A380s and 3 Boeing B777s. It also ordered a Boeing B777.

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

Medium-haul fleet

The Group took delivery of 6 Boeing B737s and converted 4 options for this aircraft type. It also took delivery of 5 Airbus A320s.

Regional fleet

The Group took delivery of 4 CRJ1000s.

The Group's commitments concern the following aircraft:

Aircraft type	To be delivered in IATA	Y (6 months)	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond Y+5	Total
Long-haul fleet – passenger									
	As of September 30, 2011	-	2	2	2	-	-	-	6
A380	As of March 31, 2011	N/A	2	2	2	2	-	-	8
	As of September 30, 2011	-	-	1	-	-	-	-	1
A330	As of March 31, 2011	N/A	-	1	-	-	-	-	1
	As of September 30, 2011	-	5	1	1	3	-	-	10
B777	As of March 31, 2011	N/A	3	5	-	1	3	-	12
Long-haul fleet – cargo									
	As of September 30, 2011	-	-	-	-	-	-	-	-
B777F	As of March 31, 2011	N/A	1	-	-	-	-	-	1
Medium-haul fleet									
	As of September 30, 2011	1	5	-	-	-	-	-	6
A320	As of March 31, 2011	N/A	6	5	-	-	-	-	11
	As of September 30, 2011	1	-	-	-	-	-	-	1
A321	As of March 31, 2011	N/A	1	-	-	-	-	-	1
	As of September 30, 2011	1	2	4	-	-	-	-	7
B737	As of March 31, 2011	N/A	7	2	-	-	-	-	9
Regional fleet									
	As of September 30, 2011	-	5	-	-	-	-	-	5
EMB190	As of March 31, 2011	N/A	2	3	-	-	-	-	5
	As of September 30, 2011	3	1	-	-	-	-	-	4
CRJ1000	As of March 31, 2011	N/A	7	1	-	-	-	-	8

These commitments do not include the order of 110 aircraft approved by the Board of Directors of the Air France-KLM group on September 15, 2011, given that the contract is not yet finalized.

Note 20 Related parties

As of September 30, 2011 and 2010, the Group's relationships with its related parties had not changed significantly in terms of amounts and or scope.

Note 21 Subsequent events

There have been no significant events since the close of the period.

Information and control

Attestation by the person responsible for the first half financial report to September 30, 2011

I hereby declare that, to the best of my knowledge, the condensed financial statements for the first half of the 2011 financial year (April-December 2011) have been established in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the company and of all the companies within the consolidation scope, and that the first half activity report presents a true picture of the significant events arising during the first six months of the financial year and of their impact on the first half financial statements, the main related party agreements together with a description of the principal risks and uncertainties for the remaining three months of the financial year.

Jean-Cyril Spinetta

Chairman and Chief Executive Officer

Statutory Auditors' review report on the interim financial information as of and for the six-month period ended September 30, 2011

To the Shareholders,

Following our appointment as Statutory Auditors by your Annual General Meetings and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying interim condensed consolidated financial statements of Air France-KLM S.A. for the six-month period ended September 30, 2011;
- the verification of information contained in the interim management report.

These interim condensed consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

II Specific verification

We have also verified the information given in the interim management report on the interim condensed consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the interim condensed consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, November 10, 2011

The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

Deloitte & Associés

Valérie Besson
Partner

Michel Piette
Partner

Dominique Jumaucourt
Partner

This is a free translation into English of the Statutory Auditors' review report issued in French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Document produced by

Air France-KLM's Financial Communication department.

Interior design and realization: Labrador +33 (0)1 53 06 30 80