First half financial report

January-June 2012

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

Corporate governance

The Board of Directors

At June 30, 2012, the composition of the Board of Directors was as follows:

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

Experience and training of members of the Board of Directors

Board director	Age at June 30, 2012	Date first appointed to the Group	Date appointed to the Air France-KLM Board	Sector	Current position
Jean-Cyril Spinetta	68 years	September 23, 1997	September 15, 2004	Public Service Air Transport (Air Inter and Air France)	Chairman and Chief Executive Officer of Air France-KLM
Leo van Wijk	65 years	June 24, 2004	September 15, 2004	Air Transport (KLM)	Deputy CEO and Vice-Chairman of the Air France-KLM Board of Directors
Maryse Aulagnon *(1)**	63 years	July 8, 2010	July 8, 2010	Industry (CGE) Office Property (Affine Group)	Chairman and CEO of Affine
Patricia Barbizet *(2) (3) **	57 years	January 3, 2003	September 15, 2004	Industry (Renault, Pinault Group)	CEO and Director of Artémis
Jean-Dominique Comolli	64 years	December 14, 2010	December 14, 2010	Industry (Seita, Altadis) Public Service	Commissioner for State Holdings
Jean-François Dehecq *(1) (3) **	72 years	January 25, 1995	September 15, 2004	Industrie (SNPA and Sanofi) and Véolia Environnement	Honorary Chairman of Sanofi-Aventis
Jean-Marc Espalioux *(2) (3)**	60 years	September 14, 2001	September 15, 2004	Services (CGE, Accor)	Partner and Executive Chairman of Montefiore Investment
Claude Gressier *(1)*	69 years	June 24, 2004	September 15, 2004	Public Service	Honorary General Public Works Engineer
Peter Hartman	63 years	July 8, 2010	July 8, 2010	Air Transport (KLM)	President and Chief Executive Officer of KLM
Jaap de Hoop Scheffer *(2)*	64 years	July 7, 2011	July 7, 2011	Public Service	Kooijmanschair for Peace, Justice and Security, Leiden University (Netherlands)
Alexandre de Juniac	49 years	November 16, 2011	January 11, 2012	Public Service Aeronautics Industry (Thomson, Sextant, Thalès)	Chairman and Chief Executive Officer of Air France
Cornelis van Lede *(1) (3)**	69 years	June 24, 2004	September 15, 2004	Industry (Shell, Akzo, Dutch Industry Federation) Consultancy (McKinsey & Company)	Chairman of the Heineken Supervisory Board

***Christian Magne** (1)*	60 years	September 14, 2001	September 15, 2004	Air Transport (Air France)	Finance Executive
***Bernard Pédamon** (1)*	51 years	July 8, 2010	July 8, 2010	Air Transport (Air France)	Flight Captain
Marie-Christine Saragosse	52 years	July 27, 2011	July 27, 2011	Public Service Audiovisual	Chief Executive Officer of TV5Monde

**　Directors deemed to be independent.*

(1)　Member of the Audit Committee.

(2)　Member of the Remuneration Committee.

(3)　Member of the Appointments Committee.

The Group Executive Committee

The Group Executive Committee comprises 14 members who fulfil responsibilities at the level of the Air France-KLM Group while retaining their functions within each entity. The Group Executive Committee meets every two weeks, alternating between Amsterdam and Paris, to determine the Group's main orientations within the framework of the strategy approved by the Board of Directors.

Experience and training of members of the Group Executive Committee

	Age at	**Relevant professional experience**	
Members	**June 30, 2012**	**Sector**	**Experience**
Jean-Cyril Spinetta Chairman and Chief Executive Officer of Air France-KLM	68 years	Aeronautic and Air Transport	20 years 19 years
Leo van Wijk Deputy Chief Executive Officer of Air France-KLM	65 years	Air Transport (KLM and SkyTeam)	41 years
Peter Hartman President and Chief Executive Officer of KLM	63 years	Air Transport (KLM)	39 years
Alexandre de Juniac Chairman and Chief Executive Officer of Air France	49 years	Public Service Industry (Thomson, Sextant, Thalès)	9 years 14 years
Philippe Calavia Chief Financial Officer of Air France-KLM	63 years	Banking Air Transport (Air France)	7 years 14 years
Alain Bassil Executive Vice-President, Engineering & Maintenance, Air France-KLM Group and Chief Operating Officer, Air France	57 years	Air Transport (Air France)	32 years
Christian Boireau Executive Vice-President, French Sales, Air France	61 years	French Departmental Directorate for Equipment Air Transport (Air Inter and Air France)	6 years 31 years
Camiel Eurlings Executive Vice-President, Air France-KLM Cargo and Managing Director of KLM	39 years	Public Service Air Transport (KLM)	16 years 2 years
Frédéric Gagey Executive Vice-President, Fleet Management, Air France-KLM and Chief Financial Officer of Air France since March 12, 2012	56 years	Air Transport (Air Inter, Air France and KLM)	18 years
Wim Kooijman Executive Vice-President, Management Development, Air France-KLM Group	61 years	Industry Air Transport (KLM)	25 years 14 years
Bertrand Lebel Secretary to the Executive Committee in charge of strategic planning, Air France-KLM Group	59 years	Consultant Air Transport (Air France)	16 years 14 years

Bruno Matheu Executive Vice-President, Marketing, Revenue Management and Network, Air France-KLM Group and Chief Commercial Officer, Air France	48 years	Air Transport (UTA and Air France)	26 years
Édouard Odier Executive Vice-President, Information Systems, of the Air France-KLM Group and Air France	59 years	Air Transport (Air France and Amadeus)	35 years
Erik Varwijk Executive Vice-President, International and the Netherlands, Air France-KLM Group and Managing Director of KLM	50 years	Air Transport (KLM)	23 years

Stock market and shareholder structure

Air France-KLM is listed for trading on the Paris and Amsterdam Stock Markets (Euronext Paris and Amsterdam) under the ISIN code FR0000031122. The stock is a component of the CACmid60 index and is also included in the leading sustainable development and employee shareholder indices. In September 2011, Air France-KLM was confirmed as the air transport leader in sustainable development for 2011 and figures in the two Dow Jones Sustainability Indices for the seventh consecutive year.

Stock market performance

As a cyclical stock positioned in an extremely volatile market under the influence of the crisis in the euro zone, the Air France-KLM share price saw a sharp decline during the first half (January-June 2012) on high trading volumes. The share price lost 5.4% compared with +1.2% for the CAC 40 and +10.1% for the sector index.

	January-June 2012	**2011 Financial Year**	**2010-11 Financial Year**
Share price high *(In €)*	5.358	15.300	14.600
Share price low *(In €)*	3.011	3.414	8.610
Number of shares in circulation	300,219,278	300,219,278	300,219,278
Market capitalization at the end of the period *(In € billion)*	1.1	1.2	4.1

Information relating to the share capital

At June 30, 2012, the share capital of Air France-KLM comprised 300,219,278 shares with a nominal value of one euro.

Period ended	**June 30, 2012**	**December 31, 2011**	**December 31, 2010**
Number of shares in circulation	300,219,278	300,219,278	300,219,278
Share capital (in €)	300,219,278	300,219,278	300,219,278

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

Securities conferring entitlement to shares

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

In April 2005, Air France issued 21,951,219 bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANEs), with a 15-year maturity, for a total of €450 million. These bonds have a nominal unit value of €20.50 and mature on April 1, 2020. The annual coupon is 2.75% paid annually in arrears on April 1. These bonds can be converted at any time until March 23, 2020 and the conversion/exchange ratio is 1.03 shares for each bond. A total of 600 bonds have been converted, of which 510 gave rise to the creation of 526 shares. On December 6, 2011, Air France signed a swap agreement with Natixis for a period of four years. To cover this agreement, Natixis acquired 18.7 million OCEANEs, or some 85.2% of the total issue, enabling Air France to defer, until April 2016 at the earliest, the €383.2 million repayment. At the end of this procedure, 3.3 million OCEANEs had not been tendered to the offer of which 1.5 million were the subject of a €31.6 million reimbursement on April 1, 2012. At June 30, 2012, there were 20,449,141 bonds remaining in circulation.

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

In June 2009, Air France-KLM issued 56,016,949 bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANEs) for a total of €661 million. These bonds, which are convertible at any time, have a nominal unit value of €11.80, a conversion/exchange ratio of one share for one bond and mature on April 1, 2015. The annual coupon is 4.97% paid annually in arrears on April 1. At June 30, 2012, 8,927 bonds had been converted, of which 11 during the first half. The number of convertible bonds remaining in circulation at June 30, 2012 amounted to 56,008,022.

Shareholder structure

Period ended	**June 20, 2012**	**December 31, 2011**	**June 30, 2011**
Number of shares in circulation	300,219,278	300,219,278	300,219,278
French State	15.9%	15.8%	15.7%
Employees	9.7%	9.7%	9.6%
- Of which FCPE units	7.7%	-	-
- Of which directly owned	2.0%	-	-
Treasury stock	1.4%	1.9%	1.4%
Free float	73.0%	72.6%	73.3%

At June 30, 2012, French residents held 67.4% of the share capital and non-residents 32.6%. Amongst the French resident shareholders, other than the French State (47.7 million shares) and employees (28.9 million shares), individual shareholders with 62.6 million shares represented 20.8% of the capital and institutional investors 53.6% with 161 million shares.

Market and environment

The market and environment was little changed relative to the information communicated on pages 37 to 41 of the 2011 Registration Document.

- 2012 is proving a difficult year in view of the continuing euro zone crisis. In its July monthly bulletin, the ECB indicated that economic growth in the euro zone remains weak with heightened uncertainty weighing on confidence. Furthermore, China and Brazil are facing a slowdown in their growth.
- The second factor of uncertainty weighing on air transport is the oil price even if the latter has been trading at below $100 a barrel since early June 2012. However, IATA expects the average price for the year to stand at $110 a barrel, i.e. a fuel bill of $207 billion for the air transport industry. For 2012, IATA is forecasting revenues of $631 billion and net income of $3 billion which could become a $3 billion loss under the effect of a negative 1% variation in revenues. The outlook for the European carriers is deteriorating: having been estimated at $600 million in March 2012, the loss for the European sector is now expected to reach $1.1 billion based on IATA estimates. The Asian airlines are also seeing a reduction in their profits ($2 billion versus $2.3 billion) and only the US and Middle Eastern carriers are expected to maintain their forecasts ($1.4 billion and $400 million respectively) (source: IATA Financial Forecast June 2012).
- The European carriers are confronted with the depreciation in the euro relative to the dollar and also against other currencies like sterling and the yen.
- The airlines have reacted by limiting capacity growth for the Summer 2012 season meaning that, between Europe and the rest of the world, capacity growth stands at below 1% whereas this figure was 7% for the same season in 2011. This trend is expected to continue for the Winter season. This was reflected in the Association of European Airline statistics for the first five months of the year which showed 5.6% growth in traffic for a 2.6% increase in capacity versus 8.1% and 9.0% respectively for the previous year.

Highlights

Air France-KLM

The main events of the period from January to June 2012 were as follows:

- On January 12, 2012, Air France-KLM presented the targets and measures of Transform 2015, its transformation plan over three years.
- On March 7, during the annual results presentation, the Group gave a status report on the implementation of Transform 2015.
- On March 20, Air France announced the signature of framework and methodology agreements with the representatives of the ground staff, cabin crew and pilots. These agreements covered the targets (notably a 20% improvement in economic efficiency across the whole of the company), the calendar and the main negotiating themes.
- On April 11, Air France opened a new scheduled service to Wuhan in China, the ninth non-stop destination served by the Group which has a unique network on this major market.
- On May 30, Saudi Arabian Airlines joined the SkyTeam alliance, becoming the sixteenth member. The Saudi Arabian flag carrier, Saudia, is SkyTeam's first member airline from the Middle East and gives the alliance a strong foothold in this important economic region.
- On June 28, Middle-East Airlines-Air Liban became the seventeenth member of SkyTeam and the second Middle Eastern member. Its membership is proving especially beneficial for the large Lebanese communities living in the US, Canada and Brazil who have the choice of travelling via the Paris-CDG and Rome hubs to reach Beirut.
- On June 28, the new boarding satellite at terminal 2E came into service. This new satellite is an important stage in Air France's Hub 2012 project at CDG. Two further stages remain to come before the end of the year, enabling Air France to concentrate its activity at three terminals (E, F and G for regional flights) and give a new dimension to Charles-de-Gaulle airport.

Strategy

The economic growth forecasts for the coming years point to modest growth in air transport demand together with pressure on revenues. In addition, there is the situation of overcapacity created, in particular, by the low cost carriers in Europe and by the Gulf State airlines which are pursuing their strategy of double-digit growth in long-haul. Furthermore, the crisis has accelerated the change in the behavior of individual and corporate consumers, with price becoming an increasingly important factor. The oil price also seems to have settled at a level above US$100 a barrel, out of step with the relatively weak global growth. The European airlines are also increasingly exposed to the effects of the euro/dollar exchange rate which could be very unfavorable. Lastly, the introduction of new taxes and the ETS are limiting the room to increase prices in this high-fuel-price environment.

Despite the numerous measures introduced over the past three years and multi-year cost-saving programs, the insufficient profitability combined with the ongoing economic crisis and high oil price led the Air France-KLM Group to implement a three-year transformation plan (2012-14). While this plan aims to generate the financial resources required to return to a growth path, it does not call into question the Group's strategy of continuing to invest in products and customer services, reinforcing its presence in growth markets, deepening cooperation with its American and Chinese partners, signing agreements with new partners within the SkyTeam alliance and developing its fundamental strengths.

Fundamental strengths

A strong presence in all the major markets

The Air France-KLM Group currently operates the largest network between Europe and the rest of the world. Of the 180 long-haul destinations served directly by AEA (Association of European Airlines) member airlines in the Summer 2010 season, Air France-KLM accounted for 112, or 62% of the total, compared with 50% for IAG (British Airways + Iberia) and 52% for the Lufthansa group (Lufthansa+ Swiss + Austrian Airlines + BMI + Brussels Airlines). Furthermore, the Group also offers 30 unique destinations which are not served by IAG or the Lufthansa Group.

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

Two coordinated hubs at developing airports

The Group's network is coordinated around the two intercontinental hubs of Roissy-Charles de Gaulle and Amsterdam-Schiphol, which are two of the four largest connecting platforms in Europe. Their efficiency is supplemented in southern Europe by the airports of Rome and Milan where Alitalia, the Group's strategic partner since January 2009, operates. Furthermore, these hubs, which are organized in waves known as *banks*, combine connecting with point-to-point traffic. This large scale pooling gives small markets world-wide access while optimizing the fleet and enabling the use of larger aircraft, thereby reducing noise and carbon emissions. For example, the second bank at the Roissy-Charles de Gaulle hub is organized around the arrival of 61 medium-haul flights and the departure of 28 long-haul flights, thus offering 1,797 possible combinations within a period of under two hours with only 89 aircraft.

The Group's network is organized around airport platforms whose development potential will further strengthen the role of the large intercontinental hubs. Air France is benefiting from the opening of the S4 satellite in June which completes Terminal 2E. The airline will eventually leave Terminals C and D, concentrating its medium-haul flights at Terminal 2F and long-haul flights at Terminal 2E where all the members of the SkyTeam alliance are regrouped, thereby gaining efficiency and increasing comfort for passengers.

A balanced customer base

The Air France-KLM Group's policy of meeting the expectations of all its customers in terms of networks, products and fares has enabled it to build a balanced customer base. As in 2010, in 2011 42% of passengers travelled for business purposes and 58% for personal reasons. The Group also benefits from a balanced breakdown between transfer (56%) and point-to-point passengers (44%). Furthermore, the Group's passenger loyalty strategy (frequent flyer program and corporate contracts) underpins the majority of revenues.

SkyTeam, the number two global alliance

At June 30, 2012, the SkyTeam alliance, the number two global alliance in terms of market share with 19%, brought together 17 European, American, Asian and Middle Eastern airlines: Aeroflot, AeroMexico, Air Europa (Spain), Air France and KLM, Alitalia, China Airlines, China Eastern, China Southern, Czech Airlines, Delta, Kenya Airways, Korean Airways, Tarom, Vietnam Airlines, MEA (Lebanon) and Saudi Arabian Airlines. Aerolinas Argentinas and Xiamen Airlines (the fifth Chinese carrier) should join SkyTeam in the summer and winter of 2012 while Garuda Indonesia is expected to join the alliance in 2014.

The SkyTeam alliance enables the Group to offer its passengers a more extensive network by giving access to numerous regional destinations thanks to the hubs of its partners.

Strategic partnerships

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

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

A modern fleet

The Group has continuously invested in new aircraft and currently operates one of the most rationalized and modern fleets in the sector. This enables it to offer an enhanced level of passenger comfort, achieve substantial fuel savings and respect its sustainability commitments by reducing noise disturbance for local residents and greenhouse gas emissions. The measures implemented within the framework of the Transform 2015 plan to limit investment in the fleet will have little impact on its age profile through to 2014. Furthermore, as of 2016, the Group will begin to take delivery of its first Boeing B787s, followed by its first Airbus A350s in 2018.

A commitment to sustainable development

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

The Transform 2015 plan

The Air France-KLM Group regularly implements multi-year plans to reduce its unit costs measured in equivalent available seat-kilometers (EASK) on a comparable fuel price and currency basis (*see also unit cost per EASK in section 6 Glossary on page 293 of the 2011 Registration Document*).

While these cost savings plans have had a positive impact on unit costs, this effect is not sufficient in the current environment where:

- The oil price remains high: having represented 1.5 euro cents per EASK at March 31, 2007, it had increased to 2 euro cents by December 31, 2011 and will rise to some 2.2 euro cents with an oil price at $125 a barrel.
- The pressure on revenues does not enable them to be increased to offset the total rise in the fuel bill.

Although the Group has not presented a cost-cutting plan for the next three years comparable to *Challenge 12,* implemented between April 2007 and December 2011, it will continue to control its costs to limit the automatic effects of the increase in expenses, thereby enabling the Transform 2015 plan to deliver its full impact.

During its meeting of November 9, 2011, Air France-KLM's Board of Directors set three priorities for the Group: restoring competitiveness through cost-cutting, restructuring the short- and medium-haul operations and rapidly reducing debt. On January 11, 2012, the Board examined the three-year (2012-14) transformation plan for the Group, and the implementation of the three priorities. This plan, Transform 2015, has two phases, the first comprising measures for immediate application and the second a transformation in the business model over a three-year period. At the end of this plan, the Group is targeting a 10% reduction in unit cost per EASK ex-fuel at December 31, 2014 relative to December 31, 2011.

Within a context of low capacity growth, ongoing cost control will limit the rise in unit cost per EASK ex-fuel rather than enable a reduction. On this basis, the Group estimates that the unit cost per EASK will be 4.9 euro cents at the end of 2014 (4.8 euro cents at the end of 2011).

However, the application of the measures within the framework of the Transform 2015 plan should enable a 0.5 euro cent decline per EASK, reducing the unit cost per EASK ex-fuel from 4.9 euro cents to 4.4 euro cents at the end of the three-year period.

A €2 billion reduction in net debt by the end of 2014

The €2 billion reduction in net debt by the end of December 2014 is a priority objective. This reduction should bring down net debt from €6.5 billion at December 31, 2011 to €4.5 billion and the net debt/EBITDA ratio from 4.8 at December 31, 2011 to below 2 at end 2014.

The immediate measures and the transformation plan will result in the generation of free cash flow of €2 billion over the 2012-14 period.

Phase 1: immediate measures

Downwards revision in capacity growth and investments

Given the uncertain economic environment and the ongoing imbalance between transport capacity and demand, the Group opted for virtually stable capacity in both passenger and cargo. Over the next three years (2012-2014), total revised capacity growth should thus be between 4% and 5%.

As a result of this virtually stable capacity, the Group revised its fleet plan and investment program with the exception of investment aimed at the ongoing improvement in operational safety and customer services. Investment will thus be reduced from more than €6 billion over the 2009-11 period to below €5 billion[1] over the next three years. This decision led the Group to adjust its medium-term fleet plan by combining, for example, the deferral of aircraft deliveries and the non-exercise of options.

Cost-saving measures

New cost-saving measures amounting to more than €1 billion over three years have started to be implemented including a freeze on general pay rises in 2012 and 2013 at Air France and a policy of wage moderation at KLM. The hiring freeze introduced in September will also continue. Additional productivity efforts, a further reduction in overhead costs and network adaptations will complete the measures that have already been identified. Of the main measures, those concerning salaries represent a saving of more than €500 million and temporary overhead savings some €155 million while structural measures should generate around €200 million.

These improvements on their own, however, not being sufficient to guarantee the durable restoration of the Group's competitive position and financial strength, the Board of Directors decided to implement a transformation plan, encompassing all its businesses, targeted at generating an additional €1 billion in free cash flow over three years.

Phase 2: transformation plan

Improving productivity

In the Air France Group, regaining a satisfactory level of profitability will require a very significant improvement in productivity in all parts of the Group, implying the renegotiation of the employment conditions in the existing collective labor agreements. Negotiations with the relevant union organizations representing the various employee categories started in mid-February, enabling the signature of a framework and methodology agreement on March 20, 2012. The negotiations continued to finalize new collective labor agreements in June 2012 aimed at establishing new working methods and a remuneration and career framework adapted to the new air transport environment, and enabling a 20% improvement in economic efficiency by 2014. On June 21, 2012, Air France presented a further status report on Transform 2015 to the Central Works Council addressing the planned methods for handling excess staff numbers and the support measures (see comments on the financial statements, page 26). On June 28, the Central Works Council was consulted on the proposed agreements which were submitted for signature in early July 2012 (see subsequent events, page 21).

For its part, in April 2012, KLM opened negotiations in line with the initial timetable seeking to arrive at new collective labor agreements, one of whose objectives is wage moderation.

[1] *Before sale and lease backs*

Return to break-even in medium-haul within three years

The short and medium-haul network remains key to the Group's development, ensuring not only its presence throughout Europe but also feeding the long-haul flights at the two hubs, Paris-CDG and Amsterdam-Schiphol. Since the 2008-09 financial crisis, the structural decline in unit revenues has led, despite the NEO plan, to deepening operating losses in this business amounting to some €700 million in 2011. Since the long-haul operations are also facing increased competition, they cannot alone offset these losses and medium-haul must return to break even. To this end, the Group will be working on the following structural measures:

- Higher utilization rate of aircraft and assets
- Significantly improved productivity in all employee categories
- Redefinition of the product
- Restructuring of the main and regional networks
- Redefining certain activities, potentially leading to increased outsourcing in some areas.

Improving the performance of the long-haul network

While the long-haul network remains profitable, it still needs to improve its financial performance. This will mostly be done through an improvement in the productivity of all relevant staff, through growth in capacity generated by better utilization of the existing long-haul fleet and oriented towards emerging countries, and the closure of loss-making routes.

Accelerating the transformation of cargo

Since the trading environment has deteriorated, the cargo business is going to pursue and accelerate the efforts made over the past three years to reduce its costs and improve its financial performance, notably by deploying a new commercial policy and improving the productivity of the sales and marketing teams. The full integration of Air France, KLM Cargo and Martinair will be finalized and new synergies will be sought with the provincial outstations and internationally. Air France Cargo will also reduce its all-cargo capacity by downsizing its full freighter fleet from five to four aircraft.

This should enable the cargo business to make a positive contribution to the profitability of the airline's long-haul activity.

Developing rapidly-growing segments and optimizing aircraft maintenance

The maintenance business is aiming to consolidate its position as one of the two leading players in the Component and Engine Support segments by developing this high-growth-potential activity, improving its economic efficiency and increasing the revenues generated with third-party airlines. The performance of the Aircraft Overhaul segment will be optimized to regain competitiveness relative to the market: the hangar activities will be restructured, and costs and operating methods optimized to contribute to the performance of the company's other activities.

Activities

Passenger business

Activity between January 1 and June 30, 2012 is compared with the same period in 2011.

The first and second quarters experienced differing trends in activity.

The first quarter benefited from a favorable comparison base linked to the different geopolitical events unfolding in early 2011. Traffic increased by 5.5% for capacity growth limited to 1.6%, the load factor gaining 3.1 points to 81.6%. Unit revenue per available seat-kilometer (RASK) progressed by 5.6% (+4.7% excluding currency) on the back of the rise in volumes. However, the improvement in unit revenue having been insufficient to compensate for the rise in the fuel bill, the passenger business posted a €504 million operating loss.

The second quarter recorded traffic growth of 2.4% and a 0.3% increase in capacity, the load factor improving by 1.7 points to 82.8%. Unit revenue per available seat-kilometer (RASK) increased by 6.1% (+3.6% excluding currency) but, unlike the first quarter, unit revenue per revenue passenger-kilometer (RRPK) also increased (+4.0% and +1.4% excluding the currency effect) enabling an improvement in the operating result. While still negative, the loss was divided by three to €46 million over this quarter.

With a fleet of 538 passenger aircraft in operation including 176 regional aircraft, the Group carried 37.4 million passengers (+3.2%) and generated total revenues of €9.56 billion (+7.7%) after a positive currency effect (+1.7%), and an operating loss of €551 million after a very steep rise in the fuel bill (+€398 million).

Key figures by network

First half to June 30	Capacity in ASK *(In million)*		Traffic in RPK *(In million)*		Load factor *(In %)*		Number of passengers *(In thousands)*		Scheduled passenger revenues *(In € million)*	
	2012	**2011***	**2012**	**2011***	**2012**	**2011***	**2012**	**2011***	**2012**	**2011***
Europe	28,852	27,957	21,070	20,053	73.0	71.7	25,792	24,838	3,222	3,120
North and Latin America	40,882	40,278	35,802	33,891	87.6	84.1	4,618	4,479	2,408	2,155
Asia/Pacific	29,150	28,461	24,817	23,730	85.1	83.4	2,879	2,786	1,599	1,451
Africa/Middle East	17,412	17,679	13,737	13,305	78.9	75.3	2,481	2,433	1,200	1,123
Caribbean/Indian Ocean	14,511	15,305	12,126	12,547	83.3	82.0	1,664	1,727	676	685
Total	**130,847**	**129,681**	**107,553**	**103,526**	**82.2**	**79.8**	**37,433**	**36,264**	**9,104**	**8,533**

*After reclassification of the Martinair leisure business under passenger

The **long-haul network** covered 116 destinations in the Summer 2011 season in 69 countries, operated by the two airlines out of Paris and Amsterdam. In addition to these destinations, there were those operated under code share with partners. The weight of this network was little changed on the previous year with some 78% and 80% of the Group's traffic and capacity. Revenues of €5.88 billion were generated on this network, representing around 65% of total scheduled passenger revenues, or two percentage points more than in the 2011 first half.

At June 30, 2012, traffic was up by 3.6% for virtually stable capacity (+0.3%), enabling the load factor to gain 2.7 points to 84.8%. The number of passengers carried stood at 11.4 million (+1.8%). Unit revenue per available seat-kilometer (RASK) increased by 8.4% and by 6.2% excluding currency. Unit revenue was up in both premium and economy class.

The **Americas** is the Group's premier network and thus the first long-haul network with 33% of traffic and 31% of capacity. Traffic grew by 5.6% for capacity up by 1.5%, the load factor increasing by 3.4 points to 87.6%. The number of passengers carried increased by 3.1% to 4.6 million. Scheduled passenger revenues rose by 11.7% after a currency impact of 2.4% to stand at €2.41 billion (€2.16 billion at June 30, 2011). The North and Latin American networks experienced different trends. In North America, the members of the joint venture (Air France, KLM, Alitalia and Delta) decided to reduce capacity for the 2011-12 Winter season thereby leading to a strong increase in unit revenues before and after currency whereas the dynamism of Latin America enabled a capacity increase of more than 20% and an improvement in load factor. Unit revenues progressed but were stable and slightly negative excluding currency.

Activity on the **Asia** network, which had been impacted by the crisis in Japan during the 2011 first half, saw strong growth in 2012. Traffic increased by 4.6% for 2.4% growth in capacity, the load factor standing at 85.1% (+1.8 points). This network remains the Group's second network and the second in long-haul in terms of traffic and capacity (around 23% of traffic and 22% of capacity), The number of passengers amounted to 2.9 million (+3.3%) while scheduled passenger revenues stood at €1.60 billion, growth of 10.2% after a currency effect of 2.9% (€1.45 billion at June 30, 2011). Unit revenues increased both before and after currency.

The **Africa-Middle East** network posted traffic growth of 3.2% for a capacity reduction of 1.5%, the load factor gaining 3.6 points to 78.9%. The number of passengers carried increased by 2% to 2.5 million, while scheduled passenger revenues stood at €1.20 billion (+6.8%) versus €1.12 billion at June 30, 2011. Control over capacity enabled an improvement in unit revenues both before and after currency effects. The Africa network regained the level of activity it had enjoyed prior to the political crises while the Middle East network recorded a decline in activity given the unstable situation in a number of countries. With around 13% of traffic and capacity, this network is the Group's fourth network.

Caribbean and Indian Ocean, the Group's smallest network, represents around 11% of overall capacity and traffic. The Group carried 1.7 million passengers (-3.6%). This network had benefited from the tourism crisis in the Mediterranean basin in early 2011. Capacity saw a significant reduction (-4.9%) and, with traffic having seen a more modest decline (-3.4%), the load factor improved by 1.4 points to 83.3%. Scheduled passenger revenues amounted to €676 million versus €685 million at June 30, 2011 (-1.2%). As with the previous network, control over capacity enabled an improvement in unit revenues.

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

The Group's third network in terms of traffic, it represented 22% of capacity and 20% of traffic but 69% of passengers and 35% of revenues at June 30, 2012. Traffic was up by 5.1% for a 3.2% increase in capacity, part of which was due to the launch of the provincial bases in October 2011 and April 2012. The load factor gained 1.3 points to 73.0%. The Group carried 25.8 million passengers (+3.9%), generating scheduled passenger revenues of €3.22 billion, up by 3.3%. The stability in unit revenue per available seat-kilometer was due to traffic volumes.

Key figures for the passenger business

First half to June 30	**2012**	**2011***	**2011 reported**
Number of passengers *(In thousands)*	37,433	36,264	36,264
Total passenger revenues *(In €m)*	9,560	8,946	8,874
Scheduled passenger revenues *(In €m)*	9,104	8,533	8 482
Unit revenue per RPK *(In € cents)*	8.46	8.24	nd
Unit revenue per ASK *(In € cents)*	6.96	6.58	nd
Unit cost per ASK *(In € cents)*	7.38	6.99	nd
Income/(loss) from current operations *(In €m)*	(551)	(528)	(507)

***** After reclassification of the Martinair leisure business under passenger

Unit revenue per revenue passenger-kilometer (RRPK) increased by 2.7% and by 1.0% on a constant currency basis. Unit revenue per available seat-kilometer (ASK) rose by 5.7% and by 3.9% on a constant currency basis. Unit cost per available seat-kilometer rose by 5.6%, an increase limited to 0.7% on a constant currency and fuel price basis.

Cargo business

The cargo business continued to suffer from the weakness in global trade and a situation of overcapacity principally on departure from China. The Group reduced cargo capacity (-2.5%), particularly in full freighters, but this was not sufficient to offset the decline in traffic (-6.5%) resulting in a 2.8 point decline in load factor to 64.5%. The Group carried 687,168 tons (-6.3%).

Over the first half, the 1.6% increase in unit revenue per revenue ton-kilometer (RRTK) was not strong enough to absorb the decline in activity and the steep rise in the fuel price.

	Capacity in ATK *(In million)*		**Traffic in RTK** *(In million)*		**Load factor** *(In %)*		**No. of tons** *(In thousands)*		**Cargo transportation revenues** *(In €m)*	
First half to June 30	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Europe	262	270	34	39	13.0	14.4	25	27	27	27
North and Latin America	3,213	3,223	2,056	2,241	64.0	69.5	253	279	566	599
Asia/Pacific	2,745	2,945	2,132	2,257	77.7	76.6	247	258	457	493
Africa/Middle East	1,359	1,384	808	863	59.5	62.4	132	139	295	298
Caribbean/Indian Ocean	583	550	232	231	39.8	42.0	30	30	71	73
Total	**8,161**	**8,373**	**5,262**	**5,630**	**64.5**	**67.2**	**687**	**733**	**1,416**	**1,490**

The three main networks are the Americas, Asia and Africa-Middle East. They represent 95% of traffic, 90% of capacity and 93% of revenues.

The **Asia** network is the first network in terms of traffic and represents around 34% of capacity, 41% of traffic and 32% of cargo revenues. Traffic was down by 5.5% for a capacity reduction of 6.8%, leading to a one point increase in the load factor to 77.7%. Revenues stood at €457 million, down by 7.3% on the previous year due to the slowdown in the Chinese economy and the situation of overcapacity.

The **Americas** network represents some 39% of traffic and capacity and 40% of cargo revenues. Traffic declined by 8.3% for virtually stable capacity (-0.3%), the load factor standing at 64% (-5.5 points). Revenues fell by 5.5% to €566 million.

Africa-Middle East is the cargo activity's third network and by far the smallest with around 15% of capacity and traffic and 20% of cargo transportation revenues. As with the Asia-Pacific network, this network was impacted by one-off events. Traffic declined by 6.4% for capacity down by 1.8%, the load factor standing at 59.5% (-2.9 points). Revenues, however, were virtually stable at €295 million.

Key figures for the cargo business

First half to June 30	**2012**	**2011**
Tonnage transported *(In thousands)*	687	733
Total cargo business revenues *(In €m)*	1,508	1,568
Revenues from the transportation of cargo *(In € million)*	1,416	1,490
Unit revenue per RTK *(In € cents)*	26.90	26.47
Unit revenue per ATK *(In € cents)*	17.35	17.79
Unit cost per ATK *(In € cents)*	18.93	18.08
Income/(loss) from current operations *(In € million)*	(130)	(23)

Unit revenue per RTK (revenue ton-kilometer) increased by 1.6% but fell by 1.4% on a constant currency basis. Unit revenue per ATK (available ton-kilometer) declined by 2.5% and by 5.4% on a constant currency basis. The unit cost per ATK rose by 4.7% and was down by 1.6% on a constant currency and fuel price basis.

Maintenance business

The maintenance business generated total revenues of €1.57 billion including €523 million of third-party revenues and posted income from current operations of €56 million versus €49 million in the previous year. This business was helped by the appreciation in the dollar. The engines and components activities continued to perform well while the heavy maintenance business remained loss-making.

Other businesses

The other businesses principally comprise the leisure and catering activities. Total revenues from these other businesses amounted to €554 million at June 30, 2012 (€609 million at June 30, 2011 which had included the revenues of the Martinair leisure business reclassified within the passenger activity). The loss from current operations stood at €38 million (against a loss of €67 million at June 30, 2011).

The **leisure** business now comprises solely the Transavia Group. Over the first half to June 30, 2012, after restatement for the impact linked to the transfer of the Martinair leisure business to KLM in the 2011 period, revenues increased by 8% to €365 million and the loss from current operations stood at €46 million (a loss of €42 million at June 30, 2011) given the 33% increase in the fuel bill to €132 million.

The **catering** business generated revenues of €442 million of which €166 million with third-party clients, and a €10 million loss from current operations (€167 million and income of €8 million respectively in the first half of 2011)

The Air France-KLM fleet

At June 30, 2012, the Air France-KLM Group fleet comprised 621 aircraft, of which 593 in operation. The regional fleet amounted to 187 aircraft with 176 in operation. The Transavia Group fleet comprised 39 medium-haul aircraft. There were firm orders for 44 aircraft, 17 fewer units than at December 31, 2011. The change relative to December 31, 2011 is explained by the delivery of 17 aircraft during the first half. Discussions are still underway with Airbus and Rolls Royce to finalize the Airbus A350 order.

The Air France Group fleet

The Air France Group fleet comprised 406 aircraft at June 30, 2012, of which 387 in operation.

The Air France fleet

The Air France fleet totaled 263 aircraft at June 30, 2012 including 254 in operation, of which 105 were long-haul aircraft, five were cargo aircraft and 144 medium-haul aircraft.

Of the total fleet, 44% of the aircraft are fully owned, 11% are under finance lease and 45% under operating lease.

Over the first half, two Airbus A380-300s and three Boeing B777-300s joined the long-haul fleet while one B747-400 and one Airbus A340-300 were withdrawn. Two Airbus A320s joined the medium-haul fleet and one Airbus A320 was withdrawn.

	Owned		Finance lease		Operating lease		Total		In operation	
Aircraft	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**
B747-400	3	-	-	-	5	-1	8	-1	7	-2
B777-300	14	-	6	+1	17	+2	37	+3	37	+3
B777-200	15	-	2	-	8	-	25	-	25	-
A380-800	1	-1	3	+2	4	+1	8	+2	8	+2
A340-300	9	-1	2	-	3	-	14	-1	13	-2
A330-200	3	-	2	-	10	-	15	-	15	-
Long-haul	***45***	***-2***	***15***	***+3***	***47***	***+2***	***107***	***+3***	***105***	***-1***
B747-400	2	-	-	-	3	-	5	-	3	-
B777-F Cargo	2	-	-	-	-	-	2	-	2	-
Cargo	***4***	***-***	***-***	***-***	***3***	***-***	***7***	***-***	***5***	***-***
A321	11	-	1	-	13	-	25	-	25	-
A320	22	-1	3	-	37	+2	62	+1	60	+1
A319	21	-	4	-	19	-	44	-	41	-2
A318	12	-1	6	+1	-	-	18	-	18	-
Medium-haul	***66***	***-2***	***14***	***+1***	***69***	***+2***	***149***	***+1***	***144***	***-1***
Total	**115**	**-4**	**29**	**+4**	**119**	**+4**	**263**	**+4**	**254**	**-**

The fleet of the regional subsidiaries and Transavia

At June 30, 2012, the regional subsidiaries (BritAir, Régional, CityJet and VLM) had a fleet of 135 aircraft, of which 125 were operational. Some 62% of this fleet is fully owned, 19% is under finance lease and 19% under operating lease. Over the first half, two aircraft entered the BritAir fleet and one was withdrawn, five aircraft entered the Régional fleet and three were withdrawn, two aircraft were retired from the CityJet fleet and one was withdrawn at VLM.

Aircraft	Owned		Finance lease		Operating lease		Total		In operation	
	06/30/12	Ch/Dec 11	06/30/12	Ch/Dec 11	06/30/12	Ch/Dec 11	06/30/12	Ch/Dec 11	06/30/12	Ch/Dec 11
BritAir										
Canadair Jet 1000	13	+2	-	-	-	-	13	+2	13	+2
Canadair Jet 700	6	-	9	-	-	-	15	-	15	-
Canadair Jet 100	12	-	1	-	-	-	13	-	13	-
F100-100	3	-	-	-	-	-1	3	-1	-	-
Total	**34**	**+2**	**10**	**-**	**-**	**-1**	**44**	**+1**	**41**	**+2**
CityJet										
AVRO RJ 85	11	-2	-	-	11	-	22	-2	20	-2
Total	**11**	**-2**	**-**	**-**	**11**	**-**	**22**	**-2**	**20**	**-2**
Régional										
EMB190	4	-	-	-	6	-	10	-	10	-
EMB170	8	-	2	-	6	+5	16	+5	15	+5
EMB145-EP/MP	11	+1	11	-1	1	-3	23	-3	23	-3
EMB135-ER	4	-	3	-	-	-	7	-	3	-1
Total	**27**	**+1**	**16**	**-1**	**13**	**+2**	**56**	**+2**	**51**	**+1**
VLM Airlines										
Fokker 50	12	-	-	-	1	-1	13	-1	13	-1
Total	**12**	**-**	**-**	**-**	**1**	**-1**	**13**	**-1**	**13**	**-1**
Total regional fleet	**84**	**+1**	**26**	**-1**	**25**	**-**	**135**	**-**	**125**	**-**
Transavia France										
B737 800	-	-	-	-	8	-	8	-	8	-
Total	**-**	**-**	**-**	**-**	**8**	**-**	**8**	**-**	**8**	**-**
Total Air France Group	**199**	**-3**	**55**	**+3**	**152**	**+4**	**406**	**+4**	**387**	**-**

The KLM Group fleet

The KLM Group fleet comprises 215 aircraft of which 206 in operation after the integration of the Martinair fleet.

The KLM fleet

The KLM fleet totaled 121 aircraft at June 30, 2012, of which 117 in operation, with 67 long-haul, four cargo and 46 medium-haul aircraft. Some 31% of the fleet is fully owned, 31% is under finance lease and 38% under operating lease.

During the first half, one B777-300 and three Airbus A330-300s joined the long-haul fleet, and one Boeing B737-300 was withdrawn from the medium-haul fleet. There were no changes in the cargo fleet.

	Owned		**Finance lease**		**Operating lease**		**Total**		**In operation**	
Aircraft	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**
B747-400	13	-	4	-	5	-	22	-	22	-
B777-300	-	-	6	+1	-	-	6	+1	6	+1
B777-200	-	-	6	-	9	-	15	-	15	-
MD11	8	-	2	-	-	-	10	-	10	-
A330-300	-	-	-	-	3	+3	3	+3	3	+3
A330-200	-	-	6	-	5	-	11	-	11	-
Long-haul	**21**	**-**	**24**	**+1**	**22**	**+3**	**67**	**+4**	**67**	**+4**
B747-400	-	-	3	-	1	-	4	-	4	-
Cargo	**-**	**-**	**3**	**-**	**1**	**-**	**4**	**-**	**4**	**-**
B737-900	1	+1	1	-1	3	-	5	-	5	-
B737-800	12	+2	1	-2	10	-	23	-	23	-
B737-700	-	-	8	-	10	-	18	-	18	-
B737-400	4	-	-	-	-	-	4	-	-	-
B737-300	-	-1	-	-	-	-	-	-1	-	-
Medium-haul	**17**	**+2**	**10**	**-3**	**23**	**-**	**50**	**-1**	**46**	**-**
Total	**38**	**+2**	**37**	**-2**	**46**	**+3**	**121**	**+3**	**117**	**+4**

The fleets of the subsidiaries

The Transavia and Martinair fleets

The Transavia Netherlands fleet comprises 31 aircraft in operation, of which 3% is fully owned, 32% is under finance lease and 65% under operating lease.

The Martinair fleet comprises 11 cargo aircraft, of which 7 in operation at June 30, 2012. Some 27% of the fleet is fully owned, with 18% under finance lease and 55% under operating lease.

	Owned		Finance lease		Operating lease		Total		In operation	
Aircraft	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**
Transavia Netherlands										
B737-800	1	-1	5	+2	15	-	21	+1	21	+1
B737-700	-	-	5	-	5	-	10	-	10	-
Total	**1**	**-1**	**10**	**+2**	**20**	**-**	**31**	**+1**	**31**	**+1**
Martinair										
B747-400 BCF	-	-	-	-	4	-	4	-	1	-
MD-11-CF	3	-	-	-	1	-	4	-	4	-
MD-11-F	-	-	2	-	1	-	3	-	2	-1
Cargo	***3***	***-***	***2***	***-***	***6***	***-***	***11***	***-***	***7***	***-1***
Total	**3**	**-**	**2**	**-**	**6**	**-**	**11**	**-**	**7**	**-1**
Total other fleet	4	**-1**	**12**	**+2**	**26**	**-**	**42**	**+1**	**38**	**-**

The regional fleet

At June 30, 2012, the KLM Cityhopper regional subsidiary had a fleet of 52 aircraft, of which 51 were operational. This fleet is 56% fully-owned, 27% under finance lease and 17% under operating lease. During the first half, one Fokker 100 was withdrawn from the fleet and five Embraer EMB190s joined the fleet.

	Owned		Finance lease		Operating lease		Total		In operation	
Aircraft	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**	**06/30/12**	**Ch/Dec 11**
KLM Cityhopper										
F100	4	-1	-	-	-	-	4	-1	3	-2
F70	25	+2	1	-2	-	-	26	-	26	-
EMB190	-	-	13	-	9	+5	22	+5	22	+5
Total	**29**	**+1**	**14**	**-2**	**9**	**+5**	**52**	**+4**	**51**	**+3**

Outlook and subsequent events

Outlook

Bookings for the Summer season are positively oriented, in line with the recent trend. However, the uncertain outlook for the global economic environment together with the volatility of fuel prices and the euro make forecasts for the latter part of the year difficult. Nevertheless, in the second half, the Group should benefit from the first significant effects of Transform 2015. In this context, its objective is to generate an operating result above the €195 million realised in the second half of 2011. On this basis, the Group is on track to achieve a reduction in net debt at December 31, 2012 compared with December 31, 2011.

Subsequent events

In the framework of the improvement of productivity within the Air France-KLM Group, Air France submitted for signature, at the beginning of July, collective agreement projects to its three categories of employees. As of today, the agreement with ground staff has been signed and is applicable at January 1, 2013.

The project agreement for flight deck crew is also applicable starting from January 1, 2013. The main union, SNPL Air France ALPA, has submitted the agreement to a ballot with a favorable recommendation from its Board. The results of this ballot will be known in the second half of August.

Despite the approval of the main representative union, the project agreement for cabin crew has not received approval by unions representing over 30% of votes. It will not therefore replace, as planned, on April 1, 2013, the current collective agreement in force until March 31, 2013, which will instead be replaced by a text in which the counterparties in terms of remuneration and working conditions will be less favourable than the initially-proposed agreement.

These agreements, together with the measures of wage moderation and the reduction in headcount via voluntary departures announced in June should enable Air France to reach its target of a 20% improvement in economic efficiency in 2014 compared with 2011.

Negotiations with Air France subsidiaries are scheduled to begin in September 2012.

On its side, KLM is pursuing negotiations in line with the initial timetable, and seeks to arrive at new collective agreements in the fourth quarter in order to achieve its target of a 15% improvement in economic efficiency in 2014 compared with 2011.

Risks and risk management

Risk factors

There were no significant changes to the risks and uncertainties of the Air France-KLM Group during this half year compared with the 2011 Registration Document filed on April 19, 2012.

Related parties

The information concerning related parties can be found in Note 22 of the consolidated financial statements.

Comments on the financial statements

Consolidated results for the first half ended June 30, 2012

There were no major changes in the Air France-KLM Group's consolidation scope at June 30, 2012 versus that of June 30, 2011.

(In € million)	**June 30, 2012**	**June 30, 2011 Proforma**	**Change in %**
Revenues	12,145	11,546	5,2
Income/(loss) from current operations	(663)	(548)	ns
Income/(loss) from operating activities	(945)	(649)	ns
Net income/(loss) from continuing operations	(1,264)	(563)	ns
Net income/(loss) - Equity holders of Air France-KLM	(1,263)	(564)	ns
Basic earnings/(loss) per share *(In €)*	(4.27)	(1.91)	ns

Revenues

Consolidated revenues amounted to €12.15 billion for the period, up by 5.2% after a positive currency effect of 1.9%. Passenger revenues increased by 7.7% to €9.56 billion while cargo revenues declined by 3.8% to €1.51 billion.

Operating expenses

Operating expenses rose by 5.9% to €12.81 billion. Excluding fuel, the increase was only 2.7%. For production measured in EASK (equivalent available seat-kilometers) up by 0.6%, the unit cost per EASK increased by 5.3% and was virtually unchanged (+0.2%) on a constant currency and fuel price basis.

External expenses increased by 6.6% to €8.02 billion versus €7.53 billion one year earlier. Excluding fuel, they remained stable.

The breakdown of operating expenses was as follows:

(In € million)	June 30, 2012	June 30, 2011 Proforma	Change in %
Aircraft fuel	3,568	3,099	15.1
Chartering costs	276	274	0.7
Aircraft operating lease costs	464	418	11.0
Landing fees and air route charges	901	882	2.2
Catering	285	275	3.6
Handling charges and other operating costs	658	647	1.7
Aircraft maintenance costs	546	555	-1.6
Commercial and distribution costs	441	411	7.3
Other external expenses	881	964	-8.6
Total	**8,020**	**7,525**	**6.6**

The main changes were as follows:

- Aircraft fuel: first half fuel expenses amounted to €3.57 billion versus €3.10 billion at June 30, 2011 proforma. The increase in the fuel bill was due, at constant capacity, to a negative currency impact of 6% and a 2% rise in the fuel price after hedging;
- Aircraft operating lease costs: aircraft operating lease costs increased by 11% to €464 million after a negative currency effect of 6%;
- Landing fees and air route charges: landing fees and air route charges for the use of airspace and airports increased in line with activity to €901 million (€882 million at June 30, 2011 proforma);
- Catering: catering costs relating to services supplied on board aircraft amounted to €285 million versus €275 million at June 30, 2011 proforma, i.e. an increase of 3.6%. These expenses relate to the costs incurred by the Air France-KLM Group for its own account and those incurred by the Group's catering subsidiary on behalf of its third-party clients;
- Handling charges and other operating costs: handling charges mainly cover aircraft handling on the ground, passenger handling for the Group and, for a small proportion, those incurred on behalf of third-party clients. They rose by 1.7% to €658 million, in line with activity;
- Aircraft maintenance costs: these include the maintenance of the Group's aircraft and procurement for the third-party activity. They amounted to €546 million, down by 1.6% relative to their level at June 30, 2011 proforma;
- Commercial and distribution costs: commercial and distribution costs increased by 7.3% to €441 million under the effect, notably, of the increase in activity and marketing expenses linked to the launch of the Nice and Toulouse provincial bases;
- Other external expenses: other external expenses principally comprise rental costs, telecommunication costs, insurance and fees. They amounted to €881 million at June 30, 2012 versus €964 million one year earlier.

Salaries and related costs stood at €3.88 billion versus €3.73 billion at June 30, 2011 proforma, i.e. a 3.9% increase after an additional €45 pension charge at KLM due to the actuarial assumptions used at December 31, 2011. The average headcount declined by 0.5% to 101,274 employees.

Taxes other than income taxes amounted to €94 million versus €92 million at June 30, 2011 proforma.

Amortization, depreciation and provisions stood at €843 million versus €838 million at June 30, 2011. Pursuant to the fleet utilization plan, the Group decided to prolong the life of its cargo fleet to 25 years. The extension in the period of use was reflected in a €14 million reduction in the amortization charge as of June 30, 2012.

Other income and expenses (+€20 million at June 30, 2012 versus +€73 million at June 30, 2011 proforma) include currency hedges which moved from a €14 million profit at June 30, 2011 proforma to a profit of €49 million at June 30, 2012. A €17 million expense was also booked concerning CO_2 emissions, airlines having joined the CO_2 emission trading system as of January 1, 2012.

Income/(loss) from current operations

The result from current operations amounted to a €663 million loss versus a loss of €548 million at June 30, 2011 proforma.

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

	June 30, 2012		June 30, 2011 proforma	
(In € million)	**Revenues**	**Income/(loss) from current operations**	**Revenues**	**Income/(loss) from current operations**
Passenger	9,560	(551)	8,874	(507)
Cargo	1,508	(130)	1,568	(23)
Maintenance	523	56	495	49
Others	554	(38)	609	(67)
Total	**12,145**	**(663)**	**11,546**	**(548)**

Income/(loss) from operating activities

The result from operating activities stood at a loss of €945 million versus a €649 billion loss at June 30, 2011 proforma. The non-current items at June 30, 2012 were mainly:

- €97 million corresponding to the capital gain realized by the Group on March 1, 2012 within the framework of the private placing of a portion of the shareholding in Amadeus IT Holding SA whose disposal proceeds amounted to €466 million.
- A €370 million restructuring provision, of which €348 million in respect of the various staff reduction measures involving 5,122 posts. The Group has established its best current estimate of the costs incurred by this plan. This provision will be updated as the terms of application evolve.

Net cost of financial debt

The net cost of financial debt amounted to €170 million versus €178 million at June 30, 2011 proforma.

Other financial income and expenses

Net financial expenses amounted to €178 million versus net income of €38 million at June 30, 2011 proforma with the breakdown as follows:

- a €32 million foreign exchange loss;
- a €152 million negative change in the fair value of financial assets and liabilities. This loss was mainly due to the change in the inefficient portion of fuel derivatives;
- €7 million of provision write-backs.

Net income/(loss) - Equity holders of Air France-KLM

Income tax amounted to an €89 million gain versus a €251 million gain at June 30, 2011 proforma, deriving an effective tax rate of 6.9% versus 31.8% at June 30, 2011. The low effective tax rate at June 30, 2012 was notably explained by the ending of the recognition of deferred tax assets on the French affiliates. The revised 2011 Finance Act introduced a limit on the amount of tax loss carryforwards allowed to be recognized each year (capped at 60% of the profit for the period beyond the first million), effectively lengthening the recovery period. These new provisions led the Group to limited the recognition of deferred tax assets linked to the Air France-KLM Group's tax loss carryforwards starting from the third quarter of the year ended December 31, 2011.

The **share of profits/(losses) of associates** amounted to a €60 million negative at June 30, 2012 (versus a negative €25 million at June 30, 2011 proforma). This mostly comprised the €55 million share of Alitalia Group losses for the 2012 first half.

Net income/(loss) - Equity holders of Air France-KLM stood at a loss of €1.26 billion at June 30, 2012 (versus a loss of €564 billion at June 30, 2011 proforma).

The contributions to the net result by quarter were, respectively, €(368) million for the 2012 first quarter and €(895) million for the second quarter of 2012.

The basic loss per share amounted to €4.27 at June 30, 2012 versus a loss of €1.91 at June 30, 2011 proforma.

Investments and financing of the Group

The Air France-KLM Group's net capital expenditure on tangible and intangible assets amounted to €425 million during the first half versus €691 million at June 30, 2011 proforma. Net investment in the fleet amounted to €14 million, ground investment to €71 million, spare parts and aeronautical modifications to €106 million, capitalized maintenance costs to €164 million and investment in intangible assets to €70 million.

The investments presented in the Group's cash flow statement at June 30, 2012 do not include the acquisition under finance lease of an A380 aircraft for an amount of €149 million and a building dedicated to the handling of delayed luggage for an amount of €25 million.

Net cash flow from operating activities stood at €461 million versus €721 million at June 30, 2011 proforma. This deterioration came from:

- The €131 million improvement in cash flow before WCR at June 30, 2012 relative to its level at June 30, 2011 proforma.
- Secondly, the change in working capital which moved from €946 million at June 30, 2011 proforma to €555 million at June 30, 2012.

At the closing date, the net cash position stood at €3.3 billion. Furthermore, the Group still had available credit facilities totalling €1.85 billion at June 30, 2012.

Stockholders' equity amounted to €4.88 million (€6.09 billion at December 31, 2011) while net financial debt stood at €6.24 billion (€6.52 billion at December 31, 2011). The gearing ratio was 1.28 both including and excluding derivative instruments (1.07 and 1.08, respectively, at December 31, 2011).

Air France-KLM parent company results

As a holding company, Air France-KLM has no operating activity. Its revenues comprise royalties paid by the two operating subsidiaries for use of the Air France-KLM logo and its expenses essentially comprise financial communication costs, Statutory Auditors' fees, the remuneration of corporate officers and the financial expenses corresponding to the bonds issued in 2009. In total, operating income amounted to a €2.4 million positive.

Key financial indicators

Adjusted operating margin

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

(In € million)	**At June 30, 2012**	**At June 30, 2011**
Income/(loss) from current operations	(663)	(548)
Portion of operating leases considered to be financial charges	158	142
Adjusted income/(loss) from current operations	(505)	(406)
Revenues	12,145	11,546
Adjusted operating margin	(4.2)%	(3.5)%

Gearing ratio

The gearing ratio expresses net debt as a percentage of stockholders' equity. Net debt is the result of deducting cash (cash and cash equivalents plus marketable securities, minus bank overdrafts) from short and long-term debt. Deposits on leased aircraft are deducted from financial debt since they reduce the purchase option payments on aircraft at the end of leasing contracts. The cash guarantee within the framework of the four-year swap contract with Natixis relating to the OCEANE 2.75% 2020 is deducted from the corresponding debt. Within the framework of the appeal filed with the European Court of Justice regarding the amount of the cargo fine, the Group chose to set up bank guarantees pending the final ruling. These guarantees are held as available cash pledges, the Group having the option to rapidly substitute other assets.

(In € million)	**At June 30, 2012**	**At December 31, 2011**
Current and non-current financial debt	10,549	10,402
Accrued interest	(90)	(122)
Deposits on leased aircraft	(534)	(491)
Financial assets pledged within the framework of the swap with Natixis (OCEANE)	(393)	(393)
Currency hedge on financial debt	9	4
Total financial debt	**9,541**	**9,400**
Cash and cash equivalents	2,681	2,283
Marketable securities	393	359
Available cash pledges	232	235
Triple A deposits	131	165
Bank overdrafts	(135)	(157)
Net cash	**3,302**	**2,885**
Net financial debt	**6,239**	**6,515**
Consolidated stockholders' equity	4,881	6,094
Net debt/consolidated stockholders' equity	1.28	1.07
Net debt/consolidated stockholders' equity excluding fair value of hedging instruments	1.28	1.08

Restated net income

The Group has decided that the net result, equity holders of Air France-KLM will only be restated in the event of an exceptional transaction such as the Amadeus operation.

Unaudited interim condensed consolidated financial statements

January 1, 2012-June 30, 2012

Consolidated income statement (unaudited)

Six-month period from January 1 to June 30, (In € million)	Notes	2012	2011 Proforma
Sales	***5***	**12,145**	**11,546**
Other revenues		9	22
Revenues		***12,154***	***11,568***
External expenses	6	(8,020)	(7,525)
Salaries and related costs	7	(3,880)	(3,734)
Taxes other than income taxes		(94)	(92)
Amortization	8	(778)	(815)
Depreciation and Provisions	8	(65)	(23)
Other income and expenses	9	20	73
Income from current operations		***(663)***	***(548)***
Sales of aircraft equipment		4	(3)
Other non-current income and expenses	10	(286)	(98)
Income from operating activities		***(945)***	***(649)***
Cost of financial debt	11	(210)	(225)
Income from cash and cash equivalents	11	40	47
Net cost of financial debt		***(170)***	***(178)***
Other financial income and expenses	11	(178)	38
Income before tax		***(1,293)***	***(789)***
Income taxes	12	89	251
Net income of consolidated companies		***(1,204)***	***(538)***
Share of profits (losses) of associates	13	(60)	(25)
Net income from continuing operations		***(1,264)***	***(563)***
Net income for the period		***(1,264)***	***(563)***
• ***Equity holders of Air France-KLM***		***(1,263)***	***(564)***
• Non-controlling interests		(1)	1
Earnings per share – Equity holders of Air France-KLM *(in euros)*			
• basic	14	(4.27)	(1.91)
• diluted	14	(4.27)	(1.91)

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

Consolidated statement of recognized income and expenses (unaudited)

Six-month period to *(In € million)*	**June 30, 2012**	**June 30, 2011** **Proforma**
Net income for the period	**(1,264)**	**(563)**
Fair value adjustment on available-for-sale securities		
Change in fair value recognized directly in equity	189	(104)
Change in fair value transferred to profit or loss	(98)	4
Cash flow hedges		
Effective portion of changes in fair value hedge recognized directly in equity	54	498
Change in fair value transferred to profit or loss	(124)	(185)
Items of the recognized income and expenses of equity shares	***(8)***	***16***
Currency translation adjustment	***5***	***(22)***
Tax on items related to other comprehensive income	***24***	***(94)***
Total of other comprehensive income included in the recognized income and expenses	***42***	***113***
Recognized income and expenses		
• **Equity holders of Air France-KLM**	**(1,221)**	**(450)**
• Non-controlling interests	(1)	-

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

Consolidated balance sheet (unaudited)

Assets *(In € million)*	**Notes**	**June 30, 2012**	**December 31, 2011**
Goodwill		427	426
Intangible assets		805	774
Flight equipment	15	10,425	10,689
Other property, plant and equipment	15	2,007	2,055
Investments in equity associates		395	422
Pension assets		3,339	3,217
Other financial assets(*)	16	1,740	2,015
Deferred tax assets		1,177	1,143
Other non-current assets		203	168
Total non-current assets		***20,518***	***20,909***
Assets held for sale		11	10
Other short term financial assets *(*)*		796	751
Inventories		540	585
Trade accounts receivables		2,335	1,774
Income tax receivables		11	10
Other current assets		976	995
Cash and cash equivalents		2,681	2,283
Total current assets		***7,350***	***6,408***
Total assets		**27,868**	**27,317**

*Including

(In € million)	**June 30, 2012**	**December 31, 2011**
Deposits related to financial leases	665	656
Marketable securities	1,018	987

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

Consolidated balance sheet (unaudited) (continued)

Liabilities and equity *(In € million)*	**Notes**	**June 30, 2012**	**December 31, 2011**
Issued capital	17.1	300	300
Additional paid-in capital		2,971	2,971
Treasury shares		(82)	(89)
Reserves and retained earnings	17.2	1,640	2,858
Equity attributable to equity holders of Air France-KLM		***4,829***	***6,040***
Non-controlling interests		52	54
Total equity		***4,881***	***6,094***
Provisions and retirement benefits	18	2,090	2,061
Long-term debt	19	9,492	9,228
Deferred tax liabilities		369	466
Other non-current liabilities		433	321
Total non-current liabilities		***12,384***	***12,076***
Provisions	18	604	156
Current portion of long-term debt	19	1,057	1,174
Trade accounts payables		2,411	2,599
Deferred revenue on ticket sales		3,077	1,885
Frequent flyer programs		765	784
Current tax liabilities		1	6
Other current liabilities		2,553	2,386
Bank overdrafts		135	157
Total current liabilities		***10,603***	***9,147***
Total liabilities		**22,987**	**21,223**
Total liabilities and equity		**27,868**	**27,317**

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

Consolidated statement of changes in stockholders' equity (unaudited)

(In € million)	**Number of shares**	**Issued capital**	**Additional paid-in capital**	**Treasury shares**	**Reserves and retained earnings**	**Equity attributable to holders of Air France-KLM**	**Non-controlling interests**	**Total equity**
December 31, 2010	***300,219,278***	***300***	***2,971***	***(93)***	***3,802***	***6,980***	***52***	***7,032***
Fair value adjustment on available for sale securities	-	-	-	-	(99)	(99)	-	(99)
Gain/(loss) on cash flow hedges	-	-	-	-	233	233	1	234
Currency translation adjustment	-	-	-	-	(20)	(20)	(2)	(22)
Net income for the period	-	-	-	-	(564)	(564)	1	(563)
Total of income and expenses recognized	***-***	***-***	***-***	***-***	***(450)***	***(450)***	***-***	***(450)***
Stock based compensation (ESA) and stock options	-	-	-	-	10	10	-	10
Dividends paid	-	-	-	-	-	-	(1)	(1)
OCEANE	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	3	-	3	-	3
June 30, 2011	***300,219,278***	***300***	***2,971***	***(90)***	***3,362***	***6,543***	***51***	***6,594***
December 31, 2011	***300,219,278***	***300***	***2,971***	***(89)***	***2,858***	***6,040***	***54***	***6,094***
Fair value adjustment on available for sale securities	-	-	-	-	94	94	-	94
Gain/(loss) on cash flow hedges	-	-	-	-	(57)	(57)	-	(57)
Currency translation adjustment	-	-	-	-	5	5	-	5
Net income for the period	-	-	-	-	(1,263)	(1,263)	(1)	(1,264)
Total of income and expenses recognized	***-***	***-***	***-***	***-***	***(1,221)***	***(1,221)***	***(1)***	***(1,222)***
Stock based compensation (ESA) and stock options	-	-	-	-	2	2	-	2
Dividends paid	-	-	-	-	-	-	(1)	(1)
Treasury shares	-	-	-	7	-	7	-	7
Change in scope	-	-	-	-	1	1	-	1
June 30, 2012	***300,219,278***	***300***	***2,971***	***(82)***	***1,640***	***4,829***	***52***	***4,881***

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

Consolidated statement of cash flows (unaudited)

Six-month period from January 1 to June 30, *(In € million)*	**Notes**	**2012**	**2011 Proforma**
Net income for the period – Equity holders of Air France-KLM		(1,263)	(564)
Non-controlling interests		(1)	1
Amortization, depreciation and operating provisions	8	843	838
Financial provisions		(7)	3
Gain on disposals of tangible and intangible assets		(8)	(2)
Loss/(gain) on disposals of subsidiaries and associates	10	(97)	(2)
Derivatives – non monetary results		135	(42)
Unrealized foreign exchange gains and losses, net		19	(47)
Share of (profits) losses of associates		60	25
Deferred taxes	12.1	(108)	(256)
Other non-monetary items		333	(179)
Subtotal		**(94)**	**(225)**
(Increase)/ decrease in inventories		47	(12)
(Increase)/ decrease in trade receivables		(574)	(419)
Increase/ (decrease) in trade payables		(183)	477
Change in other receivables and payables		1,265	900
Net cash flow from operating activities		***461***	***721***
Acquisition of subsidiaries, of shares in non-controlled entities		(38)	(23)
Purchase of property, plant and equipment and intangible assets		(1,023)	(1,474)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	10	466	-
Proceeds on disposal of property, plant and equipment and intangible assets		598	783
Dividends received		14	-
Decrease (increase) in investments		(31)	(219)
Net cash flow used in investing activities		***(14)***	***(933)***
Capital increase		-	6
Purchase of non-controlling interests, of owned shares		-	(22)
Disposal of subsidiaries without loss of control, of owned shares		7	3
Issuance of long-term debt		627	954
Repayment on long-term debt		(425)	(782)
Payment of debt resulting from finance lease liabilities		(287)	(288)
New loans		(23)	(69)
Repayment on loans		66	139
Dividends paid		(1)	(2)
Net cash flow from financing activities		***(36)***	***(61)***
Effect of exchange rate on cash and cash equivalents and bank overdrafts		***9***	***(27)***
Change in cash and cash equivalents and bank overdrafts		***420***	***(300)***
Cash and cash equivalents and bank overdrafts at beginning of period		*2,126*	*3,351*
Cash and cash equivalents and bank overdrafts at end of period		*2,546*	*3,051*
Income tax paid (flow included in operating activities)		*(23)*	*(14)*
Interest paid (flow included in operating activities)		*(230)*	*(262)*
Interest received (flow included in operating activities)		*24*	*33*

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

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

Notes to the unaudited interim condensed consolidated financial statements

January 1, 2012 – June 30, 2012

Note 1 Business description

As used herein, the term “Air France-KLM” refers to Air France-KLM S.A., a limited liability company organized under French law excluding its consolidated subsidiaries.

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

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

The presentation currency used in these financial statements is the euro which is also the Group’s functional currency.

Note 2 Change of closing date

The Extraordinary Shareholders’ Meeting of July 7, 2011 approved the change of closing date for the Air France-KLM Group’s financial statements from March 31 to December 31, with effect from the year ended December 31, 2011.

As a result, the financial statements closed on June 30, 2012 for the six-month period from January 1, 2012 to June 30, 2012 are not comparable with the financial information published on June 30, 2011, reflecting a three-month period.

To facilitate comparison, proforma financial information has been established based on the Group’s quarterly published financial information. As such, some assumptions and options have been adopted including:

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

Note 3 Significant events

3.1 Arising during the accounting period

On March 1, 2012, Air France, a subsidiary of Air France-KLM, launched a private placement of 33.6 million Amadeus IT Holding SA shares, corresponding to 7.5% of the capital. After this operation, the Group's holding decreased from 15.2% to 7.7%. The net proceeds from the transaction amounted to €466 million which generated a gain on disposal of €97 million in the income statement, as referred to in Note 8.

Air France, together with Iberia and Lufthansa which hold respectively 7.5% and 7.6% of the share capital of Amadeus IT Holding SA, agreed to a lock-up period of 90 days.

The Group has initiated a restructuring plan concerning the company Air France and some of its affiliates. This plan mainly comprises two parts: an adjustment in the fleet and a plan to reduce the number of staff.

Based on the measures presented to the bodies officially representing Air France in June 2012, the Group has made its best estimate of the costs involved and has recorded a provision for restructuring as of June 30, 2012 (see Note 10).

3.2 Subsequent events

There have been no significant events subsequent to the period.

Note 4 Accounting policies

4.1 Accounting principles

Accounting principles used for the interim condensed consolidated financial statements

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

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

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

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

Change in accounting principles

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

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

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

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

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

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

4.2 Preparation of the unaudited interim consolidated financial statements

Seasonality of the activity

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

Income taxes

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

4.3 Use of estimates

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

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

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

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

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

Note 5 Information by activity and geographical area

Business segments

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

The Group is organized around the following segments:

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

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

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

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

The results of the business segments are those that are either directly attributable or that can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments mainly correspond to the current operating income.

Other elements of the income statement are presented in the "non-allocated" column.

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

Geographical segments

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

- Metropolitan France;
- Europe except France and North Africa;

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

Only segment revenue is allocated by geographical sales area.

5.1 Information by business segment

Six-month period ended June 30, 2012

(In € million)	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	10,304	1,521	1,573	848	-	14,246
Intersegment sales	(744)	(13)	(1,050)	(294)	-	(2 101)
External sales	***9,560***	***1,508***	***523***	***554***	***-***	***12,145***
Income from current operations	**(551)**	**(130)**	**56**	**(38)**	**-**	**(663)**
Income from operating activities	(551)	(130)	56	(38)	(282)	(945)
Share of profits (losses) of associates	-	-	-	-	(60)	(60)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(348)	(348)
Income taxes	-	-	-	-	89	89
Net income from continuing operations	***(551)***	***(130)***	***56***	***(38)***	***(601)***	***(1,264)***

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

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

(In € million)	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	9,420	1,577	1,537	913	-	13,447
Intersegment sales	(546)	(9)	(1,042)	(304)	-	(1,901)
External sales	***8,874***	***1,568***	***495***	***609***	***-***	***11,546***
Income from current operations	**(507)**	**(23)**	**49**	**(67)**	**-**	**(548)**
Income from operating activities	(507)	(23)	49	(67)	(101)	(649)
Share of profits (losses) of associates	-	-	-	-	(25)	(25)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(140)	(140)
Income taxes	-	-	-	-	251	251
Net income from continuing operations	***(507)***	***(23)***	***49***	***(67)***	***(15)***	***(563)***

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

5.2 Information by geographical area

Sales by geographical area

Six-month period ended June 30, 2012

(In € million)	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	2,889	3,048	157	566	1,532	912	9,104
Other passenger sales	186	148	6	30	30	56	456
Total passenger	**3,075**	**3,196**	**163**	**596**	**1,562**	**968**	**9,560**

Scheduled cargo	181	540	13	107	263	312	1,416
Other cargo sales	28	22	2	5	19	16	92
Total cargo	**209**	**562**	**15**	**112**	**282**	**328**	**1,508**
Maintenance	331	174	-	-	18	-	523
Others	181	332	13	28	-	-	554
Total	**3,796**	**4,264**	**191**	**736**	**1,862**	**1,296**	**12,145**

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

(In € million)	**Metropolitan France**	**Europe except France, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	2,847	2,829	146	509	1,373	778	8,482
Other passenger sales	167	127	5	26	18	49	392
Total passenger	**3,014**	**2,956**	**151**	**535**	**1,391**	**827**	**8,874**
Scheduled cargo	183	572	18	106	258	353	1 490
Other cargo sales	23	11	2	7	20	15	78
Total cargo	**206**	**583**	**20**	**113**	**278**	**368**	**1,568**
Maintenance	301	178	-	-	16	-	495
Others	185	382	8	34	-	-	609
Total	**3,706**	**4,099**	**179**	**682**	**1,685**	**1 195**	**11,546**

Traffic sales by geographical area of destination

Six-month period ended June 30, 2012

(In € million)	**Metropolitan France**	**Europe except France, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	991	2,230	677	1,200	2,407	1,599	9,104
Scheduled cargo	3	24	71	295	566	457	1 416
Total	**994**	**2,254**	**748**	**1,495**	**2,973**	**2,056**	**10,520**

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

(In € million)	**Metropolitan France**	**Europe except France, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	1,010	2,108	633	1,133	2,141	1,457	8,482
Scheduled cargo	2	25	73	298	599	493	1 490
Total	**1,012**	**2,133**	**706**	**1,431**	**2,740**	**1,950**	**9,972**

Note 6 External expenses

Six-month period ended June 30, *(In € million)*	**2012**	**2011 Proforma**
Aircraft fuel	3,568	3,099
Chartering costs	276	274
Aircraft operating lease costs	464	418

Landing fees and air route charges	901	882
Catering	285	275
Handling charges and other operating costs	658	647
Maintenance costs	546	555
Commercial and distribution costs	441	411
Other external expenses	881	964
Total	**8,020**	**7,525**
Excluding aircraft fuel	*4,452*	*4,426*

Note 7 Salaries and number of employees

Salaries and related costs

Six-month period ended June 30, *(In € million)*	**2012**	**2011 Proforma**
Wages and salaries	2,788	2,748
Social contributions	899	885
Net periodic pension cost	159	92
Expenses related to share-based compensation	2	10
Other expenses	32	(1)
Total	**3,880**	**3,734**

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

Average number of employees

Six-month period ended June 30,	**2012**	**2011 Proforma**
Flight deck crew	8,464	8,586
Cabin crew	22,412	22,683
Ground staff	70,398	70,461
Total	**101,274**	**101,730**

Note 8 Amortization, depreciation and provisions

Six-month period ended June 30, *(In € million)*	**2012**	**2011 Proforma**
Amortization		
Intangible assets	33	32
Flight equipment	611	641
Other property, plant and equipment	134	142
	778	**815**
Depreciation and Provisions		
Inventories	(1)	3
Trade receivables	(1)	(2)
Risks and contingencies	67	22
	65	**23**
Total	**843**	**838**

In conformity with the plan of use of its fleet, the Group decided to increase the life of its cargo fleet to 25 years. This increase of the use duration has been translated by a decrease of the amortization cost by € 14 million as of June 30, 2012.

Note 9 Other income and expenses

Six-month period ended June 30, *(In € million)*	**2012**	**2011 Proforma**
Joint operation of routes	(7)	25
Operations-related currency hedges	49	14
Other	(22)	34
Total	**20**	**73**

Note 10 Other non-current income and expenses

Six-month period ended June 30, *(In € million)*	**2012**	**2011 Proforma**
Restructuring costs	(372)	(2)
Disposals of subsidiaries and affiliates	97	2
Other	(11)	(98)
Other non-current income and expenses	**(286)**	**(98)**

Six-month period ended June 30, 2012

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

The Group has initiated a restructuring plan concerning the company Air France and its regional affiliates in France. This plan mainly comprises two parts: an adjustment in the fleet and a plan to reduce staff.

The plan’s conditions have been presented to the bodies officially representing the Air France staff on June 2012. Concerning the affiliates, the discussion process will continue during the third quarter of 2012.

Concerning the resizing of the fleet, the modalities may result in the disposal, sale, dismantling or termination of operating lease contracts.

Concerning the staff reduction plan which concerns 5,122 positions, it includes assistance for voluntary retirement and a voluntary departure plan whose period of application will start during the 4th quarter of 2012.

In these conditions, the Group has made its best estimate of the costs involved by the plan and has recorded a provision for restructuring amounting to € 370 million as of June 30, 2012.

This provision will be updated as the application conditions evolve.

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

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

Note 11 Net cost of financial debt and other financial income and expenses

Six-month period ended June 30, *(In € million)*	2012	2011 Proforma
Income from marketable securities	15	15
Other financial income	25	32
Income from cash and cash equivalents	***40***	***47***
Loan interests	(138)	(144)
Lease interests	(45)	(45)
Capitalized interests and other non monetary items	9	12
Other financial expenses	(36)	(48)
Gross cost of financial debt	***(210)***	***(225)***
Net cost of financial debt	***(170)***	***(178)***
Foreign exchange gains (losses), net	(32)	37
Change in fair value of financial assets and liabilities	(152)	3
Net (charge) release to provisions	7	(3)
Other	(1)	1
Other financial income and expenses	***(178)***	***38***

The interest rate used in the calculation of capitalized interest is 3.83% for the six-month period ended June 30, 2012 (4.26% for the six-month period ended June 30, 2011 proforma).

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

Note 12 Income taxes

12.1 Income tax charge

Six-month period ended June 30, *(In € million)*	2012	2011 Proforma
Current tax (expense)/ benefit	***(19)***	***(5)***
Charge for the period	(19)	(5)
Adjustment of previous current tax charges	-	-
Deferred tax income/ (expense) from continuing operations	***108***	***256***
Change in temporary differences	(17)	(60)
CAVE impact	2	2
(Use)/ recognition of tax loss carryforwards	123	314
Total	***89***	***251***

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

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

The limitation of deferred tax assets has an impact of €(341) million on the tax charge as of June 30, 2012.

12.2 Deferred tax recorded directly in equity

Deferred tax recorded directly in equity amounts to income of €24 million as of June 30, 2012 against a €94 million expense for the period ended June 30, 2011 (6 months proforma).

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

Note 13 Share of profits (losses) of associates

Six-month period ended June 30, 2012

The "share of profits (losses) of associates" includes mainly the share of Alitalia Group losses, amounting to(55)million.

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

The "share of profits (losses) of associates" included mainly the share of Alitalia Group losses, amounting to €(31) million. It corresponded to the activity from October 1, 2010 to March 31, 2011.

Note 14 Earnings per share

Reconciliation of income used to calculate earnings per share

Six-month period ended June 30, *(In € million)*	**2012**	**2011 Proforma**
Net income for the period – Equity holders of Air France-KLM	(1,263)	(564)
Dividends to be paid to priority shares	-	-
Net income for the period – Equity holders of Air France-KLM (used to calculate basic earnings per share)	**(1,263)**	**(564)**
Impact of potential ordinary shares:		
• interest paid on convertible bonds (net of tax)	-	-
Net income for the period – Equity holders of Air France-KLM (used to calculate diluted earnings per share)	***(1,263)***	***(564)***

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

Six-month period ended June 30,	**2012**	**2011 Proforma**
Weighted average number of:		
• Ordinary shares issued	300,219,278	300,219,278
• Treasury stock held regarding stock option plan	(1,229,714)	(1,229,714)
• Treasury stock held for the share buyback plan	(321,179)	(131,314)
• Other treasury stock	(2,959,733)	(2,960,855)
Number of shares used to calculate basic earnings per share	***295,708,632***	***295,897,395***
Weighted average number of ordinary shares:		
• Conversion of convertible bonds	-	-
• Exercise of stock options	-	-
Number of potential ordinary shares	***295,708,632***	***295,897,395***
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	***295,708,632***	***295,897,395***

Note 15 Tangible assets

	As of June 30, 2012			As of December 31, 2011		
(In € million)	**Gross value**	**Depreciation**	**Net Value**	**Gross value**	**Depreciation**	**Net Value**
Owned aircraft	10,812	5,972	4,840	10,872	5,695	5,177
Leased aircraft	5,748	1,779	3,969	5,216	1,645	3,571
Assets in progress	421	-	421	728	-	728
Other	2,152	957	1,195	2,143	930	1,213
Flight equipment	***19,133***	***8,708***	***10,425***	***18,959***	***8,270***	***10,689***
Land and buildings	2,700	1,477	1,223	2,673	1,422	1,251
Equipment and machinery	1,302	861	441	1,288	834	454
Assets in progress	102	-	102	100	-	100
Other	918	677	241	908	658	250
Other tangible assets	***5,022***	***3,015***	***2,007***	***4,969***	***2,914***	***2,055***
Total	**24,155**	**11,723**	**12,432**	**23,928**	**11,184**	**12,744**

The net value of tangible assets financed under capital lease amounts to €4,548 million as of June 30, 2012 (€4,025 million as of December 31, 2011).

Note 16 Other financial assets (non current)

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

Note 17 Equity attributable to equity holders of Air France-KLM SA

17.1 Breakdown of stock and voting rights

As of June 30, 2012, the issued capital of Air France-KLM comprised 300,219,278 fully paid-up shares with a nominal value of €1. Each share is entitled to one vote.

The breakdown of stock and voting rights is as follows:

	As of June 30, 2012		As of December 31, 2011	
	Capital	**Voting rights**	**Capital**	**Voting rights**
French State	16%	16%	16%	16%
Employees and former employees	10%	10%	10%	10%
Treasury shares	1%	-	2%	-
Other	73%	74%	72%	74%
Total	**100%**	**100%**	**100%**	**100%**

The item “Employees and former employees” includes shares held by employees and former employees identified in funds or by a Sicovam code.

17.2 Reserves and retained earnings

(In € million)	**As of June 30, 2012**	**As of December 31, 2011**
Legal reserve	70	70
Distributable reserve	850	962
Derivatives reserves	(1)	55

Available for sale securities reserves	180	86
Other reserves	1,804	2,127
Net income (loss) – Equity holders of Air France-KLM	(1,263)	(442)
Total	**1,640**	**2,858**

Note 18 Provisions and retirement benefits

	As of June 30, 2012			As of December 31, 2011		
(In € million)	**Non current**	**Current**	**Total**	**Non current**	**Current**	**Total**
Retirement benefits	1,012	-	1,012	1,056	-	1,056
Restitution of aircraft	509	99	608	459	116	575
Restructuring	-	467	467	-	12	12
Litigation	405	11	416	390	14	404
Other	164	27	191	156	14	170
Total	**2,090**	**604**	**2,694**	**2,061**	**156**	**2,217**

18.1 Provisions

Retirement benefits

In the six months ended June 30, 2012 the discount rate used by companies for defined benefit obligations decreased significantly. In Note 30.1 of the annual report 2011 the sensitivity of the defined benefit obligation to variations in the discount rate is mentioned.

In the same period the fair value of the plan assets increased markedly. The net basis could have a significant impact on the funded status of the Group pension funds.

Provision for litigation with third parties

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

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

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

Provision for restructuring

See Note 10.

Litigation concerning anti-trust laws

In the air-freight industry

a) Investigation of the anti-trust authorities

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

The proceedings initiated in the United States, Australia and Canada resulted, during financial year 2008-09, in Plea Agreements made by Air France, KLM and Martinair with the appropriate agencies, and the payment of settlement amounts putting an end to those proceedings. As of April 27, 2012, a settlement was agreed upon between the competition commission of South Africa and Air France and KLM resulting in a settlement amount of €1.8 million.

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

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

On January 24 and 25, 2011, the Group companies filed an appeal against the decision before the General Court of the European Union.

Since the appeal does not suspend the payment of the fines, the Group companies chose not to pay the fine immediately, but to provide bank guarantees until a definitive ruling by the European Courts.

In South Korea, on November 29, 2010, the Korean antitrust authority (KFTC) imposed on Air France-KLM, Air France and KLM a total fine of €8.8 million for anti-competitive practices prior to September 2004. This fine will not impact the Group's financial statements given that provisions have already been booked. The Group companies have filed an appeal before the competent Seoul Court.

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

b) Civil actions

On September 19, 2011 the Group companies entered into a Settlement agreement with the Canadian plaintiffs achieving a final resolution of all claims in Canada. Under the settlement agreement the Group companies have paid an amount of CAD 6.5 million (€4.6 million).

The total amount of provisions as of June 30, 2012 amounts to €379 million for the whole proceedings.

Other provisions

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

18.2 Contingent liabilities

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

Litigation concerning anti-trust laws

This litigation has not been provisioned since the Group is unable, given the current status of the proceedings, to evaluate its exposure.

a) In the air-freight industry

a.1) Investigation of the anti-trust authorities

The proceedings in Switzerland and Brazil are still ongoing as of June 30, 2012.

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

a.2) Civil suits

Pursuant to the initiation, in February 2006, of the various competition authority investigations, class actions were brought by forwarding agents and air-freight shippers in the United States and Canada against Air France, KLM and Martinair, 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, brings to a close all claims, lawsuits and legal proceedings in the past, present or future by plaintiffs seeking to obtain financial compensation from the Air France-KLM Group for unlawful practices in freight transportation to, from or within the United States.

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

With respect to those Air France and KLM customers who have chosen to be excluded, a portion of the settlement proportional to the revenue Air France and KLM received from those parties for a specified period as compared with Air France and KLM's overall revenue for that period will be segregated in a separate escrow. The parties who opted out are free to sue Air France, KLM and Martinair individually.

In 2011, written demands were made to Air France and KLM by two customers. Consequently a portion of the escrow amount attributable to those customers was transferred to Air France and KLM and the repaid amount was included as a provision.

Netherlands

In the Netherlands, KLM, Martinair and Air France were summoned, on September 30, 2010, to appear before the District Court of Amsterdam in a civil suit brought by a company named Equilib.

Equilib currently states that it has purchased claims from 175 indirect purchasers of airfreight services who allegedly suffered losses as a result of an anti-trust infringement in the European market between 2000 and 2006. Equilib is seeking to obtain a declaratory judgment confirming that the Group companies have been guilty of unlawful conduct and are jointly and severally liable, along with other carriers, for the losses suffered by the airfreight purchasers. Equilib initially estimates its claims at €400 million. So far, it has not substantiated this claim.

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

The Group companies served a contribution writ of summons on the other airlines fined by the European Commission on November 9, 2010 and simultaneously a claim to make these airlines join the proceedings.

Air France and KLM, together with other airlines, were summoned in February 2012 to appear before the District Court of Amsterdam in a similar civil suit by a company named East West Debt BV.

East West Debt BV proposed to stay the proceedings in accordance with the judgment provided by the same Amsterdam District Court in the Equilib proceedings. East West Debt BV currently estimates its claim at €27.9 million. So far, its claim has not been substantiated.

United Kingdom

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

Australia

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

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

b) Civil action in the air transport industry (passengers)

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

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

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

Other litigations

a) Pretory

Company Air France, as a legal entity, was placed under investigation on July 20, 2006 on charges of concealed employment and as an accessory to misuse of corporate assets in connection with a judicial investigation initiated against the officers of Pretory, a company with which Air France, pursuant to the September 2001 attacks, had entered into an agreement for the provision of safety officers on certain flights.

Despite a non-prosecution decision by the Public Prosecutor, the investigating magistrate decided, on February 7, 2012, to bring the case to court.

Company Air France challenges its implication in this case and will deny any guilt in court.

The financial risks related to this litigation are not material.

b) KLM minority shareholders

On January 2008, the association Vereniging van Effectenbezitters (VEB) served KLM and Air France-KLM before the Amsterdam Civil Court claiming that KLM and Air France-KLM be ordered to pay to minority shareholders a higher dividend than the €0.58 per ordinary share paid for fiscal year 2007-2008.

On September 1, 2010 the Court dismissed the case on the grounds that the dividend resolution met the test of reasonableness and fairness. VEB have appealed the Amsterdam Court decision.

On November 15, 2011, the Amsterdam Court of appeals upheld the decision. Claimants have filed for cassation with the Netherlands

Supreme Court on February 15, 2012.

c) Rio-Paris AF447 flight

Following 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 and, more recently, in France by the victims' heirs.

All these proceedings are aimed at receiving damages as reparation for the losses suffered by the heirs of the passengers who died in the crash.
In the United States, all the proceedings have been consolidated in California before the Northern District Court.
On October 4, 2010, the District judge granted the defendants' motion for dismissal on grounds of "forum non convenience" and suggested that they pursue their claim in France.
On March 17 and 18, 2011 respectively, Airbus and Air France were indicted for manslaughter by the investigating magistrate and incur the penalties of fines prescribed by law. Air France intends to challenge its implication in this case.
These penalties should not have a material effect on the financial situation of Air France.
The damages as reparation for the losses suffered by the heirs of the passengers who died in the crash are covered by Air France's third-party liability insurance policy.

Except for the matters specified under the paragraphs 18.1 and 18.2, the Group is not aware of any dispute or governmental, judicial and arbitration proceedings (including any proceedings of which the issuer is aware, or that are pending or threatened against it) that could have or have recently had a significant impact on the Group's financial position, earnings, assets, liabilities or profitability, during a period including at least the past twelve months.

Note 19 Financial debt

	As of June 30, 2012			As of December 31, 2011		
(In € million)	**Non current**	**Current**	**Total**	**Non current**	**Current**	**Total**
Perpetual subordinated loan stock	637	-	637	625	-	625
OCEANE (convertible bonds)	976	-	976	929	67	996
Bonds	1,450	-	1,450	1,450	-	1,450
Capital lease obligations	3,930	481	4,411	3,618	446	4,064
Other long-term debt	2,499	486	2,985	2,606	539	3,145
Accrued interest	-	90	90	-	122	122
Total	**9,492**	**1,057**	**10,549**	**9,228**	**1,174**	**10,402**

Note 20 Lease commitments

20.1 Capital leases

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

As of *(In € million)*	**June 30, 2012**	**December 31, 2011**
Flight equipment	4,525	4,134
Buildings	480	485
Other	141	134
Total	**5,146**	**4,753**

20.2 Operating leases

The undiscounted amount of the future minimum operating lease payments for aircraft under operating lease totaled €5,327 million as of June 30, 2012 (€5,270 million as of December 31, 2011).

Note 21 Flight equipment orders

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

(In € million)	**As of June 30, 2012**	**As of December 31, 2011**
2nd semester Y (6 months)	86	N/A
IATA Y+1	546	867
IATA Y+2	540	566
IATA Y+3	334	495
IATA Y+4	334	224
IATA Y+5	2,521	2,832
Total	**4,361**	**4,984**

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

The number of aircraft on firm order as of June 30, 2012 decreased by 17 units compared with December 31, 2011 to 44 units. This change in the backlog is explained by the delivery of 17 aircraft over the period.

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

Long-haul fleet

Passenger

The Group took delivery of 2 Airbus A380s and 4 Boeing B777s.

Cargo

The Group did not take any deliveries.

Medium-haul fleet

The Group took delivery of 2 Boeing B737s and 2 Airbus A320s.

Regional fleet

The Group took delivery of 5 Embraer 190 and 2 CRJ1000s.

The Group's commitments concern the following aircraft:

Aircraft type	**To be delivered in IATA**	**Y (6 months)**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Beyond Y+4**	**Total**
Long-haul fleet – passenger								
	As of June 30, 2012	-	2	2	-	-	-	4
A380	As of December 31, 2011	N/A	2	2	2	-	-	6
	As of June 30, 2012	-	1	-	-	-	-	1
A330	As of December 31, 2011	N/A	-	1	-	-	-	1
	As of June 30, 2012	1	1	-	3	1	-	6
B777	As of December 31, 2011	N/A	5	1	1	3	-	10
	As of June 30, 2012	-	-	-	-	3	22	25
B787	As of December 31, 2011	N/A	-	-	-	-	25	25
Medium-haul fleet								

	As of June 30, 2012	-	-	-	3	-	-	3
A320	As of December 31, 2011	N/A	5	-	-	-	-	5
	As of June 30, 2012	-	2	2	-	-	-	4
B737	As of December 31, 2011	N/A	2	4	-	-	-	6
Regional fleet								
	As of June 30, 2012	-	-	-	-	-	-	-
EMB190	As of December 31, 2011	N/A	5	-	-	-	-	5
	As of June 30, 2012	-	-	1	-	-	-	1
CRJ1000	As of December 31, 2011	N/A	2	1	-	-	-	3

Note 22 Related parties

The Group's relationships with its related parties did not change significantly in terms of amounts and/or scope.

Note 23 Non-cash transactions

During the first half of 2012, the Group entered into financial leases for the acquisition of an A380 aircraft for €149 million and for the acquisition of a building dedicated to the handling of delayed luggage for €25 million.

Neither the acquisition nor the debt attached to these two items has any impact in the cash flow statement.

Information and control

Attestation by the person responsible for the first half financial report to June 30, 2012

I hereby declare that, to the best of my knowledge, the condensed financial statements for the first half of the 2012 financial year (January-June 2012) have been established in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and of all the companies within the consolidation scope, and that the first half activity report presents a true picture of the significant events arising during the first six months of the financial year and of their impact on the first half financial statements, the main related party agreements together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Jean-Cyril Spinetta
Chairman and Chief Executive Officer

Statutory Auditors' review report on the half-year consolidated financial statements for 2012

To the Shareholders,

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

- the review of the accompanying half-year condensed consolidated financial statements of Air France-KLM S.A. for the six-month period ended June 30, 2012,
- the verification of information contained in the half-year management report.

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

I Conclusion on the financial statements

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

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

II Specific verification

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

Paris La Défense and Neuilly-sur-Seine, July 27, 2012

The Statutory Auditors

KPMG Audit *Department of KPMG S.A.*		Deloitte & Associés
Valérie Besson *Partner*	Michel Piette *Partner*	Dominique Jumaucourt *Partner*

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

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