UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

January 1, 2012 – June 30, 2012

Air France Group

CONSOLIDATED INCOME STATEMENT (unaudited)

In € millions	***Notes***	**01.01.2012 06.30.2012 (6 months)**	**01.01.2011 06.30.2011 (6 months) Proforma**
Sales	***5***	**7 896**	**7 477**
Other revenues		8	22
Revenues		**7 904**	**7 499**
External expenses	***6***	(5 059)	(4 771)
Salaries and related costs	***7***	(2 693)	(2 635)
Taxes other than income taxes		(87)	(86)
Amortization	***8***	(526)	(538)
Depreciation and provisions	***8***	(57)	(17)
Other income and expenses	***9***	36	71
Income from current operations		**(482)**	**(477)**
Sales of aircraft equipment		(2)	-
Other non-current income and expenses	***10***	(278)	(96)
Income from operating activities		**(762)**	**(573)**
Cost of financial debt	***11***	(94)	(102)
Income from cash and cash equivalents	***11***	29	27
Net cost of financial debt		***(65)***	***(75)***
Other financial income and expenses	***11***	(91)	22
Income before tax		**(918)**	**(626)**
Income taxes	***12***	(6)	195
Net income of consolidated companies		**(924)**	**(431)**
Share of profits (losses) of associates		2	2
Net income from continuing operations		**(922)**	**(429)**
Net income for the period		**(922)**	**(429)**
- Equity holders		**(920)**	**(426)**
- Non-controlling interests		(2)	(3)
Earnings per share – Equity holders (in euros)			
- basic	***13***	(7.26)	(3.36)
- diluted	***13***	(7.26)	(3.36)

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

Air France Group

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES (unaudited)

In € millions	**01.01.2012 06.30.2012 (6 months)**	**01.01.2011 06.30.2011 (6 months) Proforma**
Net income for the period	**(922)**	**(429)**
Fair value adjustment on available-for-sale securities		
Change in fair value recognized directly in equity	189	(97)
Change in fair value transferred to profit or loss	**(98)**	-
Cash flow hedges		
Effective portion of changes in fair value hedge recognized directly in equity	49	287
Change in fair value transferred to profit or loss	(79)	(114)
Items of the recognized income and expenses of equity shares	**-**	**-**
Currency translation adjustment	**2**	**(7)**
Tax on items related to other comprehensive income	**13**	**(59)**
Total of other comprehensive income included in the recognized income and expenses	**76**	**10**
Recognized income and expenses		
- Equity holders	**(844)**	**(416)**
- Non-controlling interests	**(2)**	**(3)**

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

Air France Group

CONSOLIDATED BALANCE SHEET (unaudited)

Assets *In € millions*	***Notes***	**June 30, 2012**	**December 31, 2011**
Goodwill		427	426
Intangible assets		324	306
Flight equipment	***14***	6 673	6 925
Other property, plant and equipment	***14***	1 385	1 414
Investments in equity associates		73	69
Pension assets		9	8
Other financial assets(*)	***15***	1 418	1 666
Deferred tax assets		1 104	1 077
Other non-current assets		74	74
Total non-current assets		**11 487**	**11 965**
Assets held for sale		11	10
Other short term financial assets(*)		681	573
Inventories		333	349
Trade accounts receivables		1 579	1 235
Income tax receivables		11	10
Other current assets		707	678
Cash and cash equivalents		930	844
Total current assets		**4 252**	**3 699**
Total assets		**15 739**	**15 664**

(*) Including:

In € millions	**June 30, 2012**	**December 31, 2011**
Deposits related to financial leases	478	435
Marketable securities	796	710

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

Air France Group

CONSOLIDATED BALANCE SHEET (unaudited) (continued)

Liabilities and equity *In € millions*	***Notes***	**June 30, 2012**	**December 31, 2011**
Issued capital	***16.1***	1 901	1 901
Additional paid-in capital		30	30
Reserves and retained earnings	***16.2***	54	896
Equity attributable to equity holders		**1 985**	**2 827**
Non-controlling interests		31	34
Total equity		**2 016**	**2 861**
Provisions and retirement benefits	***17***	1 544	1 533
Long-term debt	***18***	4 920	4 754
Deferred tax liabilities		23	25
Other non-current liabilities		179	131
Total non-current liabilities		**6 666**	**6 443**
Provisions	***17***	580	133
Current portion of long-term debt	***18***	545	840
Trade accounts payables		1 636	1 977
Deferred revenue on ticket sales		2 061	1 282
Frequent flyer programs		512	529
Current tax liabilities		1	2
Other current liabilities		1 587	1 440
Bank overdrafts		135	157
Total current liabilities		**7 057**	**6 360**
Total liabilities		**13 723**	**12 803**
Total liabilities and equity		**15 739**	**15 664**

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

Air France Group

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)

In € millions	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
December 31, 2010	**126 748 775**	**1 901**	**30**	**1 791**	**3 722**	**34**	**3 756**
Fair value adjustment on available for sale securities	-	-	-	(95)	**(95)**	-	**(95)**
Gain / (loss) on cash flow hedges	-	-	-	115	**115**	(3)	**112**
Currency translation adjustment	-	-	-	(7)	**(7)**	-	**(7)**
Net income for the period	-	-	-	(426)	**(426)**	(3)	**(429)**
Total of income and expenses recognized	**-**	**-**	**-**	**(413)**	**(413)**	**(6)**	**(419)**
Stock based compensation (ESA)	-	-	-	10	**10**	-	**10**
Other changes	-	-	-	-	-	(1)	**(1)**
June 30, 2011	**126 748 775**	**1 901**	**30**	**1 385**	**3 316**	**30**	**3 346**
December 31, 2011	**126 748 775**	**1 901**	**30**	**896**	**2 827**	**34**	**2 861**
Fair value adjustment on available for sale securities	-	-	-	94	**94**	-	**94**
Gain / (loss) on cash flow hedges	-	-	-	(20)	**(20)**	-	**(20)**
Currency translation adjustment	-	-	-	2	**2**	-	**2**
Net income for the period	-	-	-	(920)	**(920)**	(2)	**(922)**
Total of income and expenses recognized	**-**	**-**	**-**	**(844)**	**(844)**	**(2)**	**(846)**
Stock based compensation (ESA)	-	-	-	2	**2**	-	**2**
Dividends paid	-	-	-	-	-	(1)	**(1)**
Other changes	-	-	-	-	-	-	-
June 30, 2012	**126 748 775**	**1 901**	**30**	**54**	**1 985**	**31**	**2 016**

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

Air France Group

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

In € millions	*Notes*	01.01.2012 06.30.2012 (6 months)	01.01.2011 06.30.2011 (6 months) Proforma
Net income for the period – Equity holders		(920)	(426)
Non-controlling interests		(2)	(3)
Amortization, depreciation and operating provisions	***8***	583	555
Financial provisions		(9)	1
Gain on disposals of tangible and intangible assets		(3)	(4)
Loss/ (gain) on disposals of subsidiaries and associates	***10***	(97)	-
Derivatives – non monetary results		74	(22)
Unrealized foreign exchange gains and losses, net		(11)	(8)
Share of (profits) losses of associates		(2)	(2)
Deferred taxes	***12.1***	(15)	(201)
Other non-monetary items		430	(26)
Subtotal		**28**	**(136)**
(Increase) / decrease in inventories		21	8
(Increase) / decrease in trade receivables		(348)	(191)
Increase / (decrease) in trade payables		(319)	296
Change in other receivables and payables		833	720
Net cash flow from operating activities		**215**	**697**
Acquisition of subsidiaries, of shares in non-controlled entities		(2)	(33)
Proceeds on disposal of subsidiaries and investments in associates	***10***	466	-
Purchase of property, plant and equipment and intangible assets		(649)	(1 150)
Proceeds on disposal of property, plant and equipment and intangible assets		468	719
Dividends received		13	-
Decrease (increase) in investments		(86)	(199)
Net cash flow used in investing activities		**210**	**(663)**
Capital increase		-	6
Purchase of non-controlling interests, of owned shares		-	(7)
Disposal of subsidiaries without loss of control of owned shares		-	-
Issuance of long-term debt		599	575
Repayment on long-term debt		(814)	(704)
Payment of debt resulting from finance lease liabilities		(103)	(51)
New loans		(17)	(63)
Repayment on loans		17	55
Dividends paid		(1)	(1)
Net cash flow from financing activities		**319**	**(190)**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		**2**	**(23)**
Change in cash and cash equivalents and bank overdrafts		**108**	**(179)**
Cash and cash equivalents and bank overdrafts at beginning of period		687	1 330
Cash and cash equivalents and bank overdrafts at end of period		795	1 151
Income tax paid (flow included in operating activities)		(23)	(20)
Interest paid (flow included in operating activities)		(122)	(135)
Interest received (flow included in operating activities)		17	17

Proceed on disposal of Amadeus is classified in “Net cash flow used in investing activities” contrary to the presentation in “Net cash flow from financing activities” made as of March 31, 2012.

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

January 1, 2012 – June 30, 2012

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

It is reminded that the Extraordinary Shareholders' Meeting of July 7, 2011 approved the change of closing date for Air France Group financial statements from March 31 to December 31, with effect from the year ended December 31, 2011.
As a result, the financial statements closed on June 30, 2012 for the six-month period from January 1, 2012 to June 30, 2012 are not comparable with the financial information published on June 30, 2011, reflecting a three-month period.
To facilitate comparison, proforma financial information has been established based on the Group's quarterly published financial information. As such, some assumptions and options have been adopted including:

- For the income and cash flow statements, proforma financial information for the six-month period ended June 30, 2011 (from January 1, 2011 to June 30, 2011) has been obtained by adding the 4th quarter of the year ended March 31,2011 (from January 1, 2011 to March 31, 2011) and the 1st quarter of the nine-month 2011 fiscal year ended December 31, 2011 (from April 1, 2011 to June 30, 2011),
- Pension costs have not been recalculated based on the calendar year. They are based on an evaluation carried out by external actuaries as of March 31, 2010 for the period from January 1, 2011 to March 31, 2011 and as of March 31, 2011 for the period from April 1, 2011 to June 30, 2011,
- The current and deferred taxes recognized in the proforma income have not been recalculated based on the calendar year. For the period from January 1, 2011 to March 31, 2011, they correspond to the taxes as calculated for the last quarter of the financial year ended March 31, 2011 and for the period from April 1, 2011 to June 30, 2011 to the taxes calculated for the corresponding in respect of the financial year ended December 31, 2011.

3. SIGNIFICANT EVENTS

3.1 Arising during the accounting period

On March 1, 2012, Air France launched a private placement of 33.6 million Amadeus IT Holding SA shares, corresponding to 7.5% of the capital.
After this operation, the Group's holding decreased from 15.2% to 7.7%.
The net proceeds from the transaction amounted to €466 million which generated in the income statement, a gain on disposal of €97 million, as mentioned on note 10.
Air France, together with Iberia and Lufthansa which hold respectively 7.5% and 7.6% of the share capital of Amadeus IT Holding SA, agreed to a lock-up period of 90 days.

The Group has initiated a restructuring plan concerning the company Air France and some of its affiliates. This plan mainly comprises two parts: an adjustment in the fleet and a plan to reduce the number of staff.
Based on the measures presented to the bodies officially representing Air France in June 2012, the Group has made its best estimate of the costs involved and has recorded a provision for restructuring as of June 30, 2012 (see note 10).

3.2 Subsequent events

There has been no significant event during the period.

4. ACCOUNTING POLICIES

4.1 Accounting principles

Accounting principles used for the interim condensed consolidated financial statements

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

The interim condensed consolidated financial statements as of June 30, 2012 are prepared in accordance with IFRS, as adopted by the European Union on the date these condensed consolidated financial statements were drawn up, and are presented according to IAS 34 "Interim financial reporting". They must be read in connection with the annual consolidated financial statements for the year ended December 31, 2011.

The interim condensed consolidated financial statements as of June 30, 2012 are prepared in accordance with the accounting principles used by the Group for consolidated financial statements for the year 2011 with the exception of the standards and interpretations adopted by the European Union applicable for the Group starting January 1, 2012.

The condensed consolidated financial statements were approved by the Board of Directors on July 27, 2012.

Change in accounting principles

IFRS standards, Amendments and IFRIC's interpretations applicable effective January 1, 2012 have no significant impact on the Group's interim consolidated financial statements as of June 30, 2012.

The standards applicable on a mandatory basis to the Group from July 1, 2012 or in subsequent years are the following:

- Amendment to IAS 1 on presentation of other comprehensive income
- The revision of the standard IAS 19 "Employee Benefits" (applicable on a mandatory basis to fiscal years beginning on or after January 1, 2013).

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

- Standard IFRS 10 "Consolidated Financial Statements" which will replace IAS 27 "Consolidated and Separate Financial Statements" for the part concerning the consolidated financial statements and also SIC 12 "Consolidation – Special Purpose Entities"
- Standard IFRS 11 "Joint Arrangements" which will replace IAS 31 "Interests in Joint Ventures" and also the interpretation SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers"
- Standard IFRS 12 "Disclosure on Interests in Other Entities"
- The revision of standards IAS 27 "Consolidated and Separate Financial Statements" and IAS 28 "Investments in Associates"
- Standard IFRS 13 "Fair Value Measurement"
- Standard IFRS 9 "Financial instruments - Classification and measurement of financial assets and liabilities" " (applicable on a mandatory basis to fiscal years beginning on or after January 1, 2015)
- Amendment to IFRS 7 "Disclosures – Offsetting Financial assets and Financial liabilities" (applicable on a mandatory basis to fiscal years beginning on or after January 1, 2013)
- Amendment to IAS 32 "Offsetting Financial assets and Financial liabilities" (applicable on a mandatory basis to fiscal years beginning on or after January 1, 2014)

Concerning standards IFRS 10, IFRS 11 and IFRS 12, the European Commission could decide to make them applicable on a mandatory basis to fiscal years beginning on or after January 1, 2014, with early adoption permitted once the standards have been endorsed.

4.2 Preparation of unaudited interim consolidated financial statements

Seasonality of the activity

Revenues and income from current operations are characterized by their seasonal nature given the high level of activity between April 1 and September 30. This phenomenon varies in magnitude depending on the year. In accordance with IFRS, revenues and the related expenses are recognized over the period in which they are respectively realized and incurred.

Income taxes

For the interim financial statements, the tax charge (current and deferred) is calculated by applying to the income before tax for the period the estimated annual average tax rate for the current year for each entity or tax group.

4.3 Use of estimates

The preparation of the condensed consolidated financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses. The significant areas of estimations described in note 4 of the December 31, 2011 consolidated financial statements concerned:

- Revenue recognition related to deferred revenue on ticket sales
- Tangible and intangible assets
- Financial instruments, valuation of financial assets and liabilities
- Deferred tax
- Flying Blue frequent flyer program
- Provisions

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

The interim consolidated financial statements for the financial year have 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.

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

5 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 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 to the current operating income.
Other elements of the income statement 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.

5.1 Information by business segment

- **Six month period ended June 30, 2012**

In € millions	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	6 867	701	1 114	470	-	9 152
Intersegment sales	(349)	(6)	(692)	(209)	-	(1 256)
External sales	**6 518**	**695**	**422**	**261**	**-**	**7 896**
Income from current operations	(429)	(83)	39	(9)	-	(482)
Income from operating activities	(429)	(83)	39	(9)	(280)	(762)
Share of profits (losses) of associates	-	-	-	-	2	2
Net cost of financial debt and other financial income and expenses	-	-	-	-	(156)	(156)
Income taxes	-	-	-	-	(6)	(6)
Net income from continuing operations	**(429)**	**(83)**	**39**	**(6)**	**(440)**	**(922)**

- **Six month period ended June 30, 2011 (Proforma)**

In € millions	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	6 465	725	1 077	483	-	8 750
Intersegment sales	(347)	(1)	(711)	(214)	-	(1 273)
External sales	**6 118**	**724**	**366**	**269**	**-**	**7 477**
Income from current operations	(457)	(50)	36	(6)	-	(477)
Income from operating activities	(457)	(50)	36	(6)	(96)	(573)
Share of profits (losses) of associates	-	-	-	-	2	2
Net cost of financial debt and other financial income and expenses	-	-	-	-	(53)	(53)
Income taxes	-	-	-	-	195	195
Net income from continuing operations	**(457)**	**(50)**	**36**	**(6)**	**48**	**(429)**

The income from operating activities not allocated mainly corresponds to non-current income and expenses detailed in note 10.

5.2 Information by geographical area

Sales by geographical area

- **Six month period ended June 30, 2012**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	2 764	1 350	128	404	982	538	6 166
Other passenger sales	198	51	6	27	20	50	352
Total passenger	**2 962**	**1 401**	**134**	**431**	**1 002**	**588**	**6 518**
Scheduled cargo	181	177	12	38	98	128	634
Other cargo sales	30	9	2	2	13	5	61
Total cargo	**211**	**186**	**14**	**40**	**111**	**133**	**695**
Maintenance	403	-	-	-	19	-	422
Others	183	37	13	28	-	-	261
Total	**3 759**	**1 624**	**161**	**499**	**1 132**	**721**	**7 896**

Air France Group

- **Six month period ended June 30, 2011 (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	2 727	1 249	125	352	900	455	5 808
Other passenger sales	171	47	6	25	14	47	310
Total passenger	**2 898**	**1 296**	**131**	**377**	**914**	**502**	**6 118**
Scheduled cargo	184	194	16	32	96	145	667
Other cargo sales	25	8	3	2	14	5	57
Total cargo	**209**	**202**	**19**	**34**	**110**	**150**	**724**
Maintenance	347	-	-	-	19	-	366
Others	184	43	8	34	-	-	269
Total	**3 638**	**1 541**	**158**	**445**	**1 043**	**652**	**7 477**

Traffic sales by geographical area of destination

- **Six month period ended June 30, 2012**

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	991	1 337	547	780	1 614	897	6 166
Scheduled cargo	3	17	62	115	232	205	634
Total	**994**	**1 354**	**609**	**895**	**1 846**	**1 102**	**6 800**

- **Six month period ended June 30, 2011 (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	1 011	1 273	546	713	1 452	813	5 808
Scheduled cargo	2	18	61	119	238	229	667
Total	**1 013**	**1 291**	**607**	**832**	**1 690**	**1 042**	**6 475**

6 EXTERNAL EXPENSES

In € millions	01.01.2012 06.30.2012 (6 months)	01.01.2011 06.30.2011 (6 months) Proforma
Aircraft fuel	2 062	1 818
Chartering costs	241	233
Aircraft operating lease costs	318	285
Landing fees and air route charges	543	534
Catering	198	190
Handling charges and other operating costs	447	451
Maintenance costs	378	353
Commercial and distribution costs	285	263
Other external expenses	587	644
Total	**5 059**	**4 771**

7 SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

In € millions	**01.01.2012 06.30.2012 (6 months)**	**01.01.2011 06.30.2011 (6 months) Proforma**
Wages and salaries	1 821	1 796
Social contributions	782	773
Net periodic pension cost	72	58
Expenses related to share-based compensation	2	9
Other expenses	16	(1)
Total	**2 693**	**2 635**

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

Average number of employees

	01.01.2012 06.30.2012 (6 months)	**01.01.2011 06.30.2011 (6 months) Proforma**
Flight deck crew	5 156	5 264
Cabin crew	14 690	14 856
Ground staff	50 008	49 969
Total	**69 854**	**70 089**

8 AMORTIZATION, DEPRECIATION AND PROVISIONS

In € millions	**01.01.2012 06.30.2012 (6 months)**	**01.01.2011 06.30.2011 (6 months) Proforma**
Amortization		
Intangible assets	23	19
Flight equipment	403	415
Other property, plant and equipment	100	104
	526	**538**
Depreciation and provisions		
Inventories	(5)	2
Trade receivables	(2)	(2)
Risks and contingencies	64	17
	57	**17**
Total	**583**	**555**

9 OTHER INCOME AND EXPENSES

In € millions	**01.01.2012 06.30.2012 (6 months)**	**01.01.2011 06.30.2011 (6 months) Proforma**
Joint operation of routes	3	8
Operations-related currency hedges	34	15
Other	(1)	48
Total	**36**	**71**

10 OTHER NON-CURRENT INCOME AND EXPENSES

In € millions	**01.01.2012 06.30.2012 (6 months)**	**01.01.2011 06.30.2011 (6 months) Proforma**
Disposals of subsidiaries and affiliates	97	-
Restructuring costs	(373)	-
Other	(2)	(92)
Other non-current income and expenses	**(278)**	**(92)**

- **Six-month period ended June 30, 2012**

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

The Group has initiated a restructuring plan concerning the company Air France and its regional affiliates in France. This plan mainly comprises two parts: an adjustment in the fleet and a plan to reduce staff.
The plan's conditions have been presented to the bodies officially representing the Air France staff. Concerning the affiliates, the discussion process will continue during the third quarter of 2012.
Concerning the resizing of the fleet, the modalities may result in the disposal, sale, dismantling or termination of operating lease contracts.
Concerning the staff reduction plan which concerns 5122 positions, it includes assistance for voluntary retirement and a voluntary departure plan whose period of application will start during the 4th quarter of 2012.
In these conditions, the Group has made its best estimate of the costs involved by the plan and has recorded a provision for restructuring amounting to €370 million as of June 30, 2012.
This provision will be updated as the application conditions evolve.

- **Six-month period ended June 30, 2011 (proforma)**

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

11 NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

In € millions	**01.01.2012 06.30.2012 (6 months)**	**01.01.2011 06.30.2011 (6 months) Proforma**
Income from marketable securities	10	8
Other financial income	19	19
Income from cash and cash equivalents	**29**	**27**
Loan interests	(63)	(65)
Lease interests	(25)	(24)
Capitalized interests and other non monetary items	4	10
Other financial expenses	(10)	(23)
Gross cost of financial debt	**(94)**	**(102)**
Net cost of financial debt	**(65)**	**(75)**
Foreign exchange gains (losses), net	(9)	9
Change in fair value of financial assets and liabilities	(90)	13
Net (charge) release to provisions	9	(1)
Other	(1)	1
Other financial income and expenses	**(91)**	**22**

The interest rate used in the calculation of capitalized interest is 3.65% for the six-month period ended June 30, 2012 (4.33% for the six-month period ended June 30, 2011 proforma).

The change in fair value of financial assets and liabilities recorded as of June 30, 2012 arose mainly from the variation in the ineffective portion of fuel and foreign currency exchange derivatives**.**

12 INCOME TAXES

12.1 Income tax charge

In € millions	**01.01.2012 06.30.2012 (6 months)**	**01.01.2011 06.30.2011 (6 months) Proforma**
Current tax (expense) / benefit	**(21)**	**(6)**
Charge for the period	(21)	(6)
Adjustment of previous current tax charges	-	-
Deferred tax income / (expense) from continuing operations	**15**	**201**
Change in temporary differences	13	-
CAVE impact	2	2
(Use) / recognition of tax loss carryforwards	-	199
Total	**(6)**	**195**

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

In France, the deficits are indefinitely carried forward. However, the Finance Act 2011 introduced a limit in the amount of tax loss recognized each year (amounting to only 60% of the profit of the period beyond the first million). This measure has the effect of lengthening the recovery period. These new provisions led the Group to limit the recognition of deferred tax assets linked to carryforwards tax losses of the Air France Group, from the third quarter of the year ended December 31, 2011.

The limitation of deferred tax assets has an impact of €(329) million on the tax charge as of June 30, 2012.

12.2 Deferred tax recorded directly in equity

Deferred tax recorded directly in equity amounts to revenue of €13 million as of June 30, 2012 against a loss of €59 million for the period ended June 30, 2011 (6 months proforma).

These deferred taxes related to the accounting of cash flow hedges and to the fair value adjustment on available-for-sale securities.

13 EARNINGS PER SHARE

Reconciliation of income used to calculate earnings per share

In € millions	**01.01.2012 06.30.2012 (6 months)**	**01.01.2011 06.30.2011 (6 months) Proforma**
Net income for the period – Equity holders per share (in € millions)	(920)	(426)
Number of shares issued	126 748 775	126 748 775
Earning per share – Equity holders basic and diluted per share (in euros)	**(7.26)**	**(3.36)**

14 TANGIBLE ASSETS

In € millions	**As of June 30, 2012**			**As of December 31, 2011**		
	Gross value	**Depreciation**	**Net Value**	**Gross value**	**Depreciation**	**Net Value**
Flight equipment	11 266	4 593	6 673	11 302	4 377	6 925
Other tangible assets	3 779	2 394	1 385	3 743	2 329	1 414
Total	**15 045**	**6 987**	**8 058**	**15 045**	**6 706**	**8 339**

The net value of tangible assets financed under capital lease amounts to €2 133 million as of June 30, 2012 (€1 754 million as of December 31, 2011).

15 OTHER FINANCIAL ASSETS (NON CURRENT)

The change in other financial assets (non current) is mainly due to the sale of Amadeus shares for €466 million.

16 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE

16.1 Issued capital

As of June 30, 2012, 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.

16.2 Reserves and retained earnings

In € millions	**As of June 30, 2012**	**As of December 31, 2011**
Legal reserve	67	67
Distributable reserves	-	-
Derivatives reserves	50	71
Available for sale securities reserves	181	85
Other reserves	676	1 096
Net income (loss) – Equity holders of Air France	(920)	(423)
Total	**54**	**896**

17 PROVISIONS AND RETIREMENT BENEFITS

In € millions	**As of June 30, 2012**			**As of December 31, 2011**		
	Non current	**Current**	**Total**	**Non current**	**Current**	**Total**
Retirement benefits	806	-	806	858	-	858
Restitution of aircraft	341	88	429	298	104	402
Restructuring	-	466	466	-	11	11
Litigation	224	11	235	224	12	236
Other	173	15	188	153	6	159
Total	**1 544**	**580**	**2 124**	**1 533**	**133**	**1 666**

17.1 Provisions

Provision for litigation with third parties

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

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

<u>Provision for restructuring</u>

See note 10.

<u>Litigation concerning anti-trust laws</u>

<u>In the air-freight industy</u>

<u>a) Investigation of the anti-trust authorities</u>

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 April 27, 2012, a settlement agreement was agreed upon between the competition commission of South Africa and Air France and KLM resulting in a settlement amount of €1.8 million.

In Europe, the European Commission announced, on November 9, 2010, its decision to impose fines on 14 airlines including Air France 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 Seoul Hight Court.

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

<u>b) Civil actions</u>

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.

<u>Other provisions</u>

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

17.2. 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.

Air France Group

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 June 30, 2012.
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, KLM and Martinair customers who have chosen to be excluded, a portion of the settlement proportional to the revenue Air France, KLM and Martinair received from those parties for a specified period as compared with Air France and KLM's overall revenue for that period was segregated in a separate escrow. The parties who opted out are free to sue Air France, KLM and Martinair individually.
In 2011, written demands were made to Air France and KLM by two customers. Consequently a portion of the escrow amount attributable to those customers, was repaid to Air France, KLM and Martinair and the repaid amount was included as a provision.

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. Equilib currently states that it has purchased claims from 175 indirect purchasers of airfreight services who allegedly suffered losses as a result of an anti-trust infringement in the European market between 2000 and 2006.

Equilib is seeking to obtain a declaratory judgment confirming that the Group companies have been guilty of unlawful conduct and are jointly and severally liable, along with other carriers, for the losses suffered by the airfreight purchasers. Equilib initially estimates its claims at €400 million. So far it has not substantiated its claim.

The proceedings are still in a preliminary stages and it is not expected that the matter will soon be dealt with in substance as the Amsterdam District Court ruled on 7 March 2012 that the proceedings should be stayed until the pendings appeals against the European Commission's decision of 9 November 2010 have fully run their course.

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.

Air France and KLM, as well as other airlines, have also been summoned on February 2012 to appear before the District Court of Amsterdam in a similar civil suit by a company named East West debt BV.

East West debt BV proposed to stay the proceedings in accordance with the judgment provided by the same Amsterdam District Court in the Equilib proceedings. East West debt currently estimates its' claim at 27.9 million euros. So far however its claim is not substantiated.

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>Civil action in the air transport industry (passengers)</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.

As of June 30, 2012, discussions were under way with the plaintiffs to discharge and release Air France from all claims.

<u>Other litigations</u>

a) <u>Pretory</u>

Company Air France, as a legal entity, was placed under investigation on July 20, 2006 on charges of concealed employment and as an accessory to misuse of corporate assets in connection with a judicial investigation initiated against the officers of Pretory, a company with which Air France, pursuant to the September 2001 attacks, had entered into an agreement for the provision of safety officers on certain flights.
Despite a non prosecution decision by the Public Prosecutor, the investigating magistrate has decided on February 7, 2012 to bring the case to a court.

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

b) <u>Rio-Paris AF447 flight</u>

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 17.1 and 17.2, the company is not aware of any governmental, judicial or arbitration proceedings (including any proceedings of which the issuer is aware, or that are pending or threatened against it) that could have or have recently had a significant impact on the Group's financial position, earnings, assets, liabilities or profitability, during a period including at least the past twelve months.

18 FINANCIAL DEBT

In € millions	**As of June 30, 2012**			**As of December 31, 2011**		
	Non current	**Current**	**Total**	**Non current**	**Current**	**Total**
OCEANE (convertible bonds)	419	-	419	383	67	450
Bonds	750	-	750	750	-	750
Capital lease obligations	2 133	202	2 335	1 826	163	1 989
Other long-term debt	1 618	311	1 929	1 795	543	2 338
Accrued interest	-	32	32	-	67	67
Total	**4 920**	**545**	**5 465**	**4 754**	**840**	**5 594**

19 LEASE COMMITMENTS

19.1 Capital leases

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

In € millions	**As of June 30, 2012**	**As of December 31, 2011**
Flight equipment	2 096	1 705
Buildings	480	485
Other	141	133
Total	**2 717**	**2 323**

19.2 Operating leases

The undiscounted amount of the future minimum operating lease payments for aircraft under operating lease totaled €2 699 million as of June 30, 2012 (€2 708 million as of December 31, 2011).

20 FLIGHT EQUIPMENT ORDERS

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

In € millions

	As of June 30, 2012	As of December 31, 2011
2nd semester Y (6 months)	20	-
Y + 1	366	623
Y + 2	439	384
Y + 3	218	385
Y + 4	29	115
Y + 5	17	17
> Y + 5	1 463	1 458
Total	**2 552**	**2 982**

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 June 30, 2012 decreased by 9 units compared with December 31, 2011 to 24 units. This change in the backlog is explained by the delivery of 9 aircraft over the period.

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.

Cargo

The Group did not take any deliveries.

Medium-haul fleet

The Group took delivery of 2 Airbus A320s.

Regional fleet

The Group took delivery of 2 CRJ1000s.

The Group's commitments concern the following aircraft:

Aircraft type	To be delivered in	Y (6 months)	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond Y+5	Total
Long-haul fleet – passenger									
A380	As of June 30, 2012	-	2	2	-	-	-	-	**4**
	As of December 31, 2011	N/A	2	2	2	-	-	-	**6**
B787	As of June 30, 2012	-	-	-	-	-	-	12	**12**
	As of December 31, 2011	N/A	-	-	-	-	-	12	**12**
B777	As of June 30, 2012	-	-	-	3	1	-	-	**4**
	As of December 31, 2011	N/A	3	-	1	3	-	-	**7**
Medium-haul fleet									
A320	As of June 30, 2012	-	-	-	3	-	-	-	**3**
	As of December 31, 2011	N/A	5	-	-	-	-	-	**5**
Regional fleet									
CRJ 1000	As of June 30, 2012	-	-	1	-	-	-	-	**1**
	As of December 31, 2011	N/A	2	1	-	-	-	-	**3**

21 RELATED PARTIES

The Group's relationships with its related parties had not changed significantly in terms of amounts and or scope.

22 NON-CASH TRANSACTIONS

During the first half of 2012, the Group entered into financial lease for the acquisition of an A380 aircraft for €149 million and for the acquisition of a building dedicated to handling of delayed luggage for €25 million. Neither the acquisition nor the debt attached to these two items has any impact in the cash flow statement.