CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2011

CONSOLIDATED INCOME STATEMENT

In € millions **Period from April 1 to March 31,**	***Notes***	**2011**	**2010**
Sales	***5***	**15 220**	**13 845**
Other revenues		6	4
Revenues		**15 226**	**13 849**
External expenses	***6***	(9 212)	(8 462)
Salaries and related costs	***7***	(5 179)	(5 237)
Taxes other than income taxes		(170)	(205)
Amortization and depreciation	***8***	(1 079)	(1 081)
Provisions	***8***	(59)	(18)
Other income and expenses	***9***	208	167
Income from current operations		**(265)**	**(987)**
Sales of aircraft equipment	***10***	9	8
Other non-current income and expenses	***10***	831	(260)
Income from operating activities		**575**	**(1 239)**
Cost of financial debt		(199)	(172)
Income from cash and cash equivalents		51	46
Net cost of financial debt	***11***	***(148)***	***(126)***
Other financial income and expenses	***11***	(38)	(168)
Income before tax		**389**	**(1 533)**
Income taxes	***12***	158	441
Net income of consolidated companies		**547**	**(1 092)**
Share of profits (losses) of associates	***19***	4	-
Net income from continuing operations		**551**	**(1 092)**
Net income for the period		**551**	**(1 092)**
- Group		**554**	**(1 093)**
- Minority interests		(3)	1
Earnings per share – Group (in euros)	***14***		
- basic		4,37	(8.62)
- diluted		4,37	(8.62)

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

In € millions	**March 31, 2011**	**March 31, 2010**
Net income for the period	**551**	**(1 092)**
Fair value adjustment on available-for-sale securities		
Change in fair value recognized directly in equity	172	6
Change in fair value transferred to profit or loss	-	-
Cash flow hedges		
Effective portion of changes in fair value hedge recognized directly in equity	581	697
Change in fair value transferred to profit or loss	17	283
Currency translation adjustment	**(3)**	**1**
Tax on items taken directly to or transferred from equity		
Income / (expense) recognized directly in equity	(210)	(337)
Total of other comprehensive income included in the recognized income and expenses	**557**	**650**
Recognized income and expenses	**1 108**	**(442)**
- Group	**1 111**	**(443)**
- Minority interest	**(3)**	**1**

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

CONSOLIDATED BALANCE SHEET

Assets *In € millions*	***Notes***	**March 31, 2011**	**March 31, 2010**
Goodwill	***15***	422	401
Intangible assets	***16***	263	200
Flight equipment	***17***	7 160	7 431
Other property, plant and equipment	***17***	1 454	1 538
Investments in equity associates	***19***	54	40
Pension assets		6	26
Other financial assets *(including € 357 million of deposits related to financial leases as of March 31, 2011 and € 343 million as of March 31, 2010)*	***20***	1 488	544
Deferred tax assets	***12.5***	879	910
Other non-current assets	***23***	53	52
Total non-current assets		**11 779**	**11 142**
Assets held for sale	***13***	21	93
Other short-term financial assets *(including € 362 million of deposits related to financial leases and investments between 3 months and 1 year as of March 31, 2011 and € 107 million as of March 31, 2010)*	***20***	382	134
Inventories	***21***	359	345
Trade accounts receivable	***22***	1 351	1 576
Income tax receivables		6	1
Other current assets	***23***	872	561
Cash and cash equivalents	***24***	1 517	1 771
Total current assets		**4 508**	**4 481**
Total assets		**16 287**	**15 623**

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

CONSOLIDATED BALANCE SHEET (continued)

Liabilities and equity *In € millions*	***Notes***	**March 31, 2011**	**March 31, 2010**
Issued capital	***25.1***	1 901	1 901
Additional paid-in capital	***25.2***	30	30
Reserves and retained earnings	***25.3***	1 529	393
Equity attributable to equity holders		**3 460**	**2 324**
Minority interests		32	36
Total Equity		**3 492**	**2 360**
Provisions and retirement benefits	***27***	1 425	1 081
Long-term debt	***28***	4 427	4 573
Deferred tax	***12.5***	27	31
Other non-current liabilities	***29***	99	437
Total non-current liabilities		**5 978**	**6 122**
Liability related to assets held for sale	***13***	-	10
Provisions	***27***	263	526
Current portion of long-term debt	***28***	1 185	1 345
Trade accounts payable		1 601	1 465
Deferred revenue on ticket sales		1 688	1 614
Frequent flyer programs		542	565
Current tax liabilities		3	10
Other current liabilities	***29***	1 406	1 490
Bank overdrafts	***24***	129	116
Total current liabilities		**6 817**	**7 141**
Total liabilities		**12 795**	**13 263**
Total liabilities and equity		**16 287**	**15 623**

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

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

In € millions	Number of shares	Issued capital	Additional paid-in capital	Reserves and retained earnings	Equity attributable to holders of Air France	Minority interests	Total equity
March 31, 2009	**126 748 775**	**1 901**	**30**	**811**	**2 742**	**37**	**2 779**
Fair value adjustment on available for sale securities	-	-	-	6	**6**	-	**6**
Gain / (loss) on cash flow hedges	-	-	-	643	**643**	-	**643**
Currency translation adjustment	-	-	-	1	**1**	-	**1**
Net income for the year	-	-	-	(1 093)	**(1 093)**	1	**(1 092)**
Total of income and expenses recognized	-	-	-	**(443)**	**(443)**	**1**	**(442)**
Stock based compensation (ESA)	-	-	-	25	**25**	-	**25**
Dividends paid	-	-	-	-	-	(1)	**(1)**
Change in consolidation scope	-	-	-	-	-	(1)	**(1)**
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)**
Other	-	-	-	-	-	1	**1**
March 31, 2011	**126 748 775**	**1 901**	**30**	**1 529**	**3 460**	**32**	**3 492**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

In € millions

Period from April 1 to March 31,	*Notes*	2011	2010
Net income for the period – Group		554	(1 093)
Minority interests		(3)	1
Amortization, depreciation and operating provisions	*8*	1 138	1 099
Financial provisions	*11*	(5)	7
Gain on disposals of tangible and intangible assets		(12)	29
Loss / (gain) on disposals of subsidiaries and associates		-	2
Gain on WAM (ex Amadeus) operation	*10*	(1 030)	-
Derivatives – non monetary result	*11*	(4)	27
Unrealized foreign exchange gains and losses, net		(3)	4
Share of (profits) losses of associates	*19*	(4)	-
Deferred taxes	*12*	(181)	(452)
Other non-monetary items		58	336
Subtotal		**508**	**(40)**
(Increase) / decrease in inventories		(19)	(13)
(Increase) / decrease in trade receivables		201	(155)
Increase / (decrease) in trade payables		184	(7)
Change in other receivables and payables		(25)	(318)
Net cash flow from operating activities		**849**	**(533)**
Acquisitions of subsidiaries and investments in associates, net of cash acquired	*35*	(33)	(2)
Purchase of property, plant and equipment and intangible assets	*18*	(1 477)	(1 451)
Proceeds on disposal of subsidiaries and investments in associates	*35*	-	-
Proceeds on WAM (ex Amadeus) transaction		193	-
Proceeds on disposal of property, plant and equipment and intangible assets		743	886
Dividends received		6	4
Decrease (increase) in investments, net between 3 months and 1 year		(253)	(73)
Net cash used in investing activities		**(821)**	**(636)**
Increase in capital		6	-
Purchase of non-controlling interests, of shares in non-controlled entities	*35*	(13)	(17)
Disposal of subsidiaries without control loss, of shares in non-controlled entities	*35*	-	2
Issuance of long-term debt		531	1 313
Repayments on long-term debt		(682)	(275)
Payment of debt resulting from finance lease liabilities		(119)	(122)
New loans		(72)	(47)
Repayments on loans		72	42
Dividends paid		(2)	(2)
Net cash flow from financing activities		**(279)**	**894**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		**(16)**	**-**
Change in cash and cash equivalents and bank overdrafts		**(267)**	**(275)**
Cash and cash equivalents and bank overdrafts at beginning of period	*24*	1 655	1 930
Cash and cash equivalents and bank overdrafts at end of period	*24*	1 388	1 655
Income tax (paid) / reimbursed (flow included in operating activities)		(36)	(9)
Interest paid (flow included in operating activities)		(204)	(195)
Interest received (flow included in operating activities)		29	29

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. SIGNIFICANT EVENTS

2.1. Arising during the account period

On April 29, 2010, the company WAM was the subject of an Initial Public Offering (IPO) in Spanish stock exchange. This operation has been done in two steps:

1. A capital increase reserved to the market. The Group did not subscribe to it.
2. The concomitant sold of a part of the shares held by the Group

After the operation the percentage of interest has decreased from 22.1% to 15.2%. At the same time, the governance of WAM has been changed. These two items have involved for the Group the loss of significant influence and also a change in the valuation method of the shares held. The impact of this transaction on the Group financial accounts is described in note 10.

In April 2010, the European air space was closed or strongly disturbed because of a volcanic eruption in Iceland.

2.2. Subsequent events

There has been no significant event since the close of the financial year.

3. ACCOUNTING POLICIES

3.1. Accounting principles

3.1.1 Accounting principles used for consolidated financial statements

Pursuant to the European Regulation 1606/2002, July 19, 2002, the consolidated financial statements as of March 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 had the Group applied IFRS as published by the IASB.

The consolidated financial statements were approved by the Board of Directors on May 18, 2011.

3.1.2 Change in accounting principles

- <u>IFRS standards, Amendments and IFRIC's interpretations applicable effective April 1, 2010</u>

The revised standards IFRS 3 "Business Combinations" and IAS 27 "Individual and Consolidated Financial Statements" have been applied since April 1, 2010.
It has conducted to change the accounting rule concerning the loss of significant influence. Note 10 describes the application of this new accounting rule concerning companies in which the group has ceased to exercise a significant influence during the financial year together with the associated impact.
The other texts with application effective April 1, 2010 have no impact on the Group consolidated financial statements.

- <u>IFRS Standards, amendments and IFRIC's interpretations which came into force for financial statement for accounting periods starting April 1, 2011 and not early applied by the group</u>

The texts adopted by the European Union as of March 31, 2011 described below, and which came into force for accounting periods starting April 1, 2011, have not been applied early by the Group for the establishment of the consolidated financial statements when this arrangement was possible:

- 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 revised 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 Group does not expect any significant impact from the application of these new standards, amendments and interpretations.

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

3.2. 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 3.6 – Revenue recognition related to deferred revenue on ticket sales,
- Notes 3.13 and 3.12 – Tangible and intangible assets,
- Note 3.10 – Financial assets,
- Note 3.21 – Deferred tax assets
- Note 3.7 – Flying Blue frequent flyer program
- Notes 3.17, 3.18 and 3.19 – 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 future results could differ from these estimates depending on changes in the assumptions used or different conditions.

3.3. Consolidation principles

3.3.1 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.

3.3.2. 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 by virtue of 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 commences 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.

3.3.3. Intra-group operations

All intra-group balances and transactions, including income, expenses and dividends are eliminated in full. Profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.
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.

3.3.4 Closing date

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

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

3.4.1. Translation of foreign companies' financial statements

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

- with the exception of 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.

3.4.2. 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 rates in effect on the balance sheet date or at the rate of the related hedge for assets resulting from firm commitments documented in fair value hedge relationships.

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 3.10. "Financial instruments, valuation of financial assets and liabilities".

3.5. Business combinations

3.5.1. 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.

3.5.2 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 3.22, 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.

3.6. 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.

Upon issuance, both passenger and cargo tickets are 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. 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.

3.7. 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.

In accordance with the IFRIC 13 “Loyalty Programs”, these “miles” are considered 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 “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.

3.8. Distinction between income from current operations and income from operating activities

The Group considers it relevant to the understanding of its financial performance to present on the face of the income statement a subtotal within the income from operating activities. This subtotal, named “Income from current operations”, excludes those elements that have little predictive value due to their nature, frequency and/or materiality.

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 the gain realized for negative goodwill.

- Elements that have been incurred for both periods presented and may recur in future periods but for which amounts have varied from period to period, the Group believes that amounts to be incurred in future periods will continue to vary materially in amount and nature 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.

3.9. 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.

3.10. Financial instruments, valuation of financial assets and liabilities

3.10.1 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.

3.10.2 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.

3.10.3 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.

3.10.4 Convertible bonds

Convertible bonds are financial instruments comprised of 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.

3.10.5 Financial assets, cash and cash equivalents

Financial assets at fair value through profit and loss
Financial assets are made up of 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 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.

3.10.6 Long-term debt

Long-term debt is recognized initially at fair value. Subsequent to the initial recognition, 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.

3.10.7 Fair value hierarchy

The table that presents a breakdown of financial assets and liabilities categorized by value (see note 32.4) meets the amended requirements of IFRS 7 "Financial instruments : Disclosures". The fair values are classed 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 techniques 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 techniques 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.

3.11. 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 3.14, 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.

3.12. 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 life 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 3.14 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

3.13. Property, plant and equipment

3.13.1 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. Insofar as investment installments 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).

3.13.2 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 enable the use of the fleet to be ensured 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 a maximum of 30 years.

3.13.3 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

3.13.4. 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 is established 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.

3.14. Impairment

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 December 31.

For this test, the Group determines 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 the method of future value of present cash flows, estimated from budgets validated by management, from an actuarial rate which corresponds to the weighted average cost of group capital and from 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 (see sector information).

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.

3.15. 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.

3.16. 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.

3.17. 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, using the projected units of credit method, factoring in the specific economic conditions in the various countries 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 the greater of 10% of the present value of the defined benefit obligation at that date and 10% of the fair value of any plan assets at that date. The fraction exceeding 10% is then recognized over the expected average remaining working lives of the employees participating in the plan.

3.18. 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 in "Flight equipment" caption. 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.

3.19. 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.

3.20. 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.

3.21. 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 3.14).

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.

3.22. Non-current assets held for sale and discontinued operations

Non-current assets or groups of assets intended 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 a non-current asset held for sale.

The Group determines on each closing date whether any assets or group 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.

Non-current 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.

3.23. 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. The other plans are not valued and remain unrecognized. For the Group, the latter only affects the Shares-for-Salary Exchange realized in 1998.
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.

4. CHANGES IN THE SCOPE OF CONSOLIDATION

4.1. Acquisitions

No significant acquisition of subsidiaries occurred during the years ended March 31, 2011 and 2010.

4.2. Disposals

- **Year ended March 31, 2011**

On April 29, 2010, the company WAM was the subject of an Initial Purchase Offer (IPO) in Spanish stock exchange. This operation is described in note 10.

- **Year ended March 31, 2010**

No significant disposal of subsidiaries occurred during the year ended March 31, 2010.

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 provided to the Group Executive Committee Officer, who is the Group's chief operating decision maker.

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 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.

5.1. Information by business segment

- **Year ended March 31, 2011**

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 10.

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

Non-allocated liabilities amounting to €2.1 billion, mainly comprise a portion of provisions and retirement benefits of €0.9 billion, tax and employee-related liabilities of € 1.0 billion and derivatives of €0.2 billion.

Financial debts, bank overdrafts and equity are not allocated.

- **Year ended March 31, 2010**

In € millions	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	12 050	1 178	2 047	923	-	16 198
Inter-segment sales	(566)	(2)	(1 356)	(429)	-	(2 353)
External sales	**11 484**	**1 176**	**691**	**494**	**-**	**13 845**
Income from current operations	(779)	(283)	60	15	-	(987)
Income from operating activities	(779)	(283)	60	15	(252)	(1 239)
Share of profits (losses) of associates	-	-	-	-	1	1
Net cost of financial debt and other financial income and expenses	-	-	-	-	(294)	(294)
Income taxes	-	-	-	-	441	441
Net income from continuing operations	**(779)**	**(283)**	**60**	**15**	**(105)**	**(1 092)**
Depreciation and amortization for the period	(723)	(50)	(215)	(93)	-	(1 081)
Other non monetary items	(98)	11	4	(220)	(670)	(973)
Total assets	**9 468**	**772**	**1 811**	**247**	**3 325**	**15 623**
Segment liabilities	3 949	98	503	116	2 563	7 229
Financial debt, bank overdraft and equity	-	-	-	-	8 394	8 394
Total liabilities and equity	**3 949**	**98**	**503**	**116**	**10 957**	**15 623**
Purchase of property, plant and equipment and Intangible assets	**1 164**	**90**	**177**	**20**	**-**	**1 451**

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

Non-allocated assets amounting to €3.3 billion are mainly financial assets held by the Group, comprising marketable securities of €1.5 billion, deferred tax of €0.9 billion, cash of €0.3 billion, financial investments of €0.3 billion and derivatives of €0.2 billion.

Non-allocated liabilities amounting to €2.6 billion, mainly comprise a portion of provisions and retirement benefits of €0.9 billion, tax and employee-related liabilities of €0.9 billion and derivatives of €0.6 billion.

Financial debts, bank overdrafts and equity are not allocated.

5.2. Information by geographical area

Sales by geographical area

- **Year ended March 31, 2011**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	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 March 31, 2010**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	5 019	2 397	285	731	1 641	778	10 851
Other passenger sales	362	102	9	51	40	69	633
Total passenger	**5 381**	**2 499**	**294**	**782**	**1 681**	**847**	**11 484**
Scheduled cargo	404	157	21	86	146	269	1 083
Other cargo sales	42	12	4	5	22	8	93
Total cargo	**446**	**169**	**25**	**91**	**168**	**277**	**1 176**
Maintenance	644	-	-	-	47	-	691
Others	356	89	24	25	-	-	494
Total	**6 827**	**2 757**	**343**	**898**	**1 896**	**1 124**	**13 845**

Traffic sales by geographical area of destination

- **Year ended March 31, 2011**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 886	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 March 31, 2010**

In € millions	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 985	2 410	1 014	1 521	2 519	1 402	10 851
Scheduled cargo	4	32	136	211	327	373	1 083
Total	**1 989**	**2 442**	**1 150**	**1 732**	**2 846**	**1 775**	**11 934**

6. EXTERNAL EXPENSES

In € millions **Year ended March 31,**	**2011**	**2010**
Aircraft fuel	3 332	2 764
Chartering costs	425	406
Aircraft operating lease costs	570	488
Landing fees and en route charges	1 064	1 061
Catering	380	387
Handling charges and other operating costs	900	900
Aircraft maintenance costs	717	691
Commercial and distribution costs	572	549
Other external expenses	1 252	1 216
Total	**9 212**	**8 462**
Excluding aircraft fuel	*5 880*	*5 698*

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

7. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

In € millions **Year ended March 31,**	**2011**	**2010**
Wages and salaries	3 554	3 595
Net periodic pension cost	116	144
Social contributions	1 543	1 553
Expenses related to share-based compensation	25	25
Other expenses	(59)	(80)
	5 179	**5 237**

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

Average number of employees

Year ended March 31,	**2011**	**2010**
Flight deck crew	5 316	5 432
Cabin crew	14 753	14 897
Ground staff	50 224	51 814
Total	**70 293**	**72 143**

8. AMORTIZATION, DEPRECIATION AND PROVISIONS

In € millions **Year ended March 31,**	**2011**	**2010**
Amortization and depreciation		
Intangible assets	31	25
Flight equipment	838	847
Other property, plant and equipment	210	209
	1 079	**1 081**
Provisions		
Inventories	11	4
Trade receivables	(3)	3
Risks and contingencies	51	11
	59	**18**
Total	**1 138**	**1 099**

A description of changes in amortization is included in notes 16 and 17.

The detail of changes in inventory and trade receivables impairment is included in notes 21, 22 and 23.

The movements in provisions for risks and charges are detailed in note 27.

9. OTHER INCOME AND EXPENSES

In € millions **Year ended March 31,**	**2011**	**2010**
Joint operation of routes	13	20
Operations-related currency hedges	120	107
Other	75	40
Total	**208**	**167**

10. OTHER NON-CURRENT INCOME AND EXPENSES

In € millions **Year ended March 31,**	**2011**	**2010**
Sales of aircraft equipment	**9**	**8**
Gain on WAM (ex Amadeus) operation	1 030	-
Disposal of subsidiaries and affiliates	(1)	(2)
Restructuring costs	(18)	(151)
Loss on aircraft held for sale	(6)	(62)
Other	(174)	(45)
Other non-current income and expenses	**831**	**(260)**

WAM (ex Amadeus) operation

On April 29, 2010, the company WAM was the subject of an Initial Purchase Offer (IPO) on the Spanish stock exchange. This operation was executed in two stages:

1. A capital increase reserved to the market, which the group did not subscribe to
2. The concomitant sale of a part 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 WAM 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 shares held.
As a consequence, according to IFRS, since April 29, 2010, date of the IPO, shares held by the Group are valued at their market value (market price).
The global profit recorded in the income statement for an amount of € 1 030 million is analyzed as follows:

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

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

Disposal of subsidiaries and affiliates

No significant disposal of subsidiaries or affiliates occurred during the years ended March 31, 2011 and 2010.

Restructuring costs

- **Year ended March 31, 2011**

The line "Others" also comprises a complementary provision of €12 million related to the Air France voluntary redundancy plan which was extended.

- **Year ended March 31, 2010**

As of March 31, 2010, the Group recorded a €148 million provision to cover a voluntary redundancy plan. This plan concerned 1,700 posts for its subsidiary Air France. The departures mainly took place in 2010.

Loss on aircraft held for sale

- **Year ended March 31, 2010**

This line included the impact of the fair value adjustments of ten B747 amounting to €(62) million. Seven of these aircrafts are held for sale, the three others, which in a first time were supposed to be sold, are actually in service.

Other

- **Year ended March 31, 2011**

In Europe, the European Commission has announced on November 9, 2010 its decision to impose fines on 14 airlines including Air France related to anti-competitive practices, mainly concerning fuel surcharges. The commission imposed an overall fine of 183 million euros to Air France.
This fine is €57 million higher than the provisions already made by the Group in its accounts. Consequently, an additional "non current expense" has been recorded.

A pension plan was closed in the United States. The impact of this closure amounts to € (26) million.

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

In € millions **Year ended March 31,**	**2011**	**2010**
Income from marketable securities	13	14
Other financial income	38	32
Financial income	**51**	**46**
Loan interest	(131)	(136)
Lease interest	(49)	(49)
Capitalized interest	22	30
Other financial expenses	(41)	(17)
Cost of financial debt	**(199)**	**(172)**
Net cost of financial debt	**(148)**	**(126)**
Foreign exchange gains (losses), net	(5)	(37)
Change in fair value of financial assets and liabilities	(38)	(124)
Net (charge) release to provisions	5	(7)
Other financial income and expenses	**(38)**	**(168)**
Total	**(186)**	**(294)**

The interest rate used in the calculation of capitalized interest is 3.69 % for the year ended March 31, 2011 and 3.77% for the year ended March 31, 2010.

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

By a decision made on January 8, 2010, the Venezuela decided the depreciation of its currency, the Venezuelan Bolivar. The measure took place on January 11, 2010. Based on its monetary outstanding in Venezuela, the Group recorded a foreign exchange loss of €17 million as of March 31, 2010.

The change in fair value of financial assets and liabilities recorded as of March 31, 2011 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.

The change in fair value of financial assets and liabilities recorded as of March 31, 2010 arose mainly from the variation in the ineffective portion of fuel and foreign currency exchange derivatives amounting to €(138) million, together with the change in value of derivative instruments no longer qualified as hedging amounting to €12 million.

12. INCOME TAXES

12.1. Income tax charge

Current and deferred income taxes are detailed as follows:

In € millions **Year ended March 31,**	**2011**	**2010**
Current tax (expense) / income	**(24)**	**(11)**
(Charge) / income for the year	(24)	(11)
Deferred tax income / (expense) from continuing operations	**182**	**452**
Change in temporary differences	(110)	(154)
CAVE impact	4	31
Change in tax rate	-	-
(Use) / recognition of tax loss carry-forwards	288	637
Income tax (expense) / income from continuing operations	**158**	**441**

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 March 31, 2011 and 2010, the Group recognized a deferred tax asset amounting to € 288 million and €637 million respectively given the gains previously realized and the prospects of recoverability.

Impact of the reform of the business tax

The 2010 Finance Law voted on December 30, 2009, has 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) which is formed by 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). This one 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 will be presented under the line “tax”.

With the period ending March 31, 2010 and conforming to the measures set out in IAS 12, the qualification of the CAVE as a tax on profits has lead the Group to account for the CAVE expense of €37 million, which corresponds to:

- a CAVE deferred charge relating to the temporary differences in existence at December 31, 2009. This deferred tax liability will be recovered as the temporary difference are reduced,
- a CAVE current charge which will be paid in 2010 based on the added value generated during the period ended March 31, 2010.

12.2. Deferred tax recorded directly in equity

In € millions **Year ended March 31,**	**2011**	**2010**
Cash flow hedge	(210)	(337)
Total	**(210)**	**(337)**

12.3. Effective tax rate

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

In € millions **Year ended March 31,**	**2011**		**2010**	
Income before tax		389		(1 533)
Theoretical tax calculated with the standard tax rate in France	34.43%	(134)	34.43%	(528)
Differences in French / foreign tax rates		(18)		(40)
Non deductible expenses		324		(12)
Income taxed at non-current tax rates		-		-
Non-taxable income		-		-
Impact of tax loss carryforwards		(9)		(5)
CAVE impact		(15)		(37)
Other		10		7
Income tax expenses	(40.64)%	**158**	28.77%	**441**

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

12.4. Unrecognized deferred tax assets (basis)

In € millions **Year ended March 31,**	**2011**	**2010**
Temporary differences		28
Tax losses	305	266
Total	**305**	**294**

As of March 31, 2011, unrecognized deferred tax assets mainly correspond to a portion of the tax loss carry forwards of Air France Group subsidiaries in Air France-KLM fiscal group, as well as, tax loss carry forwards in certain subsidiaries in the United Kingdom.

In France, tax losses can be carried forward for an unlimited period.

12.5. Deferred tax recorded on the balance sheet

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

In € millions	**April 1, 2009**	**Amounts recorded in income**	**Amounts recorded in equity**	**Currency translation adjustment**	**Reclassification**	**March 31, 2010**
Flight equipment	(949)	(151)	1	-	-	(1 099)
Other assets	(110)	13	89	-	-	(8)
Financial debt	462	42	-	-	-	504
Deferred revenue on ticket sales	209	(3)	-	-	-	206
Other liabilities	632	(185)	(217)	-	-	230
Deferred tax corresponding to fiscal losses	467	637	-	-	-	1 104
Others	54	99	(210)	-	(1)	(58)
Deferred tax (Asset) / Liability	**765**	**452**	**(337)**	**-**	**(1)**	**879**

13. ASSETS HELD FOR SALE AND LIABILITIES RELATED TO ASSETS HELD FOR SALE

- **Year ended March 31, 2011**

As of March 31, 2011, the line "assets held for sale" includes the fair value of 5 aircraft held for sale for an amount of €21 million.

- **Year ended March 31, 2010**

As of March 31, 2010, the line "assets held for sale" included the fair value of 8 aircraft held for sale for an amount of €93 million.

The line "liabilities related to assets held for sale" included pre-payment received for the sale of 4 aircraft classified as "assets held for sale".

14. EARNINGS PER SHARE

14.1. Income for the period – Group share per share

Year ended March 31,	2011	2010
Income for the period – Group share (in € millions)	554	(1 093)
Number of shares issued	126 748 775	126 748 775
Income for the period – Group share basic and diluted by share (in euros)	**4.37**	**(8.62)**

14.2. Non dilutive instruments

As of March 31, 2011 and 2010, there were no non-dilutive instruments.

14.3. Instruments issued after the closing date

No instruments were issued after the closing date.

15 . GOODWILL

Detail of consolidated goodwill

In € millions	2011			2010		
Year ended March 31,	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
VLM	168	-	168	168	-	168
UTA	112	-	112	112	-	112
Régional	60	-	60	60	-	60
Aeromaintenance Group	20	-	20	21	-	21
Britair	18	-	18	18	-	18
CityJet	11	-	11	11	-	11
SIA Kenya	22	-	22	-	-	-
Others	11	-	11	11	-	11
Total	**422**	**-**	**422**	**401**	**-**	**401**

The goodwill concerns mainly the business “Passenger”.

Movement in net book value of goodwill

In € millions **Year ended March 31,**	**2011**	**2010**
Opening balance	**401**	**400**
Acquisitions	22	1
Reclassification	(1)	-
Closing balance	**422**	**401**

A goodwill was recorded on the acquisition of 60% of SIA Kenya, a subsidiary of Servair Group.

16. INTANGIBLE ASSETS

In € millions **Year ended March 31,**	**2011**	**2010**
Gross value		
Amount in the beginning of the period	395	326
Additions	98	74
Disposals	(18)	(6)
Transfer	1	2
Change in scope	-	(1)
Amount at the end of the period	476	395
Depreciation		
Amount in the beginning of the period	(195)	(176)
Charge to depreciation	(31)	(25)
Transfer	13	2
Reclassification	-	4
Amount at the end of the period	(213)	(195)
Net value at the end of the period	**263**	**200**

Intangible assets of the Group are mainly software.

17. TANGIBLE ASSETS

In € millions	Flight equipment	Other tangible assets	Total
Gross value			
Amounts as of March 31, 2009	**11 595**	**3 589**	**15 184**
Additions	1 198	180	1 378
Disposals	(1 401)	(148)	(1 549)
Changes in consolidation scope	-	(6)	(6)
Fair value hedge	(10)	-	(10)
Transfer	(338)	12	(326)
Currency translation adjustment	-	1	1
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**
Depreciation			
Amounts as of March 31, 2009	**(3 483)**	**(2 023)**	**(5 506)**
Charge to depreciation	(914)	(209)	(1 123)
Releases on disposal	506	143	649
Changes in consolidation scope	-	3	3
Transfer	278	(3)	275
Currency translation adjustment	-	(1)	(1)
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)**
Net value			
As of March 31, 2010	**7 431**	**1 538**	**8 969**
As of March 31, 2011	**7 160**	**1 454**	**8 614**

Note 33 details the amount of pledged tangible assets.

Commitments to property purchases are detailed in notes 32 and 33.

The net book value of tangible assets financed under capital lease amounted to € 1 508 million as of March 31, 2011 against €1 386 million as of March 31, 2010.

As of March 31, 2010, the Group has recorded an additional write-down amounting to €(67) million in "Other non-current income and expenses" (see note 10).

18. CAPITAL EXPENDITURE

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

In € millions **Year ended March 31,**	**2011**	**2010**
Acquisition of tangible assets	1 416	1 378
Acquisition of intangible assets	98	74
Accounts payable on acquisitions and capitalized interest	(37)	(1)
	1 477	**1 451**

19. 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, 2009	**31**
Share in net income of equity affiliates	-
Distributions	-
Change in consolidation scope	2
Others	7
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
Others	-
Value of share in investment as of March 31, 2011	**54**

- **Year ended March 31, 2011**

On April 29, 2010, the company WAM was the subject of an Initial Public Offering (IPO) on the Spanish stock exchange. This operation is described in note 10.

- **Year ended March 31, 2010**

The ownership structure of WAM Acquisition was as follows: 22.11% Air France, 11.06% Iberia, 11.06% Lufthansa, 50.42% Amadelux Investments and 5.35% management.

Simplified financial statements of WAM Acquisition (group which does not publish consolidated accounts)

WAM Acquisition is the holding company of the Amadeus group. The Amadeus group develops booking tools and technology solutions dedicated to business and leisure travel. This expertise makes it the global partner of choice for travel agents, rail and airline operators, hotel chains and car rental companies. Furthermore, the Amadeus group also partners businesses involved in the reservation and management of business travel.

The financial information for WAM Acquisition are financial data excluding consolidation adjustments.

In € millions	**WAM Acquisition (Amadeus GTD)**
	31/12/2009
% holding as of March 31, 2010	22%
Operating revenues	2 461
Operating income	550
Net income / loss	272
Stockholders' equity	(278)
Total assets	5 562
Total liabilities and stockholders' equity	5 562

Other information

The share of WAM Acquisition's income not recorded in the Group's consolidated financial statements amounts to €60 million for the year ended March 31, 2010. Given the negative net equity after neutralization of the sum reinvested by the Air France Group, its contribution to the consolidated financial statements is nil.

20. Other financial assets

In € millions **Year ended March 31,**	**2011**		**2010**	
	Current	**Non current**	**Current**	**Non current**
Financial assets available for sale				
Shares	-	970	-	47
Assets at fair value through profit and loss				
Marketable securities	357	-	103	-
Loans and receivables				
Financial lease deposit	5	357	4	343
Loans and receivables	18	222	10	210
Miscellaneous financial assets	2	-	17	-
Gross value	**382**	**1 549**	**134**	**600**
Impairment at opening	**-**	**(56)**	**-**	**(56)**
New impairment charge	-	(5)	-	-
Use of provision	-	-	-	-
Impairment at closing	**-**	**(61)**	**-**	**(56)**
Total	**382**	**1 488**	**134**	**544**

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 March 31, 2011						
Amadeus [(*)]	920	15.23%	767	384	13.50	December 2010
Others	50	-	-	-		
Total	**970**					
As of March 31, 2010						
Others	47	-	-	-	-	-
Total	**47**					

[(*)] Listed company

Assets at fair value through profit and loss mainly comprise shares in mutual funds that do not meet the "cash equivalents" definition.

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

21. INVENTORY AND WORK IN PROGRESS

In € millions **Year ended March 31,**	2011	2010
Aeronautical spare parts	396	375
Other supplies	80	75
Production work in progress	5	6
Gross value	**481**	**456**
Opening valuation allowance	**(111)**	**(107)**
Charge to allowance	(17)	(7)
Use of allowance	6	3
Closing valuation allowance	**(122)**	**(111)**
Net value of inventory	**359**	**345**

22. TRADE ACCOUNTS RECEIVABLE

In € millions **Year ended March 31,**	2011	2010
Airlines	448	482
Other clients:		
* Passenger	554	684
* Cargo	221	179
* Maintenance	99	182
* Other	98	119
Gross value	**1 420**	**1 646**
Opening valuation allowance	**(70)**	**(68)**
Charge to allowance	(10)	(13)
Use of allowance	11	11
Closing valuation allowance	**(69)**	**(70)**
Net value	**1 351**	**1 576**

23. OTHER ASSETS

In € millions Year ended March 31,	2011		2010	
	Current	Non current	Current	Non current
Suppliers with debit balances	119	-	74	-
French State receivable	60	-	70	-
Derivative instruments	320	53	101	52
Group and associates	12	-	21	-
Prepayments	202	-	180	-
Other debtors	161	-	119	-
Gross value	**874**	**53**	**565**	**52**
Opening valuation allowance	**(4)**	**-**	**(6)**	**-**
Charge to allowance	-	-	(1)	-
Use of allowance	1	-	1	-
Reclassification	1	-	2	-
Closing valuation allowance	**(2)**	**-**	**(4)**	**-**
Net realizable value of other assets	**872**	**53**	**561**	**52**

24. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

In € millions Year ended March 31,	2011	2010
Mutual funds (SICAV) (assets at fair value through profit and loss)	1 141	1 396
Bank deposits (assets at fair value through profit and loss)	124	123
Cash in hand	252	252
Total cash and cash equivalents	**1 517**	**1 771**
Bank overdrafts	(129)	(116)
Cash, cash equivalents and bank overdrafts	**1 388**	**1 655**

25. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE

25.1. Issued capital

As of March 31, 2011 and 2010, 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.

25.2. Additional paid-in capital

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

25.3. Reserves and retained earnings

In € millions **Year ended March 31,**	**2011**	**2010**
Legal reserve	67	67
Distributable reserve	-	-
Derivatives reserves	202	(189)
Available for sale securities reserves	172	3
Other reserves	534	1 605
Net income (loss) – Group share	554	(1 093)
Total	**1 529**	**393**

As of March 31, 2011, the legal reserve of € 67 million represented 4 % 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. This restriction on the payment of dividends also applies to each of the French subsidiaries on an individual statutory basis.

The legal reserve of any company subject to this requirement may only be distributed to shareholders upon liquidation of the company.

26. SHARE BASED COMPENSATION

Outstanding share-based compensation plans as of March 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**
<u>Other plans</u>						
ESA (*) 1998 pilots	01/05/1999	15 023 251	N/A	31/05/1999	14	15 023 251
ESA(*) 2003	01/02/2005	12 612 671	N/A	21/02/2005	14	12 612 671

(*) ESA: Shares-for-salary exchange

26.1. Plans granted prior to November 7, 2002

In accordance with the transitional provisions of IFRS 2 "Share-based payment", only plans granted after November 7, 2002 and not yet vested as of April 1, 2004 have been valued and recorded as salary expense. IFRS 2 is therefore not applicable to this plan.

On October 28, 1998, Air France signed an agreement granting Air France shares to pilots in return for a reduction in salary (these shares being granted by the French State, the major shareholder at the time). The offer was launched on May 1, 1999 and closed on May 31, 1999. By the end of the offer, 15 023 251 shares were allocated to pilots. Payment for these shares, priced at €14, was to be made through a reduction in salary spread over (i) a 7-year period for 10 263 001 shares and (ii) the remaining career of pilots for the remaining 4 760 250 shares.

26.2. Plans granted after to November 7, 2002

Air France 2003 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 2003 plan share-based payment is therefore recognized on a straight-line basis over the requisite service period for each separately vested portion.

27. PROVISIONS AND RETIREMENT BENEFITS

In € millions		**Retirement benefits note 27.1**	**Restitution of aircraft**	**Restruc-turing**	**Litigation**	**Others**	**Total**
Amount as of March 31, 2009		**614**	**386**	**8**	**229**	**84**	**1 321**
Of which:	*non-current*	*614*	*248*	*-*	*67*	*83*	***1 012***
	current	*-*	*138*	*8*	*162*	*1*	***309***
New provision		101	123	189	23	42	**478**
Use of provision		(6)	(125)	(3)	(13)	(31)	**(178)**
Reversal of unnecessary provisions		-	-	(3)	(2)	-	**(5)**
Currency translation adjustment		3	-	-	-	-	**3**
Change in scope		-	-	-	-	-	**-**
Discount impact		-	-	-	-	-	**-**
Reclassification		-	(27)	1	(7)	21	**(12)**
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 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***

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, 2010, the impact of the voluntary redundancy plan of Air France on "retirement benefits" has been recorded in "Other non-current income and expenses" (see note 10).
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.

27.1. RETIREMENT BENEFITS

The Group has 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 March 31, 2011 and 2010. These calculations include:

- Assumptions on staff turnover, life expectancy and salary inflation.
- A retirement age of 55 to 67 depending on 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 evolution of average interest rates on bonds rated AA 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 bonds. Most of the Group's obligations are located in Euro zone.

Year ended March 31,	**2011**	**2010**
Euro zone – Duration 4 to 5 years	4,25%	3,00%
Euro zone – Duration 10 to 15 years	4,75%	4,75%
Euro zone – Duration 15 years and more	-	4,75%

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

Year ended March 31,	**2011**	**2010**
Euro zone	Between 3.0 % and 6.8%	Between 3.2% and 6.8%

The expected average long-term rates of return for 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	
	2011	2010	2011	2010
Discount rate	4,8%	4.8%	6,0%	6.0%
Salary inflation rate	0,8%	0.8%	-	-
Expected long-term rate of return on plan assets	6,6%	6.7%	-	-

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 March 31, 2011 and 2010.

(In € millions)	Pension benefits		Other benefits	
	2010-11	2009-10	2010-11	2009-10
Benefit obligation at beginning of year	**2 180**	**2 145**	**3**	**3**
Service cost	57	56	-	-
Interest cost	105	118	-	-
Employees' contribution	1	1	-	-
Plan amendments	-	(28)	-	-
Change of scope	3	-	-	-
Settlements / curtailments	(100)	(48)	-	-
Benefits paid	(132)	(188)	-	(1)
Actuarial loss / (gain)	96	115	-	-
Currency translation adjustment	2	9	-	1
Benefit obligation at end of year	**2 212**	**2 180**	**3**	**3**
Including benefit obligation resulting from schemes totally or partly financed	*2 135*	*2 112*	-	-
Including not-financed benefit obligation	*77*	*68*	*3*	*3*
Fair value of plan assets at beginning of year	**1 082**	**1 059**	-	-
Actual return on plan assets	53	190	-	-
Employers' contributions	40	-	-	-
Employees' contributions	1	1	-	-
Change of scope	-	-	-	-
Settlements / curtailments	(95)	-	-	-
Benefits paid	(124)	(180)	-	-
Currency translation adjustment	2	12	-	-
Fair value of plan assets at end of year	**959**	**1 082**	**-**	**-**
Funded status	(1 253)	(1 098)	(3)	(3)
Unrecognized prior service cost	163	181	-	-
Unrecognized actuarial (gains) / losses	303	234	-	-
Prepaid (accrued) pension cost	**(787)**	**(683)**	**(3)**	**(3)**
Amounts recorded in the balance sheet(*) :				
Pension asset	6	26	-	-
Provision for retirement benefits	(793)	(709)	(3)	(3)
Net amount recognized	**(787)**	**(683)**	**(3)**	**(3)**
Net periodic cost :				
Service cost	58	56	-	-
Interest cost	105	118	-	-
Expected return on plan assets	(71)	(66)	-	-
Settlement / curtailment	29	(36)	-	-
Amortization of prior service cost	18	21	-	-
Amortization of unrecognized actuarial (gain) loss	10	12	-	-
Other	-	-	-	-
Net periodic cost	**149**	**105**	**-**	**-**

(*) 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, 2007	2 227	1 182	1 045	(7)	(39)
As of March 31, 2008	2 148	1 262	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)

Asset allocation

The weighted average allocation of the funds invested in Group pension plans as of March 31, 2011 and 2010 is as follows:

Year ended March 31,	Funds invested	
	2011	2010
Equities	38%	35%
Bonds	60%	54%
Real estate	1%	1%
Insurer assets	-	9%
Short-term investments	1%	1%
Other	-	-%
Total	**100%**	**100%**

Expected cash outflows

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

In € millions	Pensions and similar benefits
Estimated contribution to be paid in 2011-12	37
Estimated benefit payments as of March 31:	
2012	131
2013	123
2014	135
2015	147
2016	160
2017-2021	897

27.2. 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 and 2010, the provision for restructuring mainly includes the provision for the Air France voluntary redundancy plan (see note 10).

Litigations concerning anti-trust laws

In the air-freight industry

a) Investigation by the anti-trust authorities in the air-freight industry

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 March 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.

These fine amount exceed by €57 million the amount of provision already made. Accordingly a complementary charge has been recorded in “other non current charge.

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 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 €3.6 million and of €2.5 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.
The group companies have filed an appeal before the competent Court in South Korea.

b) Civil actions

As of March 31, 2011, the Group remains exposed in relation to class actions brought in Canada. With regard to the revenues involved, the risk is not significant.

Other provisions

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

27.3. 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 March 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. The Settlement has no impact on the group's financial statements, given the provisions already made to cover this risk.

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. In addition, a number of additional parties, filed a late exclusion notice and the Court has established a process to determine whether exclusion of those parties will be permitted.
With respect to those AF-KLM customers who have chosen to be excluded, a portion of the settlement proportional to the revenue AF-KLM received from those parties for a specified period as compared with Air France-KLM's overall revenue for that period will be segregated in a separate escrow. If claims by those parties, including written demands, are made against the Group, then the portion of the separate escrow attributable to the claiming parties will be transferred to the Group.

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 seventy purchasers of airfreight services who have allegedly suffered losses as a result of an anti-trust infringement in the European market between 2000 and 2006.

Equilib is seeking to obtain a declaratory judgment confirming that the group companies have been guilty of unlawful conduct and are jointly and severally liable, along with other carriers, for the losses suffered by the airfreight purchasers. Equilib currently estimates its claims at €400 million but does not substantiate that figure.
The group companies served a contribution writ of summons on the other airlines fined by the European Commission on November 9, 2010.

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

The group companies will firmly resist all claims brought against them.

b) In the air transport industry (passengers)

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

Air France like other air carriers, were subject on March 11, 2008 to searches and seizures in connection with an investigation by the European Commission into possible anti-competitive agreements or concerted practices in the area of air transport services (passengers) between the States parties to the agreement on the European Economic Area and Japan.
On February 13, 2009, Air France replied to a questionnaire from the Commission pointing out the background of air traffic relations between France and the Netherlands, on the one hand, and Japan on the other hand. These relations are governed by bilateral agreements requiring the approval of fares by the civil aviation authorities in the States concerned after agreement among the air carriers designated pursuant to such agreements.

A second questionnaire was sent to the group by the European Commission on October 1, 2009. To date, Air France is unable to state an opinion regarding the action that will be taken in connection with such enquiries by the European Commission.

b.2) Civil actions

During 2009, Air France 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, which is not involved on these routes, strongly deny these allegations. The company accordingly filed motions to dismiss.

Other litigations

a) Pretory

Société 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.

The airline immediately filed a motion with the Paris Court of Appeal for annulment of the implication in the investigation notified to it. Though that motion was denied, Société Air France intends to challenge its implication in this case.

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. The damages as reparation for the losses suffered by the heirs of the passengers who died in the crash are covered by Air France's third-party liability insurance policy.

On March 17 and 18, 2011 respectively, Airbus and Air France were indicted for manslaughter by the investigating magistrate and incur the penalties of fines prescribed by law. Air France intends to challenge its implication in this case.

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

Except for the matters specified under the paragraphs 27.2 and 27.3, 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 issuer's and/or Group's financial position or profitability, during a period including at least the past twelve months.

28. FINANCIAL DEBT

In € millions **Year ended March 31,**	**2011**	**2010**
Repackaged perpetual loans	-	-
OCEANE (convertible bonds)	450	450
Bonds	750	750
Capital lease obligations (non current portion)	1 325	1 429
Other debt (non current portion)	1 902	1 944
Non current financial debt	**4 427**	**4 573**
Repackaged perpetual loans	-	-
Capital lease obligations (current portion)	298	132
Accrued interest	41	42
Other debt (current portion)	846	1 171
Current financial debt	**1 185**	**1 345**

28.1. OCEANE (Convertible bonds)

On April 22, 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 March 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 early reimbursement.

28.2. Bonds

On September 11, 2006 and April 23, 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%.

28.3. Capital lease commitments

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

As of March 31, *In € millions*		2011	2010
Aircraft			
Future minimum lease payments – due dates			
Y+1		303	133
Y+2		141	302
Y+3		198	128
Y+4		197	187
Y+5		134	193
Over 5 years		441	497
Total		**1 414**	**1 440**
Including:	Principal	1 296	1 226
	Interests	118	214
Buildings			
Future minimum lease payments – due dates			
Y+1		41	35
Y+2		39	34
Y+3		37	31
Y+4		37	31
Y+5		37	31
Over 5 years		109	107
Total		**300**	**269**
Including:	Principal	246	202
	Interests	54	67
Other property, plant and equipment			
Future minimum lease payments – due dates			
Y+1		9	30
Y+2		9	12
Y+3		9	12
Y+4		9	12
Y+5		8	12
Over 5 years		96	150
Total		**140**	**228**
Including:	Principal	81	133
	Interests	59	95

The lease expenses over the period do not include contingent leases. Deposits made on purchase options are presented in note 20.

28.4. Other debt

Other debt breaks down as follows:

In € millions **Year ended March 31,**	**2011**	**2010**
Reservation of ownership clause and mortgage debt	2 104	2 075
Other debt	644	1 040
Total	**2 748**	**3 115**

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.

Other debt corresponds mainly to bank borrowings.

28.5. Maturity analysis

The maturities of financial debts break down as follows:

In € millions **Year ended March 31,**		**2011**	**2010**
Maturities in			
Y+1		1 372	1 529
Y+2		1 039	721
Y+3		1 513	966
Y+4		553	1 266
Y+5		407	703
Over 5 years		1 471	1 642
Total		**6 355**	**6 827**
Including:	- Principal	5 612	5 918
	- Interest	743	909

As of March 31, 2011, expected financial costs amount to €187 million for 2011-12, €455 million for the periods from 2012-13 until 2015-16, and €101 million thereafter.

As of March 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:

- First date of the period of the put on investment being April 1, 2012 for the OCEANE first issued in 2005
- Maturity date for the repayable bond issued in 2006 and 2007

28.6. Currency analysis

After taking into account derivatives instruments, long term debts are mainly in euros for €5.1 billion as of March 31, 2011 and €5.6 billion as of March 31, 2010.

28.7. Credit lines

The Group had credit lines amounting to €1115 million as of March 31, 2011 negotiated in April 2005. Only €500 million are drawned. The maturity of this credit line is April 7, 2012.

Air France's credit facility is subject to the respect of financial covenants, which were respected at March 31, 2011.
On April 4, 2011, Air France renewed this facility early 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.

29. OTHER LIABILITIES

In € millions **Year ended March 31,**	**2011**		**2010**	
	Current	**Non current**	**Current**	**Non current**
Tax liabilities	395	-	313	-
Employee-related liabilities	582	-	586	-
Non current assets' payables	42	-	26	-
Derivative instruments	117	86	245	340
Deferred income	64	-	39	87
Other	206	13	281	10
Total	**1 406**	**99**	**1 490**	**437**

30. FINANCIAL INSTRUMENTS

30.1. 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 and, thus, to preserve budgeted margins. 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 instruments used are swaps and options.
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 ones, is supplied 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 and the resulting net prices and stress scenarii, as well as market commentary. Furthermore, the fuel purchasing departments makes a weekly Air France-KLM group report (known as the GEC Report) 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, and then, to a lesser extent, to Japanese yen and pound sterling. Thus, any changes in the exchange rates for these currencies relative to the euro may have an impact on the Group's financial results.
With regard to the US dollar, since expenditure or 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 the yen and of sterling, the level of revenues in these currencies exceeding expenditure. 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 hedge progressively 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 March 31, 2011, 93 % of the Group's gross debt, after taking into account derivative instruments, was issued in or converted into euros, thereby sharply reducing the risk of currency fluctuations on the debt.
Despite this active hedging policy, not all exchange rate risks are covered. 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 to convert a significant proportion of their floating-rate debt into fixed rates. After swaps, the Group's gross debt contracted at fixed rates represents 61% of the overall total.
Given this policy, the Group displays an amount of floating-rate debt lower than the amount of floating-rate treasury. An interest rate increase will consequently have a positive 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. This strategy was suspended in November 2008: no new positions, unwinding of some of the hedges already in place in order to significantly reduce the risk of downside and to benefit from the current market levels.
Following the completion of this portfolio restructuring, in September 2009 a new hedge strategy was defined and presented to the Audit Committee and the Board of the Air France-KLM Group. 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.

Underlyings: Brent, Gasoil and Jet CIF
At least 25% 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 closer monitoring of the marked-to-market positions and a dynamic management of its exposure, the Air France-KLM group uses the VAR (value at risk) to help to 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 the group are currently invested in short term, primarily money market mutual funds and certificates rated A1 or P1.
However a small portion of the surplus has been invested in debt security with maturities of up to two 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 March 31, 2011	As of March 31, 2010
AA	-	1
AA-	35	11
A+	563	181
A	99	2
Total	**697**	**195**

As of March 31, 2011 and 2010, the exposure is mainly composed by the fair market value of short term cash resources.

30.2. Derivative instruments

- **Year ended March 31, 2011**

Book value *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**

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	369	321	48	-	-	-	-
	Liability	(90)	(58)	(32)	-	-	-	-
Interest rate derivative instruments	Asset	-	-	-	-	-	-	-
	Liability	(11)	(1)	(1)	(3)	(2)	2	(6)
Currency exchange derivative instruments	Asset	4	-	1	2	1	-	-
	Liability	(102)	(58)	(41)	(2)	-	(1)	-
Total	**Asset**	**373**	**321**	**49**	**2**	**1**	**-**	**-**
	Liability	**(203)**	**(117)**	**(74)**	**(5)**	**(2)**	**1**	**(6)**

- **Year ended March 31, 2010**

Book value *In € millions*	**Assets** Non-current	**Assets** Current	**Liabilities** Non-current	**Liabilities** Current
Currency exchange risk (operating and financial operations)				
Fair value hedge	21	8	20	16
Cash flow hedge	31	52	16	15
Fair value through profit and loss	-	-	-	-
Interest rate risk (financial operations)				
Cash flow hedge	-	-	36	-
Fair value hedge	-	-	-	-
Fair value through profit and loss	-	-	1	-
Commodities risk				
Fair value hedge	-	-	-	-
Cash flow hedge	-	41	267	212
Fair value through profit and loss	-	-	-	2
Total	**52**	**101**	**340**	**245**

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 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.

- **Year ended March 31, 2010**

  Interest rate derivatives have a nominal value amounting to €1 033 million, including €6 million with a maturity less than one year and €1 027 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 rates on part of its debt, the Group entered into a number of fixed to floating-rate swaps.

- Hedging of cash-flow risk relating to floating-rate financial debt:
  The Group has sought to fix the rate of certain floating-rate loans and has thus entered into a number of floating to fixed-rate swaps. 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 date of hedged items.

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

In € millions **Year ended March 31,**	**2011**				**2010**			
	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	307	2.4%	307	2.4%	77	5.3%	77	5.3%
Fixed-rate financial liabilities	2 584	4.6%	3 437	4.7%	2 332	4.3%	3 400	4.4%
Floating-rate financial assets and liabilities								
Floating-rate financial assets	2 111	3.3%	2 111	3.3%	2 322	3.3%	2 322	3.3%
Floating-rate financial liabilities	3 157	2.3%	2 304	2.3%	3 702	2.7%	2 634	2.7%
Without-rate financial assets	969	-	969	-	50	-	50	-

As of March 31, 2011, without-rate financial assets mainly includes the revaluation of Amadeus (WAM) 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 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 and capital leases:
A small portion of the debt is denominated in foreign currencies so as 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 and capital leases, 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 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								
US Dollar	932	399	363	108	30	14	18	(37)
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)**

- **Year ended March 31, 2010**

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)	**1 851**	**1 247**	**511**	**44**	**28**	**15**	**6**	**53**
Exchange rate options								
US Dollar	1 189	866	323	-	-	-	-	50
Yen	155	100	55	-	-	-	-	(5)
Pound sterling	107	81	26					-
Swiss franc	12	12	-	-	-	-	-	-
Other currencies	7	7	-	-	-	-	-	-
Forward purchases								
US Dollar	261	111	66	35	28	15	6	5
Forward sales								
US Dollar	33	33	-	-	-	-	-	-
Yen	44	26	18	-	-	-	-	4
Swiss franc	7	7	-	-	-	-	-	-
Others								
US Dollar	36	4	23	9	-	-	-	(1)
Exchange risk (Fair value hedging of flight equipment acquisition)	**929**	**285**	**252**	**308**	**45**	**22**	**17**	**(8)**
Forward purchases								
US Dollar	929	285	252	308	45	22	17	(8)
Total	**2 780**	**1 532**	**763**	**352**	**73**	**37**	**23**	**45**

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 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
Commodity risk (trading)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Swap	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
Total	**3 376**	**2 247**	**1 129**	**-**	**-**	**-**	**-**	**277**

- **Year ended March 31, 2010**

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)	**3 540**	**2 077**	**915**	**548**	**-**	**-**	**-**	**(438)**
Swap	5	5	-	-	-	-	-	-
Options	3 535	2 072	915	548	-	-	-	(438)
Commodity risk (trading)	**21**	**21**	**-**	**-**	**-**	**-**	**-**	**(2)**
Swap	-	-	-	-	-	-	-	-
Options	21	21	-	-	-	-	-	(2)
Total	**3 561**	**2 098**	**915**	**548**	**-**	**-**	**-**	**(440)**

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.

30.3. 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 March 31, 2011 and 2010 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 their 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 off-balance-sheet instruments corresponds to the amounts payable or receivable were the positions to be closed out as of March 31, 2011 and 2010 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		**March 31, 2011**		**March 31, 2010**	
		Net book value	**Estimated market value**	**Net book value**	**Estimated market value**
Financial liabilities					
Bonds (*)	Fixed-rate	1 200	1 233	1 200	1 227
Repackaged perpetual loans		-	-	-	-
Other borrowings and financial debt	Fixed-rate	1 384	1 347	1 132	1 010

(*) 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 €475 million was determined based on the bond's market price as of March 31, 2011.
<u>Bond issued in September 2006 and April 2007</u>: the characteristics of this bond are described in note 28.2. The market value is €758 million.

30.4. 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 level (see note 3.10.7):

En millions d'euros	Level 1		Level 2		Level 3		Total	
Au 31 mars	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Financial assets available for sale								
Shares	941	15	29	32	-	-	**970**	**47**
Assets at fair value through profit and loss								
Marketable securities	7	-	350	103	-	-	**357**	**103**
Cash equivalents	1 265	1 519	-	-	-	-	**1 265**	**1 519**
Derivatives instruments asset								
Interest rate derivatives	-	-	-	-	-	-	-	-
Currency exchange derivatives	-	-	4	112	-	-	**4**	**112**
Commodity derivatives	-	-	369	41	-	-	**369**	**41**

Financial liabilities at fair value comprise negative values of derivative instruments of interest rates, foreign exchange and commodities as well as the debt revalued in accordance with fair value hedge, valuations classified of level 2.

30.5. 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 for instruments documented in the hedged cash flow (options intrinsic value, fair value of closed instruments). The impact on the income statement corresponds to the sensitivity of ineffective fair value variations of hedged 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 when taking into account the utilization, in respect of the policy of 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	March 31, 2011		March 31, 2010	
	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	64	(75)	(96)	101
Gains / (losses) taken to equity	182	(181)	399	(409)

Currency hedge sensitivity

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

In € millions	Monetary assets		Monetary liabilities	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
US dollar	75	62	469	440
Pound sterling	33	33	-	-
Yen	8	10	171	35
Swiss franc	6	7	-	-
Canadian dollar	4	11	3	1

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% strengthening of the foreign currencies relative to the euro is presented below:

In € millions	US dollar		Pound sterling		Yen	
At March 31,	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Income before tax	48	(49)	(5)	2	(24)	(6)
Gains / (losses) taken to equity	171	230	(3)	(5)	(9)	(10)

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% weakening of the foreign currencies relative to the euro is presented below:

In € millions	US dollar		Pound sterling		Yen	
At March 31,	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Income before tax	(37)	6	(3)	(2)	16	6
Gains / (losses) taken to equity	(147)	(132)	9	6	15	10

Interest rate sensitivity

The group is exposed to the risk of interest rate variation. A 100 basis point variation in interest rates would have an impact of €6.8 million on the financial charges for the year ending March 31, 2011 versus €8.1 million for the year ending March 31, 2010.

31. LEASE COMMITMENTS

31.1. Capital leases

The debt related to capital leases is detailed in note 28.

31.2. Operating leases

The minimum future payments on operating leases are as follows:

In € millions	**Minimum lease payments**	
Year ended March 31,	**2011**	**2010**
Flight equipment		
Due dates		
Y+1	543	522
Y+2	503	392
Y+3	401	307
Y+4	257	232
Y+5	192	152
Over 5 years	597	422
Total	**2 493**	**2 027**
Buildings		
Due dates		
Y+1	177	153
Y+2	143	147
Y+3	128	146
Y+4	119	147
Y+5	101	129
Over 5 years	763	794
Total	**1 431**	**1 516**

The expense relating to operating leases for flight equipment amounted to €570 million for the year ended March 31, 2011 and to €488 million for the year ended March 31, 2010.
The Group may sub-lease flight equipment and buildings. The revenue generated by this activity is not significant for the Group.

32. FLIGHT EQUIPMENT ORDERS

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

In € millions **Year ended March 31,**	**2011**	**2010**
Y+1	768	773
Y+2	620	998
Y+3	369	544
Y+4	328	401
Y+5	91	101
Total	**2 176**	**2 817**

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 March 31, 2011 decreased by 16 units compared with March 31, 2010 to 39 units. The number of options increased by 5 units compared with March 31, 2010 to 35 units as of March 31, 2011.These movements can be explained by:

- the delivery of 16 aircraft over the period;
- the cancellation of 3 orders under option; and
- the order of 8 new options.

Long-haul fleet

Passenger

The Group took delivery of 2 Boeing B777s. Concerning this same aircraft type, the Group did not place any firm order.
The Group took delivery of 2 A380s.

Cargo

The Group took no delivery.

Medium-haul fleet

The Group took delivery of 3 Airbus A320 and cancelled 3 options.

Regional fleet

The Group took delivery of 3 Embraer 170 and 6 CRJ1000. It also ordered 8 options.

The Group's commitments concern the following aircraft:

Aircraft type		To be delivered in	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond Y+5	Total
Long-haul fleet – passenger									
A380	As of March 31, 2011	Firm orders	2	2	2	2	-	-	**8**
		Options	-	-	-	-	*1*	*1*	*2*
	As of March 31, 2010	Firm orders	2	2	2	3	1	-	**10**
		Options	-	-	-	-	*1*	*1*	*2*
B777	As of March 31, 2011	Firm orders	3	3	-	1	3	-	**10**
		Options	-	-	*2*	*2*	*2*	*2*	***8***
	As of March 31, 2010	Firm orders	2	3	5	2	-	-	**12**
		Options	-	*1*	*2*	*2*	*3*	-	***8***
Long-haul fleet – cargo									
B777 F	As of March 31, 2011	Firm orders	1	-	-	-	-	-	**1**
		Options	-	-	-	-	-	*3*	***3***
	As of March 31, 2010	Firm orders	-	1	-	-	-	-	**1**
		Options	-	-	*1*	*2*	-	-	***3***
Medium-haul fleet									
A320	As of March 31, 2011	Firm orders	6	5	-	-	-	-	**11**
		Options	-	-	*1*	*6*	-	-	***7***
	As of March 31, 2010	Firm orders	1	12	1	-	-	-	**14**
		Options	-	-	*2*	*5*	*3*	-	***10***
A321	As of March 31, 2011	Firm orders	1	-	-	-	-	-	**1**
		Options	-	-	-	-	-	-	**-**
	As of March 31, 2010	Firm orders	-	1	-	-	-	-	**1**
		Options	-	-	-	-	-	-	**-**
Regional fleet									
Emb 170	As of March 31, 2011	Firm orders	-	-	-	-	-	-	**-**
		Options	-	-	*1*	-	-	-	***1***
	As of March 31, 2010	Firm orders	3	-	-	-	-	-	**3**
		Options	-	*1*	-	-	-	-	***1***
Emb 190	As of March 31, 2011	Firm orders	-	-	-	-	-	-	**-**
		Options	-	*3*	*1*	-	-	-	***4***
	As of March 31, 2010	Firm orders	-	-	-	-	-	-	**-**
		Options	-	*2*	*2*	-	-	-	***4***
CRJ 1000	As of March 31, 2011	Firm orders	7	1	-	-	-	-	**8**
		Options	*4*	*2*	*2*	*2*	-	-	***10***
	As of March 31, 2010	Firm orders	6	4	4	-	-	-	**14**
		Options	-	-	-	*1*	*1*	-	***2***

33. OTHER COMMITMENTS

33.1. Commitments made

In € millions **Year ended March 31,**	**2011**	**2010**
Call on investment securities	4	1
Put on investment securities	-	-
Warranties, sureties and guarantees	1 392	1 259
Mortgaged or secured assets	3 726	3 636
Other purchase commitments	81	64

The restrictions and pledges as of March 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			-	263	
Tangible assets	December 1999	August 2021	4 805	8 614	55.78 %
Other financial assets	October 1998	April 2020	555	1 870	29.68 %
Total			**5 360**	**10 747**	**49.87 %**

The amount of pledged assets on “Other financial assets” includes € 187 million of marketable securities pledged as guarantee given to the European Union concerning the anti-trust litigation.

33.2. Commitments received

In € millions **Year ended March 31,**	**2011**	**2010**
Put on investment securities	-	2
Warranties, sureties and guarantees	278	212

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

34. Related parties

34.1. 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 **Year ended March 31,**	**2011**	**2010**
Short term benefits	4.1	4.1
Post employment benefits	1.1	1.9
Total	**5.2**	**6.0**

Directors' fees paid during the year ended March 31, 2011 in respect of attendance at Board meetings during the year ended March 31, 2010, amounted to €0.2 million.

34.2. Transactions with other related parties

The total amounts of transactions with related parties for the financial years ended March 31, 2011 and 2010 are as follows:

In € millions **Year ended March 31,**	**2011**	**2010**
Assets		
Net trade accounts receivable	92	172
Other current assets	-	10
Other non-current assets	13	5
Total	**105**	**187**
Liabilities		
Trade accounts payable	134	167
Other current liabilities	47	48
Other long-term liabilities	41	48
Total	**222**	**263**

In € millions **Year ended March 31,**	**2011**	**2010**
Net sales	199	248
Landing fees and other rents	(451)	(472)
Other selling expenses	(138)	(111)
Passenger service	(64)	(62)
Other	(45)	(42)
Total	**(499)**	**(439)**

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 of transactions with third parties. The most significant transactions are described below:

Aéroport 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 €452 million and €448 million for the periods ended March 31, 2011 and 2010.

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 €54 million for the year ended March 31, 2011 and €55 million for the year ended March 31, 2010.

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 €108 million for the year ended March 31, 2011 and €92 million for the year ended March 31, 2010.

Amadeus (WAM)

The company Amadeus (WAM) 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 10), the Amadeus (WAM) shares were reclassified under "assets available for sale".
For the year ended March 31, 2011, total transactions with WAM Acquisition amounted to a cost of €98 million (compared with €84 million for the year ended March 31, 2010).

Transactions with equity affiliates

During the financial year, the Group executed transactions with equity affiliates. The principal transaction concerned Alitalia.
The amount of transactions made with Alitalia represents for the Group a revenue of €60 million (compared with €42 million for the year ended March 31, 2010) and a cost of €11 million (compared with €10 million for the year ended March 31, 2010).

35. CONSOLIDATED STATEMENT OF CASH FLOW

35.1. 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 **Year ended March 31,**	**2011**	**2010**
Cash disbursement for acquisitions	(13)	(17)
Cash from acquired subsidiaries	(33)	(2)
Net cash disbursement	**(46)**	**(19)**

- **Year ended March 31, 2011**

During the year ended March 31, 2011, there is no significant acquisition of subsidiaries and investments.

- **Year ended March 31, 2010**

During the year ended March 31, 2010, there is no significant acquisition of subsidiaries and investments.

35.2. 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 **Year ended March 31,**	**2011**	**2010**
Proceeds from disposals	-	2
Cash of disposed subsidiaries	-	-
Net proceeds from disposals	**-**	**2**

- **Year ended March 31, 2011**

During the year ended March 31, 2011, there is no significant disposal of subsidiaries.

- **Year ended March 31, 2010**

During the year ended March 31, 2010, there is no significant disposal of subsidiaries.

35.3. Non cash transactions

During the years ended March 31, 2011 and 2010, there were no significant non-cash transactions.

36. FEES OF STATUTORY AUDITORS

In € millions	KPMG			
As of March 31,	**2011**		**2010**	
	Amount	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	2.1	96%	1.9	97%
- Air France SA	*1.6*		*1.4*	
- Consolidated subsidiaries	*0.5*		*0.5*	
Other accessory services and other audit services	-	-	-	-
Sub-total	**2.1**	**96%**	**1.9**	**97%**
Other services				
Legal, tax and corporate	0.1	4%	0.1	3%
Information technology	-	-	-	-
Internal audit	-	-	-	-
Others	-	-	-	-
Total Air France Group	**2.2**	**100%**	**2.0**	**100%**

In € millions	Deloitte & Associés			
As of March 31,	**2011**		**2010**	
	Amount	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	2.0	100%	2.0	100%
- Air France SA	*1.4*		*1.4*	
- Consolidated subsidiaries	*0.6*		*0.6*	
Other accessory services and other audit services	-	-	-	-
Sub-total	**2.0**	**100%**	**2.0**	**100%**
Other services				
Legal, tax and corporate	-	-	-	-
Information technology	-	-	-	-
Internal audit	-	-	-	-
Others	-	-	-	-
Total Air France Group	**2.0**	**100%**	**2.0**	**100%**

37. CONSOLIDATION SCOPE AS OF MARCH 31, 2011

The scope includes 100 fully consolidated entities and 22 equity affiliates.

37.1. 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 (52 entities)	France	Other	98	98
TRANSAVIA FRANCE	France	Other	60	60
VLM AIRLINES NV	Belgium	Passenger	100	100

37.2. Equity affiliates

The main entities consolidated by equity are as follows:

Entity	Country	Segment	% interest	% control
FINANCIERE LMP	France	Passenger	40	40
SERVAIR GROUP (15 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