# CONSOLIDATED FINANCIAL STATEMENTS

## NINE-MONTH FINANCIAL YEAR ENDED DECEMBER 31, 2011

# CONSOLIDATED INCOME STATEMENT

| *In € millions* | *Notes* | 01.04.2011<br>31.12.2011<br>(9 months) | 01.04.2010<br>31.12.2010<br>(9 months) (*) | 01.04.2010<br>31.03.2011<br>(12 months) | 01.01.2011<br>31.12.2011<br>(12 months)<br>Proforma | 01.01.2010<br>31.12.2010<br>(12 months)<br>Proforma |
|---|---|---|---|---|---|---|
| **Sales** | *6* | **12 285** | **11 769** | **15 220** | **15 736** | **15 078** |
| Other revenues | | 38 | 5 | 6 | 39 | 5 |
| **Revenues** | | **12 323** | **11 774** | **15 226** | **15 775** | **15 083** |
| External expenses | *7* | (7 585) | (6 923) | (9 212) | (9 874) | (9 065) |
| Salaries and related costs | *8* | (4 019) | (3 917) | (5 179) | (5 281) | (5 215) |
| Taxes other than income taxes | | (140) | (131) | (170) | (179) | (167) |
| Amortization | *9* | (822) | (809) | (1 079) | (1 092) | (1 076) |
| Depreciation and provisions | *9* | (53) | (64) | (59) | (48) | (47) |
| Other income and expenses | *10* | 67 | 143 | 208 | 132 | 216 |
| **Income from current operations** | | **(229)** | **73** | **(265)** | **(567)** | **(271)** |
| Sales of aircraft equipment | *11* | 15 | 11 | 9 | 13 | 13 |
| Other non-current income and expenses | *11* | (36) | 927 | 831 | (132) | 685 |
| **Income from operating activities** | | **(250)** | **1 011** | **575** | **(686)** | **427** |
| Cost of financial debt | | (161) | (146) | (199) | (214) | (193) |
| Income from cash and cash equivalents | | 42 | 38 | 51 | 55 | 49 |
| ***Net cost of financial debt*** | *12* | ***(119)*** | ***(108)*** | ***(148)*** | ***(159)*** | ***(144)*** |
| Other financial income and expenses | *12* | (142) | (70) | (38) | (110) | (140) |
| **Income before tax** | | **(511)** | **833** | **389** | **(955)** | **143** |
| Income taxes | *13* | 87 | 21 | 158 | 224 | 202 |
| **Net income of consolidated companies** | | **(424)** | **854** | **547** | **(731)** | **345** |
| Share of profits (losses) of associates | *20* | 5 | 3 | 4 | 6 | 3 |
| **Net income from continuing operations** | | **(419)** | **857** | **551** | **(725)** | **348** |
| **Net income for the period** | | **(419)** | **857** | **551** | **(725)** | **348** |
| **- Equity holders of Air France-KLM** | | **(423)** | **857** | **554** | **(726)** | **350** |
| - Non controlling interests | | 4 | - | (3) | 1 | (2) |
| Earnings per share – Equity holders (in euros) | *15.1* | | | | | |
| - basic | | (3.34) | 6.76 | 4.37 | (5.73) | 2.76 |
| - diluted | | (3.34) | 6.76 | 4.37 | (5.73) | 2.76 |

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

# CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

| *In € millions* | 01.04.2011<br>31.12.2011<br>(9 months) | 01.04.2010<br>31.12.2010<br>(9 months)<br>(*) | 01.04.2010<br>31.03.2011<br>(12 months) | 01.01.2011<br>31.12.2011<br>(12 months)<br>Proforma | 01.01.2010<br>31.12.2010<br>(12 months)<br>Proforma |
|---|---|---|---|---|---|
| **Net income for the period** | **(419)** | **857** | **551** | **(725)** | **348** |
| **Fair value adjustment on available-for-sale securities** | | | | | |
| Change in fair value recognized directly in equity | (74) | 323 | 172 | (225) | 325 |
| Change in fair value transferred to profit or loss | - | - | - | - | - |
| **Cash flow hedges** | | | | | |
| Effective portion of changes in fair value hedge recognized directly in equity | (24) | 235 | 581 | 322 | 256 |
| Change in fair value transferred to profit or loss | (208) | 76 | 17 | (267) | 170 |
| **Items of the recognized income and expenses of equity shares** | **-** | **-** | **-** | **-** | **-** |
| **Currency translation adjustment** | **6** | **2** | **(3)** | **1** | **5** |
| **Tax on items related to other comprehensive income** | | | | | |
| Income / (expense) included in other comprehensive income | 88 | (113) | (210) | (9) | (151) |
| **Total of other comprehensive income included in the recognized income and expenses** | **(212)** | **523** | **557** | **(178)** | **605** |
| **Recognized income and expenses** | **(631)** | **1 380** | **1 108** | **(903)** | **953** |
| **- Equity holders of Air France** | **(635)** | **1 380** | **1 111** | **(904)** | **955** |
| **- Non-controlling interests** | **4** | **-** | **(3)** | **1** | **(2)** |

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

# CONSOLIDATED BALANCE SHEET

| **Assets**<br>*In € millions* | ***Notes*** | **December 31, 2011** | **March 31, 2011** | **December 31, 2010 (*)** |
|---|---|---|---|---|
| Goodwill | ***16*** | 426 | 422 | 401 |
| Intangible assets | ***17*** | 306 | 263 | 242 |
| Flight equipment | ***18*** | 6 925 | 7 160 | 7 299 |
| Other property, plant and equipment | ***18*** | 1 414 | 1 454 | 1 459 |
| Investments in equity associates | ***20*** | 69 | 54 | 55 |
| Pension assets | | 8 | 6 | 27 |
| Other financial assets (**) | ***21*** | 1 666 | 1 488 | 1 647 |
| Deferred tax assets | ***13.5*** | 1 077 | 879 | 842 |
| Other non-current assets | ***24*** | 74 | 53 | 55 |
| **Total non-current assets** | | **11 965** | **11 779** | **12 027** |
| Assets held for sale | ***14*** | 10 | 21 | 3 |
| Other short-term financial assets (**) | ***21*** | 573 | 382 | 146 |
| Inventories | ***22*** | 349 | 359 | 372 |
| Trade accounts receivables | ***23*** | 1 235 | 1 351 | 1 292 |
| Income tax receivables | | 10 | 6 | 1 |
| Other current assets | ***24*** | 678 | 872 | 664 |
| Cash and cash equivalents | ***25*** | 844 | 1 517 | 1 475 |
| **Total current assets** | | **3 699** | **4 508** | **3 953** |
| **Total assets** | | **15 664** | **16 287** | **15 980** |

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

| *In € millions* | **December 31, 2011** | **March 31, 2011** | **December 31, 2010 (*)** |
|---|---|---|---|
| Deposits related to financial leases | 435 | 362 | 363 |
| Marketable securities | 710 | 357 | 124 |

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

# CONSOLIDATED BALANCE SHEET (continued)

| **Liabilities and equity**<br>*In € millions* | ***Notes*** | **December 31, 2011** | **March 31, 2011** | **December 31, 2010(*)** |
|---|---|---|---|---|
| Issued capital | ***26.1*** | 1 901 | 1 901 | 1 901 |
| Additional paid-in capital | ***26.2*** | 30 | 30 | 30 |
| Reserves and retained earnings | ***26.3*** | 896 | 1 529 | 1 791 |
| **Equity attributable to equity holders** | | **2 827** | **3 460** | **3 722** |
| Non-controlling interests | | 34 | 32 | 34 |
| **Total equity** | | **2 861** | **3 492** | **3 756** |
| Provisions and retirement benefits | ***28*** | 1 533 | 1 425 | 1 206 |
| Long-term debt | ***29*** | 4 754 | 4 427 | 4 384 |
| Deferred tax liabilities | ***13.5*** | 25 | 27 | 28 |
| Other non-current liabilities | ***30*** | 131 | 99 | 197 |
| **Total non-current liabilities** | | **6 443** | **5 978** | **5 815** |
| Provisions | ***28*** | 133 | 263 | 488 |
| Current portion of long-term debt | ***29*** | 840 | 1 185 | 1 152 |
| Trade accounts payables | | 1 977 | 1 601 | 1 350 |
| Deferred revenue on ticket sales | | 1 282 | 1 688 | 1 283 |
| Frequent flyer programs | | 529 | 542 | 548 |
| Current tax liabilities | | 2 | 3 | 12 |
| Other current liabilities | ***30*** | 1 440 | 1 406 | 1 431 |
| Bank overdrafts | ***25*** | 157 | 129 | 145 |
| **Total current liabilities** | | **6 360** | **6 817** | **6 409** |
| **Total liabilities** | | **12 803** | **12 795** | **12 224** |
| **Total liabilities and equity** | | **15 664** | **16 287** | **15 980** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

| | Number of shares | Issued capital | Additional paid-in capital | Reserves and retained earnings | Equity attributable to holders of Air France | Non controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **March 31, 2010** | **126 748 775** | **1 901** | **30** | **393** | **2 324** | **36** | **2 360** |
| Fair value adjustment on available for sale securities | - | - | - | 169 | **169** | - | **169** |
| Gain / (loss) on cash flow hedges | - | - | - | 391 | **391** | - | **391** |
| Currency translation adjustment | - | - | - | (3) | **(3)** | - | **(3)** |
| Net income for the year | - | - | - | 554 | **554** | (3) | **551** |
| **Total of income and expenses recognized** | **-** | **-** | **-** | **1 111** | **1 111** | **(3)** | **1 108** |
| Stock based compensation (ESA) | - | - | - | 25 | **25** | - | **25** |
| Dividends paid | - | - | - | - | **-** | (2) | **(2)** |
| Change in consolidation scope | - | - | - | - | **-** | 1 | **1** |
| **March 31, 2011** | **126 748 775** | **1 901** | **30** | **1 529** | **3 460** | **32** | **3 492** |
| Fair value adjustment on available for sale securities | - | - | - | (87) | **(87)** | - | **(87)** |
| Gain / (loss) on cash flow hedges | - | - | - | (131) | **(131)** | - | **(131)** |
| Currency translation adjustment | - | - | - | 6 | **6** | - | **6** |
| Net income for the year | - | - | - | (423) | **(423)** | 4 | **(419)** |
| **Total of income and expenses recognized** | **-** | **-** | **-** | **(635)** | **(635)** | **4** | **(631)** |
| Stock based compensation (ESA) | - | - | - | 5 | **5** | - | **5** |
| Dividends paid | - | - | - | - | **-** | (2) | **(2)** |
| Change in consolidation scope | - | - | - | (3) | **(3)** | - | **(3)** |
| **December, 31 2011** | **126 748 775** | **1 901** | **30** | **896** | **2 827** | **34** | **2 861** |

| | Number of shares | Issued capital | Additional paid-in capital | Reserves and retained earnings | Equity attributable to holders of Air France | Non controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **March 31, 2010** | **126 748 775** | **1 901** | **30** | **393** | **2 324** | **36** | **2 360** |
| Fair value adjustment on available for sale securities | - | - | - | 317 | **317** | - | **317** |
| Gain / (loss) on cash flow hedges | - | - | - | 204 | **204** | - | **204** |
| Currency translation adjustment | - | - | - | 2 | **2** | - | **2** |
| Net income for the year | - | - | - | 857 | **857** | - | **857** |
| **Total of income and expenses recognized** | **-** | **-** | **-** | **1 380** | **1 380** | **-** | **1 380** |
| Stock based compensation (ESA) | - | - | - | 18 | **18** | - | **18** |
| Dividends paid | - | - | - | - | **-** | (2) | **(2)** |
| **December, 31 2010** | **126 748 775** | **1901** | **30** | **1 791** | **3 722** | **34** | **3 756** |

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

Air France Group

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| *In € millions* | *Notes* | 01.04.2011 31.12.2011 (9 months) | 01.04.2010 31.12.2010 (9 months) (*) | 01.04.2010 31.03.2011 (12 months) | 01.01.2011 31.12.2011 (12 months) Proforma | 01.01.2010 31.12.2010 (12 months) Proforma |
|---|---|---|---|---|---|---|
| Net income for the period – Equity holders of Air France | | (423) | 857 | 554 | (726) | 350 |
| Non-controlling interests | | 4 | - | (3) | 1 | (2) |
| Amortization, depreciation and operating provisions | *9* | 875 | 873 | 1 138 | 1 140 | 1 123 |
| Financial provisions | *12* | (6) | (5) | (5) | (6) | (5) |
| Gain on disposals of tangible and intangible assets | | (7) | (10) | (12) | (9) | 25 |
| Loss / (gain) on disposals of subsidiaries and associates | | - | - | - | - | - |
| Gain on Amadeus operation | *11* | - | (1 030) | (1 030) | - | (1 030) |
| Derivatives – non monetary result | *12* | 19 | 14 | (4) | 1 | 7 |
| Unrealized foreign exchange gains and losses, net | | 75 | 11 | (3) | 61 | 28 |
| Share of (profits) losses of associates | *20* | (5) | (3) | (4) | (6) | (3) |
| Deferred taxes | *13* | (112) | (48) | (181) | (245) | (237) |
| Other non-monetary items | | (87) | 47 | 58 | (76) | 300 |
| **Subtotal** | | **333** | **706** | **508** | **135** | **556** |
| (Increase) / decrease in inventories | | 17 | (33) | (19) | 31 | (4) |
| (Increase) / decrease in trade receivables | | 140 | 279 | 201 | 62 | 24 |
| Increase / (decrease) in trade payables | | 333 | (109) | 184 | 626 | (58) |
| Change in other receivables and payables | | (293) | (296) | (25) | (22) | 16 |
| **Net cash flow from operating activities** | | **530** | **547** | **849** | **832** | **534** |
| Acquisition of subsidiaries and investments in associates, net of cash acquired | *36.1* | (7) | (10) | (33) | (30) | (10) |
| Purchase of property, plant and equipment and intangible assets | *19* | (1 395) | (1 065) | (1 477) | (1 807) | (1 387) |
| Proceeds on Amadeus transaction | *11* | - | 193 | 193 | - | 193 |
| Proceeds on disposal of subsidiaries and investments in associates | *36.2* | - | - | - | - | - |
| Proceeds on disposal of property, plant and equipment and intangible assets | | 698 | 466 | 743 | 975 | 815 |
| Dividends received | | 26 | 6 | 6 | 26 | 6 |
| Decrease (increase) in investments, net between 3 months and 1 year | | (352) | (18) | (253) | (587) | 17 |
| **Net cash flow used in investing activities** | | **(1 030)** | **(428)** | **(821)** | **(1 423)** | **(366)** |
| Increase in capital | | - | - | 6 | 6 | - |
| Purchase of non-controlling interests, of shares in non-controlled entities | *36.1* | (2) | (3) | (13) | (12) | (5) |
| Disposal of subsidiaries without loss of control, of shares in non-controlled entities | *36.2* | 2 | - | - | 2 | 1 |
| Issuance of long-term debt | | 871 | 269 | 531 | 1 133 | 750 |
| Repayment on long-term debt | | (754) | (593) | (682) | (843) | (687) |
| Payment of debt resulting from finance lease liabilities | | (299) | (109) | (119) | (309) | (137) |
| New loans | | (50) | (32) | (72) | (90) | (36) |
| Repayment on loans | | 37 | 26 | 72 | 83 | 43 |
| Dividends paid | | (3) | (2) | (2) | (3) | (2) |
| **Net cash flow from financing activities** | | **(198)** | **(444)** | **(279)** | **(33)** | **(73)** |
| **Effect of exchange rate on cash and cash equivalents and bank overdrafts** | | **(3)** | **-** | **(16)** | **(19)** | **-** |
| **Change in cash and cash equivalents and bank overdrafts** | | **(701)** | **(325)** | **(267)** | **(643)** | **95** |
| Cash and cash equivalents and bank overdrafts at beginning of period | *25* | 1 388 | 1 655 | 1 655 | 1 330 | 1 235 |
| Cash and cash equivalents and bank overdrafts at end of period | *25* | 687 | 1 330 | 1 388 | 687 | 1 330 |
| | | | | | | |
| Income tax (paid) / reimbursed (flow included in operating activities) | | (30) | (25) | (36) | (41) | (34) |
| Interest paid (flow included in operating activities) | | (132) | (123) | (204) | (213) | (199) |
| Interest received (flow included in operating activities) | | 28 | 25 | 29 | 32 | 29 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# 1. BUSINESS DESCRIPTION

As used herein, the term "Air France" refers to Air France S.A., a limited liability company organized under French law excluding its consolidated subsidiaries.
The Group is headquartered in France and is one of the largest airlines in the world. The Group's core business is passenger transportation. The Group's activities also include cargo, aeronautics maintenance and other air-transport related activities, including principally catering and charter services.
The limited company Air France SA, domiciled at 45 rue de Paris 95747 Roissy Charles de Gaulle, is the parent company of the Air France Group.
The presentation currency used in these financial statements is the euro, which is also the Group's functional currency.

# 2. CHANGE OF CLOSING DATE

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

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

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

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

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

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

# 3. SIGNIFICANT EVENTS

## 3.1. Arising during the accounting period

To optimize its debt repayment schedule, the Air France-KLM Group signed on December 6, 2011 a total return swap with Natixis. This operation, aiming at deferring until April 1st, 2016 the possible exercice of the repayment option initially scheduled for April 1st, 2012, is detailled in note 29.1.

The Board of Directors of the Group approved a significant aircraft order on September 15, 2011.
The commitments related to this order are detailed in note 33.

## 3.2. Subsequent events

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

# 4. ACCOUNTING POLICIES

## 4.1. Accounting principles

*4.1.1 Accounting principles used for consolidated financial statements*

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

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

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

*4.1.2 Change in accounting principles*

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

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

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

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

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

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

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

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

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

The main consequence of the revision to IAS 19 has been the removal of the option allowing, when a scheme was out of a 10% corridor, the amortization of actuarial differences. From now on they will have to be accounted directly in equity. According to the standard, the application as of January 1, 2013, will result in a negative adjustment in the opening equity of the first comparative published year, i.e. as of January 1, 2012, amounting to about €0.5 billions.

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

## 4.2. Use of estimates

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

- Note 4.6 – Revenue recognition related to deferred revenue on ticket sales,

- Notes 4.13 and 4.12 – Tangible and intangible assets,
- Note 4.10 – Financial instruments, valuation of financial assets and liabilities,
- Note 4.21 – Deferred taxes,
- Note 4.7 – Flying Blue frequent flyer program
- Notes 4.17, 4.18 and 4.19 – Provisions

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

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

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

## 4.3. Consolidation principles

*4.3.1 Subsidiaries*

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

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

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

*4.3.2. Interest in associates and joint ventures*

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

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

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

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

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

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

*4.3.3. Intra-group operations*

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

*4.3.4 Closing date*

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

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

*4.4.1. Translation of foreign companies' financial statements*

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

- except for the equity for which historical prices are applied, balance sheet items are converted on the basis of the foreign currency rates in effect at the closing date;
- the income statement and the statement of cash flows are converted on the basis of the average foreign currency exchange rates for the period;
- the resulting foreign exchange adjustment is recorded in the "Translation adjustments" item included within equity.

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

*4.4.2. Translation of foreign currency transactions*

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

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

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

## 4.5. Business combinations

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

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

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

Costs other than those related to the issuance of debt or equity securities are recognized immediately as an expense when incurred.
For each acquisition, the Group has the option of using the “full” goodwill method, where goodwill is calculated by taking into account the fair value of non-controlling interests at the acquisition date rather than their proportionate interest in the fair value of the assets and liabilities of the acquiree.

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

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

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

*4.5.2 Business combination carried out before April 1, 2010*

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

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

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

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

## 4.6. Sales

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

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

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

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

## 4.7. Loyalty programs

The Group has a common frequent flyer program "Flying Blue" with KLM. This program allows members to acquire "miles" as they fly on Air France or with other partner companies. These miles entitle members to a variety of benefits such as free flights with the company or other free services with non flying partners.

In accordance with the IFRIC 13 “Loyalty Programs”, these “miles” are considered as distinct elements from a sale with multiple elements and one part of the price of the initial sale of the airfare is allocated to these “miles” and deferred until the Groups commitments relating to these “miles” has been met.

The deferred amount due in relation to the acquisition of miles by members is estimated:

- According to the fair value of the “miles”, defined as the amount at which the benefits can be sold separately.

- After taking into account the redemption rate, corresponding to the probability that the miles will be used by members, using statistical method.

With regards to the invoicing of other partners in the program, the margins realized on sales of “miles” by the Group Air France to other partners is recorded immediately in the income statement.

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

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

Such elements can be divided into three categories:

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

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

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

## 4.9. Earnings per share

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

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

## 4.10. Financial instruments, valuation of financial assets and liabilities

### *4.10.1 Valuation of trade receivables and non-current financial assets*

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

### *4.10.2 Investments in debt and equity securities*

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

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

### *4.10.3 Derivative financial instruments*

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

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

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

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

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

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

- *Derivatives classified as fair value hedge*: changes in the derivative fair value are recorded through the income statement and offset within the limit of its effective portion against the changes in the fair value of the underlying item (assets, liability or firm commitment), which are also recognized as earnings.

- *Derivatives classified as cash flow hedge*: the changes in fair value are recorded in equity for the effective portion and are reclassified as income when the hedged element affects earnings. The ineffective portion is recorded as financial income or financial losses.

- *Derivatives classified as trading*: changes in the derivative fair value are recorded as financial income or losses.

*4.10.4 Convertible bonds*

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

*4.10.5 Financial assets, cash and cash equivalents*

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

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

*4.10.6 Long-term debt*

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

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

*4.10.7 Fair value hierarchy*

The table presenting a breakdown of financial assets and liabilities categorized by value (see note 31.4) meets the amended requirements of IFRS 7 "Financial instruments: Disclosures". The fair values are classified using a scale which reflects the nature of the market data used to make the valuations. This scale has three levels of fair value:

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

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

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

## 4.11. Goodwill

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

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

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

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

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

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

## 4.12. Intangible assets

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

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

| | |
|---|---|
| Software | 1 to 5 years |
| Customer relationships | 5 to 12 years |

## 4.13. Property, plant and equipment

### *4.13.1 Principles applicable*

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

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

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

*4.13.2 Flight equipment*

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

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

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

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

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

*4.13.3 Other property, plant and equipment*

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

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

*4.13.4. Leases*

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

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

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

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

- They are recognized immediately when it is clear that the transaction has been realized at fair value;

- If the sale price is below fair value, any profit or loss is recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used;

- If the sale price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

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

## 4.14. Impairment test

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

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

The depreciation tests are carried out individually for each asset, except for those assets to which it is not possible to attach independent cash flows. In this case, these assets are regrouped within the CGU to which they belong and it is this which is tested. The CGU relates to different activity sectors of the Group: Passenger business, cargo, maintenance and others.

When the recoverable value of an asset or CGU is inferior to its net book value, an impairment is realized. The impairment of a CGU is charged in the first instance to goodwill, the remainder being charged to the other assets which comprise the CGU, prorated to their net book value.

## 4.15. Inventories

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

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

Inventories are valued on a weighted average basis.

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

## 4.16. Treasury shares

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

## 4.17. Employee Benefits

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

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

## 4.18. Provisions for restitution of aircraft under operating leases

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

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

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

## 4.19. Other provisions

The Group recognizes a provision in the balance sheet when the Group has an existing legal or implicit obligation to a third party as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amounts recorded as provisions are discounted when the effect of the passage of time is material.

The effect of the time value of money is presented as a component of financial income.

Restructuring provisions are recognized once the Group has established a detailed and formal restructuring plan which has been announced to the parties concerned.

## 4.20. Equity and debt issuance costs

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

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

## 4.21. Deferred taxes

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

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

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

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

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

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

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

**Impact of the Territorial Economic Contribution**

The 2010 Finance Law voted on December 30, 2009, removed the business tax liability for French fiscal entities from January 1, 2010 and replaced it with the new TEC (Territorial Economic Contribution/Contribution Economique Territoriale – CET) comprising two contributions: the LDE (land tax of enterprises/Cotisation Foncière des Entreprises - CFE) and the CAVE (Contribution on Added Value of Enterprises/Cotisation sur la Valeur Ajoutée des Entreprises - CVAE). The latter is calculated by the application of a rate to the added value generated by the company during the year. As the added value is a net amount of income and expenses, the CAVE meets the definition of a tax on profits as set out in IAS 12.2. Consequently, the expense relating to the CAVE is presented under the line "tax".

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

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

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

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

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

## 4.23. Share-based compensation

Pursuant to the transitional provisions of IFRS 2 "Share based payments", only the share-based plans awarded after November 7, 2002, for which the rights did not vest by April 1, 2004, were valued and recorded as salaries and related costs.
Stock subscription or purchase option schemes are valued at the fair value on the date the plans are awarded.
The fair value of the stock option schemes is determined using the Black-Scholes model. This model takes into

account the features of the plan (exercise price, exercise period) and the market data at the time they are granted (risk-free interest rate, market value of the share, volatility and expected dividends).
This fair value is the fair value of the services rendered by the employees in consideration for the options received. It is recognized as salary cost with a corresponding increase to equity over the period for which the rights vest. This compensation cost is adjusted, if applicable, to take into account the number of options effectively vested.

# 5. CHANGES IN THE SCOPE OF CONSOLIDATION

## 5.1. Acquisitions

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

## 5.2. Disposals

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

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

- **Previous years**

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

# 6. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

**Business segments**

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

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

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

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

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

The results, assets and liabilities of the business segments are those that are either directly attributable or that can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments mainly correspond:

- as far as the income statement is concerned, to the current operating income,
- as far as the balance sheet is concerned, to goodwill, intangible assets, flight equipment and other property, plant and equipment, the share in equity affiliates, some account receivables, deferred revenue on ticket sales and a portion of provisions and retirement benefits.

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

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

### Geographical segments

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

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

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

## 6.1. Information by business segment

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

| *In € millions* | Passenger | Cargo | Maintenance | Other | Non-allocated | Total |
|---|---|---|---|---|---|---|
| Total sales | 10 655 | 1 117 | 1 657 | 804 | - | 14 233 |
| Inter-segment sales | (537) | (5) | (1 068) | (338) | - | (1 948) |
| **External sales** | **10 118** | **1 112** | **589** | **466** | **-** | **12 285** |
| Income from current operations | (232) | (67) | 49 | 21 | - | (229) |
| Income from operating activities | (232) | (67) | 49 | 21 | (21) | (250) |
| Share of profits (losses) of associates | - | - | - | - | 5 | 5 |
| Net cost of financial debt and other financial income and expenses | - | - | - | - | (261) | (261) |
| Income taxes | - | - | - | - | 87 | 87 |
| **Net income from continuing operations** | **(232)** | **(67)** | **49** | **21** | **(190)** | **(419)** |
| Depreciation and amortization for the period | (535) | (33) | (178) | (76) | - | (822) |
| Other non monetary items | (56) | (5) | - | (164) | (443) | (668) |
| **Total assets** | **8 631** | **684** | **1 782** | **314** | **4 253** | **15 664** |
| Segment liabilities | 3 977 | 126 | 599 | 156 | 2 194 | 7 052 |
| Financial debt, bank overdraft and equity | - | - | - | - | 8 612 | 8 612 |
| **Total liabilities and equity** | **3 977** | **126** | **599** | **156** | **10 806** | **15 664** |
| **Purchase of property, plant and equipment and Intangible assets** | **1 122** | **72** | **180** | **21** | **-** | **1 395** |

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

Non-allocated assets amounting to €4.3 billion are mainly financial assets held by the Group and mostly comprise financial assets for €1.9 billion, marketable securities for €0.5 billion, deferred tax for €1.1 billion, cash for €0.3 billion and derivatives for €0.2 billion.

Non-allocated liabilities amounting to €2.2 billion, mainly comprise a portion of provisions and retirement benefits for €0.9 billion, deferred tax for €0.1 billion, tax and employee-related liabilities of €1 billion and derivatives for €0.2 billion.

Financial debts, bank overdrafts and equity are not allocated.

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

| ***In € millions*** | **Passenger** | **Cargo** | **Maintenance** | **Other** | **Non-allocated** | **Total** |
|---|---|---|---|---|---|---|
| Total sales | 10 166 | 1 123 | 1 608 | 724 | - | 13 621 |
| Inter-segment sales | (499) | (1) | (1 031) | (321) | - | (1 852) |
| **External sales** | **9 667** | **1 122** | **577** | **403** | **-** | **11 769** |
| Income from current operations | (3) | (16) | 84 | 8 | - | 73 |
| Income from operating activities | (3) | (16) | 84 | 8 | 938 | 1 011 |
| Share of profits (losses) of associates | - | - | - | - | 3 | 3 |
| Net cost of financial debt and other financial income and expenses | - | - | - | - | (178) | (178) |
| Income taxes | - | - | - | - | 21 | 21 |
| **Net income from continuing operations** | **(3)** | **(16)** | **84** | **8** | **784** | **857** |
| | | | | | | |
| Depreciation and amortization for the period | (529) | (36) | (178) | (66) | - | (809) |
| Other non monetary items | (28) | - | (24) | (79) | 397 | 266 |
| | | | | | | |
| **Total assets** | **8 910** | **790** | **1 863** | **271** | **4 146** | **15 980** |
| Segment liabilities | 3 508 | 123 | 497 | 126 | 2 289 | 6 543 |
| Financial debt, bank overdraft and equity | - | - | - | - | 9 437 | 9 437 |
| **Total liabilities and equity** | **3 508** | **123** | **497** | **126** | **11 726** | **15 980** |
| **Purchase of property, plant and equipment and Intangible assets** | **851** | **59** | **140** | **15** | **-** | **1 065** |

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

Non-allocated assets amounting to €4.1 billion are mainly financial assets held by the Group, comprising financial assets for €1.4 billion, marketable securities for €1.2 billion, deferred tax for €0.8 billion, cash for €0.3 billion and derivatives for €0.2 billion.

Non-allocated liabilities amounting to €2.3 billion mainly comprise a portion of provisions and retirement benefits for €1 billion, tax and employee-related liabilities for €0.9 billion and derivatives for €0.2 billion.

Financial debts, bank overdrafts and equity are not allocated.

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

| *In € millions* | Passenger | Cargo | Maintenance | Other | Non-allocated | Total |
|---|---|---|---|---|---|---|
| Total sales | 13 129 | 1 478 | 2 136 | 950 | - | 17 693 |
| Inter-segment sales | (668) | (1) | (1 379) | (425) | - | (2 473) |
| **External sales** | **12 461** | **1 477** | **757** | **525** | **-** | **15 220** |
| Income from current operations | (331) | (42) | 105 | 3 | - | (265) |
| Income from operating activities | (331) | (42) | 105 | 3 | 840 | 575 |
| Share of profits (losses) of associates | - | - | - | - | 4 | 4 |
| Net cost of financial debt and other financial income and expenses | - | - | - | - | (186) | (186) |
| Income taxes | - | - | - | - | 158 | 158 |
| **Net income from continuing operations** | **(331)** | **( 42)** | **105** | **3** | **816** | **551** |
| | | | | | | |
| Depreciation and amortization for the period | (699) | (47) | (243) | (90) | - | (1 079) |
| Other non monetary items | (30) | 1 | (20) | (112) | 273 | 112 |
| | | | | | | |
| **Total assets** | **8 956** | **767** | **1 860** | **286** | **4 418** | **16 287** |
| Segment liabilities | 4 158 | 130 | 515 | 120 | 2 132 | 7 055 |
| Financial debt, bank overdraft and equity | - | - | - | - | 9 232 | 9 232 |
| **Total liabilities and equity** | **4 158** | **130** | **515** | **120** | **11 364** | **16 287** |
| **Purchase of property, plant and equipment and Intangible assets** | **1 168** | **84** | **203** | **22** | **-** | **1 477** |

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

Non-allocated assets amounting to €4.4 billion are mainly financial assets held by the Group. They comprise financial assets for €1.5 billion, marketable securities for €1.5 billion, deferred tax for €0.9 billion and derivatives for €0.4 billion.

Non-allocated liabilities amounting to €2.1 billion mainly comprise a portion of provisions and retirement benefits for €0.9 billion, employee-related liabilities for €1 billion and derivatives for €0.2 billion.

Financial debts, bank overdrafts and equity are not allocated.

- **Year ended December31, 2011 (12 months proforma)**

| *In € millions* | Passenger | Cargo | Maintenance | Other | Non-allocated | Total |
|---|---|---|---|---|---|---|
| Total sales | 13 618 | 1 472 | 2 185 | 1 030 | - | 18 305 |
| Inter-segment sales | (706) | (5) | (1 416) | (442) | - | (2 569) |
| **External sales** | **12 912** | **1 467** | **769** | **588** | **-** | **15 736** |
| Income from current operations | (560) | (93) | 70 | 16 | - | (567) |
| Income from operating activities | (560) | (93) | 70 | 16 | (119) | (686) |
| Share of profits (losses) of associates | - | - | - | - | 6 | 6 |
| Net cost of financial debt and other financial income and expenses | - | - | - | - | (269) | (269) |
| Income taxes | - | - | - | - | 224 | 224 |
| **Net income from continuing operations** | **(560)** | **(93)** | **70** | **16** | **(158)** | **(725)** |
| | | | | | | |
| Depreciation and amortization for the period | (705) | (44) | (243) | (100) | - | (1 092) |
| Other non monetary items | (58) | (4) | 4 | (114) | (566) | (738) |
| | | | | | | |
| **Total assets** | **8 631** | **684** | **1 782** | **314** | **4 253** | **15 664** |
| Segment liabilities | 3 977 | 126 | 599 | 156 | 2 194 | 7 052 |
| Financial debt, bank overdraft and equity | - | - | - | - | 8 612 | 8 612 |
| **Total liabilities and equity** | **3 977** | **126** | **599** | **156** | **10 806** | **15 664** |
| **Purchase of property, plant and equipment and Intangible assets** | **1 439** | **97** | **243** | **28** | **-** | **1 807** |

The income from operating activities not allocated mainly corresponds to non-current income and expenses detailed in note 11.
Non-allocated assets and liabilities are detailed in the comments for the year ended December 31, 2011 (9 months).

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

| ***In € millions*** | **Passenger** | **Cargo** | **Maintenance** | **Other** | **Non-allocated** | **Total** |
|---|---|---|---|---|---|---|
| Total sales | 13 033 | 1 444 | 2 110 | 933 | - | 17 520 |
| Inter-segment sales | (646) | (2) | (1 372) | (422) | - | (2 442) |
| **External sales** | **12 387** | **1 442** | **738** | **511** | **-** | **15 078** |
| Income from current operations | (288) | (63) | 81 | (1) | - | (271) |
| Income from operating activities | (288) | (63) | 81 | (1) | 698 | 427 |
| Share of profits (losses) of associates | - | - | - | - | 3 | 3 |
| Net cost of financial debt and other financial income and expenses | - | - | - | - | (284) | (284) |
| Income taxes | - | - | - | - | 202 | 202 |
| **Net income from continuing operations** | **(288)** | **(63)** | **81** | **(1)** | **619** | **348** |
| | | | | | | |
| Depreciation and amortization for the period | (698) | (49) | (240) | (89) | - | (1 076) |
| Other non monetary items | (32) | 4 | (11) | (159) | (4) | (202) |
| | | | | | | |
| **Total assets** | **8 910** | **790** | **1 863** | **271** | **4 146** | **15 980** |
| Segment liabilities | 3 508 | 123 | 497 | 126 | 2 289 | 6 543 |
| Financial debt, bank overdraft and equity | - | - | - | - | 9 437 | 9 437 |
| **Total liabilities and equity** | **3 508** | **123** | **497** | **126** | **11 726** | **15 980** |
| **Purchase of property, plant and equipment and Intangible assets** | **1 126** | **50** | **191** | **20** | **-** | **1 387** |

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

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

## 6.2. Information by geographical area

### Sales by geographical area

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

| *In € millions* | Metropolitan France | Europe except France, North Africa | Caribbean, French Guiana, Indian Ocean | Africa, Middle East | Americas, Polynesia | Asia, New Caledonia | Total |
|---|---|---|---|---|---|---|---|
| Scheduled passenger | 4 257 | 2 005 | 243 | 641 | 1 621 | 827 | 9 594 |
| Other passenger sales | 287 | 82 | 8 | 40 | 32 | 75 | 524 |
| **Total passenger** | **4 544** | **2 087** | **251** | **681** | **1 653** | **902** | **10 118** |
| Scheduled cargo | 278 | 295 | 19 | 58 | 149 | 219 | 1 018 |
| Other cargo sales | 42 | 16 | 3 | 4 | 22 | 7 | 94 |
| **Total cargo** | **320** | **311** | **22** | **62** | **171** | **226** | **1 112** |
| Maintenance | 549 | - | - | - | 40 | - | 589 |
| Others | 335 | 72 | 12 | 47 | - | - | 466 |
| **Total** | **5 748** | **2 470** | **285** | **790** | **1 864** | **1 128** | **12 285** |

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

| *In € millions* | Metropolitan France | Europe except France, North Africa | Caribbean, French Guiana, Indian Ocean | Africa, Middle East | Americas, Polynesia | Asia, New Caledonia | Total |
|---|---|---|---|---|---|---|---|
| Scheduled passenger | 3 995 | 1 911 | 232 | 653 | 1 585 | 775 | 9 151 |
| Other passenger sales | 288 | 89 | 7 | 42 | 36 | 54 | 516 |
| **Total passenger** | **4 283** | **2 000** | **239** | **695** | **1 621** | **829** | **9 667** |
| Scheduled cargo | 247 | 252 | 18 | 70 | 149 | 293 | 1 029 |
| Other cargo sales | 43 | 14 | 3 | 4 | 20 | 9 | 93 |
| **Total cargo** | **290** | **266** | **21** | **74** | **169** | **302** | **1 122** |
| Maintenance | 542 | - | - | - | 35 | - | 577 |
| Others | 303 | 67 | 15 | 18 | - | - | 403 |
| **Total** | **5 418** | **2 333** | **275** | **787** | **1 825** | **1 131** | **11 769** |

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

| *In € millions* | Metropolitan France | Europe except France, North Africa | Caribbean, French Guiana, Indian Ocean | Africa, Middle East | Americas, Polynesia | Asia, New Caledonia | Total |
|---|---|---|---|---|---|---|---|
| Scheduled passenger | 5 256 | 2 527 | 286 | 808 | 1 949 | 983 | 11 809 |
| Other passenger sales | 365 | 106 | 10 | 53 | 41 | 77 | 652 |
| **Total passenger** | **5 621** | **2 633** | **296** | **861** | **1 990** | **1 060** | **12 461** |
| Scheduled cargo | 338 | 348 | 28 | 81 | 197 | 365 | 1 357 |
| Other cargo sales | 55 | 17 | 5 | 5 | 27 | 11 | 120 |
| **Total cargo** | **393** | **365** | **33** | **86** | **224** | **376** | **1 477** |
| Maintenance | 713 | - | - | - | 44 | - | 757 |
| Others | 376 | 90 | 19 | 40 | - | - | 525 |
| **Total** | **7 103** | **3 088** | **348** | **987** | **2 258** | **1 436** | **15 220** |

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

| *In € millions* | Metropolitan France | Europe except France, North Africa | Caribbean, French Guiana, Indian Ocean | Africa, Middle East | Americas, Polynesia | Asia, New Caledonia | Total |
|---|---|---|---|---|---|---|---|
| Scheduled passenger | 5 518 | 2 621 | 297 | 796 | 1 985 | 1 035 | 12 252 |
| Other passenger sales | 364 | 99 | 11 | 51 | 37 | 98 | 660 |
| **Total passenger** | **5 882** | **2 720** | **308** | **847** | **2 022** | **1 133** | **12 912** |
| Scheduled cargo | 369 | 391 | 29 | 69 | 197 | 291 | 1 346 |
| Other cargo sales | 54 | 19 | 5 | 5 | 29 | 9 | 121 |
| **Total cargo** | **423** | **410** | **34** | **74** | **226** | **300** | **1 467** |
| Maintenance | 720 | - | - | - | 49 | - | 769 |
| Others | 408 | 95 | 16 | 69 | - | - | 588 |
| **Total** | **7 433** | **3 225** | **358** | **990** | **2 297** | **1 433** | **15 736** |

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

| *In € millions* | Metropolitan France | Europe except France, North Africa | Caribbean, French Guiana, Indian Ocean | Africa, Middle East | Americas, Polynesia | Asia, New Caledonia | Total |
|---|---|---|---|---|---|---|---|
| Scheduled passenger | 5 240 | 2 508 | 287 | 807 | 1 927 | 953 | 11 722 |
| Other passenger sales | 393 | 102 | 9 | 50 | 44 | 67 | 665 |
| **Total passenger** | **5 633** | **2 610** | **296** | **857** | **1 971** | **1 020** | **12 387** |
| Scheduled cargo | 381 | 265 | 23 | 94 | 193 | 367 | 1 323 |
| Other cargo sales | 55 | 18 | 5 | 5 | 25 | 11 | 119 |
| **Total cargo** | **436** | **283** | **28** | **99** | **218** | **378** | **1 442** |
| Maintenance | 692 | - | - | - | 46 | - | 738 |
| Others | 375 | 90 | 22 | 24 | - | - | 511 |
| **Total** | **7 136** | **2 983** | **346** | **980** | **2 235** | **1 398** | **15 078** |

## Traffic sales by geographical area of destination

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

| *In € millions* | Metropolitan France | Europe except France, North Africa | Caribbean, French Guiana, Indian Ocean | Africa, Middle East | Americas, Polynesia | Asia, New Caledonia | Total |
|---|---|---|---|---|---|---|---|
| Scheduled passenger | 1 536 | 2 102 | 833 | 1 182 | 2 563 | 1 378 | 9 594 |
| Scheduled cargo | 4 | 26 | 105 | 185 | 363 | 335 | 1 018 |
| **Total** | **1 540** | **2 128** | **938** | **1 367** | **2 926** | **1 713** | **10 612** |

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

| *In € millions* | Metropolitan France | Europe except France, North Africa | Caribbean, French Guiana, Indian Ocean | Africa, Middle East | Americas, Polynesia | Asia, New Caledonia | Total |
|---|---|---|---|---|---|---|---|
| Scheduled passenger | 1 430 | 1 963 | 752 | 1 252 | 2 383 | 1 371 | 9 151 |
| Scheduled cargo | 5 | 27 | 110 | 178 | 339 | 370 | 1 029 |
| **Total** | **1 435** | **1 990** | **862** | **1 430** | **2 722** | **1 741** | **10 180** |

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

| *In € millions* | Metropolitan France | Europe except France, North Africa | Caribbean, French Guiana, Indian Ocean | Africa, Middle East | Americas, Polynesia | Asia, New Caledonia | Total |
|---|---|---|---|---|---|---|---|
| Scheduled passenger | 1 886 | 2 513 | 1 050 | 1 600 | 2 999 | 1 761 | 11 809 |
| Scheduled cargo | 6 | 36 | 135 | 236 | 457 | 487 | 1 357 |
| **Total** | **1 892** | **2 549** | **1 185** | **1 836** | **3 456** | **2 248** | **13 166** |

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

| *In € millions* | Metropolitan France | Europe except France, North Africa | Caribbean, French Guiana, Indian Ocean | Africa, Middle East | Americas, Polynesia | Asia, New Caledonia | Total |
|---|---|---|---|---|---|---|---|
| Scheduled passenger | 1 992 | 2 652 | 1 131 | 1 530 | 3 179 | 1 768 | 12 252 |
| Scheduled cargo | 5 | 35 | 130 | 243 | 481 | 452 | 1 346 |
| **Total** | **1 997** | **2 687** | **1 261** | **1 773** | **3 660** | **2 220** | **13 598** |

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

| *In € millions* | Metropolitan France | Europe except France, North Africa | Caribbean, French Guiana, Indian Ocean | Africa, Middle East | Americas, Polynesia | Asia, New Caledonia | Total |
|---|---|---|---|---|---|---|---|
| Scheduled passenger | 1 956 | 2 438 | 1 031 | 1 612 | 2 966 | 1 719 | 11 722 |
| Scheduled cargo | 5 | 36 | 148 | 237 | 431 | 466 | 1 323 |
| **Total** | **1 961** | **2 474** | **1 179** | **1 849** | **3 397** | **2 185** | **13 045** |

# 7. EXTERNAL EXPENSES

| *In € millions* | 01.04.2011 31.12.2011 (9 months) | 01.04.2010 31.12.2010 (9 months) | 01.04.2010 31.03.2011 (12 months) | 01.01.2011 31.12.2011 (12 months) Proforma | 01.01.2010 31.12.2010 (12 months) Proforma |
|---|---|---|---|---|---|
| Aircraft fuel | 2 945 | 2 489 | 3 332 | 3 788 | 3 218 |
| Chartering costs | 374 | 312 | 425 | 487 | 409 |
| Aircraft operating lease costs | 441 | 429 | 570 | 582 | 557 |
| Landing fees and en route charges | 848 | 807 | 1 064 | 1 105 | 1 051 |
| Catering | 309 | 289 | 380 | 400 | 377 |
| Handling charges and other operating costs | 713 | 679 | 900 | 934 | 897 |
| Aircraft maintenance costs | 586 | 541 | 717 | 762 | 729 |
| Commercial and distribution costs | 433 | 458 | 572 | 547 | 587 |
| Other external expenses | 936 | 919 | 1 252 | 1 269 | 1 240 |
| **Total** | **7 585** | **6 923** | **9 212** | **9 874** | **9 065** |
| *Excluding aircraft fuel* | *4 640* | *4 434* | *5 880* | *6 086* | *5 847* |

# 8. SALARIES AND NUMBER OF EMPLOYEES

### Salaries and related costs

| *In € millions* | 01.04.2011 31.12.2011 (9 months) | 01.04.2010 31.12.2010 (9 months) | 01.04.2010 31.03.2011 (12 months) | 01.01.2011 31.12.2011 (12 months) Proforma | 01.01.2010 31.12.2010 (12 months) Proforma |
|---|---|---|---|---|---|
| Wages and salaries | 2 753 | 2 675 | 3 554 | 3 632 | 3 559 |
| Social contributions | 1 218 | 1 172 | 1 543 | 1 589 | 1 545 |
| Net periodic pension costs | 100 | 91 | 116 | 125 | 127 |
| Expenses related to share-based compensation | 5 | 19 | 25 | 11 | 25 |
| Other expenses | (57) | (40) | (59) | (76) | (41) |
| **Total** | **4 019** | **3 917** | **5 179** | **5 281** | **5 215** |

The Group pays contributions to a multi-employer plan in France, the CRPN (public pension fund for crew). This multi-employer plan being assimilated with a French State plan, it is accounted for as a defined contribution plan in "social contributions".
The "other expenses" notably comprise the capitalization of salary costs on aircraft and engine overhaul.

### Average number of employees

| | 01.04.2011 31.12.2011 (9 months) | 01.04.2010 31.12.2010 (9 months) | 01.04.2010 31.03.2011 (12 months) | 01.01.2011 31.12.2011 (12 months) Proforma | 01.01.2010 31.12.2010 (12 months) Proforma |
|---|---|---|---|---|---|
| Flight deck crew | 5 222 | 5 329 | 5 316 | 5 236 | 5 339 |
| Cabin crew | 14 901 | 14 746 | 14 753 | 14 869 | 14 771 |
| Ground staff | 50 356 | 50 057 | 50 224 | 50 200 | 50 261 |
| **Total** | **70 479** | **70 132** | **70 293** | **70 305** | **70 371** |

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

## 9. AMORTIZATION, DEPRECIATION AND PROVISIONS

| *In € millions* | **01.04.2011 31.12.2011 (9 months)** | **01.04.2010 31.12.2010 (9 months)** | **01.04.2010 31.03.2011 (12 months)** | **01.01.2011 31.12.2011 (12 months) Proforma** | **01.01.2010 31.12.2010 (12 months) Proforma** |
|---|---|---|---|---|---|
| Intangible assets | 31 | 21 | 31 | 41 | 27 |
| Flight equipment | 635 | 631 | 838 | 842 | 838 |
| Other property, plant and equipment | 156 | 157 | 210 | 209 | 211 |
| **Amortization** | **822** | **809** | **1 079** | **1 092** | **1 076** |
| Inventories | (7) | 11 | 11 | (7) | 10 |
| Trade receivables | 8 | 1 | (3) | 4 | - |
| Risks and contingencies | 52 | 52 | 51 | 51 | 37 |
| **Depreciation and provisions** | **53** | **64** | **59** | **48** | **47** |
| **Total** | **875** | **873** | **1 138** | **1 140** | **1 123** |

The amortization changes of intangible and tangible assets are presented in notes 17 and 18.

The detail of inventories and trade receivables impairment are presented in notes 22, 23 and 24.

The movements in provisions for risks and charges are detailed in note 28.

## 10. OTHER INCOME AND EXPENSES

| *In € millions* | **01.04.2011 31.12.2011 (9 months)** | **01.04.2010 31.12.2010 (9 months)** | **01.04.2010 31.03.2011 (12 months)** | **01.01.2011 31.12.2011 (12 months) Proforma** | **01.01.2010 31.12.2010 (12 months) Proforma** |
|---|---|---|---|---|---|
| Joint operation of routes | 13 | 10 | 13 | 15 | 20 |
| Operations-related currency hedges | 15 | 99 | 120 | 36 | 126 |
| Other | 39 | 34 | 75 | 81 | 70 |
| **Total** | **67** | **143** | **208** | **132** | **216** |

# 11. OTHER NON-CURRENT INCOME AND EXPENSES

| *In € millions* | **01.04.2011 31.12.2011 (9 months)** | **01.04.2010 31.12.2010 (9 months)** | **01.04.2010 31.03.2011 (12 months)** | **01.01.2011 31.12.2011 (12 months) Proforma** | **01.01.2010 31.12.2010 (12 months) Proforma** |
|---|---|---|---|---|---|
| **Sales of aircraft equipment** | **15** | **11** | **9** | **13** | **13** |
| Amadeus operation | - | 1 030 | 1 030 | - | 1 030 |
| Disposals of subsidiaries and affiliates | - | - | (1) | (1) | - |
| Restructuring costs | 3 | (15) | (18) | - | (168) |
| Loss on aircraft held for sale | - | - | (6) | (6) | (62) |
| Other | (39) | (88) | (174) | (125) | (115) |
| **Total** | **(36)** | **927** | **831** | **(132)** | **685** |

### Amadeus operation

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

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

After the operation, the Group's holding has decreased from 22% to 15%. At the same time, the governance of Amadeus has been changed. These two items involved the loss of significant influence for the Group as well as a change in the valuation method of the remaining shareholding.
As a consequence, consistent with IFRS, since April 29, 2010 IPO, the shares held by the Group have been valued at their market value (market price).
The overall profit recorded in the income statement at the operation date, amounted to €1 030 million, broke down as follows:

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

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

### Disposals of subsidiaries and affiliates

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

### Restructuring costs

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

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

### Loss on aircraft held for sale

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

This line included the impact of the fair value adjustments of ten B747. Seven of these aircrafts were held for sale, the three others, which in a first time were supposed to be sold, were actually in service.

### Other

In Europe, the European Commission announced on November 9, 2010 its decision to impose fines on 14 airlines including Air France related to anti-competitive practices, mainly concerning fuel. The Commission imposed an overall fine of 183 million euros to Air France.
As of December 31,2010 and March 31,2011, this fine was €57 million higher than the provisions already made by the Group in its accounts. Consequently, an additional ”non current expense” was recorded.
During the year ended March 31, 2011 (12 months), a pension plan was closed in the United States. The impact of this closure amounted to €(26) million.

The impact on several financial years is detailed below:

| *In € million* | **01.04.2011 31.12.2011 (9 months)** | **01.04.2010 31.12.2010 (9 months)** | **01.04.2010 31.03.2011 (12 months)** | **01.01.2011 31.12.2011 (12 months) Proforma** | **01.01.2010 31.12.2010 (12 months) Proforma** |
|---|---|---|---|---|---|
| Freight fine, Europe | (1) | (57) | (57) | - | (57) |
| Pension plan | - | - | (26) | (26) | - |

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

| *In € millions* | **01.04.2011 31.12.2011 (9 months)** | **01.04.2010 31.12.2010 (9 months)** | **01.04.2010 31.03.2011 (12 months)** | **01.01.2011 31.12.2011 (12 months) Proforma** | **01.01.2010 31.12.2010 (12 months) Proforma** |
|---|---|---|---|---|---|
| Income from marketable securities | 13 | 9 | 13 | 17 | 11 |
| Other financial income | 29 | 29 | 38 | 38 | 38 |
| **Financial income** | **42** | **38** | **51** | **55** | **49** |
| Loan interests | (97) | (97) | (131) | (131) | (131) |
| Lease interests | (41) | (37) | (49) | (53) | (50) |
| Capitalized interests | 13 | 17 | 22 | 18 | 22 |
| Other financial expenses | (36) | (29) | (41) | (48) | (34) |
| **Cost of financial debt** | **(161)** | **(146)** | **(199)** | **(214)** | **(193)** |
| **Net cost of financial debt** | **(119)** | **(108)** | **(148)** | **(159)** | **(144)** |
| Foreign exchange gains (losses), net | (100) | (23) | (5) | (82) | (86) |
| Change in fair value of financial assets and liabilities | (48) | (52) | (38) | (34) | (60) |
| Net (charge) release to provisions | 6 | 5 | 5 | 6 | 6 |
| Other | - | - | - | - | - |
| **Other financial income and expenses** | **(142)** | **(70)** | **(38)** | **(110)** | **(140)** |
| **Total** | **(261)** | **(178)** | **(186)** | **(269)** | **(284)** |

The interest rate used in the calculation of capitalized interest is 4.46 % for the year ended December 31, 2011 (9 months), 3.67% for the year ended December 31, 2010 (9 months) and 3.69 % for the year ended March 31, 2011 (12 months).

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

As of December 31, 2011 (9 months and 12 months proforma), the Group recorded a financial expense, amounting to €51 million under change in fair value of financial assets and liabilities, linked to the swap on the OCEANE 2005 (see note 29.1) .

As of December 31, 2011 (9 months), the change in fair value of financial assets and liabilities also arose from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to €(8) million, together with the change in value of derivative instruments no longer qualified as hedging amounting to €11 million.

As of December 31, 2010 (9 months), the change in fair value of financial assets and liabilities arose mainly from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to €(49) million.

As of Mars 31, 2011 (12 months), the change in fair value of financial assets and liabilities arose mainly from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to €(28) million, together with the change in value of derivative instruments no longer qualified as hedging amounting to €(9) million.

As of December 31, 2011 (12 months proforma), the change in fair value of financial assets and liabilities also arose from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to € 14 million.

As of December 2010 (12 months proforma), the change in fair value of financial assets and liabilities arose mainly from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to €(60) million.

# 13. INCOME TAXES

## 13.1. Income tax charge

Current and deferred income taxes are detailed as follows:

| *In € millions* | **01.04.2011 31.12.2011 (9 months)** | **01.04.2010 31.12.2010 (9 months)** | **01.04.2010 31.03.2011 (12 months)** | **01.01.2011 31.12.2011 (12 months) Proforma** | **01.01.2010 31.12.2010 (12 months) Proforma** |
|---|---|---|---|---|---|
| **Current tax (expense) / income** | **(25)** | **(27)** | **(24)** | **(22)** | **(34)** |
| (Charge) / income for the year | (25) | (27) | (24) | (22) | (34) |
| **Deferred tax income / (expense) from continuing operations** | **112** | **48** | **182** | **246** | **236** |
| Change in temporary differences | (103) | (109) | (110) | (104) | (70) |
| Change in tax rates | - | - | - | - | - |
| CAVE impact | 3 | 3 | 4 | 4 | (28) |
| (Use) / recognition of tax loss carryforwards | 212 | 154 | 288 | 346 | 334 |
| **Total** | **87** | **21** | **158** | **224** | **202** |

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

During the years ended December 31, 2011 (9 months) and March 31, 2011 (12 months), the Group recognized a deferred tax asset on fiscal losses amounting to €212 million (including €210 million concerning the French fiscal group) and €288 million (including €280 million concerning the French fiscal group) respectively, given the gains previously realized and the prospects of recoverability of these losses on the future profits.

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

## 13.2. Deferred tax recorded directly in equity - Group

| *In € millions* | **01.04.2011 31.12.2011 (9 months)** | **01.04.2010 31.12.2010 (9 months)** | **01.04.2010 31.03.2011 (12 months)** | **01.01.2011 31.12.2011 (12 months) Proforma** | **01.01.2010 31.12.2010 (12 months) Proforma** |
|---|---|---|---|---|---|
| Cash flow hedge | 88 | (113) | (210) | (9) | (151) |
| **Total** | **88** | **(113)** | **(210)** | **(9)** | **(151)** |

## 13.3. Effective tax rate

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

| *In € millions* | **01.04.2011 31.12.2011 (9 months)** | **01.04.2010 31.12.2010 (9 months)** | **01.04.2010 31.03.2011 (12 months)** | **01.01.2011 31.12.2011 (12 months) Proforma** | **01.01.2010 31.12.2010 (12 months) Proforma** |
|---|---|---|---|---|---|
| Income before tax | (511) | 833 | 389 | (955) | 143 |
| Standard tax rate in France | 34,43% | 34,43% | 34,43% | 34,43% | 34,43% |
| Theoretical tax calculated with the standard tax rate in France | 176 | (287) | (134) | 329 | (49) |
| Differences in French / foreign tax rates | (9) | (9) | (18) | (18) | (22) |
| Non deductible expenses or non taxable income | 3 | 329 | 324 | (2) | 322 |
| Variation of unrecognized deferred tax assets | (77) | (6) | (9) | (80) | (5) |
| CAVE impact | (13) | (11) | (15) | (17) | (48) |
| Other | 7 | 5 | 10 | 12 | 4 |
| **Income tax expenses** | **87** | **21** | **158** | **224** | **202** |
| Effective tax rate | 17 % | (3)% | (41)% | 23% | Not significant |

The tax rate applicable in France is 34.43%, unchanged relative to the previous financial year.

## 13.4. Deferred tax recorded on the balance sheet

| *In € millions* | **April 1, 2011** | **Amounts recorded in income** | **Amounts recorded in equity** | **Currency translation adjustment** | **Reclassification and other** | **December 31, 2011** |
|---|---|---|---|---|---|---|
| Flight equipment | (1 141) | (23) | - | - | (28) | (1 192) |
| Pension assets | (98) | (14) | 52 | - | 1 | (59) |
| Financial debt | 531 | 124 | - | - | - | 655 |
| Other liabilities | 70 | (24) | 33 | - | - | 79 |
| Deferred revenue on ticket sales | 205 | (35) | - | - | - | 170 |
| Others | (107) | (128) | 4 | - | 29 | (202) |
| Deferred tax corresponding to fiscal losses | 1 392 | 212 | (1) | - | (2) | 1 601 |
| **Deferred tax asset / (liability)** | **852** | **112** | **88** | **-** | **-** | **1 052** |

| *In € millions* | **April 1, 2010** | **Amounts recorded in income** | **Amounts recorded in equity** | **Currency translation adjustment** | **Reclassification and other** | **March 31, 2011** |
|---|---|---|---|---|---|---|
| Flight equipment | (1 099) | (42) | - | - | - | (1 141) |
| Pension assets | (8) | (13) | (77) | - | - | (98) |
| Financial debt | 504 | 29 | - | - | (2) | 531 |
| Other liabilities | 230 | (30) | (130) | - | - | 70 |
| Deferred revenue on ticket sales | 206 | (1) | - | - | - | 205 |
| Others | (58) | (49) | (3) | - | 3 | (107) |
| Deferred tax corresponding to fiscal losses | 1 104 | 288 | - | - | - | 1 392 |
| **Deferred tax asset / (liability)** | **879** | **182** | **(210)** | **-** | **1** | **852** |

| *In € millions* | **April 1, 2010** | **Amounts recorded in income** | **Amounts recorded in equity** | **Currency translation adjustment** | **Reclassification and other** | **December 31, 2010** |
|---|---|---|---|---|---|---|
| Flight equipment | (1 099) | (36) | - | - | (1) | (1 136) |
| Pension assets | (8) | (12) | (26) | - | - | (46) |
| Financial debt | 504 | 8 | - | - | 3 | 515 |
| Other liabilities | 230 | (28) | (81) | | (1) | 120 |
| Deferred revenue on ticket sales | 206 | (4) | - | - | - | 202 |
| Others | (58) | (35) | (6) | - | (5) | (104) |
| Deferred tax corresponding to fiscal losses | 1 104 | 155 | - | - | 4 | 1 263 |
| **Deferred tax asset / (liability)** | **879** | **48** | **(113)** | **-** | **-** | **814** |

Deferred taxes recognized on fiscal losses for the French fiscal perimeter amount to €1 571 million as of December 31, 2011.
The recognition of this asset is based on the perspective of taxable incomes established according to the Group three-years plan and to the same assumptions taken into account for the impairment test.
Based on the perspectives of taxable incomes, the recoverability horizon is 10 years. The non realization assumptions taken into accounts could have a significant impact on the recoverability horizon of this deferred tax asset.

## 13.5. Unrecognized deferred tax assets

| **Year ended**<br>*In € millions* | **December 31, 2011** | | **March 31, 2011** | |
|---|---|---|---|---|
| | Basis | Tax | Basis | Tax |
| Tax losses | 461 | 125 | 305 | 76 |
| **Total** | **461** | **125** | **305** | **76** |

As of December 31, 2011, the limitation effect of the French fiscal group during the third quarter results in a non-recognition of a deferred tax assets amounting to €62 million, corresponding to a basis of €180 million.
Other unrecognized deferred tax assets mainly correspond to a portion of the tax loss carry forwards of Air France fiscal group subsidiaries, as well as tax loss carry forwards in some subsidiaries in the United Kingdom.

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

- **Year ended December 31, 2011**

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

- **Year ended March 31, 2011**

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

- **Year ended December 31, 2010**

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

# 15. EARNINGS PER SHARE

## 15.1. Income for the period – Equity holders per share

| *In € millions* | **01.04.2011<br>31.12.2011<br>(9 months)** | **01.04.2010<br>31.12.2010<br>(9 months)** | **01.04.2010<br>31.03.2011<br>(12 months)** | **01.01.2011<br>31.12.2011<br>(12 months)<br>Proforma** | **01.01.2010<br>31.12.2010<br>(12 months)<br>Proforma** |
|---|---|---|---|---|---|
| **Net income for the period – Equity holders per share (in € millions)** | (423) | 857 | 554 | (726) | 350 |
| Number of shares issued | 126 748 775 | 126 748 775 | 126 748 775 | 126 748 775 | 126 748 775 |
| **Earning per share – Equity holders basic and diluted per share (in euros)** | **(3.34)** | **6.76** | **4.37** | **(5.73)** | **2.76** |

## 15.2. Non dilutive instruments

No instruments were issued after the closing date.

## 15.3. Instruments issued after the closing date

No instruments were issued after the closing date.

# 16. GOODWILL

### Detail of consolidated goodwill

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

The goodwill concerns mainly the business “Passenger”.

### Movement in net book value of goodwill

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

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

# 17. INTANGIBLE ASSETS

| *In € millions* | **Total** |
|---|---|
| **Gross value** | |
| **Amount as of March 31, 2010** | **395** |
| Additions | 62 |
| Disposals | (15) |
| Transfer | 5 |
| **Amount as of December 31, 2010** | **447** |
| | |
| **Amount as of March 31, 2010** | **395** |
| Additions | 98 |
| Disposals | (18) |
| Transfer | 1 |
| **Amount as of March 31, 2011** | **476** |
| Additions | 74 |
| Change in scope | - |
| Disposals | (20) |
| Transfer | 5 |
| **Amount as of December 31, 2011** | **535** |
| **Depreciation** | |
| **Amount as of March 31, 2010** | **(195)** |
| Charge to depreciation | (21) |
| Releases on disposal | 11 |
| **Amount as of December 31, 2010** | **(205)** |
| | |
| **Amount as of March 31, 2010** | **(195)** |
| Charge to depreciation | (31) |
| Releases on disposal | 13 |
| **Amount as of March 31, 2011** | **(213)** |
| Charge to depreciation | (31) |
| Releases on disposal | 15 |
| Transfer | - |
| **Amount as of December 31, 2011** | **(229)** |
| **Net value** | |
| As of December 31, 2010 | 242 |
| As of March 31, 2011 | 263 |
| As of December 31, 2011 | 306 |

Intangible assets of the Group are mainly software.

# 18. TANGIBLE ASSETS

| *In € millions* | Flight equipment | Other tangible assets | Total |
|---|---|---|---|
| **Gross value** | | | |
| **Amounts as of March 31, 2010** | **11 044** | **3 628** | **14 672** |
| Additions | 926 | 89 | 1 015 |
| Disposals | (685) | (42) | (727) |
| Fair value hedge | (18) | - | (18) |
| Transfer | (26) | (9) | (35) |
| **Amounts as of December 31, 2010** | **11 241** | **3 666** | **14 907** |
| | | | |
| **Amounts as of March 31, 2010** | **11 044** | **3 628** | **14 672** |
| Additions | 1 255 | 161 | 1 416 |
| Disposals | (1 072) | (122) | (1 194) |
| Changes in consolidation scope | - | 12 | 12 |
| Fair value hedge | 32 | - | 32 |
| Transfer | (96) | (3) | (99) |
| Currency translation adjustment | - | (3) | (3) |
| **Amounts as of March 31, 2011** | **11 163** | **3 673** | **14 836** |
| Additions | 1 201 | 126 | 1 327 |
| Disposals | (903) | (52) | (955) |
| Changes in consolidation scope | - | - | - |
| Fair value hedge | (81) | - | (81) |
| Transfer | (78) | (7) | (85) |
| Currency translation adjustment | - | 3 | 3 |
| **Amounts as of December 31, 2011** | **11 302** | **3 743** | **15 045** |
| **Depreciation** | | | |
| **Amounts as of March 31, 2010** | **(3 613)** | **(2 090)** | **(5 703)** |
| Charge to depreciation | (639) | (157) | (796) |
| Releases on disposal | 314 | 40 | 354 |
| Transfer | (4) | - | (4) |
| **Amounts as of December 31, 2010** | **(3 942)** | **(2 207)** | **(6 149)** |
| | | | |
| **Amounts as of March 31, 2010** | **(3 613)** | **(2 090)** | **(5 703)** |
| Charge to depreciation | (846) | (210) | (1 056) |
| Releases on disposal | 440 | 89 | 529 |
| Changes in consolidation scope | - | (9) | (9) |
| Transfer | 16 | - | 16 |
| Currency translation adjustment | - | 1 | 1 |
| **Amounts as of March 31, 2011** | **(4 003)** | **(2 219)** | **(6 222)** |
| Charge to depreciation | (636) | (157) | (793) |
| Releases on disposal | 245 | 47 | 292 |
| Changes in consolidation scope | - | - | - |
| Transfer | 17 | - | 17 |
| Currency translation adjustment | - | - | - |
| **Amounts as of December 31, 2011** | **(4 377)** | **(2 329)** | **(6 706)** |

| *In € millions* | Flight equipment | Other tangible assets | Total |
|---|---|---|---|
| **Net value** | | | |
| **Amounts as of December 31, 2010** | **7 299** | **1 459** | **8 758** |
| **Amounts as of March 31, 2011** | **7 160** | **1 454** | **8 614** |
| **Amounts as of December 31, 2011** | **6 925** | **1 414** | **8 339** |

Note 34 details the amount of pledged tangible assets.

Commitments to property purchases are detailed in notes 33 and 34.

The net book value of tangible assets financed under capital lease amounted to €1 459 million as of December 31, 2010 against €1 508 million as of March 31, 2011 and €1 754 million as of December 31, 2011.

## 19. CAPITAL EXPENDITURE

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

| *In € millions* | **01.04.2011 31.12.2011 (9 months)** | **01.04.2010 31.12.2010 (9 months)** | **01.04.2010 31.03.2011 (12 months)** | **01.01.2011 31.12.2011 (12 months) Proforma** | **01.01.2010 31.12.2010 (12 months) Proforma** |
|---|---|---|---|---|---|
| Acquisition of tangible assets | 1 327 | 1 020 | 1 416 | 1 723 | 1 314 |
| Acquisition of intangible assets | 74 | 62 | 98 | 110 | 88 |
| Accounts payable on acquisitions and capitalized interest | (6) | (17) | (37) | (26) | (15) |
| **Total** | **1 395** | **1 065** | **1 477** | **1 807** | **1 387** |

# 20. EQUITY AFFILIATES

### Movements over the period

The table below presents the movement in equity affiliates:

| *In € millions* | **Total** |
|---|---|
| **Value of share in investment as of March 31, 2010** | **40** |
| Share in net income of equity affiliates | 3 |
| Distributions | (1) |
| Change in consolidation scope | 13 |
| **Value of share in investment as of December 31, 2010** | **55** |

| | |
|---|---|
| **Value of share in investment as of March 31, 2010** | **40** |
| Share in net income of equity affiliates | 4 |
| Distributions | (1) |
| Change in consolidation scope | 11 |
| **Value of share in investment as of March 31, 2011** | **54** |
| Share in net income of equity affiliates | 5 |
| Distributions | (1) |
| Change in consolidation scope | 6 |
| Fair value adjustment | - |
| Other variations | 2 |
| Currency translation adjustment | 3 |
| **Value of share in investment as of December 31, 2011** | **69** |

- **Year ended December 31, 2010**

On April 29, 2010, the company Amadeus was the subject of an Initial Public Offering (IPO) on the Spanish stock exchange. This operation is described in note 11.

- **Year ended March 31, 2011**

On April 29, 2010, the company Amadeus was the subject of an Initial Public Offering (IPO) on the Spanish stock exchange. This operation is described in note 11.

## 21. OTHER FINANCIAL ASSETS

| *In € millions* | December 31, 2011 | | March 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|---|---|
| | **Current** | **Non current** | **Current** | **Non current** | **Current** | **Non current** |
| ***Financial assets available for sale*** | | | | | | |
| Shares | - | 894 | - | 970 | - | 1 124 |
| ***Assets at fair value through profit and loss*** | | | | | | |
| Marketable securities | 64 | 60 | 170 | - | 124 | - |
| Cash secured | 491 | 95 | 187 | - | - | - |
| ***Loans and receivables*** | | | | | | |
| Financial lease deposit | 3 | 432 | 5 | 357 | 5 | 358 |
| Loans and receivables | 12 | 244 | 18 | 222 | 13 | 223 |
| Miscellaneous financial assets | 3 | - | 2 | - | 4 | - |
| **Gross value** | **573** | **1 725** | **382** | **1 549** | **146** | **1 705** |
| **Impairment at opening** | **-** | **(61)** | **-** | **(56)** | **-** | **(56)** |
| New impairment charge | - | - | - | (5) | - | (4) |
| Use of provision | - | 2 | - | - | - | 2 |
| **Impairment at closing** | **-** | **(59)** | **-** | **(61)** | **-** | **(58)** |
| **Total** | **573** | **1 666** | **382** | **1 488** | **146** | **1 647** |

Financial assets available for sale are as follows:

| *In € millions* | **Fair Value** | **% interest** | **Stockholder's equity** | **Net income** | **Stock price (in €)** | **Closing date** |
|---|---|---|---|---|---|---|
| **As of December 31, 2011** | | | | | | |
| Amadeus (*) | 854 | 15.23% | ND | ND | 12.54 | December 2011 |
| Others | 40 | - | - | - | - | |
| **Total** | **894** | | | | | |
| **As of March 31, 2011** | | | | | | |
| Amadeus (*) | 920 | 15.23% | 767 | 384 | 13.50 | December 2010 |
| Others | 50 | - | - | - | | |
| **Total** | **970** | | | | | |

(*) Listed company

Assets at fair value through profit and loss mainly comprise shares in mutual funds that do not meet the "cash equivalents" definition and cash account secured mainly within the framework of the swap contract with Natixis on the OCEANE 2005 (see note 29) and within this of guarantee given to the European Union concerning the anti-trust litigation (see note 28.2).

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

## 22. INVENTORY

| *In € millions* | **December 31, 2011** | **March 31, 2011** | **December 31, 2010 (9 months)** |
|---|---|---|---|
| Aeronautical spare parts | 376 | 396 | 407 |
| Other supplies | 84 | 80 | 79 |
| Production work in progress | 7 | 5 | 7 |
| **Gross value** | **467** | **481** | **493** |
| **Opening valuation allowance** | **(122)** | **(111)** | **(111)** |
| Charge to allowance | (9) | (17) | (14) |
| Use of allowance | 13 | 6 | 4 |
| **Closing valuation allowance** | **(118)** | **(122)** | **(121)** |
| **Net value of inventories** | **349** | **359** | **372** |

## 23. TRADE ACCOUNTS RECEIVABLE

| *In € millions* | **December 31, 2011** | **March 31, 2011** | **December 31, 2010 (9 months)** |
|---|---|---|---|
| Airlines | 536 | 448 | 380 |
| Other clients: | | | |
| * Passenger | 354 | 554 | 502 |
| * Cargo | 211 | 221 | 225 |
| * Maintenance | 129 | 99 | 144 |
| * Other | 81 | 98 | 112 |
| **Gross value** | **1 311** | **1 420** | **1 363** |
| **Opening valuation allowance** | **(69)** | **(70)** | **(70)** |
| Charge to allowance | (12) | (10) | (4) |
| Use of allowance | 5 | 11 | 3 |
| Currency translation adjustment | - | - | - |
| Reclassification | - | - | - |
| **Closing valuation allowance** | **(76)** | **(69)** | **(71)** |
| **Net value** | **1 235** | **1 351** | **1 292** |

# 24. OTHER ASSETS

| *In € millions* | December 31, 2011 | | March 31, 2011 | | December 31, 2010 (9 months) | |
|---|---|---|---|---|---|---|
| | **Current** | **Non current** | **Current** | **Non current** | **Current** | **Non current** |
| Suppliers with debit balances | 118 | - | 119 | - | 115 | - |
| State receivable | 47 | - | 60 | - | 58 | - |
| Derivative instruments | 150 | 68 | 320 | 53 | 178 | 54 |
| Group and associates | 1 | - | 12 | - | 17 | - |
| Prepaid expenses | 174 | 6 | 202 | - | 158 | - |
| Other debtors | 190 | - | 161 | - | 142 | 1 |
| **Gross value** | **680** | **74** | **874** | **53** | **668** | **55** |
| **Opening valuation allowance** | **(2)** | **-** | **(4)** | **-** | **(4)** | **-** |
| Charge to allowance | - | - | - | - | - | - |
| Use of allowance | - | - | 1 | - | - | - |
| Reclassification | - | - | 1 | - | - | - |
| **Closing valuation allowance** | **(2)** | **-** | **(2)** | **-** | **(4)** | **-** |
| | | | | | | |
| **Net realizable value of other assets** | **678** | **74** | **872** | **53** | **664** | **55** |

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

# 25. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

| *In € millions* | **December 31, 2011** | **March 31, 2011** | **December 31, 2010** |
|---|---|---|---|
| Mutual funds (SICAV) (assets at fair value through profit and loss) | 401 | 1 141 | 1 034 |
| Bank deposits and term accounts (assets at fair value through profit and loss) | 123 | 124 | 185 |
| Cash in hand | 320 | 252 | 256 |
| **Total cash and cash equivalents** | **844** | **1 517** | **1 475** |
| Bank overdrafts | (157) | (129) | (145) |
| **Cash, cash equivalents and bank overdrafts** | **687** | **1 388** | **1 330** |

# 26. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE

## 26.1. Issued capital

As of December 31, 2011, the issued capital of Air France comprised 126 748 775 fully paid-up shares. Each share is entitled to one vote. The nominal value of each share amounts to €15. The company is 100% held by Air France-KLM company.

## 26.2. Additional paid-in capital

€30 million of additional paid-in capital is the result of the partial contribution of assets on September 15, 2004.

## 26.3. Reserves and retained earnings

| *In € millions* | **December 31, 2011** | **March 31, 2011** | **December 31, 2010 (9 months)** |
|---|---|---|---|
| Legal reserve | 67 | 67 | 67 |
| Distributable reserves | - | - | - |
| Derivatives reserves | 71 | 202 | 9 |
| Available for sale securities reserves | 85 | 172 | 326 |
| Other reserves | 1 096 | 534 | 532 |
| Net income (loss) – Group share | (423) | 554 | 857 |
| **Total** | **896** | **1 529** | **1 791** |

As of December 31, 2011, the legal reserve of €67 million represented 3.5 % of Air France's issued capital. French company law requires that a limited company (*société anonyme*) allocates 5% of its unconsolidated statutory net income each year to this legal reserve until it reaches 10% of the Group's issued capital. The amount allocated to this legal reserve is deducted from the distributable income for the current year.
The legal reserve of any company subject to this requirement may only be distributed to shareholders upon liquidation of the company.

# 27. SHARE BASED COMPENSATION

Outstanding share-based compensation plans as of December 31, 2011 are as follows:

| **Plans** | **Grant date** | **Number of shares granted** | **Start date for option exercise** | **Date of expiry** | **Exercise price (euros)** | **Number of shares exercised as of 31/03/2010** |
|---|---|---|---|---|---|---|
| ESA(*) 2005 | 01/02/2005 | 12 612 671 | N/A | 21/02/2005 | 14 | 12 612 671 |

(*) ESA: Shares-for-salary exchange

**Air France 2005 Shares-for-salary exchange**

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

These shares were granted by the French State, the largest Air France-KLM shareholder, subject to a €110 million payment made by the Group in April 2007.

The wage concessions cover the period from May 2005 to May 2011.

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

## 28. PROVISIONS AND RETIREMENT BENEFITS

| *In € millions* | | Retirement benefits note 28.1 | Restitution of aircraft | Restruc-turing | Litigation | Others | Total |
|---|---|---|---|---|---|---|---|
| **Amount as of March 31, 2010** | | **712** | **357** | **192** | **230** | **116** | **1 607** |
| *Of which:* | *Non-current* | *712* | *217* | *1* | *37* | *114* | ***1 081*** |
| | *Current* | *-* | *140* | *191* | *193* | *2* | ***526*** |
| New provision | | 94 | 108 | 12 | 65 | 34 | **313** |
| Use of provision | | (38) | (66) | (42) | (48) | (17) | **(211)** |
| Reversal of unnecessary provisions | | - | - | - | - | - | **-** |
| Currency translation adjustment | | - | - | - | - | - | **-** |
| Discount/Accretion impact | | - | (6) | - | - | - | **(6)** |
| Reclassification | | - | (9) | - | - | - | **(9)** |
| **Amount as of December 31, 2010** | | **768** | **384** | **162** | **247** | **133** | **1 694** |
| *Of which:* | *Non-current* | *768* | *265* | *-* | *40* | *133* | ***1 206*** |
| | *Current* | *-* | *119* | *162* | *207* | *-* | ***488*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Amount as of March 31, 2010** | | **712** | **357** | **192** | **230** | **116** | **1 607** |
| *Of which:* | *Non-current* | *712* | *217* | *1* | *37* | *114* | ***1 081*** |
| | *Current* | *-* | *140* | *191* | *193* | *2* | ***526*** |
| New provision | | 120 | 172 | 15 | 72 | 45 | **424** |
| Use of provision | | (43) | (102) | (85) | (65) | (28) | **(323)** |
| Reversal of unnecessary provisions | | - | - | (2) | (2) | - | **(4)** |
| Currency translation adjustment | | (1) | (1) | - | - | - | **(2)** |
| Change in scope | | 3 | - | - | - | - | **3** |
| Discount/Accretion impact | | - | (9) | - | - | - | **(9)** |
| Reclassification | | 5 | (22) | - | - | 9 | **(8)** |
| **Amount as of March 31, 2011** | | **796** | **395** | **120** | **235** | **142** | **1 688** |
| *Of which:* | *Non-current* | *796* | *269* | *-* | *219* | *141* | ***1 425*** |
| | *Current* | *-* | *126* | *120* | *16* | *1* | ***263*** |
| New provision | | 100 | 108 | 4 | 16 | 41 | **269** |
| Use of provision | | (38) | (64) | (113) | (15) | (24) | **(254)** |
| Reversal of unnecessary provisions | | - | - | - | - | - | **-** |
| Currency translation adjustment | | - | 2 | - | - | - | **2** |
| Discount/Accretion impact | | - | (10) | - | - | - | **(10)** |
| Reclassification | | - | (29) | - | - | - | **(29)** |
| **Amount as of December 31, 2011** | | **858** | **402** | **11** | **236** | **159** | **1 666** |
| *Of which:* | *Non-current* | *858* | *298* | *-* | *224* | *153* | ***1 533*** |
| | *Current* | *-* | *104* | *11* | *12* | *6* | ***133*** |

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

## 28.1. RETIREMENT BENEFITS

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

### Actuarial assumptions used

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

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

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

The expected long-term rates of return for plan assets are as follows:

| | As of December 31, 2011 | As of March 31, 2011 |
|---|---|---|
| Euro zone | Between 3.0% and 6.8% | Between 3.0% and 6.8% |

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

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

| Year ended March 31, | Pension benefits | | Other benefits | |
|---|---|---|---|---|
| | As of December 31, 2011 | As of March 31, 2011 | As of December 31, 2011 | As of March 31, 2011 |
| Discount rate | 4.7% | 4.8% | 5.66% | 6.0% |
| Salary inflation rate | 0.5% | 0.8% | - | - |
| Expected long-term rate of return on plan assets | 6.5% | 6.6% | - | - |

## Changes in benefit obligations

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

| | Pension benefits | | Other benefits | |
|---|---|---|---|---|
| *(In € millions)* | **As of December 2011 (9 months)** | **As of March 31, 2011 (12 months)** | **As of December 2011 (9 months)** | **As of March 31, 2011 (12 months)** |
| **Benefit obligation at beginning of year** | **2 212** | **2 180** | **3** | **3** |
| Service cost | 46 | 57 | - | - |
| Interest cost | 79 | 105 | - | - |
| Employees' contribution | - | 1 | - | - |
| Plan amendments | 1 | - | - | - |
| Change of scope | - | 3 | - | - |
| Settlements / curtailments | (1) | (100) | - | - |
| Benefits paid | (91) | (132) | - | - |
| Transfers of assets/liability through Balance Sheet | - | - | - | - |
| Actuarial loss / (gain) | (45) | 96 | - | - |
| Currency translation adjustment | 9 | 2 | - | - |
| **Benefit obligation at end of year** | **2 210** | **2 212** | **3** | **3** |
| *Including benefit obligation resulting from schemes totally or partly funded* | *2 126* | *2 135* | - | - |
| *Including unfunded benefit obligation* | *84* | *77* | *3* | *3* |
| **Fair value of plan assets at beginning of year** | **959** | **1 082** | - | - |
| Actual return on plan assets | (12) | 53 | - | - |
| Employers' contributions | 36 | 40 | - | - |
| Employees' contributions | - | 1 | - | - |
| Change of scope | - | - | - | - |
| Settlements / curtailments | - | (95) | - | - |
| Transfers of assets/liability through Balance Sheet | - | - | - | - |
| Benefits paid | (88) | (124) | - | - |
| Currency translation adjustment | 6 | 2 | - | - |
| **Fair value of plan assets at end of year** | **901** | **959** | - | - |
| Funded status | (1 309) | (1 253) | (3) | (3) |
| Unrecognized prior service cost | 150 | 163 | - | - |
| Unrecognized actuarial (gains) / losses | 312 | 303 | - | - |
| **Prepaid (accrued) pension cost** | **(847)** | **(787)** | **(3)** | **(3)** |
| **Amounts recorded in the balance sheet(*) :** | | | | |
| Pension asset | 7 | 6 | - | - |
| Provision for retirement benefits | (854) | (793) | (3) | (3) |
| **Net amount recognized** | **(847)** | **(787)** | **(3)** | **(3)** |
| **Net periodic cost :** | | | | |
| Service cost | 46 | 58 | - | - |
| Interest cost | 79 | 105 | - | - |
| Expected return on plan assets | (46) | (71) | - | - |
| Settlement / curtailment | - | 29 | - | - |
| Amortization of prior service cost | 14 | 18 | - | - |
| Amortization of unrecognized actuarial (gain) loss | 7 | 10 | - | - |
| Other | - | - | - | - |
| **Net periodic cost** | **100** | **149** | - | - |

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

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

| *In € millions* | Benefit obligation | Fair value of plan assets | Funded status | Experience adjustments on | |
|---|---|---|---|---|---|
| | | | | Benefit obligation | Plan asset |
| As of March 31, 2008 | 2 148 | 1 182 | 886 | (32) | (135) |
| As of March 31, 2009 | 2 148 | 1 059 | 1 089 | (18) | (182) |
| As of March 31, 2010 | 2 183 | 1 082 | 1 101 | 4 | 124 |
| As of March 31, 2011 | 2 215 | 959 | 1 256 | (79) | (19) |
| As of December 31, 2011 | 2 213 | 901 | 1 312 | (14) | (58) |

## Asset allocation

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

| | Funds invested | |
|---|---|---|
| | As of December 31, 2011 | As of March 31, 2011 |
| Equities | 35% | 38% |
| Bonds | 60% | 60% |
| Real estate | 1% | 1% |
| Insurer assets | 4% | - |
| Short-term investments | - | 1% |
| **Total** | **100%** | **100%** |

## Expected cash outflows

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

| *In € millions* | Pensions and similar benefits |
|---|---|
| Estimated contribution to be paid for the year ended December 31, 2012 | 38 |
| Estimated benefit payments as of December 31: | |
| 2012 | 134 |
| 2013 | 125 |
| 2014 | 138 |
| 2015 | 152 |
| 2016 | 160 |
| 2017-2021 | 890 |

# 28.2. OTHER PROVISIONS

## Provision for litigation with third parties

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

In the normal course of its activities, the Group is involved in litigations some of which may be significant.

## Provision for restructuring

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

## Litigations concerning anti-trust laws

### In the air-freight industry

**a) Investigation of the anti-trust authorities**

Air France company is involved, since February 2006, with 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 with the appropriate agencies, and the payment of fines putting an end to those proceedings. As for December 31, 2011 Air France is still discussing with the South African antitrust authorities to conclude the same agreement amounts to €0.7 million.

In Europe, the European Commission announced, on November 9, 2010, its decision to impose fines on 14 airlines including Air France related to anti-competition practices - mainly concerning fuel surcharges.
The Commission imposed an overall fine of €183 million to the company.

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 Air France was found guilty.
On January 24, 2011, the company has 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 company has chosen not to pay 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 and Air France a total fine respective of €2.6 million and of €1.9 million. According to the partial asset contribution agreement on September 15, 2004, Air France responds to the fine issued to Air France-KLM.
This fine will not impact the financial statements of the Group given that provisions have already been booked.
Air France-KLM and Air France have filed an appeal before the competent Court in South Korea.

b) Civil actions

On September 19, 2011 Air France entered into a Settlement agreement with the Canadian plaintiffs achieving a final resolution of all claims in Canada. Under the settlement agreement Air France paid an amount of CAD 2.6 million (€1.85 million). This agreement is subject to the approval of the Ontario court.

**Other provisions**

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

## 28.3. CONTINGENT LIABILITIES

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

**Litigations concerning anti-trust laws**

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

**a) In the air-freight industry**

a.1) Investigation of the anti-trust authorities

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

a.2) Civil suits

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

***United States***

In the United States, the Group concluded a Settlement Agreement with the representatives of the class action in July 2010. The Settlement Agreement, under which the Group accepted to pay USD 87 million (USD 48 million for Air France), 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 time, pursuant to procedures established by the Court, 36 entities elected to be excluded from the settlement, which permits them to separately pursue claims, but only four of those were customers of Air France.
With respect to those Air France and KLM customers who have chosen to be excluded, a portion of the settlement proportional to the revenue Air France and KLM received from those parties for a specified period as compared with Air France and KLM's overall revenue for that period will be segregated in a separate escrow. If claims by those parties, including written demands, are made against the Group, then the portion of the separate escrow attributable to the claiming parties will be transferred to the Group.
In 2011, written demands were made to Air France and KLM by two customers. Consequently a portion of the escrow amount attributable to those customers, was transferred to Air France and KLM.

***Netherlands***

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

Equilib is seeking to obtain a declaratory judgment confirming that the Group companies have been guilty of unlawful conduct and are jointly and severally liable, along with other carriers, for the losses suffered by the airfreight purchasers. Equilib initially estimates its claims at €400 million. Sofar it has not substantiated its claim.
The Group companies served a contribution writ of summons on the other airlines fined by the European Commission on November 9, 2010 and simultaneously a claim to make these airlines join the proceedings. The latter claim was however denied by the court. Meanwhile some airlines have voluntarily joined the proceedings.

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

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

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

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

The Group companies intend to vigorously oppose all such civil actions

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

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

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

b.2) <u>Civil actions</u>

During 2009, Air France was 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, 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.
Financial risks related to this litigation are not material.

**b) 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.
On March 17 and 18, 2011 respectively, Airbus and Air France were indicted for manslaughter by the investigating magistrate and incur the penalties of fines prescribed by law. Air France intends to challenge its implication in this case.
These penalties should not have a material effect on the financial situation of Air France.
The damages as reparation for the losses suffered by the heirs of the passengers who died in the crash are covered by Air France's third-party liability insurance policy.

Except for the matters specified under the paragraphs 28.2 and 28.3, 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 Group's financial position, earnings, assets, liabilities or profitability, during a period including at least the past twelve months.

# 29. FINANCIAL DEBT

| *In € millions* | As of December 31, 2011 | As of March 31, 2011 | As of December 31, 2010 |
|---|---|---|---|
| **Non current financial debt** | | | |
| OCEANE (convertible bonds) | 383 | 450 | 450 |
| Bonds | 750 | 750 | 750 |
| Capital lease obligations | 1 826 | 1 325 | 1 275 |
| Other debt | 1 795 | 1 902 | 1 909 |
| **Total** | **4 754** | **4 427** | **4 384** |
| | | | |
| **Current financial debt** | | | |
| OCEANE (convertible bonds) | 67 | - | - |
| Capital lease obligations | 163 | 298 | 302 |
| Other debt | 543 | 846 | 781 |
| Accrued interest | 67 | 41 | 69 |
| **Total** | **840** | **1 185** | **1 152** |

## 29.1. OCEANE (Convertible bonds)

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

The maturity date for this convertible bond is April 1, 2020. Bonds holders may ask for reimbursement as of April 1, 2012 and April 1, 2016. Air France holds a call option triggering early cash reimbursement which can be exercised starting April 1, 2010 under certain conditions prompting OCEANE holders to convert into Air France-KLM shares. The annual coupon is 2.75% payable in arrears at the end of each period ended April 1.
The conversion period of these bonds runs from June 1, 2005 to March 23, 2020, except in event of early reimbursement.
On December 6, 2011, to optimize its debt repayment schedule by neutralizing the exercise of the OCEANE repayment option on April 1, 2012, Air France signed a swap agreement relating to these OCEANEs (total return swap) with Natixis expiring on April 1, 2016 at the latest.

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

*This contract was thus reflected in the following operations:*

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

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

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

· The contract is the subject of a remunerated cash guarantee for 100% of the notional of the swap (see note 21). Starting from April 1, 2012, the guarantee may partially comprise securities provided this portion does not exceed 50% of the notional amount of the swap.

*Impact on the financial statements:*

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

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

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

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

The 3,258,150 OCEANEs not purchased by Natixis within the framework of the contractual acquisition procedure remain subject to the repayment option potentially exercisable at the discretion of the holders on April 1, 2012.

## 29.2. Bonds

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

## 29.3. Capital lease commitments

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

| *In € millions* | | As of December 31, 2011 | As of March 31, 2011 |
|---|---|---|---|
| **Aircraft** | | | |
| Future minimum lease payments – due dates | | | |
| Y+1 | | 163 | 303 |
| Y+2 | | 220 | 141 |
| Y+3 | | 235 | 198 |
| Y+4 | | 179 | 197 |
| Y+5 | | 203 | 134 |
| Over 5 years | | 705 | 441 |
| **Total** | | **1 705** | **1 414** |
| Including: | Principal | 1 521 | 1 296 |
| | Interests | 184 | 118 |
| **Buildings** | | | |
| Future minimum lease payments – due dates | | | |
| Y+1 | | 57 | 41 |
| Y+2 | | 56 | 39 |
| Y+3 | | 55 | 37 |
| Y+4 | | 55 | 37 |
| Y+5 | | 39 | 37 |
| Over 5 years | | 223 | 109 |
| **Total** | | **485** | **300** |
| Including: | Principal | 389 | 246 |
| | Interests | 96 | 54 |
| **Other property, plant and equipment** | | | |
| Future minimum lease payments – due dates | | | |
| Y+1 | | 9 | 9 |
| Y+2 | | 9 | 9 |
| Y+3 | | 9 | 9 |
| Y+4 | | 9 | 9 |
| Y+5 | | 8 | 8 |
| Over 5 years | | 89 | 96 |
| **Total** | | **133** | **140** |
| Including: | Principal | 79 | 81 |
| | Interests | 54 | 59 |

The lease expenses over the period do not include contingent leases. Deposits made on purchase options are presented in note 21.

## 29.4. Other debt

Other debt breaks down as follows:

| *In € millions* | **As of December 31, 2011** | **As of March 31, 2011** |
|---|---|---|
| Reservation of ownership clause and mortgage debt | 1 942 | 2 104 |
| Other debt | 396 | 644 |
| **Total** | **2 338** | **2 748** |

Other debt corresponds mainly to bank borrowings.

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

## 29.5. Maturity analysis

The financial debts maturities break down as follows:

| *In € millions* | | **As of December 31, 2011** | **As of March 31, 2011** |
|---|---|---|---|
| Maturities in | | | |
| Y+1 | | 1 046 | 1 372 |
| Y+2 | | 861 | 1 039 |
| Y+3 | | 1 403 | 1 513 |
| Y+4 | | 502 | 553 |
| Y+5 | | 840 | 407 |
| Over 5 years | | 1 786 | 1 471 |
| **Total** | | **6 438** | **6 355** |
| Including: | - Principal | 5 594 | 5 612 |
| | - Interest | 844 | 743 |

As of December 31, 2011, the expected financial costs amount to €205 million for the 2012 financial year, €438 million for the financial years 2013 to 2016, and €201 million thereafter.

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

- Second date of the period of the investor put being April 1, 2016 for the majority of OCEANEs first issued in 2005 (see note 29.1)
- Maturity date for the repayable bond issued in 2006 and 2007

## 29.6. Currency analysis

After taking into account derivatives instruments, long term debts are mainly in euros for €5.1 billion as of December 31, 2011 and March 31, 2011.

## 29.7. Credit lines

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

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

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

# 30. OTHER LIABILITIES

| *In € millions* | **As of December 31, 2011** | | **As of March 31, 2011** | | **As of December 31, 2010** | |
|---|---|---|---|---|---|---|
| | **Current** | **Non current** | **Current** | **Non current** | **Current** | **Non current** |
| Tax liabilities | 406 | - | 395 | - | 310 | - |
| Employee-related liabilities | 613 | - | 582 | - | 630 | - |
| Non current assets' payables | 38 | - | 42 | - | - | - |
| Derivative instruments | 114 | 115 | 117 | 86 | 153 | 186 |
| Deferred income | 56 | 8 | 64 | - | 62 | - |
| Other | 213 | 8 | 206 | 13 | 276 | 11 |
| **Total** | **1 440** | **131** | **1 406** | **99** | **1 431** | **197** |

# 31. FINANCIAL INSTRUMENTS

## 31.1. Risk management

- **Market risk management**

Market risk coordination and management is the responsibility of the Risk Management Committee (RMC) which comprises the Chief Executive Officer and the Chief Financial Officer of Air France, the Chief Executive Officer and the Chief Financial Officer of KLM. The RMC meets each quarter to review Group reporting of the risks relating to the fuel price, the principal currency exchange rates and interest rates, and to decide on the hedging to be implemented: targets for hedging ratios, the time periods for the respect of these targets and, potentially, the preferred types of hedging instrument. The aim is to reduce the exposure of Air France-KLM to the fluctuations of the market. The RMC also defines the counterparty-risk policy.

The decisions made by the RMC are implemented by the treasury and fuel purchasing departments within each company, in compliance with the procedures governing the delegation of powers. In-house procedures governing risk management prohibit speculation.

The instruments used are swaps, futures and options.

Regular meetings are held between the fuel purchasing and treasury departments of both companies in order to exchange information concerning matters such as hedging instruments used, strategies planned and counterparties.

The cash management departments of each company circulate information on the level of cash and cash equivalents to their respective executive managements on a daily basis. Every month, a detailed report including, amongst other information, interest rate and currency positions, the portfolio of hedging instruments, a summary of investments and financing by currency and the monitoring of risk by counterparty is transmitted to the executive managements.

The implementation of the policy on fuel hedging is the responsibility of the fuel purchasing departments, which are also in charge of purchasing fuel for physical delivery. A weekly report, enabling the evaluation of the net-hedged fuel cost of the current fiscal year and the two following years, is sent to the executive managements. This mainly covers the transactions carried out during the week, the valuation of all positions, the hedge percentages as well as the breakdown of instruments and the underlyings used, average hedge levels, the resulting net prices and stress scenarii, as well as market commentary. Furthermore, the fuel purchasing departments issues a weekly Air France-KLM Group report (known as the GEC Report) which consolidates the figures from the two companies relating to fuel hedging and to physical cost.

- **Currency risk**

Most of the Group's revenues are generated in euros. However, because of its international activities, the Group incurs a foreign exchange risk. The principal exposure is to the US dollar.
With regard to the US dollar, since expenditure on items such as fuel, operating leases and component costs exceed the level of revenue, the Group is a net buyer. This means that any significant appreciation in the dollar against the euro could result in a negative impact on the Group's activity and financial results.
Conversely, the Group is a net seller of other currencies, the level of revenues exceeding expenditure. The main exposure concern the yen and sterling. As a result, any significant decline in these currencies relative to the euro could have a negative effect on the Group's activity and financial results.
In order to reduce its currency exposure, the Group has adopted hedging strategies.
Both companies progressively hedge their net exposure over a rolling 24-month period.
Aircraft are purchased in US dollars, meaning that the Group is highly exposed to a rise in the dollar against the euro for its aeronautics investments. The hedging policy plans the progressive and systematic implementation of hedging between the date of the aircraft order and their delivery date.
The exchange rate risk on the Group's financial debt is limited. At December 31, 2011, 92% of the Group's gross debt, after taking into account derivative instruments, was issued in or converted into euros, thereby markedly reducing the risk of currency fluctuations on the debt. The exposure of the debt on other currencies mainly concern yen, US dollar and Swiss Franc.

Despite this active hedging policy, all exchange rate risks are not covered, especially in case of high variation of currencies in which debts are denominated. The Group and its subsidiaries might then encounter difficulties in managing currency risks, which could have a negative impact on the Group's business and financial results.

- **Interest rate risk**

Most financial debt is contracted in floating-rate instruments in line with market practice. However, given the historically low level of interest rates, the Group has used swap strategies and options to convert a significant proportion of their debt. After hedging, the Group's gross debt contracted at fixed rates represents 59 % of the overall total.
Given this policy, the Group shows an amount of floating-rate debt higher than the amount of cash invested at floating rates.
An interest rate increase will consequently have a negative effect on the Group's financial results.

- **Fuel price risk**

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

**Main characteristics of the hedge strategy**

*Hedge horizon:* 2 years

*Minimum hedge percentage:*

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

*Increment of coverage ratios:* 10% by quarter

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

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

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

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

- **Investment risks**

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

- **Counterparty risk management**

Transactions which can lead to counterpart risk for the Group are as follows:
- financials investments;
- derivatives instruments;
- trades receivables.

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

The Group has identified the following exposure to counterparty risk:

| LT Rating (Standards & Poors) | Total exposure in € millions | |
|---|---|---|
| | **As of December 31, 2011** | **As of March 31, 2011** |
| AA | 3 | - |
| AA- | 17 | 35 |
| A+ | 710 | 563 |
| A | 157 | 99 |
| A- | 3 | - |
| NR | 15 | - |
| **Total** | **905** | **697** |

## 31.2. Derivative instruments

- **Year ended December 31, 2011**

| **Book value** *In € millions* | **Assets** | | **Liabilities** | |
|---|---|---|---|---|
| | **Non-current** | **Current** | **Non-current** | **Current** |
| **Currency exchange risk (operating and financial operations)** | | | | |
| Fair value hedge | 26 | 30 | 1 | 17 |
| Cash flow hedge | 28 | 61 | 8 | 15 |
| Fair value through profit and loss | - | - | - | - |
| **Interest rate risk (financial operations)** | | | | |
| Cash flow hedge | - | 2 | 31 | - |
| Fair value hedge | - | - | - | - |
| Fair value through profit and loss | - | - | 1 | - |
| **Commodities risk** | | | | |
| Fair value hedge | - | - | - | - |
| Cash flow hedge | 14 | 57 | 23 | 82 |
| Fair value through profit and loss | - | - | - | - |
| **OCEANE – Total Return Swap (see note 29.1)** | | | | |
| Fair value through profit and loss | - | - | 51 | - |
| **Total** | **68** | **150** | **115** | **114** |

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

| *In € millions* | | Total | Y+1 | Y+2 | Y+3 | Y+4 | Y+5 | > Y+5 |
|---|---|---|---|---|---|---|---|---|
| Commodities derivative instruments | Asset | 71 | 57 | 14 | - | - | - | - |
| | Liability | (105) | (82) | (23) | - | - | - | - |
| Interest rate derivative instruments | Asset | 2 | 2 | - | - | - | - | - |
| | Liability | (31) | - | (7) | (4) | (3) | (5) | (12) |
| Currency exchange derivative instruments | Asset | 145 | 91 | 42 | 10 | 2 | - | - |
| | Liability | (41) | (32) | (9) | - | - | - | - |
| OCEANE Swap instruments | Asset | - | - | - | - | - | - | - |
| | Liability | (51) | - | - | - | - | (51) | - |
| **Total** | **Asset** | **218** | **150** | **56** | **10** | **2** | **-** | **-** |
| | **Liability** | **(228)** | **(114)** | **(39)** | **(4)** | **(3)** | **(56)** | **(12)** |

- **Year ended March 31, 2011**

| **Book value**<br>*In € millions* | Assets | | Liabilities | |
|---|---|---|---|---|
| | **Non-current** | **Current** | **Non-current** | **Current** |
| **Currency exchange risk (operating and financial operations)** | | | | |
| Fair value hedge | 15 | 4 | 34 | 22 |
| Cash flow hedge | (10) | (4) | 8 | 33 |
| Fair value through profit and loss | - | - | - | 4 |
| **Interest rate risk (financial operations)** | | | | |
| Cash flow hedge | - | - | 12 | (1) |
| Fair value hedge | - | - | - | - |
| Fair value through profit and loss | - | - | - | - |
| **Commodities risk** | | | | |
| Fair value hedge | - | - | - | - |
| Cash flow hedge | 47 | 321 | 32 | 59 |
| Fair value through profit and loss | - | - | - | - |
| **Total** | **52** | **321** | **86** | **117** |

### Exposure to interest rate risk

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

- **Year ended December 31, 2011**

Interest rate derivatives have a nominal value amounting to €1 099 million, including €58 million with a maturity less than one year and €1 041 million with a maturity over one year.

- **Year ended March 31, 2011**

Interest rate derivatives have a nominal value amounting to €997 million, including €83 million with a maturity less than one year and €914 million with a maturity over one year.

These instruments have different purposes:

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

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

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

| | **As of December 31, 2011** | | | | **As of March 31, 2011** | | | |
|---|---|---|---|---|---|---|---|---|
| *In € millions* | **Before hedging** | | **After hedging** | | **Before hedging** | | **After hedging** | |
| | **Base** | **Average interest rate** | **Base** | **Average interest rate** | **Base** | **Average interest rate** | **Base** | **Average interest rate** |
| **Fixed-rate financial assets and liabilities** | | | | | | | | |
| Fixed-rate financial assets | 1 004 | 3.0% | 1 004 | 3.0% | 307 | 2.4% | 307 | 2.4% |
| Fixed-rate financial liabilities | 2 439 | 4.1% | 2 591 | 3.8% | 2 584 | 4.6% | 3 437 | 4.7% |
| **Floating-rate financial assets and liabilities** | | | | | | | | |
| Floating-rate financial assets | 1 185 | 1.6% | 1 185 | 1.6% | 2 111 | 3.3% | 2 111 | 3.3% |
| Floating-rate financial liabilities | 3 312 | 2.8% | 3 160 | 3.1% | 3 157 | 2.3% | 2 304 | 2.3% |
| **Without-rate financial assets** | 894 | - | 894 | - | 969 | - | 969 | - |

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

## Exposure to exchange rate risk

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

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

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

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

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

- **Year ended December 31, 2011**

| *In € millions* | Nominal | Maturity below 1 year | Maturities between 1 and 5 years | | | | | Fair value |
|---|---|---|---|---|---|---|---|---|
| | | | 1-2 years | 2-3 years | 3-4 years | 4-5 years | + 5 years | |
| **Exchange risk (cash flow hedging of operating flows)** | **2 571** | **1 800** | **747** | **18** | **6** | **-** | **-** | **66** |
| Exchange rate options | | | | | | | | |
| US Dollar | 1 993 | 1 454 | 539 | - | - | - | - | 82 |
| Yen | 296 | 157 | 139 | - | - | - | - | (18) |
| Pound sterling | 138 | 103 | 35 | - | - | - | - | (3) |
| Swiss franc | 5 | 5 | - | - | - | - | - | - |
| Forward purchases | | | | | | | | |
| US Dollar | 104 | 46 | 34 | 18 | 6 | - | - | 8 |
| Forward sales | | | | | | | | |
| Yen | 18 | 18 | - | - | - | - | - | (2) |
| Others | | | | | | | | |
| US Dollar | 17 | 17 | - | - | - | - | - | (1) |
| **Exchange risk (Fair value hedging of flight equipment acquisition)** | **783** | **395** | **198** | **137** | **35** | **2** | **16** | **38** |
| Forward purchases | | | | | | | | |
| US Dollar | 783 | 395 | 198 | 137 | 35 | 2 | 16 | 38 |
| **Total** | **3 354** | **2 195** | **945** | **155** | **41** | **2** | **16** | **104** |

- **Year ended March 31, 2011**

| *In € millions* | Nominal | Maturity below 1 year | Maturities between 1 and 5 years | | | | | Fair value |
|---|---|---|---|---|---|---|---|---|
| | | | 1-2 years | 2-3 years | 3-4 years | 4-5 years | + 5 years | |
| **Exchange risk (cash flow hedging of operating flows)** | **2 314** | **1 545** | **719** | **32** | **15** | **3** | **-** | **(55)** |
| Exchange rate options | | | | | | | | |
| US Dollar | 1 741 | 1 187 | 554 | - | - | - | - | (60) |
| Yen | 213 | 125 | 88 | - | - | - | - | 5 |
| Pound sterling | 130 | 98 | 32 | - | - | - | - | 2 |
| Swiss franc | 9 | 9 | - | - | - | - | - | - |
| Other currencies | - | - | - | - | - | - | - | - |
| Forward purchases | | | | | | | | |
| US Dollar | 155 | 77 | 33 | 27 | 15 | 3 | - | (1) |
| Forward sales | | | | | | | | |
| Yen | 18 | 18 | - | - | - | - | - | - |
| Others | | | | | | | | |
| US Dollar | 48 | 31 | 12 | 5 | - | - | - | (1) |
| **Exchange risk (Fair value hedging of flight equipment acquisition)** | **932** | **399** | **363** | **108** | **30** | **14** | **18** | **(37)** |
| Forward purchases | 932 | 399 | 363 | 108 | 30 | 14 | 18 | (37) |
| US Dollar | | | | | | | | |
| **Exchange risk (trading)** | **177** | **177** | **-** | **-** | **-** | **-** | **-** | **(4)** |
| Exchange rate options | | | | | | | | |
| US Dollar | 177 | 177 | - | - | - | - | - | (4) |
| **Total** | **3 423** | **2 121** | **1 082** | **140** | **45** | **17** | **18** | **(96)** |

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

### Commodity risk linked to fuel prices

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

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

- **Year ended December 31, 2011**

| *In € millions* | Nominal | Maturity below 1 year | Maturities between 1 and 5 years | | | | | Fair value |
|---|---|---|---|---|---|---|---|---|
| | | | 1-2 years | 2-3 years | 3-4 years | 4-5 years | + 5 years | |
| **Commodity risk (cash flow hedging operating flows)** | **3 848** | **2 661** | **1 187** | **-** | **-** | **-** | **-** | **(34)** |
| Swap | 4 | 4 | - | - | - | - | - | - |
| Options | 3 844 | 2 657 | 1 187 | - | - | - | - | (34) |
| **Total** | **3 848** | **2 661** | **1 187** | **-** | **-** | **-** | **-** | **(34)** |

- **Year ended March 31, 2011**

| *In € millions* | Nominal | Maturity below 1 year | Maturities between 1 and 5 years | | | | | Fair value |
|---|---|---|---|---|---|---|---|---|
| | | | 1-2 years | 2-3 years | 3-4 years | 4-5 years | + 5 years | |
| **Commodity risk (cash flow hedging operating flows)** | **3 376** | **2 247** | **1 129** | **-** | **-** | **-** | **-** | **277** |
| Swap | - | - | - | - | - | - | - | - |
| Options | 3 376 | 2 247 | 1 129 | - | - | - | - | 277 |
| **Total** | **3 376** | **2 247** | **1 129** | **-** | **-** | **-** | **-** | **277** |

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

## 31.3. Market value of financial instruments

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

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

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

The methods used are as follows:

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

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

reasonable approximation of market value in this instance.

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

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

Market values of financial assets correspond to their net book values.
Market values of financial liabilities correspond to their net book values, except for:

| *In € millions* | | **As of December 31, 2011** | | **As of March 31, 2011** | |
|---|---|---|---|---|---|
| | | **Net book value** | **Estimated market value** | **Net book value** | **Estimated market value** |
| **Financial liabilities** | | | | | |
| Bonds (*) | Fixed-rate | 1 200 | 1 186 | 1 200 | 1 233 |
| Other borrowings and financial debt | Fixed-rate | 1 224 | 1 300 | 1 384 | 1 347 |

(*) The fixed rate bonds comprise the OCEANE (convertible bonds) issued in April 2005, as well as €750 million of bonds issued in September 2006 and April 2007 by Air France.
<u>OCEANE:</u> The market value of €460 million was determined based on the bond's market price as of December 31, 2011.
<u>Bond issued in September 2006 and April 2007</u>: The characteristics of this bond are described in note 29.2. The market value is €726 million.

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

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

| *In € millions* | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **As of December 31, 2011** | **As of March 31, 2011** | **As of December 31, 2011** | **As of March 31, 2011** | **As of December 31, 2011** | **As of March 31, 2011** | **As of December 31, 2011** | **As of March 31, 2011** |
| *Financial assets available for sale* | | | | | | | | |
| Shares | 883 | 941 | 11 | 29 | - | - | **894** | **970** |
| *Assets at fair value through profit and loss* | | | | | | | | |
| Marketable securities and cash deposit | 10 | 7 | 700 | 350 | - | - | **710** | **357** |
| Cash equivalents | 387 | 1 265 | 138 | - | - | - | **525** | **1 265** |
| *Derivatives instruments asset* | | | | | | | | |
| Interest rate derivatives | - | - | 2 | - | - | - | **2** | - |
| Currency exchange derivatives | - | - | 145 | 4 | - | - | **145** | **4** |
| Commodity derivatives | - | - | 71 | 369 | - | - | **71** | **369** |

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

## 31.5. Sensitivity

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

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

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

### Fuel hedge sensitivity

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

| *In € millions* | December 31, 2011 | | March 31, 2011 | |
|---|---|---|---|---|
| | **Increase of USD 10 per barrel of Brent** | **Decrease of USD 10 per barrel of Brent** | **Increase of USD 10 per barrel of Brent** | **Decrease of USD 10 per barrel of Brent** |
| Income before tax | 179 | (127) | 64 | (75) |
| Gains / (losses) taken to equity | 71 | (141) | 182 | (181) |

### Currency hedge sensitivity

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

| *In € millions* | Monetary assets | | Monetary liabilities | |
|---|---|---|---|---|
| | **December 31, 2011** | **March 31, 2011** | **December 31, 2011** | **March 31, 2011** |
| US dollar | 405 | 75 | 122 | 469 |
| Pound sterling | - | 33 | 20 | - |
| Yen | 352 | 8 | 13 | 171 |
| Swiss franc | - | 6 | 7 | - |
| Canadian dollar | 3 | 4 | 3 | 3 |

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

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

| *In € millions* | US dollar | | Pound sterling | | Yen | |
|---|---|---|---|---|---|---|
| | **December 31, 2011** | **March 31, 2011** | **December 31, 2011** | **March 31, 2011** | **December 31, 2011** | **March 31, 2011** |
| Income before tax | (44) | 48 | (2) | (5) | (44) | (24) |
| Gains / (losses) taken to equity | 299 | 171 | (9) | (3) | (21) | (9) |

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

| *In € millions* | US dollar | | Pound sterling | | Yen | |
|---|---|---|---|---|---|---|
| | **December 31, 2011** | **March 31, 2011** | **December 31, 2011** | **March 31, 2011** | **December 31, 2011** | **March 31, 2011** |
| Income before tax | (43) | (37) | 2 | (3) | 46 | 16 |
| Gains / (losses) taken to equity | (145) | (147) | 4 | 9 | 11 | 15 |

### Interest rate sensitivity

The Group is exposed to the risk of interest rate variation. A 100 basis point variation in interest rates would have an impact of €22 million on the financial charges for the year ending December 31, 2011 versus €7 million for the year ending March 31, 2011.

# 32. LEASE COMMITMENTS

## 32.1. Capital leases

The debt related to capital leases is detailed in note 30.

## 32.2. Operating leases

The minimum future payments on operating leases are as follows:

| *In € millions* | Minimum lease payments | |
|---|---|---|
| | **As of December 31, 2011** | **As of March 31, 2011** |
| **Flight equipment** | | |
| Due dates | | |
| Y+1 | 634 | 543 |
| Y+2 | 563 | 503 |
| Y+3 | 396 | 401 |
| Y+4 | 307 | 257 |
| Y+5 | 248 | 192 |
| Over 5 years | 560 | 597 |
| **Total** | **2 708** | **2 493** |
| **Buildings** | | |
| Due dates | | |
| Y+1 | 175 | 177 |
| Y+2 | 125 | 143 |
| Y+3 | 115 | 128 |
| Y+4 | 100 | 119 |
| Y+5 | 90 | 101 |
| Over 5 years | 760 | 763 |
| **Total** | **1 365** | **1 431** |

The expense relating to operating leases for flight equipment amounted to €582 million as of December 31, 2011 (12 months proforma), versus €557 million as of December 31, 2010 (12 months proforma), €570 million as of March 31, 2011 (12 months), € 441 million as of December 31, 2011 (9 months) and €429 million as of December 31, 2010 (9 months).

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

# 33. FLIGHT EQUIPMENT ORDERS

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

| *In € millions* | **As of December 31, 2011** | **As of March 31, 2011** |
|---|---|---|
| Y+1 | 623 | 768 |
| Y+2 | 384 | 556 |
| Y+3 | 385 | 334 |
| Y+4 | 115 | 328 |
| Y+5 | 17 | 91 |
| >Y+5 | 1 458 | - |
| **Total** | **2 982** | **2 077** |

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 December 31, 2011 decreased by 6 units compared with March 31, 2011 to 33 units.
These movements can be explained by:

- the delivery of 18 aircraft over the period;
- 12 new firm orders.

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

**Long-haul fleet**

*Passenger*

The Group took delivery of 2 Airbus A380s and 3 Boeing B777s. The Group ordered 12 Boeing B787s.

*Cargo*

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

**Medium-haul fleet**

The Group took delivery of 6 Airbus A320s and one Airbus A321.

**Regional fleet**

The Group took delivery of 5 CRJ1000s.

The Group's commitments concern the following aircraft:

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

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

# 34. OTHER COMMITMENTS

## 34.1. Commitments made

| *In € millions* | As of December 31, 2011 | As of March 31, 2011 |
|---|---|---|
| Call on investment securities | 3 | 4 |
| Put on investment securities | - | - |
| Warranties, sureties and guarantees | 1 526 | 1 392 |
| Secured debts | 3 931 | 3 726 |
| Other purchase commitments | 44 | 81 |

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

| *In € millions* | Starting date of pledge | End of pledge | Amount pledged | NBV of balance sheet entry concerned | Corresponding % |
|---|---|---|---|---|---|
| Intangible assets | - | - | - | 306 | - |
| Tangible assets | May 1995 | June 2026 | 4 988 | 8 339 | 59,8% |
| Other financial assets | October 1998 | June 2026 | 1 021 | 2 239 | 45,6% |
| **Total** | | | **6 009** | **10 884** | |

## 34.2. Commitments received

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

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

# 35. RELATED PARTIES

## 35.1. Transactions with the principal executives

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

Advantages granted to executives members are detailed as follows:

| *In € millions* | **As of December 31, 2011** | **As of March 31, 2011** |
|---|---|---|
| Short term benefits | 4.0 | 4.1 |
| Post employment benefits | 0.6 | 1.1 |
| **Total** | **4.6** | **5.2** |

Directors' fees paid during the year ended December 31, 2011 in respect of attendance at Board meetings during the year ended March 31, 2011, amounted to €0.2 million.

## 35.2. Transactions with other related parties

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

| *In € millions* | **As of December 31, 2011** | **As of March 31, 2011** |
|---|---|---|
| **Assets** | | |
| Net trade accounts receivable | 125 | 92 |
| Other current assets | 2 | - |
| Other non-current assets | 13 | 13 |
| **Total** | **140** | **105** |
| **Liabilities** | | |
| Trade accounts payable | 207 | 134 |
| Other current liabilities | 54 | 47 |
| Other long-term liabilities | 38 | 41 |
| **Total** | **299** | **222** |

| *In € millions* | **As of December 31, 2011 (9 months)** | **As of March 31, 2011 (12 months)** |
|---|---|---|
| Net sales | 148 | 199 |
| Landing fees and other rents | (373) | (451) |
| Other selling expenses | (117) | (138) |
| Passenger service | (35) | (64) |
| Other | (28) | (45) |
| **Total** | **(405)** | **(499)** |

As a part of its normal business, the Group enters into transactions with related parties including transactions with State-owned and governmental entities such as the Defense Ministry, the Paris Airport Authority ("Aéroports de Paris", or "ADP") and the French civil aviation regulator ("DGAC"). The Group considers that such transactions are concluded on terms equivalent to those on transactions with third parties. The most significant transactions are described below:

**Aéroports De Paris (ADP)**

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

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

Total expenses incurred by the Group in connection with the above-mentioned arrangements amounted to €347 million and €452 million for the periods ended December 31, 2011 (9 months) and March 31, 2011(12 months).

**Defense Ministry**

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

**DGAC**

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

**Amadeus**

The company Amadeus was consolidated by the equity method in the Group's financial statements until March 31, 2010. Following the Initial Public Offering (IPO) on the Madrid stock exchange (see note 11), the Amadeus shares were reclassified under "assets available for sale".
For the year ended December 31, 2011 (9 months), total transactions with Amadeus amounted to a cost of €94 million compared with €98 million for the year ended March 31, 2011 (12 months).

**Transactions with equity affiliates**

During the financial year, the Group executed transactions with equity affiliates. These transactions are not significant.

# 36. CONSOLIDATED STATEMENT OF CASH FLOW

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

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

| *In € millions* | **01.04.2011 31.12.2011 (9 months)** | **01.04.2010 31.12.2010 (9 months)** | **01.04.2010 31.03.2011 (12 months)** | **01.01.2011 31.12.2011 (12 months) Proforma** | **01.01.2010 31.12.2010 (12 months) Proforma** |
|---|---|---|---|---|---|
| Cash disbursement for acquisitions | (9) | (13) | (47) | (43) | (15) |
| Cash from acquired subsidiaries | - | - | 1 | 1 | - |
| **Net cash disbursement** | **(9)** | **(13)** | **(46)** | **(42)** | **(15)** |

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

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

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

| *In € millions* | **01.04.2011 31.12.2011 (9 months)** | **01.04.2010 31.12.2010 (9 months)** | **01.04.2010 31.03.2011 (12 months)** | **01.01.2011 31.12.2011 (12 months) Proforma** | **01.01.2010 31.12.2010 (12 months) Proforma** |
|---|---|---|---|---|---|
| Proceeds from disposals | 2 | - | - | 2 | 1 |
| Cash of disposed subsidiaries | - | - | - | - | - |
| **Net proceeds from disposals** | **2** | **-** | **-** | **2** | **1** |

## 36.3. Non cash transactions

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

# 37. FEES OF STATUTORY AUDITORS

| *In € millions* | KPMG | | | |
|---|---|---|---|---|
| | As of 31 December 31, 2011 (9 months) | | As of March 31, 2011 (12 months) | |
| | **Amount** | **%** | **Amount** | **%** |
| ***Audit*** | | | | |
| Statutory audit, certification, review of stand-alone and consolidated accounts | 2.4 | 100% | 2.1 | 96% |
| *- Air France SA* | *1.8* | | *1.6* | |
| *- Consolidated subsidiaries* | *0.6* | | *0.5* | |
| Other ancillary services and other audit services | - | - | - | - |
| **Sub-total** | **2.4** | **100%** | **2.1** | **96%** |
| ***Other services*** | | | | |
| Legal, tax and corporate | - | - | 0.1 | 4% |
| Information technology | - | - | - | - |
| Internal audit | - | - | - | - |
| Others | - | - | - | - |
| **Total Air France Group** | **2.4** | **100%** | **2.2** | **100%** |

| *In € millions* | Deloitte & Associés | | | |
|---|---|---|---|---|
| | As of 31 December 31, 2011 (9 months) | | As of March 31, 2011 (12 months) | |
| | **Amount** | **%** | **Amount** | **%** |
| ***Audit*** | | | | |
| Statutory audit, certification, review of stand-alone and consolidated accounts | 2.5 | 96% | 2.0 | 100% |
| *- Air France SA* | *1.7* | | *1.4* | |
| *- Consolidated subsidiaries* | *0.8* | | *0.6* | |
| Other ancillary services and other audit services | - | - | - | - |
| **Sub-total** | **2.5** | **96%** | **2.0** | **100%** |
| ***Other services*** | | | | |
| Legal, tax and corporate | 0.1 | 4% | - | - |
| Information technology | - | - | - | - |
| Internal audit | - | - | - | - |
| Others | - | - | - | - |
| **Total Air France Group** | **2,6** | **100%** | **2.0** | **100%** |

# 38. CONSOLIDATION SCOPE AS OF DECEMBER 31, 2011

The scope includes 95 fully-consolidated entities and 25 equity affiliates.

## 38.1. Consolidated entities

The main entities fully-consolidated are as follows:

| Entity | Country | Segment | % interest | % control |
|---|---|---|---|---|
| BRIT AIR | France | Passenger | 100 | 100 |
| CITY JET | Ireland | Passenger | 100 | 100 |
| BLUE LINK | France | Passenger | 100 | 100 |
| REGIONAL COMPAGNIE AERIENNE EUROPEENNE | France | Passenger | 100 | 100 |
| SERVAIR GROUP (49 entities) | France | Other | 98 | 98 |
| TRANSAVIA FRANCE | France | Other | 60 | 60 |
| VLM AIRLINES NV | Belgium | Passenger | 100 | 100 |

## 38.2. Equity affiliates

The main entities consolidated by equity are as follows:

| Entity | Country | Segment | % interest | % control |
|---|---|---|---|---|
| FINANCIERE LMP | France | Passenger | 40 | 40 |
| SERVAIR GROUP (16 entities) | France | Other | - | - |
| HEATHROW CARGO HANDLING | United Kingdom | Cargo | 50 | 50 |
| SPAIRLINERS | Germany | Maintenance | 50 | 50 |
| TERMINAL ONE GROUPE ASSOCIATION | United-States | Other | 25 | 25 |