Air France-KLM Group

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

Air France-KLM Group

CONSOLIDATED INCOME STATEMENT

In € millions **Period from April 1 to March 31,**	***Notes***	**2008**	**2007**	**2006**
Sales	***5***	**24 114**	**23 073**	**21 448**
Other revenues		4	4	4
Revenues		**24 118**	**23 077**	**21 452**
External expenses	***6***	(13 814)	(13 100)	(12 127)
Salaries and related costs	***7***	(7 018)	(6 689)	(6 357)
Taxes other than income taxes		(250)	(263)	(228)
Amortization and depreciation	***8***	(1 606)	(1 782)	(1 656)
Provisions	***8***	(17)	(8)	(72)
Other income and expenses	***9***	(8)	5	(76)
Income from current operations		**1 405**	**1 240**	**936**
Sales of aircraft equipment	***10***	9	13	2
Negative goodwill	***4***	40	-	5
Other non-current income and expenses	***10***	(182)	(20)	512
Income from operating activities		**1 272**	**1 233**	**1 455**
Cost of financial debt		(387)	(407)	(392)
Income from cash and cash equivalents		288	267	168
Net cost of financial debt	***11***	***(99)***	***(140)***	***(224)***
Other financial income and expenses	***11***	(24)	25	(31)
Income before tax		**1 149**	**1 118**	**1 200**
Income taxes	***12***	(358)	(248)	(256)
Net income of consolidated companies		**791**	**870**	**944**
Share of profits (losses) of associates	***20***	(24)	17	(23)
Net income from continuing operations		**767**	**887**	**921**
Net income from discontinued operations	***13***	-	-	-
Net income for the period		**767**	**887**	**921**
- Group		**748**	**891**	**913**
- Minority interests		19	(4)	8
Earnings per share – Group (in euros)	***14.1***			
- basic		2.63	3.35	3.47
- diluted		2.47	3.05	3.25
Earnings per share from continuing operations (in euros)	***14.2***			
- basic		2.69	3.33	3.50
- diluted		2.53	3.03	3.28

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

Air France-KLM Group

CONSOLIDATED BALANCE SHEET

Assets *In € millions*	***Notes***	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**
Goodwill	***15***	377	204	208
Intangible assets	***16***	475	424	428
Flight equipment	***18***	12 280	11 551	11 017
Other property, plant and equipment	***18***	2 193	2 007	1 955
Investments in equity associates	***20***	177	228	204
Pension assets	***21***	2 245	2 097	1 903
Other financial assets *(including € 735 million of deposits related to financial leases as of March 31, 2008, € 835 million as of March 31, 2007 and € 895 million as of March 31, 2006)*	***22***	956	1 095	1 182
Deferred tax assets	***12.5***	29	26	7
Other non-current assets	***25***	1 810	604	1 082
Total non-current assets		**20 542**	**18 236**	**17 986**
Other short-term financial assets *(including € 266 million of deposits related to financial leases and investments between 3 months and 1 year as of March 31, 2008, € 631 million as of March 31, 2007, € 889 million as of March 31, 2006)*	***22***	303	689	932
Inventories	***23***	507	360	340
Trade accounts receivable	***24***	2 569	2 610	2 518
Income tax receivables		3	7	1
Other current assets	***25***	2 385	1 271	1 756
Cash and cash equivalents	***26***	4 381	3 497	2 946
Total current assets		**10 148**	**8 434**	**8 493**
Total assets		**30 690**	**26 670**	**26 479**

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

Air France-KLM Group

CONSOLIDATED BALANCE SHEET (continued)

Liabilities and equity *In € millions*	***Notes***	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**
Issued capital	***27.1***	2 552	2 375	2 290
Additional paid-in capital	***27.2***	765	539	430
Treasury shares	***27.3***	(119)	(30)	(58)
Reserves and retained earnings	***27.4***	7 338	5 415	5 072
Equity attributable to equity holders of Air France-KLM		**10 536**	**8 299**	**7 734**
Minority interests		78	113	119
Total Equity		**10 614**	**8 412**	**7 853**
Provisions and retirement benefits	***29***	1 439	1 387	1 453
Long-term debt	***30***	6 914	7 419	7 826
Deferred tax	***12.5***	1 713	891	839
Other non-current liabilities	***31***	819	401	417
Total non-current liabilities		**10 885**	**10 098**	**10 535**
Provisions	***29***	441	225	192
Current portion of long-term debt	***30***	905	1 098	1 260
Trade accounts payable		2 218	2 131	2 039
Deferred revenue on ticket sales		2 279	2 217	2 062
Current tax liabilities		25	21	167
Other current liabilities	***31***	3 151	2 335	2 269
Bank overdrafts	***26***	172	133	102
Total current liabilities		**9 191**	**8 160**	**8 091**
Total liabilities		**20 076**	**18 258**	**18 626**
Total liabilities and equity		**30 690**	**26 670**	**26 479**

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

Air France-KLM Group

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

In € millions

	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Minority interests	Total equity
April 1, 2005	**269 383 518**	**2 290**	**384**	**(19)**	**3 254**	**5 909**	**111**	**6 020**
Fair value adjustment on available for sale securities	-	-	-	-	(4)	**(4)**	-	**(4)**
Gain / (loss) on cash flow hedges	-	-	-	-	1 055	**1 055**	4	**1 059**
Currency translation adjustment	-	-	-	-	4	**4**	-	**4**
Net income for the year	-	-	-	-	913	**913**	8	**921**
Total of income and expenses recognized	-	-	-	-	1 968	**1 968**	12	**1 980**
Stock based compensation (ESA) and stock options	-	-	-	-	(80)	**(80)**	-	**(80)**
Stock component of convertible bonds (Oceane)	-	-	46	-	-	**46**	-	**46**
Dividends paid	-	-	-	-	(40)	**(40)**	(1)	**(41)**
Treasury shares (note 27.3)	-	-	-	(39)	-	**(39)**	-	**(39)**
Change in the scope of consolidation	-	-	-	-	-	-	(3)	**(3)**
Other	-	-	-	-	(30)	**(30)**	-	**(30)**
March 31, 2006	**269 383 518**	**2 290**	**430**	**(58)**	**5 072**	**7 734**	**119**	**7 853**
Fair value adjustment on available for sale securities	-	-	-	-	-	-	-	-
Gain / (loss) on cash flow hedges	-	-	-	-	(501)	**(501)**	(1)	**(502)**
Currency translation adjustment	-	-	-	-	(2)	**(2)**	(1)	**(3)**
Net income for the year	-	-	-	-	891	**891**	(4)	**887**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**388**	**388**	**(6)**	**382**
Stock based compensation (ESA) and stock options	-	-	-	-	35	**35**	-	**35**
Issuance of share capital	9 982 189	85	109	-	-	**194**	-	**194**
Dividends paid	-	-	-	-	(80)	**(80)**	(8)	**(88)**
Treasury shares (note 27.3)	-	-	-	28	-	**28**	-	**28**
Change in consolidation scope	-	-	-	-	-	-	8	**8**
March 31, 2007	**279 365 707**	**2 375**	**539**	**(30)**	**5 415**	**8 299**	**113**	**8 412**
Fair value adjustment on available for sale securities	-	-	-	-	9	**9**	-	**9**
Gain / (loss) on cash flow hedges	-	-	-	-	1 260	**1 260**	13	**1 273**
Currency translation adjustment	-	-	-	-	8	**8**	(2)	**6**
Net income for the year	-	-	-	-	748	**748**	19	**767**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**2 025**	**2 025**	**30**	**2 055**
Stock based compensation (ESA) and stock option	-	-	-	-	32	**32**	-	**32**
Issuance of share capital	20 853 571	177	226	-	-	**403**	-	**403**
Dividends paid	-	-	-	-	(134)	**(134)**	(3)	**(137)**
Treasury shares (note 27.3)	-	-	-	(89)	-	**(89)**	-	**(89)**
Change in consolidation scope	-	-	-	-	-	-	(62)	**(62)**
March 31, 2008	**300 219 278**	**2 552**	**765**	**(119)**	**7 338**	**10 536**	**78**	**10 614**

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

Air France-KLM Group

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

In € millions	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**
Fair value adjustment on available for sale securities			
Impact of the first application of IAS 32 and IAS 39 recorded in equity	-	-	(3)
Change in fair value recognized directly in equity	9	-	(1)
Change in fair value transferred to profit or loss	-	-	-
Cash flow hedges			
Impact of the first application of IAS 32 and IAS 39 recorded in equity	-	-	1 168
Effective portion of changes in fair value hedge recognized directly in equity	2 348	7	428
Change in fair value transferred to profit or loss	(534)	(771)	-
Currency translation adjustment	8	(2)	4
Tax on items recognized directly in or transferred from equity			
Impact of the first application of IAS 32 and IAS 39 recorded in equity	-	-	(397)
Income / (expense) recognized directly in equity	(554)	263	(144)
Income and expenses directly recognized in equity attributable to holders of Air France-KLM	**1 277**	**(503)**	**1 055**
Net income for the period – Group	748	891	913
Total of income and expenses recognized for the period – Group	**2 025**	**388**	**1 968**
Total of income and expenses recognized for the period – Minority interest	30	(6)	12
Total recognized income and expenses for the period	**2 055**	**382**	**1 980**

The accompanying notes are an integral part of these consolidated financial statements
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Air France-KLM Group

CONSOLIDATED STATEMENTS OF CASH FLOWS

In € millions **Period from April 1 to March 31,**	***Notes***	**2008**	**2007**	**2006**
Net income for the period – Group		748	891	913
Minority interests		19	(4)	8
Amortization, depreciation and operating provisions	***8***	1 623	1 790	1 728
Financial provisions	***11***	17	10	24
Gain on disposals of tangible and intangible assets		(43)	(44)	(46)
Loss / (gain) on disposals of subsidiaries and associates		(46)	(1)	(2)
Gain on WAM (ex Amadeus GTD) transactions	***20***	(284)	(16)	(504)
Derivatives – non monetary result	***11***	(65)	(43)	(6)
Unrealized foreign exchange gains and losses, net		27	(5)	8
Negative goodwill	***4***	(40)	-	(5)
Share of (profits) losses of associates	***20***	24	(17)	23
Deferred taxes	***12***	261	244	98
Other non-monetary items		214	(112)	(182)
Subtotal		**2 455**	**2 693**	**2 057**
(Increase) / decrease in inventories		(70)	(20)	(18)
(Increase) / decrease in trade receivables		69	(184)	(215)
Increase / (decrease) in trade payables		118	228	96
Change in other receivables and payables		330	133	736
Net cash flow from operating activities before non-recurring items		***2 902***	***2 850***	***2 656***
Payment of the ESA 2003 balance		(110)	-	-
Additional contribution to pension fund		(198)	-	-
Net cash flow from operating activities		**2 594**	**2 850**	**2 656**
Acquisitions of subsidiaries and investments in associates, net of cash acquired	***37***	(272)	(25)	(58)
Purchase of property, plant and equipment and intangible assets	***19***	(2 340)	(2 378)	(2 544)
Proceeds on disposal of subsidiaries and investments in associates	***37***	84	43	35
Proceeds on WAM (ex Amadeus GTD) transactions	***20***	284	-	817
Proceeds on disposal of property, plant and equipment and intangible assets		282	160	227
Dividends received		5	6	10
Decrease (increase) in investments, net between 3 months and 1 year		349	331	(294)
Net cash used in investing activities		**(1 608)**	**(1 863)**	**(1 807)**
Increase in capital		597	-	-
Issuance of long-term debt		681	1 240	1 410
Repayments on long-term debt		(414)	(714)	(523)
Payment of debt resulting from finance lease liabilities		(886)	(866)	(580)
New loans		(53)	(89)	(155)
Repayments on loans		79	52	97
Dividends paid		(137)	(88)	(41)
Decrease in equity		(10)	-	-
Net cash flow from financing activities		**(143)**	**(465)**	**208**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		**2**	**(2)**	**2**
Change in cash and cash equivalents and bank overdrafts		**845**	**520**	**1 059**
Cash and cash equivalents and bank overdrafts at beginning of period		3 364	2 844	1 785
Cash and cash equivalents and bank overdrafts at end of period	***26***	4 209	3 364	2 844
Income tax paid (flow included in operating activities)		(96)	(309)	(4)
Interest paid (flow included in operating activities)		(410)	(451)	(364)
Interest received (flow included in operating activities)		288	299	154

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION

As used herein, the term "Air France–KLM" refers to Air France-KLM S.A., a limited liability company organized under French law excluding its consolidated subsidiaries.
The Group is headquartered in France and is one of the largest airlines in the world. The Group’s core business is passenger transportation. The Group’s activities also include cargo, aeronautics maintenance and other air-transport related activities, including principally catering and charter services.
The limited company Air France-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). Air France-KLM has not been listed for trading in New-York (NYSE) since February 7, 2008.
The Group’s functional currency is the euro.

2. SIGNIFICANT EVENTS OF THE YEAR

The current year income before tax includes a capital gain of € 284 million relating to the WAM (ex Amadeus GTD) transaction described in note 20 and a provision for cargo investigation for an amount of € (530) million before tax (see note 29.2).

3. ACCOUNTING POLICIES

3.1. Accounting principles

Pursuant to the European Regulation 1606/2002 of July 19, 2002, the Group adopted International Financial Reporting Standards (“IFRS”) as adopted by the European Commission (“EU”) for use in the European Union for the first time in its consolidated financial statements for the year ended March 31, 2006.

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

IFRS 1, “First-time adoption of International Financial Reporting Standards”, which in particular describes the specific rules for a first-time adopter, was applied based on the standards and related interpretations effective at the reporting date of its first annual IFRS consolidated financial statements (i.e. March 31, 2006) and since the date of transition to IFRS (i.e. April 1, 2004).

The consolidated financial statements were approved by the Board of Directors on May 21, 2008.

In accordance with the option offered by IAS 32, "Financial Instruments: Disclosure and Presentation" and IAS 39, "Financial Instruments: Recognition and Measurement" relating to financial instruments, such standards were applied effective April 1, 2005.

3.2. Use of estimates

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

- Note 3.6 – Revenue recognition related to deferred revenue on ticket sales,
- Notes 3.13 and 3.12 – Tangible and intangible assets,
- Note 3.10 – Financial assets,

- Note 3.21 – Deferred tax assets
- Note 3.7 – Flying Blue frequent flyer program
- Notes 3.17, 3.18 and 3.19 – Provisions

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

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

3.3. Consolidation principles

3.3.1 Subsidiaries

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

Minority interests are presented within equity and on the income statement separately from Group stockholders' equity and the Group's net income.

3.3.2. Interest in associates and joint ventures

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

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

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

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

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

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

3.3.3. Intragroup operations

All intragroup balances and transactions, including income, expenses and dividends are eliminated in full. Profits and losses resulting from intragroup transactions that are recognized in assets are eliminated in full.
Gains and losses realized on internal sales with associates and joint control entities are eliminated, to the extent of the Group's interest in the associate or joint control entity, only when they do not represent an impairment.

3.3.4 Closing date

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

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

3.4.1. Translation of foreign companies' financial statements

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

- with the exception of the equity for which historical prices are applied, balance sheet items are converted on the basis of the foreign currency rates in effect at the closing date;

- the income statement and the statement of cash flows are converted on the basis of the average foreign currency exchange rates for the period;

- the resulting translation adjustment is recorded in the "Translation adjustments" item included within equity.

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

3.4.2. Translation of foreign currency transactions

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

Assets and liabilities denominated in foreign currencies are translated at the rates in effect on the balance sheet date or at the rate of the related hedge for assets resulting from firm commitments documented in fair value hedge relationships.

The corresponding exchange rate differences are recorded in the Group's consolidated income statement. Changes in fair value of the hedging instruments are recorded using the accounting treatment described in note "3.10. Financial instruments, valuation of financial assets and liabilities".

3.5. Business combinations

3.5.1. Business combinations that occurred before the transition date to IFRS (i.e. before April 1, 2004)

In accordance with the IFRS 1 exemption, business combinations that occurred prior to April 1, 2004 (essentially Air Inter and UTA) have not been accounted for in accordance with IFRS 3.
Business combinations that occurred prior to April 1, 2004 were accounted for in accordance with French GAAP. Under French GAAP, certain acquired assets and liabilities were not adjusted to fair value at the time of the acquisition, or in the case of step acquisitions, the fair values of the assets acquired and liabilities assumed were assessed during the initial step of the acquisition.

3.5.2. Business combinations that occurred subsequent to April 1, 2004

Business combinations are accounted for using the purchase method in accordance with IFRS 3. In accordance with this standard, all assets, liabilities assumed and contingent liabilities are at fair value measured at the acquisition date. The time period for adjustments to goodwill/negative goodwill is limited to 12 months from the date of acquisition.
Assets meeting the criteria of IFRS 5, as described in note 3.22, are recorded at the lower of their net book value and their fair value less costs to sell.

Goodwill arising from the difference between the acquisition cost, which includes the potential equity instruments issued by the Group to gain control on the acquired entity and other costs potentially dedicated to the business combination, and the Group's interest in the fair value of the identifiable assets and liabilities acquired is no longer amortized, but instead is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

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

3.6. Sales

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

Upon issue, both passenger and cargo tickets are recorded as "Deferred revenue on ticket sales".

Revenues representing the value of tickets that have been issued, but which will never be used, are recognized as revenues at the date the tickets are issued. The amounts recognized are based on a statistical analysis, which is regularly updated.

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

3.7. Loyalty programs

Until June 1, 2005, each of the two sub-groups (Air France and KLM) comprising the Group had its own frequent flyer program: "Fréquence Plus" and "Flying Dutchman". Each program allowed members to acquire "miles" as they flew on Air France, KLM or with other partner companies. These miles entitled members to a variety of benefits such as free flights with the two companies.

Subsequent to the acquisition of KLM, a joint frequent flyer program "Flying Blue" was launched in June 2005 combining the miles accumulated from the two previous programs.

The probability of air miles being converted into award tickets is estimated using a statistical method.

The value of air miles is estimated based on the specific terms and conditions for the use of free tickets. This estimate takes into consideration the discounted marginal cost of the passenger carried (e.g. catering, ticket issue costs, etc.) and discounted cost of the miles used on participating partner companies.

The estimated value of air miles is recorded as a deduction from revenues and recorded under the caption "Deferred revenue on ticket sales" as debt on the balance sheet at the same time the qualifying flight for which air miles are awarded is recognized.

The Group also sells miles to partner companies participating in current loyalty programs, such as credit card companies, hotel chains and car rental firms. The Group defers a portion of the miles sold representing the value of the subsequent travel award to be provided, in a manner consistent with the determination of the liability for earned flight awards discussed above. The remainder is recognized as revenue immediately.

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

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

Such elements can be divided into three categories:

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

- Elements that have been incurred for both periods presented and may recur in future periods but for which (i) amounts have varied from period to period, (ii) the Group believes that amounts to be incurred in future periods will continue to vary materially in amount and nature such as sales of aircraft equipment and disposals of other assets.

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

3.9. Earnings per share

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

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

3.10. Financial instruments, valuation of financial assets and liabilities

3.10.1 Valuation of trade receivables and non-current financial assets

Trade receivables, loans and other non-current financial assets are considered to be assets issued by the Group and are recorded at fair value, then subsequently using the amortized cost method less impairment losses, if any.

3.10.2 Investments in debt and equity securities

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

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

3.10.3 Derivative instruments

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

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

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

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

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

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

- *Derivatives classified as fair value hedge*: changes in the derivative fair value are recorded through the income statement and offset within the limit of its effective portion against the changes in the fair value of the underlying item (assets, liability or firm commitment), which are also recognized as earnings.
- *Derivatives classified as cash flow hedge*: the changes in fair value are recorded in equity for the effective portion and are reclassified as income when the hedged element affects earnings. The ineffective portion is recorded as financial income or financial losses.
- *Derivatives classified as trading*: changes in the derivative fair value are recorded as financial income or losses.

3.10.4 Convertible bonds

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

3.10.5 Financial assets, cash and cash equivalents

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

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

3.10.6 Long-term debt

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

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

3.11. Goodwill

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

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

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

It is not amortized and is tested for impairment annually and at any point during the year when an indicator of impairment exists. The impairment recorded, as discussed in Note 3.14, may not subsequently be reversed.

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

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

3.12. Intangible assets

Intangible assets are recorded at initial cost less accumulated amortization and any accumulated impairment losses.
Starting April 1, 2007, software development costs are capitalized and amortized over their useful lives. At that date, the Group equipped itself with the necessary tools to enable the tracking by project of all the stages of development, and particularly the internal and external costs directly related to each project during its development phase.
Identifiable intangible assets acquired with a finite useful life are amortized over their useful life from the date they are available for use.
Identifiable intangible assets acquired with an indefinite useful life are not amortized but tested annually for impairment or whenever there is an indication that the intangible asset may be impaired. If necessary, an impairment as described in note 3.14 is recorded.

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

Software	1 to 5 years
Customer relationships	5 to 12 years

3.13. Property, plant and equipment

3.13.1 Specific rule applicable to the IFRS transition opening balance sheet

In accordance with IFRS 1, the Group has elected to value certain of its aircraft at the date of transition to IFRS (April 1, 2004) at their fair value and to use this fair value as deemed cost.

This treatment thus allows the Group to have a portion of its fleet recorded at fair value (fair value was used when accounting for KLM's business combination at May 1, 2004).

The fair value exercise was based on independent valuation by third parties.

3.13.2 Principles applicable since April 1, 2004

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

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

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

3.13.3 Flight equipment

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

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

IFRS requires an annual review of the residual value and the amortization schedule. During the operating cycle, in developing fleet replacement plans, the Group reviews whether the amortizable base or the useful life should be adjusted and, if necessary, determines whether a residual value should be recognized.

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

Aircraft components are recorded in the consolidated balance sheet as fixed assets. The useful lives vary from 3 to 20 years depending on the technical properties of each item.

3.13.4 Other property, plant and equipment

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

Buildings	20 to 40 years
Fixtures and fittings	8 to 15 years
Flight simulators	10 to 20 years
Equipment and tooling	5 to 15 years

3.13.5. Leases

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

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

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

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

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

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

3.14. Impairment

In accordance with IAS 36, "Impairment of Assets", the Group reviews at each balance sheet date whether there is any indication of impairment of tangible and intangible assets. If such an indication exists, the recoverable value of the assets is estimated in order to determine the amount, if any, of the impairment. The recoverable value is the higher of the following values: the fair value reduced by selling costs and its value in use. The value in use is determined using discounted cash flow assumptions established by management.

When it is not possible to estimate the recoverable value for an individual asset, this asset is grouped together with other assets which form a cash generating unit (CGU).
Thus, the Group has determined that the lowest level at which assets shall be tested are the CGUs, which correspond to the Group's operating segments (see segment information).

When the recoverable value of a CGU is lower than its carrying value, an impairment charge is recognized. When applicable, this impairment loss is allocated first to the goodwill, the remainder being allocated to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the unit.

The recoverable value of the CGUs is their value in use determined, notably, by the use of a discount rate corresponding to the Group's weighted average cost of capital and a growth rate reflecting the market assumptions specific to the activities.

3.15. Inventories

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

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

Inventories are valued on a weighted average basis.

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

3.16. Treasury shares

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

3.17. Employee Benefits

The Group's obligations in respect of defined benefit pension plans and termination indemnities on retirement are calculated, in accordance with IAS 19, using the projected units of credit method, factoring in the specific economic conditions in the various countries concerned. The commitments are covered either by insurance or pension funds or by provisions recorded on the balance sheet as and when rights are acquired by employees.
In accordance with IFRS 1, the Group has elected to recognize all cumulative actuarial gains and losses at the date of transition to IFRS through the Group's equity.

Starting April 1, 2004, any actuarial gains or losses resulting from changes in actuarial assumptions are recognized in the Group's income statement only if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceed the greater of 10% of the present value of the defined benefit obligation at that date and 10% of the fair value of any plan assets at that date. The fraction exceeding 10% is then recognized over the expected average remaining working lives of the employees participating in the plan.

Specific information related to the recognition of some pension plan assets

Pension plans in the Netherlands are generally subject to minimum funding requirements (“MFR”). Questions have been raised as to how such MFR might affect the recognition of a pension net asset that otherwise would be recognized under IAS 19 in respect of the surplus in a plan and thus, how the Group should account for certain pension asset surpluses of KLM in its consolidated financial statements.
Recognition of a pension net asset under IAS 19 is subject to interpretation. Because of this situation, and for the accounting treatment of companies of the KLM Group, an interpretation of IAS 19 has been requested from the IFRIC, the interpretation technical body of the IASB.
In July 2007, the IASB issued IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. This interpretation has confirmed definitively the accounting treatment applied by the group and the recognition on the balance sheet of pension fund surplus at the KLM sub group level.

3.18. Provisions for restitution of aircraft under operating leases

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

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

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

3.19. Other provisions

The Group recognizes a provision in the balance sheet when the Group has an existing legal or implicit obligation to a third party as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amounts recorded as provisions are discounted when the effect of the passage of time is material.
The effect of the time value of money is presented as a component of financial income.
Restructuring provisions are recognized once the Group has established a detailed and formal restructuring plan which has been announced to the parties concerned.

3.20. Equity and debt issuance costs - redemption premiums

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

Common stock issuance costs are deducted from additional paid-in capital.

3.21. Deferred taxes

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

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

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

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

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

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

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

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

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

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

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

3.23. Share-based compensation

Pursuant to the transitional provisions of IFRS 2, only the share based plans awarded after November 7, 2002, for which the rights did not vest by April 1, 2004, were valued and recorded as salaries and related costs. The other plans are not valued and remain unrecognized. For the Group, this latter only affects the Shares-for-Salary Exchange realized in 1998.
Stock subscription or purchase option schemes are valued at the fair value on the date the plans are awarded.
The fair value of the stock option schemes is determined using the Black-Scholes model. This model takes into account the features of the plan (exercise price, exercise period) and the market data at the time they are granted (risk-free interest rate, market value of the share, volatility and expected dividends).
This fair value is estimated to be the fair value of the services rendered by the employees in consideration for the options received. It is recognized as salary cost with a corresponding increase to equity over the period for which the rights vest. The compensation cost is adjusted, if applicable, to take into account the number of options effectively vested.

4. CHANGES IN THE SCOPE OF CONSOLIDATION

4.1. Acquisition of affiliates

KLM

In January 2008, the Group has acquired an additional 1.25% of the shareholders capital of KLM. After this acquisition Air France-KLM held 98.75% of the common shares representing 49% of KLM voting rights. This operation has involved a negative goodwill amounting to € 40 million that has been directly recognized as an operating profit on the line “negative goodwill”.

Based on the Air France-KLM ownership not only of voting shares but also of financial interest, and the mode of functioning of the Group’s executive committee (that replaces the Group’s strategic management committee since June 2007), Air France-KLM has the power to decide the Group’s financial and operational strategies and, therefore, controls KLM. KLM is therefore fully consolidated in Air France-KLM consolidated financial statements.

VLM Airlines

On February 14, 2008, the Group bought 100% of shares of the regional airline VLM Airlines. The business airline based in Antwerp manages a fleet of 19 aircrafts, offering flights from Amsterdam, Antwerp, Brussels, Groningen (via Amsterdam), the Isle of Man, Jersey, Luxembourg, Manchester and Rotterdam to London City. The acquisition cost of VLM’s shares amounted to € 178 million. Following to the acquisition of this entity, goodwill amounting to € 166 million was recognized.

The VLM Airlines’ contribution to revenues and result over a one-month period (March 2008) are non significant.

4.2. Disposal of subsidiaries

On June 8, 2007 the Group sold its shares in Alpha Plc resulting in a capital gain of € 40 million. Alpha Plc, previously held at 26%, was accounted for under the equity method in the Group’s consolidated financial statements.

No significant disposal of subsidiaries occurred during the years ended March 31, 2007 and 2006.

5. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

The Group's primary reporting format is business segmentation.

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

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

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

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

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

Business 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.

Geographical segments

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

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

5.1. Information by business segment

Assets allocated by business segment comprise goodwill, intangible and tangible assets, investments in equity associates and account receivables.
Liabilities allocated by business segment comprise provision for restitution of aircraft, provision for pension, other provisions when they can be allocated, and deferred revenue on ticket sales.

- **Year ended March 31, 2008**

In € millions	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	19 995	2 945	2 859	1 694	-	27 493
Intersegment sales	(839)	(17)	(1 890)	(633)	-	(3 379)
External sales	**19 156**	**2 928**	**969**	**1 061**	**-**	**24 114**
Income from current operations	1 291	39	63	12	-	1 405
Income from operating activities	1 291	39	63	12	(133)	1 272
Share of profits (losses) of associates	-	-	-	-	(24)	(24)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(123)	(123)
Income taxes	-	-	-	-	(358)	(358)
Net income from continuing operations	**1 291**	**39**	**63**	**12**	**(638)**	**767**
Net income from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation and amortization for the period	(1 094)	(112)	(226)	(174)	-	(1 606)
Other non monetary items	42	(18)	17	(161)	(530)	(650)
Total assets	**14 752**	**1 142**	**2 344**	**2 136**	**10 316**	**30 690**
Segment liabilities	3 559	96	383	587	7 490	12 115
Financial debt and equity	-	-	-	-	18 575	18 575
Total liabilities and equity	**3 559**	**96**	**383**	**587**	**26 065**	**30 690**
Purchase of property, plant and equipment and intangible assets	**1 800**	**117**	**238**	**185**	**-**	**2 340**

Non-allocated assets amounting to € 10.3 billion are mainly financial assets held by the Group, comprising marketable securities for € 4.1 billion, pension assets for € 2.2 billion and derivatives for € 3.4 billion.

Non-allocated liabilities amounting to € 7.5 billion, mainly comprise trade payables for € 2.2 billion, tax and employee-related liabilities for € 1.4 billion, deferred tax for € 1.7 billion and derivatives for € 1.7 billion. Financial debts and equity are not allocated.

- **Year ended March 31, 2007**

In € millions	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	19 141	2 932	2 864	1 428	-	26 365
Intersegment sales	(775)	(23)	(1 887)	(607)	-	(3 292)
External sales	**18 366**	**2 909**	**977**	**821**	**-**	**23 073**
Income from current operations	1 067	62	44	67	-	1 240
Income from operating activities	1 067	62	44	67	(7)	1 233
Share of profits (losses) of associates	-	-	-	-	17	17
Net cost of financial debt and other financial income and expenses	-	-	-	-	(115)	(115)
Income taxes					(248)	(248)
Net income from continuing operations	**1 067**	**62**	**44**	**67**	**(353)**	**887**
Net income from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation and amortization for the period	(1 126)	(105)	(445)	(106)	-	(1 782)
Other non monetary items	104	-	22	(353)	-	(227)
Total assets	**12 609**	**906**	**1 819**	**1 690**	**9 646**	**26 670**
Segment liabilities	3 039	90	143	308	6 029	9 609
Financial debt and equity	-	-	-	-	17 061	17 061
Total liabilities and equity	**3 039**	**90**	**143**	**308**	**23 090**	**26 670**
Purchase of property, plant and equipment and intangible assets	**1 971**	**76**	**141**	**190**	**-**	**2 378**

Non-allocated assets amounting to € 9.6 billion are mainly financial assets held by the Group, comprising marketable securities for € 3.2 billion, pension assets for € 2 billion, financial assets for € 1.8 billion and derivatives for € 1 billion.

Non-allocated liabilities amounting to € 6 billion, mainly comprise trade payables for € 2.1 billion, tax and employee-related liabilities for € 1.2 billion, deferred tax for € 0.9 billion and derivatives for € 0.4 billion. Financial debts and equity are not allocated.

- **Year ended March 31, 2006**

In € millions	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	17 635	2 907	2 688	1 350	-	24 580
Intersegment sales	(693)	(25)	(1 792)	(622)	-	(3 132)
External sales	**16 942**	**2 882**	**896**	**728**	**-**	**21 448**
Income from current operations	686	166	54	30	-	936
Income from operating activities	686	166	54	30	519	1 455
Share of profits (losses) of associates	-	-	-	-	(23)	(23)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(255)	(255)
Income taxes	-	-	-	-	(256)	(256)
Net income from continuing operations	**686**	**166**	**54**	**30**	**(15)**	**921**
Net income from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation and amortization for the period	(1 014)	(131)	(397)	(114)	-	(1 656)
Other non monetary items	(78)	(7)	(22)	(450)	-	(557)
Total assets	**11 411**	**1 511**	**1 859**	**792**	**10 906**	**26 479**
Segment liabilities	3 123	104	168	107	5 936	9 438
Financial debt and equity	-	-	-	-	17 041	17 041
Total liabilities and equity	**3 123**	**104**	**168**	**107**	**22 977**	**26 479**
Purchase of property, plant and equipment and Intangible assets	**1 816**	**216**	**264**	**123**	**125**	**2 544**

Non-allocated assets amounting to € 10.9 billion are mainly financial assets held by the Group, comprising cash and cash equivalent for € 2.9 billion, derivatives for € 2 billion, other financial assets for € 2.1 billion (including deposits and marketable securities), pension assets for € 1.9 billion.

Non-allocated liabilities amounting to € 5.9 billion, mainly comprise tax and employee-related liabilities (including deferred tax) for € 2.2 billion, derivatives for € 0.4 billion and trade payables and other creditors for € 3.1 billion.
Financial debts and equity are not allocated.

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5.2. Information by geographical area

Sales by geographical area

- **Year ended March 31, 2008**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	12 489	368	1 117	2 807	1 405	18 186
Other passenger sales	729	55	35	54	97	970
Total passenger	**13 218**	**423**	**1 152**	**2 861**	**1 502**	**19 156**
Scheduled cargo	1 231	36	206	363	903	2 739
Other cargo sales	122	4	8	25	30	189
Total cargo	**1 353**	**40**	**214**	**388**	**933**	**2 928**
Maintenance	959	-	-	-	10	969
Others	1 027	23	11	-	-	1 061
Total	**16 557**	**486**	**1 377**	**3 249**	**2 445**	**24 114**

- **Year ended March 31, 2007**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	11 743	361	1 097	2 786	1 354	17 341
Other passenger sales	767	63	33	58	104	1 025
Total passenger	**12 510**	**424**	**1 130**	**2 844**	**1 458**	**18 366**
Scheduled cargo	1 190	36	184	348	933	2 691
Other cargo sales	148	4	8	25	33	218
Total cargo	**1 338**	**40**	**192**	**373**	**966**	**2 909**
Maintenance	968	-	-	-	9	977
Others	794	19	8	-	-	821
Total	**15 610**	**483**	**1 330**	**3 217**	**2 433**	**23 073**

- **Year ended March 31, 2006**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	10 791	363	1 065	2 458	1 225	15 902
Other passenger sales	736	61	44	81	118	1 040
Total passenger	**11 527**	**424**	**1 109**	**2 539**	**1 343**	**16 942**
Scheduled cargo	1 169	36	170	337	961	2 673
Other cargo sales	139	5	8	25	32	209
Total cargo	**1 308**	**41**	**178**	**362**	**993**	**2 882**
Maintenance	887	-	-	-	9	896
Others	708	16	4	-	-	728
Total	**14 430**	**481**	**1 291**	**2 901**	**2 345**	**21 448**

Air France-KLM Group

Traffic sales by geographical area of destination

- **Year ended March 31, 2008**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	7 220	1 255	2 527	4 222	2 962	18 186
Scheduled cargo	67	190	382	849	1 251	2 739
Total	**7 287**	**1 445**	**2 909**	**5 071**	**4 213**	**20 925**

- **Year ended March 31, 2007**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	7 079	1 201	2 362	4 013	2 686	17 341
Scheduled cargo	71	194	354	833	1 239	2 691
Total	**7 150**	**1 395**	**2 716**	**4 846**	**3 925**	**20 032**

- **Year ended March 31, 2006**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	6 689	1 157	2 216	3 469	2 371	15 902
Scheduled cargo	76	186	320	832	1 259	2 673
Total	**6 765**	**1 343**	**2 536**	**4 301**	**3 630**	**18 575**

6. EXTERNAL EXPENSES

In € millions ***Year ended March 31,***	**2008**	**2007**	**2006**
Aircraft fuel	4 572	4 258	3 588
Chartering costs	658	646	605
Aircraft operating lease costs	611	600	637
Landing fees and en route charges	1 755	1 705	1 610
Catering	470	419	405
Handling charges and other operating costs	1 331	1 232	1 203
Aircraft maintenance costs	1 038	894	777
Commercial and distribution costs	1 176	1 201	1 232
Other external expenses	2 203	2 145	2 070
Total	**13 814**	**13 100**	**12 127**

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

The increase of "aircraft maintenance costs" is mainly due to the reclassification of spare parts from flight equipment to inventories as described in note 23.

7. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

In € millions ***Year ended March 31,***	**2008**	**2007**	**2006**
Wages and salaries	5 151	4 899	4 677
Net periodic pension cost	106	130	193
Social contributions	1 647	1 566	1 388
Expenses related to share-based compensation	30	32	29
Other expenses	84	62	70
Total	**7 018**	**6 689**	**6 357**

The Group pays contributions for a multi-employer plan in France, the CRPN (public pension fund for crew). This plan is accounted for as a defined contribution plan.

Average number of employees

Year ended March 31,	**2008**	**2007**	**2006**
Flight deck crew	8 259	8 020	7 870
Cabin crew	21 605	20 701	20 294
Ground staff	74 795	74 329	74 258
Total	**104 659**	**103 050**	**102 422**

8. AMORTIZATION, DEPRECIATION AND PROVISIONS

In € millions ***Year ended March 31,***	**2008**	**2007**	**2006**
Amortization and depreciation			
Intangible assets	44	42	39
Flight equipment	1 295	1 488	1 371
Other property, plant and equipment	267	252	246
	1 606	**1 782**	**1 656**
Provisions			
Inventories	4	-	1
Trade receivables	(1)	5	12
Risks and contingencies	14	3	59
	17	**8**	**72**
Total	**1 623**	**1 790**	**1 728**

The decrease of the “depreciation of flight equipment” is mainly due to the reclassification of spare parts from flight equipment to inventories as described in note 23.

A description of changes in amortization and impairment is included in notes 16 and 18.

The detail of changes in inventory and trade receivables impairment is included in notes 23, 24 and 25.

The movements in provisions for risks and charges are detailed in note 29.

9. OTHER INCOME AND EXPENSES

In € millions ***Year ended March 31,***	**2008**	**2007**	**2006**
Joint operation of routes	(3)	12	(111)
Operations-related currency hedges	(24)	3	25
Other	19	(10)	10
Total	**(8)**	**5**	**(76)**

10. OTHER NON-CURRENT INCOME AND EXPENSES

In € millions ***Year ended March 31,***	**2008**	**2007**	**2006**
Sales of aircraft equipment	**9**	**13**	**2**
Gain on WAM (ex Amadeus GTD) transactions	284	16	504
Provision for cargo investigation	(530)	-	-
Restructuring costs	2	(36)	(1)
Disposal of subsidiaries and affiliates	46	-	3
Compensation on slot swaps	22	-	4
Loss for future disposal of aircraft	-	(20)	-
Other	(6)	20	2
Other non-current income and expenses	**(182)**	**(20)**	**512**

Gain on WAM (ex Amadeus GTD) transactions

Please refer to note 20.

Provision for cargo investigation

Please refer to note 29.2

Restructuring costs

Restructuring costs for the year ended March 31, 2007 mainly correspond to the abolition of the flight engineer's position linked to the expected withdrawal from service of the oldest Boeing B747 cargo aircraft.

Disposal of subsidiaries and affiliates

On June 8, 2007 the Group sold its shares in Alpha Plc resulting in a capital gain of € 40 million. Alpha Plc, previously held at 26%, was accounted under the equity method in the Group's consolidated financial statements.
No significant disposal of subsidiaries or affiliates occurred during the years ended March 31, 2007 and 2006.

Loss for future disposal of aircraft

During the year ended March 31, 2007, AFPL recorded a loss of € 20 million relating to an aircraft to be sold.

Other

As of March 31, 2008, this line comprises mainly the costs concerning the review of financial statements of Alitalia. This review has not concluded to the acquisition of Alitalia, the costs have been recorded in the income statement.

As of March 31, 2007, this line comprises a € 13 million capital gain on the disposal of the land at the Montaudran site.

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

In € millions

Year ended March 31,	2008	2007	2006
Income from cash and cash equivalents			
Income from marketable securities	113	71	52
Other financial income	175	196	116
	288	**267**	**168**
Cost of financial debt			
Loan interest	(225)	(200)	(205)
Lease interest	(187)	(241)	(220)
Capitalized interest	46	38	40
Other financial expenses	(21)	(4)	(7)
	(387)	**(407)**	**(392)**
Net cost of financial debt	**(99)**	**(140)**	**(224)**
Other financial income and expenses			
Foreign exchange gains (losses), net	(71)	(3)	(13)
Change in fair value of financial assets and liabilities	65	43	6
Net (charge) release to provisions	(17)	(10)	(24)
Other	(1)	(5)	-
	(24)	**25**	**(31)**
Total	**(123)**	**(115)**	**(255)**

The interest rate used in the calculation of capitalized interest is 4.82% for the year ended March 31, 2008, 4.60% for the year ended March 31, 2007 and 3.76% for the year ended March 31, 2006.

The net foreign exchange result includes an unrealized net gain/(loss) of € (27) million for the year ended March 31, 2008, € 5 million for the year ended March 31, 2007 and € (8) million for the year ended March 31, 2006.

The change in fair value of financial assets and liabilities corresponds mainly to the ineffective part of the variation of the fair value of hedge derivatives.

The net charge to provisions for the years ending March 31, 2008, 2007 and 2006, includes an unrealized loss on Alitalia shares amounting to € 13 million, € 9 million and € 9 million respectively, as a result of the significant fall in the stock price during the respective years.

12. INCOME TAXES

12.1. Income tax charge

Current and deferred income taxes are detailed as follows:

In € millions ***Year ended March 31,***	**2008**	**2007**	**2006**
Current tax expense	**(97)**	**(4)**	**(158)**
Charge for the year	(97)	(4)	(158)
Adjustment of previous current tax charges	-	-	-
Deferred tax income / (expense) from continuing operations	**(261)**	**(244)**	**(98)**
Change in temporary differences	(222)	(146)	(54)
Change in tax rates	-	80	17
(Use) / recognition of tax loss carryforwards	(39)	(178)	(61)
Income tax (expense) / income from continuing operations	**(358)**	**(248)**	**(256)**
Tax on the net income from discontinued operations	-	-	-
Total income tax (expense) / credit	**(358)**	**(248)**	**(256)**

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

12.2. Deferred tax recorded directly in equity

In € millions ***Year ended March 31,***	**2008**	**2007**	**2006**
Hybrid instruments	-	-	(24)
Cash flow hedge	(558)	264	(541)
Total	**(558)**	**264**	**(565)**

12.3. Effective tax rate

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

In € millions ***Year ended March 31,***	**2008**		**2007**		**2006**	
Income before tax		1 149		1 118		1 200
Theoretical tax calculated with the standard tax rate in France	34.43%	396	34.43%	385	34.43 %	414
Differences in French / foreign tax rates		(43)		(36)		(17)
Negative goodwill		(10)		-		(2)
Non deductible expenses		143		12		51
Income taxed at non-current tax rates		(1)		-		(135)
Non-taxable income		(85)		(7)		(2)
Use of tax loss carryforwards		(6)		(16)		(4)
Change in tax rate		-		(80)		(17)
Adjustment of previous current tax charges		-		8		(4)
Tax on Amadeus GTD reserves		-		-		-
TSDI settlement		(31)		-		(28)
Other		(5)		(18)		-
Income tax expenses	31.2%	**358**	22.2%	**248**	21.3%	**256**

The tax rate applicable in France was set at 34.43% by the 2007 French Finance Law for fiscal years beginning January 1, 2008.

In Netherlands, the tax rate amounts to 25.5% at March 31, 2008 and did not change from the prior year.

12.4. Unrecognized deferred tax assets (basis)

In € millions ***Year ended March 31,***	**2008**	**2007**	**2006**
Temporary differences	106	128	98
Tax losses	294	300	355
Tax losses at non-current tax rates	-	-	100
Total	**400**	**428**	**553**

As of March 31, 2008, unrecognized deferred tax assets mainly represent subsidiary tax loss carryforwards prior to the Air France group's tax consolidation, as well as tax loss carry forwards in certain subsidiaries in the United Kingdom.

In the Netherlands and in France, tax losses can be carried forward for an unlimited period.

12.5. Deferred tax recorded on the balance sheet

In € millions	**April 1, 2007**	**Amounts recorded in income**	**Amounts recorded in equity**	**Reclassification**	**March 31, 2008**
Intangible assets	89	13	-	-	102
Flight equipment	616	151	108	(2)	873
Other property, plant and equipment	137	32	-	-	169
Investments in equity associates	-	-	-	-	-
Other non-current financial assets	(100)	198	-	-	98
Pension assets	529	37	-	(4)	562
Other non-current assets	161	(161)	379	37	416
Other short term financial assets	(3)	(2)	-	-	(5)
Other current assets	128	3	424	(13)	542
Provisions and retirement benefits – non-current	62	28	-	(2)	88
Long-term debt	(377)	(30)	(7)	-	(414)
Other non-current liabilities	(27)	(13)	(285)	-	(325)
Provisions – current	(43)	28	-	-	(15)
Short term portion of long-term debt	(23)	(29)	-	-	(52)
Other current liabilities	(36)	(13)	(56)	13	(92)
Others	(16)	(20)	(5)	(37)	(78)
Deferred tax corresponding to fiscal losses	(232)	39	-	8	(185)
Deferred tax (Asset) / Liability	**865**	**261**	**558**	**-**	**1 684**

In € millions	**April 1, 2006**	**Amounts recorded in income**	**Amounts recorded in equity**	**Reclassification**	**March 31, 2007**
Intangible assets	103	(14)	-	-	89
Flight equipment	616	(45)	45	-	616
Other property, plant and equipment	153	(16)	-	-	137
Investments in equity associates	-	-	-	-	-
Other non-current financial assets	(96)	(4)	-	-	(100)
Pension assets	547	(11)	-	(7)	529
Other non-current assets	277	2	(118)	-	161
Other short term financial assets	2	(5)	-	-	(3)
Other current assets	280	(8)	(144)	-	128
Provisions and retirement benefits – non-current	20	42	-	-	62
Long-term debt	(448)	71	-	-	(377)
Other non-current liabilities	(38)	33	(22)	-	(27)
Provisions – current	(34)	(9)	-	-	(43)
Short term portion of long-term debt	(96)	73	-	-	(23)
Other current liabilities	(21)	(12)	(3)	-	(36)
Others	33	(34)	(22)	7	(16)
Deferred tax corresponding to fiscal losses	(466)	181	-	53	(232)
Deferred tax (Asset) / Liability	**832**	**244**	**(264)**	**53**	**865**

In € millions	**April 1, 2005**	**Amounts recorded in income**	**Amounts recorded in equity**	**Reclassification**	**March 31, 2006**
Intangible assets	111	(8)	-	-	103
Flight equipment	691	(76)	1	-	616
Other property, plant and equipment	121	32	-	-	153
Investments in equity associates	46	(46)	-	-	-
Other non-current financial assets	(103)	8	(1)	-	(96)
Pension assets	522	25	-	-	547
Other non-current assets	7	(1)	271	-	277
Other short term financial assets	1	-	1	-	2
Other current assets	4	(47)	323	-	280
Provisions and retirement benefits – non-current	(71)	91	-	-	20
Long-term debt	(517)	44	25	-	(448)
Other non-current liabilities	(1)	1	(38)	-	(38)
Provisions – current	(24)	(10)	-	-	(34)
Short term portion of long-term debt	(40)	(56)	-	-	(96)
Other current liabilities	(7)	3	(17)	-	(21)
Others	(39)	76	-	(4)	33
Deferred tax corresponding to fiscal losses	(528)	62	-	-	(466)
Deferred tax (Asset) / Liability	**173**	**98**	**565**	**(4)**	**832**

13. DISCONTINUED OPERATIONS

During the years ended March 31, 2008, 2007 and 2006, the Group initiated no disposal process which could be considered as a “discontinued operation”.

14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the income for the period – Group share by the average weighted number of shares outstanding during the period.
Diluted earnings per share are calculated by dividing the income for the period – Group share adjusted for the effects of dilutive instruments' exercise, by the average weighted number of shares outstanding during the period, adjusted for the number of shares which would be created on the exercise of all existing dilutive instruments.

14.1. Income for the period – Group share per share

Reconciliation of income used to calculate earnings per share

In € millions			
Year ended March 31,	**2008**	**2007**	**2006**
Income for the period – Group share	748	891	913
Dividends to be paid to priority shares	-	-	-
Income for the period – Group share (used to calculate basic earnings per share)	**748**	**891**	**913**
Impact of potential ordinary shares :			
- interest paid on convertible bonds (net of tax)	11	11	10
Income for the period – Group share (used to calculate diluted earnings per share)	**759**	**902**	**923**

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

Year ended March 31,	**2008**	**2007**	**2006**
Weighted average number of:			
- Ordinary shares issued	287 730 391	269 386 917	269 383 518
- Treasury stock held regarding stock option plan	(1 648 899)	(3 306 962)	(5 107 510)
- Treasury stock held in stock buyback plan	(232 110)	(65 157)	(852 430)
- Other treasury stock	(1 173 801)	-	-
Number of shares used to calculate basic earnings per share	**284 675 581**	**266 014 798**	**263 423 578**
Weighted average number of ordinary shares:			
- Conversion of convertible bonds	22 609 143	22 609 756	20 628 132
- Conversion of warrants	-	6 474 815	-
- Exercise of stock options	481 656	1 084 072	175 362
Number of potential ordinary shares	**23 090 799**	**30 168 643**	**20 803 494**
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	**307 766 380**	**296 183 441**	**284 227 072**

14.2. Net income from continuing operations per share

Reconciliation of income used to calculate net income from continuing operations per share

Income used to calculate net income from continuing operations per share breaks down as follows :

In € millions

Year ended March 31,	**2008**	**2007**	**2006**
Net income from continuing operations	767	887	921
Dividends to be paid to priority shares	-	-	-
Net income from continuing operations (used to calculate basic earnings per share)	**767**	**887**	**921**
Impact of potential ordinary shares :			
- interest paid on convertible bonds (net of tax)	11	11	10
Net income from continuing operations (used to calculate diluted earnings per share)	**778**	**898**	**931**

Reconciliation of the number of shares used to calculate net income from continuing operations per share

The reconciliation of the number of shares used to calculate net income from continuing operations per share is presented in note 14.1.

14.3. Non dilutive instruments

- **As of March 31, 2008**

As of March 31, 2008, non-dilutive instruments correspond to 417 850 stock options (after forfeited), described in note 28, for an average exercice price of € 34.21.

- **As of March 31, 2007**

As of March 31, 2007, there were no non-dilutive instruments.

- **As of March 31, 2006**

As of March 31, 2006, non-dilutive instruments comprised 45,090,617 equity warrants for new or existing shares, described in note 27.1, and 3,821,040 stock options described in note 28, for an average exercise price of € 15.59.

14.4. Instruments issued after the closing date

No instrument was issued after the closing date.

15. GOODWILL

Detail of consolidated goodwill

In € millions **Year ended March 31,**	**2008**			**2007**			**2006**		
	Gross value	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
UTA	112	-	112	112	-	112	112	-	112
Régional	60	-	60	60	-	60	60	-	60
Britair	18	-	18	18	-	18	18	-	18
Cityjet	11	-	11	11	-	11	11	-	11
VLM	166	-	166	-	-	-	-	-	-
Others	10	-	10	3	-	3	7	-	7
Total	**377**	**-**	**377**	**204**	**-**	**204**	**208**	**-**	**208**

All the goodwill concerns the « Passenger » business.

Movement in net book value of goodwill

In € millions *Year ended March 31*	**2008**	**2007**	**2006**
Opening balance	**204**	**208**	**205**
Acquisitions	167	(1)	3
Reclassification	6	(3)	-
Disposals	-	-	-
Closing balance	**377**	**204**	**208**

During the year ended March 31, 2008, the Group acquired 100% of VLM company (see note 4) involving to the recognition of a goodwill for an amount of € 166 million.

16. INTANGIBLE ASSETS

In € millions	**Trademarks and slots**	**Customer relationships**	**Other intangible assets**	**Total**
Gross value				
Amount as of March 31, 2005	**306**	**107**	**206**	**619**
Additions	1	-	29	**30**
Disposals	(2)	-	(11)	**(13)**
Transfer	-	-	3	**3**
Amount as of March 31, 2006	**305**	**107**	**227**	**639**
Additions	3	-	35	**38**
Disposals	-	-	(3)	**(3)**
Transfer	-	-	2	**2**
Amount as of March 31, 2007	**308**	**107**	**261**	**676**
Additions	1	-	90	**91**
Change in scope	-	-	3	**3**
Disposals	-	-	(12)	**(12)**
Transfer	-	-	1	**1**
Amount as of March 31, 2008	**309**	**107**	**343**	**759**
Depreciation and impairment				
Amount as of March 31, 2005	**-**	**(15)**	**(167)**	**(182)**
Charge to depreciation	-	(18)	(21)	**(39)**
Releases on disposal	-	2	11	**13**
Transfer	-	-	(3)	**(3)**
Amount as of March 31, 2006	**-**	**(31)**	**(180)**	**(211)**
Charge to depreciation	-	(16)	(26)	**(42)**
Releases on disposal	-	-	3	**3**
Transfer	-	-	(2)	**(2)**
Amount as of March 31, 2007	**-**	**(47)**	**(205)**	**(252)**
Charge to depreciation	-	(17)	(27)	**(44)**
Releases on disposal	-	-	12	**12**
Transfer	-	-	-	**-**
Amount as of March 31, 2008	**-**	**(64)**	**(220)**	**(284)**
Net value				
As of March 31, 2005	306	92	39	**437**
As of March 31, 2006	305	76	47	**428**
As of March 31, 2007	308	60	56	**424**
As of March 31, 2008	309	43	123	**475**

The KLM and Transavia brands and slots (takeoff and landing) were acquired by the Group as part of the acquisition of KLM. These intangible assets have an indefinite useful life as the nature of the assets means they have no time limit.

17. IMPAIRMENT

Concerning the methodology used for the asset impairment test, the Group has allocated all goodwill and intangible assets with indefinite lives to the cash-generating units (CGU), which correspond to the Group's businesses (refer to "Accounting policies").

As of March 31, 2008, the net book value of the "passenger" business includes € 377 million relating to goodwill and € 309 million relating to intangible assets with indefinite useful lives.
The recoverable value of the passenger CGU, the main CGU of the Group, which corresponds to its value in use, has been determined using:

- the future discounted cash flows of the mid-term target validated by the management made for the three years after the date of the test, and
- the discounted cash flows with a growth rate which reflects the market consensus on the business.
- They amount to 5% a year from year four to year ten, and 2% thereafter.

The discount rates are 7%, 7% and 7.4 % for the years ended March 31, 2008, 2007 and 2006, respectively. They correspond to the weighted average cost of the Group’s capital.

At the date of testing, the sensitivity of the recoverable value of the passenger CGU to a one point variation in the discount or growth rates would not have any consequences regarding impairment.

18. TANGIBLE ASSETS

In € millions	Flight equipment					Other tangible assets					Total
	Owned aircraft	Leased aircraft	Assets in progress	Other	Total	Land and buildings	Equipment and machinery	Assets in progress	Other	Total	
Gross value											
Amounts as of March 31, 2005	**5 596**	**3 929**	**1 031**	**1 734**	**12 290**	**1 912**	**793**	**163**	**765**	**3 633**	**15 923**
Additions	613	62	1 030	511	2 216	49	62	169	52	332	**2 548**
Disposals	(227)	(101)	(52)	(302)	(682)	(19)	(37)	(7)	(21)	(84)	**(766)**
Changes in consolidation scope	-	-	(32)	-	(32)	-	7	-	2	9	**(23)**
Transfer	231	310	(853)	324	12	139	26	(199)	(23)	(57)	**(45)**
Currency translation adjustment	11	-	14	-	25	-	(2)	-	-	(2)	**23**
Amounts as of March 31, 2006	**6 224**	**4 200**	**1 138**	**2 267**	**13 829**	**2 081**	**849**	**126**	**775**	**3 831**	**17 660**
Additions	662	397	547	431	2 037	116	100	56	75	347	**2 384**
Disposals	(259)	(31)	(30)	(335)	(655)	(59)	(22)	-	(16)	(97)	**(752)**
Changes in consolidation scope	-	(5)	-	(11)	(16)	-	(2)	-	-	(2)	**(18)**
Fair value hedge	-	-	111	-	111	-	-	-	-	-	**111**
Transfer	1 352	(131)	(597)	(636)	(12)	34	9	(37)	(3)	3	**(9)**
Currency translation adjustment	(7)	5	1	-	(1)	-	(1)	-	-	(1)	**(2)**
Amounts as of March 31, 2007	**7 972**	**4 435**	**1 170**	**1 716**	**15 293**	**2 172**	**933**	**145**	**831**	**4 081**	**19 374**
Additions	492	28	1 210	211	1 941	92	105	205	82	484	2 425
Disposals	(493)	(43)	-	(280)	(816)	(53)	(25)	(1)	(71)	(150)	(966)
Changes in consolidation scope	12	-	-	15	27	-	1	2	4	7	34
Fair value hedge	-	-	335	-	335	-	-	-	-	-	335
Transfer	975	(112)	(901)	(24)	(62)	63	24	(130)	35	(8)	(70)
Currency translation adjustment	(12)	(21)	-	(1)	(34)	-	(4)	-	(3)	(7)	(41)
Amounts as of March 31, 2008	**8 946**	**4 287**	**1 814**	**1 637**	**16 684**	**2 274**	**1 034**	**221**	**878**	**4 407**	**21 091**
Depreciation and impairment											
Amounts as of March 31, 2005	**(818)**	**(435)**	**-**	**(643)**	**(1 896)**	**(721)**	**(480)**	**-**	**(537)**	**(1 738)**	**(3 634)**
Charge to depreciation	(591)	(294)	-	(485)	(1 370)	(110)	(73)	-	(64)	(247)	**(1 617)**
Releases on disposal	171	39	-	245	455	14	33	-	17	64	**519**
Transfer	(32)	32	-	-	-	1	7	-	37	45	**45**
Currency translation adjustment	3	(1)	-	(3)	(1)	-	-	-	-	-	**(1)**
Amounts as of March 31, 2006	**(1 267)**	**(659)**	**-**	**(886)**	**(2 812)**	**(816)**	**(513)**	**-**	**(547)**	**(1 876)**	**(4 688)**
Charge to depreciation	(716)	(311)	-	(461)	(1 488)	(115)	(72)	-	(65)	(252)	**(1 740)**
Loss for future disposal	(20)	-	-	-	(20)	-	-	-	-	-	**(20)**
Releases on disposal	209	25	-	329	563	24	19	-	14	57	**620**
Changes in consolidation scope	-	5	-	4	9	-	1	-	-	1	**10**
Transfer	(300)	36	-	271	7	(2)	(7)	-	5	(4)	**3**
Currency translation adjustment	3	(4)	-	-	(1)	-	-	-	-	-	**(1)**
Amounts as of March 31, 2007	**(2 091)**	**(908)**	**-**	**(743)**	**(3 742)**	**(909)**	**(572)**	**-**	**(593)**	**(2 074)**	**(5 816)**
Charge to depreciation	(801)	(281)	-	(213)	(1 295)	(119)	(76)	-	(72)	(267)	**(1 562)**
Releases on disposal	267	40	-	284	591	36	22	-	69	127	**718**
Changes in consolidation scope	(3)	-	-	(10)	(13)	-	(1)	-	(2)	(3)	**(16)**
Transfer	71	(19)	-	(24)	28	(1)	1	-	-	-	**28**
Currency translation adjustment	9	17	-	1	27	-	2	-	1	3	**30**
Amounts as of March 31, 2008	**(2 548)**	**(1 151)**	**-**	**(705)**	**(4 404)**	**(993)**	**(624)**	**-**	**(597)**	**(2 214)**	**(6 618)**
Net value											
As of March 31, 2005	4 778	3 494	1 031	1 091	**10 394**	1 191	313	163	228	**1 895**	**12 289**
As of March 31, 2006	4 957	3 541	1 138	1 381	**11 017**	1 265	336	126	228	**1 955**	**12 972**
As of March 31, 2007	5 881	3 527	1 170	973	**11 551**	1 263	361	145	238	**2 007**	**13 558**
As of March 31, 2008	6 398	3 136	1 814	932	**12 280**	1 281	410	221	281	**2 193**	**14 473**

Note 35 details the amount of pledged tangible assets.

Commitments to property purchases are detailed in notes 34 and 35.

The net book value of tangible assets financed under capital lease amounted to € 3 417 million as of March 31, 2008 against € 3,811 million as of March 31, 2007 and € 3,912 million as of March 31, 2006.

19. CAPITAL EXPENDITURE

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

In € millions			
Year ended March 31,	**2008**	**2007**	**2006**
Acquisition of tangible assets	2 290	2 384	2 548
Acquisition of intangible assets	91	38	30
Accounts payable on acquisitions and capitalized interest	(41)	(44)	(34)
	2 340	**2 378**	**2 544**

20. EQUITY AFFILIATES

Movements over the period

The table below presents the movement in equity affiliates:

In € millions	**WAM Acquisition (Amadeus GTD)**	**Alpha Plc**	**Martinair**	**Kenya Airways**	**Other**	**Total**
Value of share in investments as of March 31, 2005	**329**	**32**	**155**	**31**	**30**	**577**
Share in net income of equity affiliates	14	4	(59)	15	3	(23)
Distributions	-	(3)	(1)	(2)	(1)	(7)
Changes in consolidation scope	-	-	-	-	5	5
First application of IAS 32 and 39	(30)	-	-	-	-	(30)
Amadeus transaction	(313)	-	-	-	-	(313)
Transfers and reclassifications	-	-	(3)	5	(5)	(3)
Currency translation adjustment	-	-	-	-	(2)	(2)
Value of share in investment as of March 31, 2006	**-**	**33**	**92**	**49**	**30**	**204**
Share in net income of equity affiliates	-	-	(7)	11	13	17
Distributions	-	(3)	-	-	(1)	(4)
Change in consolidation scope	-	-	-	-	18	18
Transfers and reclassifications	-	-	(1)	-	(2)	(3)
Currency translation adjustment	-	-	-	-	(4)	(4)
Carrying value of share in investment as of March 31, 2007	**-**	**30**	**84**	**60**	**54**	**228**
Share in net income of equity affiliates	-	(1)	(33)	8	2	(24)
Distributions	-	-	-	(2)	(1)	(3)
Change in consolidation scope	-	(29)	-	-	(4)	(33)
Transfers and reclassifications	-	-	-	-	-	-
Other variations	-	-	9	-	6	15
Currency translation adjustment	-	-	-	(4)	(2)	(6)
Carrying value of share in investment as of March 31, 2008	**-**	**-**	**60**	**62**	**55**	**177**

As of March 31, 2008, the ownership structure of WAM Acquisition was as follows: 22.08% Air France, 11.04% Iberia, 11.04% Lufthansa, 50.34% Amadelux Investments and 5.50% management.
On June 8, 2007 the Group sold its shares in Alpha Plc, previously held at 26%.
The KLM and P&O Nedlloyd groups each held 50% of the capital of Martinair. KLM held 26% of the capital of Kenya Airways.

The € 284 million gain on WAM (ex Amadeus GTD) transaction corresponds to a € 202 million reimbursement of the shareholder capital, a € 76 million reimbursement of shareholders' loan and a € 6 million interest payment. The shares and the loan had been recognized at a value of nil in the Air France-KLM reinvestment transaction within the LBO operation initiated in July 2005.

Martinair's contribution to the share of profits (losses) of associates includes a provision for risk estimated on the basis of the status of the discussions related to the inquiry of the US Department Of Justice (DOJ) about an alleged conspiracy to fix the price of air shipping services. The Group's share of this provision is € 11 million after tax.

As of March 31, 2007, the ownership structure of WAM Acquisition was as follows: 22.08% Air France, 11.04% Iberia, 11.04% Lufthansa, 50.34% Amadelux Investments and 5.5% management. Servair owned 27% Alpha plc; the other shareholders of Alpha plc were mainly institutional investors. The KLM and P&O Nedlloyd groups each held 50% of the capital of Martinair.
KLM held 26% of the capital of Kenya Airways.

During the year ended March 31, 2007, the WAM General Shareholders' Meeting, held on March 28, 2007, decided on a dividend distribution of € 68 million. The Group's share amounts to € 16 million and has been recorded in "Other non-current income and expenses".

As of March 31, 2006, the ownership structure of WAM Acquisition was as follows: 23.4% Air France, 11.7% Iberia, 11.7% Lufthansa and 53.2% Amadelux Investments.

As of March 31, 2005, Air France-KLM owned a 23.36% interest in Amadeus, a Spanish company, which was accounted under the equity method.

In July 2005, private equity funds (the "financial investors") structured a leveraged buy out of Amadeus whereby WAM Acquisition S.A. ("WAM"), a newly created and highly leveraged company launched a tender offer for all the Amadeus class A and class B shares in cash. Air France-KLM's portion of the total price paid in cash by the financial investors was €1,022 million at the date of the transaction.

Simultaneously, Air France-KLM and the financial investors entered into an investing agreement, whereby Air France-KLM invested € 129 million WAM common stocks (which represented a stake identical to the one it had owned in Amadeus, i.e. 23.36%). Additionally, Air France-KLM agreed to provide a shareholder loan to WAM amounting to € 76 million. This loan is subordinated to the senior credit agreement, bears interest and matures in 2020. There were no other equity instruments issued by WAM.

Beyond the investment and shareholder loan in WAM, the Group has not guaranteed any debt or entered into any "make-well agreements" that may require it to infuse cash into WAM under any circumstances.

Based on the above-described terms of the transaction, Air France-KLM considered that it contributed its historical stake (23.36%) in Amadeus to WAM in return for an identical stake in WAM plus a net cash distribution, WAM being the same company as Amadeus, only more leveraged. The Group's economic interest in the Amadeus business was not reduced. Therefore, the Group accounted for the transaction as the receipt of a large distribution from an equity affiliate, with no reduction in ownership. Consistent with IFRS, this distribution was first reflected as a reduction of the carrying value of WAM. The amount of distribution in excess of the carrying value of WAM was then recognized as income as WAM's distribution is not refundable by agreement or law and Air France-KLM is not liable for the obligations of the equity affiliate or otherwise committed to provide financial support to the affiliate.

The gain recognized by the Group during the year ended March 31, 2006 was computed as follows (in € millions):

Cash received from WAM	1,022
Investment in cash for WAM Equity	(129)
Shareholders' loan in cash	(76)
Equity investment in Amadeus before the transaction	(313)
Gain recognized	504

Additionally, the Group did not recognize its earnings in WAM following the leveraged buy out transaction. The Group will resume recognizing its share of earnings in WAM in accordance with IAS 28 only when Air France-KLM's share of WAM's cumulative net income equals the gain recognized in the transaction.

The ownership structure of Alpha plc was as follows: 27% Servair ; the other shareholders were mainly institutional investors.
The KLM and P&O Nedlloyd groups each held 50% of the capital of Martinair. An impairment charge has been recorded on the Group's investment in Martinair amounting to € 59 million recorded in "Share of profits (losses) of associates".
KLM held 26% of the capital of Kenya Airways.

Simplified financial statements of the main equity affiliates

The equity affiliates as of March 31, 2008 mainly concerned the following companies, in which the Group has a significant influence:

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

- **Martinair (group publishing consolidated financial statements)**
  Located in the Netherlands, Martinair's core business is the air transport of passengers and freight out of Amsterdam.

- **Kenya Airways**
  Kenya Airways is a Kenyan airline based in Nairobi.

The financial information for the principal equity affiliates for the years ended March 31, 2005, 2006 and 2007 (excluding consolidation adjustments) is presented below.

In € millions	**WAM Acquisition (Amadeus GTD)**	**Alpha Plc**	**Martinair**	**Kenya Airways**
	31/07/2005 (one month)	**31/01/2006**	**31/12/2005**	**31/03/2005**
% holding as of March 31, 2006	23.4%	26.1%	50.0%	25.4%
Operating revenues	180	807	1 121	464
Operating income	(68)	30	22	73
Net income / loss	(89)	20	17	43
Stockholders' equity as of March 31, 2006	21	62	322	122
Total assets	5 252	294	710	465
Total liabilities and stockholders' equity	5 252	294	710	465
	31/12/2006 (5 months)	**31/01/2007**	**31/12/2006**	**31/03/2006**
% holding as of March 31, 2007	22.1%	26.0%	50.0%	25.4%
Operating revenues	1 076	830	1 236	580
Operating income	47	12	(17)	90
Net income / loss	(80)	5	(13)	53
Stockholders' equity as of March 31, 2007	(156)	61	281	197
Total assets	5 577	288	703	791
Total liabilities and stockholders' equity	5 577	288	703	791
	31/12/2007		**31/12/2007**	**31/03/2007**
% holding as of March 31, 2008	22.1%		50.0%	25.7%
Operating revenues	2 986		951	646
Operating income	468		(61)	85
Net income / loss	202		(69)	45
Stockholders' equity as of March 31, 2008	(635)		242	235
Total assets	5 528		642	839
Total liabilities and stockholders' equity	5 528		642	839

Other information

The share of WAM Acquisition's result that has not been recorded in the Group's consolidated financial statements amounted to € 45 million for the year ended March 31, 2008. Given the negative net equity after neutralization of the sum reinvested by the Air France-KLM Group, its contribution to the consolidated financial statements is nil.
The share of WAM Acquisition's loss that has not been recorded in the Group's consolidated financial statements amounted to € (18) million for the year ended March 31, 2007. Given the negative net equity after neutralization of the sum reinvested by the Air France-KLM Group, its contribution to the consolidated financial statements is nil.
The closing date for the WAM Acquisition financial statements has changed. The duration of the financial year ended December 31, 2006 is, thus, five months. The loss of the previous year ended July 31, 2006 amounted to € (116) million, corresponding to a Group share of € (26) million.

21. Pension assets

In € millions ***Year ended March 31,***	**2008**	**2007**	**2006**
Opening balance	**2 097**	**1 903**	**1 767**
Net periodic pension cost for the period	7	(13)	(115)
Contributions paid to the funds	142	207	249
Currency translation adjustment	(1)	-	2
Closing balance	**2 245**	**2 097**	**1 903**

The detail of these pension assets is presented in note 29.1.

22. Other financial assets

In € millions ***Year ended March 31,***	**2008**		**2007**		**2006**	
	Current	**Non current**	**Current**	**Non current**	**Current**	**Non current**
Financial assets available for sales						
Shares	-	78	-	73	-	77
Assets at fair value through profit and loss						
Marketable securities	185	-	533	-	865	-
Loans and receivables						
Loans and receivables	91	934	123	1 075	65	1 130
Miscellaneous financial assets	27	-	33	1	2	24
Gross value	**303**	**1 012**	**689**	**1 149**	**932**	**1 231**
Impairment at opening	**-**	**(54)**	**-**	**(49)**	**-**	**(47)**
New impairment charge	-	(4)	-	(5)	-	(2)
Use of provision	-	2				
Impairment at closing	**-**	**(56)**	**-**	**(54)**	**-**	**(49)**
Total	**303**	**956**	**689**	**1 095**	**932**	**1 182**

Loans and receivables

Loans and receivables mainly include deposits on flight equipment operating and capital leases.

Financial assets available for sale

In € millions	**Fair Value**	**% interest**	**Stockholder's equity**	**Net income**	**Stock price (in €)**	**Closing date**
As of March 31, 2008						
Alitalia (*)	13	2.00%	726	(211)	0.48	December 2007 (***)
Club Med (*)	13	2.00%	490	(8)	33.95	October 2007
Opodo	-	5.60%	(33)	(55)	NA	December 2006
Voyages Fram	9	8.70%	ND	ND	NA	December 2007
Others	43					
Total	**78**					
As of March 31, 2007						
Alitalia (*)	26	2.00%	1 237	(221)	0.944	December 2006 (***)
Club Med (*)	17	2.00%	514	5	43.87	October 2006
Opodo	-	5.60%	22	(35)	NA	December 2005
Voyages Fram	9	8.70%	123	(5)	NA	December 2006
Others	21					
Total	**73**					
As of March 31, 2006						
Alitalia (*) (**)	32	2.00%	1 462	(167)	1.15	December 2005
Austrian Airlines (*)	4	1.50%	566	(129)	8.39	December 2005
Opodo	3	5.94%	(4)	(50)	NA	December 2004
Voyages Fram	9	8.70%	123	(17)	NA	December 2004
Others	29					
Total	**77**					

(*) Listed company
(**) A reverse stock split occurred during the financial year, which replaced 30 old shares with 1 new share.
(***) Because consolidated financial statements for the year ended December 31 are not available, the amount of shareholder's equity and net result are communicated based on the half-year figures as of June 30.

23. INVENTORY AND WORK IN PROGRESS

In € millions **Year ended March 31**	**2008**	**2007**	**2006**
Aeronautical spare parts	499	332	331
Other supplies	175	126	134
Production work in progress	5	4	2
Gross value	**679**	**462**	**467**
Opening valuation allowance	**(102)**	**(127)**	**(103)**
Charge to allowance	(12)	(8)	(29)
Use of allowance	8	9	5
Releases of allowance no longer required	-	-	-
Reclassification	(66)	24	-
Closing valuation allowance	**(172)**	**(102)**	**(127)**
Net value of inventory	**507**	**360**	**340**

Only spare parts allowing using the fleet are classified in “aeronautical assets”. According to this analyse, € 87 million were reclassified from flight equipment to inventories as of April 1, 2007.

24. TRADE ACCOUNTS RECEIVABLE

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Passenger	1 318	1 448	1 330
Cargo	374	380	392
Maintenance	301	352	303
Airlines	579	459	503
Other	78	62	97
Gross value	**2 650**	**2 701**	**2 625**
Opening valuation allowance	**(91)**	**(107)**	**(102)**
Charge to allowance	(17)	(14)	(17)
Use of allowance	25	16	12
Reclassification	2	14	**-**
Closing valuation allowance	**(81)**	**(91)**	**(107)**
Net value	**2 569**	**2 610**	**2 518**

25. OTHER ASSETS

In € millions ***Year ended March 31,***	**2008**		**2007**		**2006**	
	Current	**Non current**	**Current**	**Non current**	**Current**	**Non current**
Suppliers with debit balances	71	-	71	-	70	-
State	93	-	83	-	79	7
Derivative instruments	1 575	1 807	456	589	1 022	973
Prepayments	185	-	223	-	294	-
Other debtors	465	3	445	15	296	102
Gross value	**2 389**	**1 810**	**1 278**	**604**	**1 761**	**1 082**
Opening valuation allowance	**(7)**	**-**	**(5)**	**-**	**(5)**	-
Charge to allowance	-	-	(4)	-	-	-
Use of allowance	-	-	3	-	-	-
Release of allowance no longer required	1	-	1	-	-	-
Reclassification	2	-	(2)	-	-	-
Closing valuation allowance	**(4)**	**-**	**(7)**	**-**	**(5)**	-
Net realizable value of other assets	**2 385**	**1 810**	**1 271**	**604**	**1 756**	**1 082**

26. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Negotiable debt securities	49	15	25
Mutual funds (SICAV)	3 059	3 234	2 062
Bank deposits	943	-	639
Cash in hand	330	248	220
Total cash and cash equivalents	**4 381**	**3 497**	**2 946**
Bank overdrafts	(172)	(133)	(102)
Cash, cash equivalents and bank overdrafts	**4 209**	**3 364**	**2 844**

27. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM SA

27.1. Issued capital

As of March 31, 2008, the issued capital of Air France-KLM comprised 300 219 278 fully paid-up shares. Each share is entitled to one vote. The nominal value of each share amounts to 8.50 euros.

The change in the number of issued shares is as follows:

In number of shares **As of March 31,**		**2008**	**2007**	**2006**
At the beginning of the period		**279 365 707**	**269 383 518**	**269 383 518**
Issuance of shares for BASA exercise		20 853 046	9 982 189	-
Issuance of shares for OCEANE conversion		525	-	-
At the end of the period		**300 219 278**	**279 365 707**	**269 383 518**
Of which:	- number of shares issued and paid	300 219 278	279 365 707	269 383 518
	- number of shares issued and not paid	**-**	**-**	-

The shares that make up the issued capital of Air France-KLM are subject to no restriction nor priority for dividend distribution or reimbursement of the issued capital.

Authorized stock

The Extraordinary Shareholders’ Meeting of July 12, 2007, authorized the Board of Directors, for a period of 26 months from the date of the Meeting, to issue shares and / or other securities giving immediate or future rights to Air France-KLM capital in the limit of the global ceiling of € 500 million corresponding to 58 823 529 shares.

Breakdown of stock and voting rights

The breakdown of stock and voting rights is as follows:

Year ended March 31,	% of capital			% of voting rights		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
French State	16%	18%	18%	16%	18%	19%
Employees and former employees	11%	11%	14%	11%	11%	14%
Treasury shares	2%	1%	2%	-	-	-
Other	71%	70%	66%	73%	71%	67%
	100%	**100%**	**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.

Other securities giving access to common stock

Equity warrants (BASA)

Following the Exchange Offer, 45,093,299 Equity Warrants for new or existing shares (Bons d'Acquisition et/ou de Souscription d'Actions, BASA) were issued. Three BASAs gave the holder the right to purchase and/or subscribe to 2.066 new or existing shares of Air France-KLM stock, with a par value of 8.50 euros, at an exercise price of 20 euros per Air France-KLM share. BASA holders had the option, at any time during a 24-month period beginning November 2005, to obtain new or existing shares, at the Group's discretion, upon exercise of the BASAs.
Between April 1 and November 6, 2007, the date of the end of the program, 30,280,575 BASAs were exercised, leading to the issuance of 20,853,046 shares.
The total number of BASAs exercised during the exchange period was 44,783,922, corresponding to 99.3% of the total number of BASAs issued.

OCEANE

Please refer to note 30.3.

27.2. Additional paid-in capital

Additional paid-in capital represents the difference between the nominal value of equity securities issued and the value of contributions in cash or in kind received by Air France-KLM.

In € millions

Year ended March 31,	2008	2007	2006
Equity part of hybrid instruments	46	46	46
Other paid-in capital	719	493	384
	765	**539**	**430**

27.3. Treasury shares

	Treasury shares	
	Number	In € millions
March 31, 2005	**1 299 538**	**(19)**
Change in the period	2 850 597	(39)
March 31, 2006	**4 150 135**	**(58)**
Change in the period	(2 088 796)	28
March 31, 2007	**2 061 339**	**(30)**
Change in the period	3 271 102	(89)
March 31, 2008	**5 332 441**	**(119)**

As of March 31, 2008, the Group held 1 560 468 shares of its own stock within the framework of stock option programs. The Group also held 690 000 shares of its own stock within the framework of a liquidity agreement approved by the Shareholders' Meeting of July 12, 2007. All these treasury shares are classified as a reduction of equity.

27.4. Reserves and retained earnings

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Legal reserve	57	46	46
Distributable reserve	988	973	1 055
Derivatives and available for sale securities reserves	1 819	550	1 051
Aggregate results of consolidated subsidiaries	3 726	2 955	2 007
Net income (loss) – Group share	748	891	913
Total	**7 338**	**5 415**	**5 072**

As of March 31, 2008, the legal reserve of € 57 million represents 2% of Air France-KLM's issued capital. French company law requires that a limited company (société anonyme) allocates 5% of its unconsolidated statutory net result each year to this legal reserve until it reaches 10% of the Group's issued capital. The amount allocated to this legal reserve is deducted from the distributable income for the current year. This restriction on the payment of dividends also applies to each of the French subsidiaries on an individual statutory basis. The legal reserve of any company subject to this requirement may only be distributed to shareholders upon liquidation of the company.

The Board of Directors will propose a dividend distribution of € 174 million (€0.58 per share) subject to shareholder approval at the annual General Shareholders' Meeting to be held on July 10, 2008.

28. SHARE BASED COMPENSATION

Outstanding share-based compensation plans

Plans	Grant date	Number of shares granted	Start date for option exercise	Date of expiry	Exercise price (euros)	Number of options exercised as of 31/03/2008
Stock-options plans						
Air France – ESA 1998 options	30/05/2000	3 516 596	31/05/2005	31/05/2007	15.75	3 403 302
KLM - Plan A	30/06/2002	341 350	30/06/2004	19/10/2007	12.80	341 350
KLM - Plan B	30/06/2002	119 105	30/06/2004	19/10/2007	10.07	119 105
KLM	30/06/2003	355 379	30/06/2004	30/06/2008	6.48	330 710
KLM	30/06/2004	463 884	30/06/2004	25/06/2009	13.19	131 967
KLM	31/07/2005	390 609	31/07/2005	16/07/2010	13.11	-
KLM	31/07/2006	411 105	31/07/2006	26/07/2011	17.83	-
KLM	31/07/2007	426 350	31/07/2007	25/07/2012	34,21	-

Other plans

Plans	Grant date	Number of shares granted	Date of expiry	Exercise price (euros)	Number of shares exercised as of 31/03/2008
Air France - ESA (*) 1998 pilots	01/05/1999	15 023 251	10/06/2033	14.00	15 023 251
Air France - KLM - ESA(*) 2003	01/02/2005	12 612 671	21/02/2005	14.00	12 612 671

(*) ESA: Shares-for-salary exchange

Stock-option plans granted by KLM between 2000 and 2004 have a vesting period of three years.

The vesting conditions of the options granted by KLM on July 31, 2007, 2006 and 2005 are such that one third of the options vest at grant date with further one third after expiration of one and two years, respectively. Vesting is conditional on KLM achieving predetermined non-market performance criteria.

The mechanisms of the Air France – ESA 1998 pilots (“ESA 98”) and Air France-KLM – ESA 2003 (“ESA 2003”) plans are explained in notes 28.1 and 28.2.

Changes in options

	Average exercise price (€)	Number of options
Options outstanding as of March 31, 2005	**15.18**	**5 156 205**
Of which : options exercisable at March 31, 2005	*13.97*	*1 659 268*
Options forfeited during the period	21.36	(108 802)
Options exercised during the period	13.82	(1 406 655)
Options granted during the period	13.11	390 609
Options outstanding as of March 31, 2006	**15.28**	**4 031 357**
Of which : options exercisable at March 31, 2006	***15.28***	***4 031 357***
Options forfeited during the period	14.30	(10 741)
Options exercised during the period	16.05	(2 445 791)
Options granted during the period	17.83	411 105
Options outstanding as of March 31, 2007	**14.87**	**1 985 930**
Of which : options exercisable at March 31, 2007	***14.87***	***1 985 930***
Options forfeited during the period	18.35	(57 222)
Options exercised during the period	15.06	(806 500)
Options granted during the period	34.21	426 350
Options outstanding as of March 31, 2008	**19.96**	**1 548 558**
Of which : options exercisable at March 31, 2008	***19.96***	***1 548 558***

Outstanding options by range of exercise prices

Range of exercise prices per share	**Number of options**	**Weighted average remaining life (years)**	**Weighted average exercise price per share (in euros)**
From 5 to 10 euros per share	24 669	0.25	6.48
From 10 to 15 euros per share	697 099	1.82	13.15
From 15 to 20 euros per share	408 940	3.32	17.83
From 20 to 35 euros per share	417 850	4.34	34.21
Total	**1 548 558**	**2.87**	**19.96**

28.1. Plans granted prior to November 7, 2002

In accordance with the transitional provisions of IFRS 2, only plans granted after November 7, 2002 and not yet vested as of April 1, 2004 have been valued and recorded as salary expense. IFRS 2 is therefore not applicable to the plans described below:

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

For the year ended March 31, 2008, 806 shares were forfeited and returned to the French State. For the year ended March 31, 2007, 1,916 shares were forfeited and returned to the French State. For the year ended March 31, 2006, 12,477 shares were returned.

Moreover, within the same agreement, Air France also granted 3,516,596 stock purchase options on May 30, 2000 to certain of its employees. These options were exercisable at € 15.75 per share between May 31, 2005 and

May 31, 2007. These options were granted without vesting conditions of service and were considered vested at their grant date May 30, 2000.

As of March 31, 2008, 628 989 of these options had been exercised and 43 345 forfeited. As of March 31, 2007, 1,906 243 of these options had been exercised and none forfeited. As of March 31, 2006, 868,070 of these options had been exercised and 50,290 forfeited.

28.2. Plans granted after November 7, 2002

Stock-option plans

Prior to the combination with Air France, members of the Management Board and the key executives of KLM had been granted KLM stock options.

Within the combination agreement between KLM and Air France, stock-options and SAR (Share Appreciation Rights) that were not exercised during the operation were modified on May 4, 2004, so that their holders could purchase Air France-KLM shares and SARs attached to Air France-KLM shares.
The shares held by KLM within this plan were converted into Air France-KLM shares and transferred to a foundation whose sole purpose is their retention until the stock options are exercised or forfeited.

The fair value of these options was determined at the acquisition date of KLM (i.e. May 1, 2004) using the Black and Scholes model with the following assumptions:

Fair value at grant date (in € millions)	10
Share price (in €)	16.61 €
Option exercise price (in €)	Between € 6.48 and € 32.86
Historical volatility of dividends on the shares	33.7%
Option duration	Between 0.46 and 4.17 years
Share’s expected dividend yield	1.40%
Risk free interest rate	Between 2.06% and 3.26%

The fair market value of the options granted by KLM after its acquisition by Air France has been determined using the Black & Scholes pricing model and the following assumptions:

	Plan granted on July 31, 2007	**Plan granted on July 31, 2006**	**Plan granted on July 31, 2005**
Fair value at grant date (in € millions)	4	2	1
Share price (in €)	33,29 €	19.33 €	13.50 €
Option exercise price (in €)	34,21 €	17.83 €	13.11 €
Historical volatility of dividends on the shares	25,56%	25.23%	22.29%
Option duration	5 years	5 years	5 years
Share’s expected dividend yield	1,63%	1.14%	3.22%
Risk free interest rate	4,31%	3.99%	2.88%

2003 Shares-for-salary exchange (ESA 2003)

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

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

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

In the event an employee leaves the Group prior to the end of the 6-year period, the unvested shares are returned to Air France which, in turn, returns them to the French State. The fair value of the services provided under the shares-for-salary exchange scheme was calculated on the basis of the market price of the Air France-KLM share on the date the offer was closed, namely € 14.30 and amounts to € 180 million. The corresponding salary expense covers the acquisition period of voting rights from May 2005 to May 2011. Each installment, corresponding to the annual decrease of salary, is treated as a separate grant. The ESA 2003 plan share-based payment is therefore recognized on a straight-line basis over the requisite service period for each separately vested portion.

Salary expenses related to share-based compensation

In € millions **Year ended March 31,**	**Note**	**2008**	**2007**	**2006**
ESA 2003		(28)	(31)	(29)
Stock option plan		(2)	(1)	-
Salary expense	**7**	**(30)**	**(32)**	**(29)**

29. PROVISIONS AND RETIREMENT BENEFITS

In € millions		**Retirement benefits note 29.1**	**Restitution of aircraft**	**Restruc-turing**	**Litigation**	**Others**	**Total**
Amount as of March 31, 2005		**1 053**	**352**	**48**	**67**	**120**	**1 640**
Of which:	*non-current*	*1 053*	*281*	*16*	*61*	*105*	***1 516***
	current	*-*	*71*	*32*	*6*	*15*	***124***
New provision		74	136	1	63	39	**313**
Use of provision		(129)	(129)	(31)	(14)	(18)	**(321)**
Reversal of unnecessary provisions		-	-	(1)	-	-	**(1)**
Currency translation adjustment		7	-	-	-	-	**7**
Discount impact		-	7	-	-	-	**7**
Amount as of March 31, 2006		**1 005**	**366**	**17**	**116**	**141**	**1 645**
Of which:	*non-current*	*1 005*	*261*	*-*	*66*	*121*	***1 453***
	current	*-*	*105*	*17*	*50*	*20*	***192***
New provision		117	144	35	23	45	**364**
Use of provision		(130)	(121)	(13)	(6)	(67)	**(337)**
Reversal of unnecessary provisions		-	(4)	-	(2)	(2)	**(8)**
Currency translation adjustment		(2)	(3)	-	-	-	**(5)**
Discount impact		-	(8)	-	-	-	**(8)**
Reclassification		-	-	-	(39)	-	**(39)**
Amount as of March 31, 2007		**990**	**374**	**39**	**92**	**117**	**1 612**
Of which:	*non-current*	*990*	*221*	*32*	*32*	*112*	***1 387***
	current	-	*153*	*7*	*60*	*5*	***225***
New provision		111	140	-	528	60	**839**
Use of provision		(352)	(108)	(30)	(9)	(54)	**(553)**
Reversal of unnecessary provisions		-	-	-	(3)	(2)	**(5)**
Currency translation adjustment		(12)	(6)	-	-	(3)	**(21)**
Change in scope		3	1	-	-	4	**8**
Discount impact		-	1	-	-	-	**1**
Reclassification		-	-	(1)	-	-	**(1)**
Amount as of March 31, 2008		**740**	**402**	**8**	**608**	**122**	**1 880**
Of which :	*non-current*	*740*	*273*	-	*310*	*116*	***1 439***
	current	-	*129*	*8*	*298*	*6*	***441***

Movements in provisions for retirement benefits which have an impact on the income statement are recorded in "salaries and related costs".
Movements in provisions for restructuring which have an impact on the income statement are recorded in "other non-current income and expenses" when the plans covered have a material impact.
Movements in provisions for restitution of aircraft which have an impact on the income statement are recorded in "provisions" except for discount impact which is recorded in "other financial income and expenses".
Movements in provisions for litigation and in provisions for other risks and charges which have an impact on the income statement are recorded, depending on their nature, in the different captions of the income statement.

29.1. RETIREMENT BENEFITS

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

The Group has accounted for the actuarial gains and losses directly in equity as of April 1, 2004, the transition date to IFRS, in accordance with the exemptions provided by IFRS 1.

Since April 1, 2004, the Group amortizes actuarial gains and losses if at the beginning of the period the net unrealized actuarial gain or loss exceeds 10% of the greater of the projected obligation or the market value of plan assets.

Pension fund surplus

For a certain number of pensions obligations, the Group funds pension funds.
The obligations of KLM Group are for the most part funded in accordance with Dutch regulation and the Group's collective agreement. With regard to the level of coverage of the commitments, particularly for the pilots' program, significant "safeguard" constraints force the Group to be always in a position of "over-coverage".

Actuarial assumptions used

Actuarial valuations of the Group's benefit obligation were computed as of March 31, 2008, 2007 and 2006. These calculations include:

- Assumptions on staff turnover, life expectancy and salary inflation.
- A retirement age of 55 to 65 depending on localization and the applicable laws.
- Discount rates used to determine the actuarial present value of the projected benefit obligations are as follows:

Year ended March 31,	**2008**	**2007**	**2006**
Euro zone	Between 4.75% and 5.5%	Between 4.3% and 4.75%	Between 4.1% and 4.5%
United Kingdom	6.5%	5.24%	Between 4.8% and 4.9%
USA-Canada	Between 5.0% and 6.45%	Between 5.1% and 6.0%	Between 4.8% and 5.8%
Other countries	Between 1.7% and 19.5%	Between 1.7% and 11.0%	Between 1.7% and 15.25%

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

Year ended March 31,	**2008**	**2007**	**2006**
Euro zone	Between 4.0% and 6.75%	Between 4.0% and 7.0%	Between 4.0% and 7.0%
United Kingdom	Between 4.9% and 6.8%	Between 4.9% and 6.8%	Between 6.1% and 6.8%
USA-Canada	Between 5.5% and 7.0%	Between 5.5% and 7.0%	Between 6.1% and 6.8%
Other countries	Between 4.0% and 10.0%	Between 4.3% and 10.6%	Between 0.5% and 12.0%

Expected average long-term rates of return for plan assets have been determined based on the expected long-term rates of return of the different asset classes: equities, bonds, real estate or other, weighted according to the asset allocation strategy in these schemes. A risk premium is used for each asset class with reference to a market risk free rate.

- Assumption on increase in healthcare costs :

Year ended March 31,	2008	2007	2006
Netherlands	-	4.45%	7.25%
USA-Canada	Between 9.5% and 11.0%	Between 8% and 10.0%	10.0%

The sensitivity of the annual charge and the obligation to the variation in healthcare costs of the schemes is as follows:

In € millions	Sensitivity of the assumptions for year ended March 31, 2008	Sensitivity of the assumptions for year ended March 31, 2007
Increase by 1% of healthcare costs		
Impact on the cost	1	1
Impact on the obligation	4	4
Decrease by 1% of healthcare costs		
Impact on the cost	(1)	(1)
Impact on the obligation	(4)	(4)

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

	Pension benefits			Other benefits		
Year ended March 31,	2008	2007	2006	2008	2007	2006
Discount rate	5.53%	4.51%	4.49%	5.92%	5.64%	4.49%
Salary inflation rate	2.65%	2.62%	2.70%	-	-	-
Expected long-term rate of return on plan assets	5.80%	5.70%	5.70%	-	-	-

Changes in benefit obligations

The following chart details the reconciliation between the benefits obligation and plan assets of the Group and the amounts recorded in the financial statements for the years ended March 31, 2008, 2007 and 2006.

(In € millions)	Pension benefits			Other benefits		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
Benefit obligation at beginning of year	**11 582**	**10 921**	**10 313**	**54**	**74**	**115**
Service cost	359	368	359	1	-	2
Interest cost	529	489	461	2	2	6
Employees' contribution	34	40	36	-	-	-
Plan amendments	90	150	49	-	-	-
Change of scope	3	-	-	-	-	-
Settlements / curtailments	(6)	(28)	(11)	(11)	(20)	(55)
Benefits paid	(473)	(423)	(398)	(3)	(2)	(5)
Actuarial loss / (gain)	(1 167)	68	106	(1)	4	8
Currency translation adjustment	(78)	(3)	6	(6)	(4)	3
Benefit obligation at end of year	**10 873**	**11 582**	**10 921**	**36**	**54**	**74**
Including benefit obligation resulting from schemes totally or partly financed	*10 716*	*11 419*	*10 802*	-	-	-
Including not-financed benefit obligation	*157*	*163*	*119*	*36*	*54*	*74*
Fair value of plan assets at beginning of year	**13 404**	**12 538**	**10 782**	-	-	-
Actual return on plan assets	(208)	921	1 747	-	-	-
Employers' contributions	476	323	358	-	-	-
Employees' contributions	34	40	37	-	-	-
Change of scope	-	-	-	-	-	-
Settlements / curtailments	-	(6)	(6)	-	-	-
Benefits paid	(458)	(408)	(383)	-	-	-
Currency translation adjustment	(72)	(4)	3	-	-	-
Fair value of plan assets at end of year	**13 176**	**13 404**	**12 538**	-	-	-
Funded status	2 303	1 822	1 617	(36)	(54)	(74)
Unrecognized prior service cost	262	190	59	-	-	-
Unrecognized actuarial (gains) / losses	(1 028)	(857)	(710)	4	6	6
Prepaid (accrued) pension cost	**1 537**	**1 155**	**966**	**(32)**	**(48)**	**(68)**
Amounts recorded in the balance sheet(*) :						
Pension asset (note 21)	2 245	2 097	1 903	-	-	-
Provision for retirement benefits	(708)	(942)	(937)	(32)	(48)	(68)
Net amount recognized	**1 537**	**1 155**	**966**	**(32)**	**(48)**	**(68)**
Net periodic cost :						
Service cost	359	368	359	1	-	2
Interest cost	529	489	461	2	2	6
Expected return on plan assets	(781)	(714)	(616)	-	-	-
Settlement / curtailment	(2)	(18)	(8)	(11)	(16)	(44)
Amortization of prior service cost	17	19	12	-	-	-
Amortization of unrecognized actuarial (gain) loss	(10)	(1)	16	-	1	4
Other	-	-	(1)	-	-	-
Net periodic cost	**112**	**143**	**223**	**(8)**	**(13)**	**(32)**

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

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

In € millions	Benefit obligation	Fair value of plan assets	Funded status	Experience adjustments on	
				Benefit obligation	Plan asset
As of March 31, 2007	11 636	13 404	1 768	(230)	207
As of march 31, 2008	10 909	13 176	2 267	95	(989)

Asset allocation

The weighted average allocation of funds invested in Group pension plans as of March 31, 2008, 2007 and 2006 is as follows:

Year ended March 31,	**Funds invested**		
	2008	**2007**	**2006**
Equities	38%	41%	40%
Bonds	49%	44%	48%
Real estate	11%	6%	10%
Insurer assets	1%	8%	-
Short term investments	1%	1%	-
Other	-	-	2%
Total	**100%**	**100%**	**100%**

Expected cash outflows

The table below shows the expected cash outflows on pensions and other post-employment benefits over the next ten years:

In € millions	**Pensions and similar benefits**
Estimated contribution to be paid in 2008-09	305
Estimated benefit payments:	
2009	468
2010	472
2011	480
2012	509
2013	508
2014-2018	2 850

29.2. OTHER PROVISIONS

Provisions for the restitution of aircraft under operating leases

The provisions for the restitution of aircraft under operating leases correspond to the commitments made by Air France-KLM under the aircraft operating leases signed with lessors at the time its financial statements are established.

Restructuring provision

The restructuring provisions relate to detailed, formal restructuring plans which have been communicated to the employees involved.

KLM had booked, prior to May 1, 2004, a restructuring provision amounting to € 75 million, to cover redundancy costs associated with the execution of a cost-cutting program. At the date of acquisition by the Group, this provision amounted to € 59 million. The remaining provision was € 1 million, € 2 million and € 8 million as of March 31, 2008, 2007 and 2006, respectively.

Provision for litigation with third parties

An assessment of litigation risks with third parties was carried out with the group's attorneys and provisions were 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 current course of its activities, Air France-KLM Group and its subsidiaries Air France and KLM are involved in litigations that can be, for some of them, significant.

Litigations concerning anti-trust laws

a) Investigation of Competition Authorities for airfreight business

Air France-KLM, Air France and KLM are involved since February 2006 in an investigation conducted by the EU Commission, the US Department Of Justice (DOJ) and by competition authorities of certain states about possible agreements and for concerted practices between undertakings in air shipping services.

As at December 19, 2007, the EU Commission sent to twenty-five airlines and/or freighters – including Air France-KLM, Air France and KLM – a statement of objections. To summarize, these companies are reproached with having participated in contacts or meetings about surcharges and fares.

Air France and KLM have applied for leniency towards EU competition authorities, while presenting in their observations as answer defenses based on severity and duration of offenses and also routes affected by theses illicit practices.

Air France and KLM also underline that the EU Commission had the required authority to sanction the offences to articles 81 and 82 made concerning air shipping services between European Union and other countries only since the effective date of the Regulation 1/2003, that is as at May 1, 2004.

In the USA, Air France and KLM are also subject by the DOJ to an anti-trust investigation based on similar complaints concerning routes between United-Sates and Europe. Air France and KLM are cooperating with American competition authorities. A final decision of the DOJ is expected in coming weeks.

Air France and KLM incur, in United-States and in Europe, significant penalties.

Considering the status of the anti-trust investigations in Europe and in the USA during the fourth quarter 2007-08, Air France and KLM have been able to estimate the risks incurred. The amount recorded in consolidated financial statements as of March 31, 2008 amounts to € 530 million including associated costs.
This amount has been determined based on the defense of the two companies. As a consequence, it is subject to uncertainty.

The amount of the provision allocated respectively to the American and European investigation is not given, as such information is likely to harm the two companies in their defense towards the competition authorities.
The competition authorities do not state that Air France-KLM would have itself participated to illicit practices. Nevertheless, as mother entity of the Group, Air France-KLM is considered as jointly and severally responsible for illicit practices for which Air France and KLM would be liable.

b) Civil actions

As of March 31, 2008, over 140 purported class action lawsuits were filed in the USA against air freight operators including Air France-KLM, Air France, KLM and other freighters.

Plaintiffs allege that defendants engaged in a conspiracy to fix the price of air shipping services since January 1, 2000 including miscellaneous surcharges in air freight services in violation of antitrust laws. They consequently seek compensatory damages and treble monetary damages in unspecified amounts, costs and lawyers' fees, as well as injunctive relief amounting to triple amount of compensatory damages.

Most of these actions have been transferred and pooled before the US District Court of the Eastern District of New-York. As the other freighters, the two companies filed in July 2007 a motion to dismiss the claims of plaintiffs. As of March 31, 2008, the Court has not yet delivered its verdict on this motion.

At this stage, Air France-KLM Group is unable to predict the outcome of these investigations or the amount of penalties and compensatory damages which could be due.

c) Investigation of the EU Commission in the passenger business between Europe and Japan

Air France and KLM, as other airlines, were subject, as at March 11, 2008, to a down-raid and professional documents were seized in the frame of an investigation of the EU Commission about possible agreements or concerted practices between undertakings in the air transportation business between the states concerned by the EEC agreement and Japan.

Air France and KLM are unable to predict the outcome of these investigations by the EU Commission. Aeronautical relationships between French and Japan on one hand, and Netherlands and Japan on the other hand are regulated by bilateral agreements that indicate that fares must be approved by the civil aviation regulators of the two states after agreement between air carriers named in these agreements.

Other provisions

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

29.3. CONTINGENT LIABILITIES

The Group is involved into several governmental and legal procedures for which provisions have not been necessarily recorded in financial statements.

On July 20, 2006, Air France was indicted for (i) possible illegal employment practices and (ii) being a possible accessory to misappropriation of funds by Pretory, a company that supplied on board safety guards to Air France for flights to the US or other destinations following the September 11 terrorist attacks.

Air France intends to defend this case vigorously. The company has immediately filed an appeal against the judge's decision. By its decision dated April 16, 2008, the Court of Appeal dismissed Air France's request to cancel this indictment. Air France lodged an appeal to the High Court against this decision.

To the Group's knowledge, there is no other litigation, arbitration or other threatened or pending disputes that could have or has had in the recent past a material impact on the financial position, earnings, business or holdings of the Group.

30. FINANCIAL DEBT

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Non current financial debt			
Perpetual subordinated loan stock in Yen	190	204	226
Perpetual subordinated loan stock in Swiss francs	267	258	265
Repackaged perpetual loans	-	-	122
OCEANE (convertible bonds)	389	386	382
Bonds	750	550	-
Capital lease obligations	3 441	3 917	4 668
Other long-term debt	1 877	2 104	2 163
	6 914	**7 419**	**7 826**
Current financial debt			
Perpetual subordinated loan stock	-	122	25
Capital lease obligations (current portion)	524	657	763
Accrued interest	71	95	107
Other	310	224	365
	905	**1 098**	**1 260**

During the year ended March 31, 2007, the Group reimbursed in advance debt amounting to € 409 million, without penalty.

30.1. Perpetual subordinated loan stock

30.1.1 Perpetual subordinated loan stock in Yen

The perpetual subordinated loan stock in Yen was issued by KLM in 1999 for a total amount of 30 billion Yen, i.e. € 190 million as of March 31, 2008.
The perpetual subordinated loan stock in Yen is subject to the payment of a coupon considered to be fixed-rate (5.065% on a 10 billion Yen portion, and 4.53% on a 20 billion Yen portion) after swaps.
The debt is perpetual and the Group has the hand to decide for reimbursement at nominal value; the date of reimbursement is expected to be August 28, 2019. The debt's reimbursement does not involve a premium. A premium would be due if the debt were to be reimbursed in a currency other than the yen. The borrower would also have to reimburse the issuer for all reasonable legal fees.

This debt is subordinated to all other existing and future KLM debts.

30.1.2 Perpetual subordinated loan stock in Swiss francs

The perpetual subordinated loan stock in Swiss francs was issued by KLM in two tranches in 1985 and 1986 for a total original amount of 500 million Swiss francs. The subordinated loan amounts to 420 million Swiss francs, i.e. € 267 million as of March 31, 2008.
The loan is reimbursable anytime by the Group at nominal value.

This loan is subject to the payment of a coupon considered to be fixed-rate (5¾ % on a 270 million Swiss francs portion and 2 7/8 % on a 150 million Swiss francs portion) for the years ended as of March 31, 2008, 2007 and 2006.

This debt is subordinated to all other existing and future KLM debts.

30.2. Repackaged perpetual loan securities

In May 1992, Air France issued perpetual loan securities for an amount of € 395 million, to which a zero coupon deposit was assigned.

Interest paid by Air France on the nominal amount of the debt is recorded as financial expenses. Interest accrued from the zero coupon deposit (or equivalent) is offset against financial expense, and the counterpart from the debt. On May 14, 2007, the net debt was fully amortised.

30.3. OCEANE (Convertible bonds)

On April 22, 2005, Air France issued convertible bonds maturing in 15 years. The conversion option allows for conversion and/or exchange at any time into new or existing Air France-KLM shares (OCEANE). 21 951 219 bonds were issued for a total amount of € 450 million. Each bond has a nominal value of € 20.50. As of March 31, 2008, the conversion's ratio is equal to 1.03 Air France-KLM shares for one bond.

The maturity date was fixed at April 1, 2020. Bonds holders may ask for reimbursement as of April 1, 2012 and April 1, 2016. Air France holds a call option triggering early cash reimbursement which can be exercised starting April 1, 2010 under certain conditions prompting OCEANE holders to convert into Air France-KLM stocks. The annual coupon is 2.75% payable in arrears at the end of each period ended April 1.
The conversion period of these bonds started as of June 1, 2005 and ends March 23, 2020.

Upon issue of this convertible debt, Air France-KLM recorded a debt of € 379 million, corresponding to the present value of future payments for interest discounted at the rate of a similar bond without a conversion option.

The option value was evaluated by deducting this debt value from the total nominal amount (i.e. € 450 million) and was recorded in equity (see note 27.2).

30.4. Bonds

On September 11, 2006 and April 23, 2007, the company Air France, a subsidiary of the Air France-KLM Group, issued bonds for a total amount of € 750 million maturing on January 22, 2014. The characteristics of these bonds are as follows:

- Amount: € 750 million
- Coupon: 4.75%
- Maturity date: January 22, 2014

30.5. Capital lease commitments

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

As of March 31, *In € millions*		**2008**	**2007**	**2006**
Aircraft				
Future minimum lease payments – due dates				
N+1		635	813	979
N+2		572	624	974
N+3		539	603	632
N+4		545	610	682
N+5		302	535	648
Over 5 years		1 708	1 968	2 381
Total		**4 301**	**5 153**	**6 296**
Including:	interest	713	873	1 224
	principal	3 588	4 280	5 072
Buildings				
Future minimum lease payments – due dates				
N+1		68	42	45
N+2		48	42	44
N+3		47	41	44
N+4		47	41	42
N+5		44	41	41
Over 5 years		338	215	273
Total		**592**	**422**	**489**
Including:	interest	215	131	133
	principal	377	291	356
Other property, plant and equipment		**-**	**3**	**3**

The lease expenses over the period do not include contingent leases. Deposits made on purchase options are presented in note 22.

30.6. Other long-term debt

Other long-term debt breaks down as follows:

In € millions *Year ended March 31,*	**2008**	**2007**	**2006**
Flight equipment securitization	339	367	394
Reservation of ownership clause and mortgage debt	963	1 059	1 747
Other long term debt	885	902	387
Total	**2 187**	**2 328**	**2 528**

- Flight equipment securitization

In July 2003, Air France finalized the securitization of flight equipment for an amount of € 435 million.

This financing arrangement was secured by a portfolio of sixteen aircraft initially valued at € 525 million. Three ten-year debt tranches were issued:

- a senior A1 floating rate tranche of € 98 million initially with a final maturity of July 20, 2013. As of March 31, 2008, this tranche's book value amounted to € 59 million, compared with € 71 million as of March 31, 2007 and € 82 million as of March 31, 2006.

- A senior A2 fixed rate (4,575%) non-amortized tranche of € 194 million with a final maturity of July 20, 2013.
- A mezzanine floating rate B tranche of € 143 million with a final maturity of July 20, 2013. As of March 31, 2008, this tranche's book value amounted to € 86 million, compared with € 102 million as of March 31, 2007 and € 118 million as of March 31, 2006.

The floating rate of the A1 and B tranche averaged 5.35% for the period ended March 31, 2008 compared with 4.37% for the period ended March 31, 2007 and with 4.03% as of March 31, 2006.

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

30.7. Maturity analysis

The maturities of long-term debts break down as follows:

In € millions **Year ended March 31,**		**2008**	**2007**	**2006**
Maturities in				
N+1		1 249	1 464	1 562
N+2		949	1 130	1 386
N+3		921	975	1 199
N+4		908	976	1 000
N+5		1 190	877	973
Over 5 years		4 500	5 074	5 002
Total		**9 717**	**10 496**	**11 122**
Including:	- Principal	7 819	8 517	9 086
	- Interest	1 898	1 979	2 036

As of March 31, 2008, expected financial costs amount to € 352 million for 2008-09, € 1 053 million for periods from 2009-10 until 2012-13, and € 493 million afterwards.

30.8. Currency analysis

The breakdown of all long-term debt by currency after impact of derivative instruments is as follows:

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Euro	6 969	7 669	7 938
US dollar	699	659	792
Swiss franc	264	268	274
Yen	-	1	22
Pound Sterling	50	74	59
Other	1	1	1
Cross currency interest rate swap	(164)	(155)	-
Total	**7 819**	**8 517**	**9 086**

30.9. Credit lines

The Group had credit lines amounting to € 1 990 million as of March 31, 2008. The three main credit lines, undrawn as of March 31, 2008, amounted respectively, to € 1 200 million, € 540 million and to € 250 million. € 625 million mature in 2010, € 10 million mature in 2011, € 1 105 million mature in 2012, and € 50 million mature yearly from 2013 to 2017.

31. OTHER LIABILITIES

In € millions **Year ended March 31,**	**2008**		**2007**		**2006**	
	Current	**Non current**	**Current**	**Non current**	**Current**	**Non current**
Tax liabilities	405	-	359	-	352	-
Employee-related liabilities	1 014	-	928	-	882	-
Non current assets' payables	202	-	205	-	178	-
Financial derivatives	984	667	219	249	220	154
Deferred income	66	-	43	-	57	-
Other	480	152	581	152	580	263
Total	**3 151**	**819**	**2 335**	**401**	**2 269**	**417**

32. FINANCIAL INSTRUMENTS

32.1. Risks management

- **Market risk management**

Market risk coordination and management is the responsibility of the Risk Management Committee (RMC) which comprises the Chief Operating Officer and the Chief Financial Officer of Air France, the Chief Executive Officer and the Chief Financial Officer of KLM. The RMC meets each quarter to review group reporting of the risks relating to the fuel price, the principal currency exchange rates and interest rates, and to decide on the hedging to be implemented: targets for hedging ratios, the time periods for the respect of these targets and, potentially, the preferred types of hedging instrument. The aim is to reduce the exposure of Air France-KLM and, thus, to preserve budgeted margins. The decisions taken by the RMC are implemented by the treasury and fuel purchasing departments within each company, in compliance with the procedures governing the delegation of powers. In-house procedures governing risk management prohibit the use of instruments that can be characterized as trading instruments. As a general rule, trading and speculation is prohibited.
Regular meetings are held between the fuel purchasing and treasury departments of both companies in order to exchange information concerning matters such as hedging instruments used, strategies planned and counterparts.
The cash management departments of each company circulate information on the level of cash and cash equivalents to their respective executive managements on a daily basis. Every month, a detailed report including, amongst other information, interest rate and currency positions, the portfolio of hedging instruments, a summary of investments and financing by currency and the monitoring of risk by counterpart is transmitted to the executive managements. In order to implement the strategy most appropriate to each circumstance, any type of instrument may be used so long as it is qualifies as hedging within IFRS.
The policy on fuel hedging is the responsibility of the fuel purchasing departments which are also in charge of purchasing fuel for physical deliver. Counterpart quality is verified by the financial departments. A weekly report is supplied to the executive managements. This mainly covers the transactions carried out during the week, the valuation of all positions, the hedge percentages as well as the breakdown of instruments and the underlyings used, average hedge levels and the resulting net prices, as well as a comment on market. All these data cover the current year and next four financial years. Furthermore, a weekly Air France-KLM group report (known as the GEC Report) consolidates the figures from the two companies relating to fuel hedging. Instruments used are swaps ad options.

- **Currency risk**

Most of the group's revenues are generated in euros. However, because of its international activities, the group incurs a foreign exchange risk. Main exposure is born on the US dollar, and then, to a lesser extent, on the pound sterling and Japanese yen. Therefore, any changes in the exchange rates for these currencies in relation to the euro will have an impact on the group's financial results.
With regard to the US dollar, since expenditures such as fuel, operating lease or component costs exceed the level of revenue, the group is a net buyer. This induces that any significant appreciation in the dollar against the euro could result in a negative impact on the group's activity and financial results.
Conversely, Air France-KLM is a net seller of the yen and of sterling, the level of revenues in these currencies exceeding expenditure. As a result, any significant decline in these currencies against the euro could have a negative effect on the group's activity and financial results
In order to reduce their currency exposure, Air France and KLM have both adopted hedging strategies.
For the US dollar, both companies have a systematic hedging policy designed to cover approximately 30% of their net exposure over a rolling 12 months. This percentage may be increased to 75% over the financial year according to market conditions and expectations. In particularly favourable market conditions, the hedging period may be extended to several financial years.
For the other currencies, hedging levels depend on market conditions and may reach 70% of the exposure for the current year and, in certain cases, the next few financial years if conditions are very favourable.
Aircraft are purchased in US dollars, meaning that the group is highly exposed to a rise in the dollar against the euro for its aeronautics investments. The hedging policy provides for minimum systematic hedging of 30% of the exposure at the beginning of the financial year. In highly favourable market conditions, as currently, hedging may reach 90% of the exposure of the forthcoming four or five years.
The exchange rate risk on the group's financial debt is limited. At March 31, 2008, 90% of the group's gross debt, after taking into account derivative instruments, was issued in or converted into euros, thereby sharply reducing the risk of currency fluctuations on the debt.
Despite this active hedging policy, not all exchange rate risks are covered, notably in the event of a major currency fluctuation. The group and its subsidiaries might then encounter difficulties in managing currency risks, which could have a negative impact on the group's business and financial results.

- **Interest rate risk**

At both Air France and KLM, most financial debt is based on floating-rate instruments in line with market practice. However, given the historically low level of interest rates, Air France and KLM have used swap strategies to convert a significant proportion of their floating-rate debt into fixed rates. After swaps, the Air France-KLM group's gross debt contracted at fixed rates represents 75% of the overall total.
Given this policy, the group has negative net exposure to interest rates, the cash invested at variable rates exceeding the debt at floating rates. Air France-KLM is thus exposed to a fall in interest rates.

- **Fuel price risk**

Risks linked to the jet fuel price are hedged within the framework of a hedging strategy for the whole of the Air France-KLM group, based on the following principles:

Minimum hedge percentage

- quarter underway: 65% of the volumes consumed,
- quarter 1 to quarter 4: 65% of the volumes consumed,
- quarter 5 to quarter 8: 45% of the volumes consumed,
- quarter 9 to quarter 12: 25% of the volumes consumed,
- quarter 12 to quarter 16: 5% of the volumes consumed.

Underlyings

For the current financial year, at least 30% of volumes consumed are hedged in distillates, including a minimum 20% in Jet fuel. Beyond this minimum in distillates for the current financial year, the choice of underlying is at the discretion of Air France and of KLM provided that this choice is based on compliant underlyings as defined by IAS 39.
For subsequent years, the choice of underlying is at the discretion of Air France and KLM provided that this choice is based on compliant underlyings as defined by IAS 39.

Instruments

The instruments used within the framework of the strategy must be compliant with IAS 39.

The position of the Air France-KLM group with regard to fuel exposure is available on the website, updated weekly (www.airfranceklm-finance.com).

- **Investment risks**

The cash resources of Air France and KLM are primarily invested in liquid, short-term instruments, such as money market and dynamic money market mutual funds, on which the recommended investment horizon is a maximum of 36 months. Cash notes or certificates of deposit rated A1 or P1 are also used. A portion of KLM's liquid assets are invested in foreign-currency AAA-rated bonds, in order to reduce the currency risk on the debt. Given the crisis under way on financial markets, the two cash resources are currently invested under short term, primarily money market mutual funds and certificates, except for the above-mentioned bonds.

32.2. Derivative instruments

- **Year ended March 31, 2008**

Book value *in € millions*	**Assets**		**Liabilities**	
	Non-current	**Current**	**Non-current**	**Current**
Currency exchange risk (operating and financial operations)				
Fair value hedge	54	16	361	167
Cash flow hedge	26	18	123	140
Interest rate risk (operating and financial operations)				
Cash flow hedge	49	2	30	-
Fair value hedge	13	-	83	42
Fair value through profit and loss	51	1	14	1
Commodities risk				
Fair value hedge	-	-	-	-
Cash flow hedge	1 614	1 538	56	634
Total	**1 807**	**1 575**	**667**	**984**

- **Year ended March 31, 2007**

Book value *in € millions*	**Assets**		**Liabilities**	
	Non-current	**Current**	**Non-current**	**Current**
Currency exchange risk (operating and financial operations)				
Fair value hedge	5	2	96	50
Cash flow hedge	17	30	11	32
Interest rate risk (operating and financial operations)				
Cash flow hedge	61	1	23	2
Fair value hedge	27	16	90	34
Fair value through profit and loss	50	-	9	1
Commodities risk				
Fair value hedge	-	-	-	-
Cash flow hedge	429	407	20	100
Total	**589**	**456**	**249**	**219**

- **Year ended March 31, 2006**

Book value *in € millions*	**Assets** Non-current	**Assets** Current	**Liabilities** Non-current	**Liabilities** Current
Currency exchange risk (operating and financial operations)				
Fair value hedge	16	11	26	42
Cash flow hedge	-	47	-	25
Interest rate risk (operating and financial operations)				
Cash flow hedge	36	3	35	4
Fair value hedge	108	24	73	-
Fair value through profit and loss	49	-	9	-
Commodities risk				
Fair value hedge	-	-	-	-
Cash flow hedge	764	937	11	149
Total	**973**	**1 022**	**154**	**220**

Exposure to interest rate risk

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

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

- **Year ended March 31, 2008**

In € millions	Nominal	Maturity below 1 year	Maturity between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging								
Interest rate swaps	2 790	362	313	256	234	213	1 412	21
Operations qualified as fair value hedging								
Interest rate swaps	845	251	111	175	178	68	62	(112)
Operations qualified as fair value through profit and loss	642	416	-	-	-	35	191	37
TOTAL	**4 277**	**1 029**	**424**	**431**	**412**	**316**	**1 665**	**(54)**

- **Year ended March 31, 2007**

In € millions	Nominal	Maturity below 1 year	Maturity between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging								
Interest rate swaps	3 749	330	467	421	280	261	1 990	38
Operations qualified as fair value hedging								
Interest rate swaps	1 349	160	538	118	182	190	161	(82)
Others	1	1	-	-	-	-	-	-
Operations qualified as fair value through profit and loss	915	424	153	67	13	15	243	40
TOTAL	**6 014**	**915**	**1 158**	**606**	**475**	**466**	**2 394**	**(4)**

- **Year ended March 31, 2006**

In € millions	Nominal	Maturity below 1 year	Maturity between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging								
Interest rate swaps	3 742	491	340	494	279	238	1 900	-
Operations qualified as fair value hedging								
Interest rate swaps	2 082	356	476	359	276	205	410	59
Operations qualified as fair value through profit and loss	641	87	25	167	68	14	280	40
TOTAL	**6 465**	**934**	**841**	**1 020**	**623**	**457**	**2 590**	**99**

These instruments have different purposes:

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

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

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

In € millions *Year ended March 31,*	2008				2007				2006			
	Before hedging		**After hedging**		**Before hedging**		**After hedging**		**Before hedging**		**After hedging**	
	Base	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**
Fixed-rate financial assets and liabilities												
Fixed-rate financial assets	**1 918**	**4.8%**	**1 918**	**4.8%**	**1 855**	**4.5%**	**1 861**	**4.5%**	**770**	**6.7%**	**770**	**6.7%**
Repackaged perpetual loans	-	-	-	-	36	10.3%	36	10.3%	147	10.1%	147	10.1%
Perpetual subordinated loans	457	5.5%	500	4.6%	448	4.9%	492	4.9%	491	4.4%	491	4.4%
OCEANE (convertible bond)	389	2.8%	389	4.2%	386	2.8%	386	4.2%	382	4.4%	382	4.4%
Bonds	750	4.7%	750	4.7%	550	4.8%	550	4.8%	-	-	-	-
Other financial debts	2 317	6.3%	4 362	4.6%	2 534	6.6%	4 920	4.6%	3 175	6.5%	5 221	4.8%
Cross currency interest rate swap	-	-	(164)	-	-	-	(155)	-	-	-	-	-
Fixed-rate financial liabilities	**3 913**	**5.5%**	**5 837**	**4.6%**	**3 954**	**5.9%**	**6 229**	**4.6%**	**4 195**	**6.2%**	**6 241**	**4.9%**
Floating-rate financial assets and liabilities												
Floating-rate financial assets	**3 722**	**5.3%**	**3 722**	**5.3%**	**3 427**	**5.5%**	**3 420**	**5.7%**	**3 967**	**2.8%**	**3 967**	**2.8%**
Repackaged perpetual loans	-	-	-	-	85	4.1%	85	4.1%	-	-	-	-
Perpetual subordinated loans	-	-	-	-	15	4.1%	15	4.1%	-	-	-	-
Other financial debts	3 906	4.7%	1 982	4.9%	4 463	4.1%	2 188	4.2%	4 891	3.0%	2 845	3.0%
Bank overdraft	172	-	172	-	133	-	133	-	102	-	102	-
Floating-rate financial liabilities	**4 078**	**4.7%**	**2 154**	**4.9%**	**4 696**	**4.1%**	**2 421**	**4.2%**	**4 993**	**3.0%**	**2 947**	**3.0%**

Exposure to exchange rate risk

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

Current operations:
Although the Group's reporting currency is the euro, part of its cash flow is denominated in other currencies, such as the US dollar, the yen, the pound sterling and the Swiss franc. Commercial activities also generate and incur income and expenses in foreign currencies. The Group's policy is to hedge against exchange risks related to forecast cash surpluses or shortfalls in each of the principal currencies (US dollar, yen, non-euro European currencies). Hedging is achieved through forward sales or purchase contracts and/or option-based strategies.

Acquisition of flight equipment:
Capital expenditure for flight equipment is denominated in US dollars. The Group hedges on the basis of projected fluctuations in the US dollar exchange rate via forward sales and purchases and/or option-based strategies.

Long-term debt and capital leases:
A number of loans are denominated in foreign currencies so as to diversify sources of funding and take into account cash surpluses generated in various currencies. In order to hedge against the risk of exchange rate fluctuations on debt and capital leases, currency rate swaps are used. This is a micro-hedging mechanism matched specifically to the borrowing to which it relates.
Nominal amounts of forward currency hedges and swaps are shown below, based on the nature of the hedging instrument.

- **Year ended March 31, 2008**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Exchange risk (cash flow hedging of operating flows)	**3 856**	**1 900**	**1 004**	**714**	**71**	**19**	**148**	**(219)**
Exchange rate options								
US Dollar	2 207	1 003	653	551	-	-	-	(197)
Yen	180	90	71	19	-	-	-	(1)
Forward purchases								
US Dollar	658	259	196	120	51	11	21	(56)
Forward sales								
US Dollar	59	26	33	-	-	-	-	8
Yen	123	54	48	21	-	-	-	1
Pound sterling	132	132	-	-	-	-	-	8
Swiss franc	56	56	-	-	-	-	-	(1)
Singapore Dollar	8	8	-	-	-	-	-	-
Norwegian Krone	129	129	-	-	-	-	-	1
Czech Krone	10	10	-	-	-	-	-	(1)
Swedish Krona	82	82	-	-	-	-	-	1
Polish New Zloty	9	9	-	-	-	-	-	-
Korean Won	30	30	-	-	-	-	-	2
Others								
US Dollar	173	12	3	3	20	8	127	16
Exchange risk (Fair value hedging of flight equipment acquisition)	**4 478**	**1 319**	**1 337**	**847**	**662**	**133**	**180**	**(458)**
Forward purchases								
US Dollar	4 313	1 271	1 276	816	637	133	180	(453)
Exchange rate options of US Dollar	94	2	36	31	25	-	-	(4)
Exchange risk (trading)								
Forward purchases of US Dollar	71	46	25	-	-	-	-	(1)
Total	**8 334**	**3 219**	**2 341**	**1 561**	**733**	**152**	**328**	**(677)**

- **Year ended March 31, 2007**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Exchange risk (cash flow hedging of operating flows)	**2 791**	**2 274**	**281**	**81**	**49**	**65**	**41**	**4**
Exchange rate options								
US Dollar	1 300	1 098	202	-	-	-	-	(13)
Pound sterling	160	160	-	-	-	-	-	2
Yen	56	53	3	-	-	-	-	2
Forward purchases								
US Dollar	558	348	48	44	45	41	32	(15)
Forward sales								
US Dollar	88	41	14	33	-	-	-	2
Yen	19	19	-	-	-	-	-	2
Pound sterling	262	262	-	-	-	-	-	2
Swiss franc	35	35	-	-	-	-	-	-
Singapore Dollar	12	12	-	-	-	-	-	-
Norwegian Krone	102	102	-	-	-	-	-	-
Czech Krone	12	12	-	-	-	-	-	-
Swedish Krona	61	61	-	-	-	-	-	1
Polish New Zloty	8	8	-	-	-	-	-	-
Korean Won	26	26	-	-	-	-	-	-
Others								
US Dollar	92	37	14	4	4	24	9	21
Exchange risk (Fair value hedging of flight equipment acquisition)	**2 496**	**749**	**561**	**641**	**315**	**83**	**147**	**(139)**
Forward purchases								
US Dollar	2 446	725	548	628	315	83	147	(139)
Pound sterling	32	6	13	13	-	-	-	-
Yen	4	4	-	-	-	-	-	-
Exchange rate options of US Dollar	14	14	-	-	-	-	-	-
Exchange risk (trading)	**21**	**21**	-	-	-	-	-	**-**
Forward purchases of US Dollar	21	21	-	-	-	-	-	-
Total	**5 308**	**3 044**	**842**	**722**	**364**	**148**	**188**	**(135)**

- **Year ended March 31, 2006**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Exchange risk (cash flow hedging of operating flows)	**2 092**	**1 907**	**76**	**26**	**15**	**15**	**53**	**23**
Exchange rate options								
US Dollar	736	700	36	-	-	-	-	(1)
Pound sterling	105	92	13	-	-	-	-	2
Yen	78	78	-	-	-	-	-	7
Canadian dollar	11	11	-	-	-	-	-	(1)
Other	41	-	12	12	1	1	15	-
Forward purchases								
US Dollar	617	522	15	14	14	14	38	11
Forward sales								
US Dollar	2	2	-	-	-	-	-	-
Yen	69	69	-	-	-	-	-	3
Pound sterling	177	177	-	-	-	-	-	3
Swiss franc	36	36	-	-	-	-	-	1
Singapore Dollar	30	30	-	-	-	-	-	(1)
Norwegian Krone	87	87	-	-	-	-	-	-
Swedish Krona	61	61	-	-	-	-	-	-
Polish New Zloty	9	9	-	-	-	-	-	-
Korean Won	33	33	-	-	-	-	-	(1)
Exchange risk (Fair value hedging of flight equipment acquisition)	**2 746**	**849**	**800**	**628**	**400**	**62**	**7**	**(41)**
Forward purchases of US dollars	2 746	849	800	628	400	62	7	(41)
Total	**4 838**	**2 756**	**876**	**654**	**415**	**77**	**60**	**(18)**

Commodity risk linked to fuel prices

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

In the normal course of its business, the Group conducts transactions on petroleum product markets in order to effectively manage the risks related to its purchases of fuel.
The nominal amounts of the Group's commitments on the crude and refined oil markets are shown below :

- **Year ended March 31, 2008**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Commodity risk (cash flow hedging operating flows)	**7 536**	**2 582**	**1 884**	**2 266**	**804**	**-**	**-**	**2 462**
Swap	819	253	484	82	-	-	-	529
Options	6 717	2 329	1 400	2 184	804	-	-	1 933

- **Year ended March 31, 2007**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Commodity risk (cash flow hedging operating flows)	**6 338**	**3 105**	**1 760**	**902**	**569**	**2**	**-**	**716**
Swap	2 624	1 352	581	574	115	2	-	366
Options	3 714	1 753	1 179	328	454	-	-	350

- **Year ended March 31, 2006**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Commodity risk (cash flow hedging operating flows)	**5 548**	**2 854**	**1 120**	**1 042**	**532**	**-**	**-**	**1 540**
Swap	3 194	1 415	902	432	445	-	-	637
Options	2 354	1 439	218	610	87	-	-	903

Counterparty risk management

Transactions which can lead to counterparty risk for the Group are as follows:
- temporary financial investments;
- derivative instruments;
- trade receivables.

- Financial investments are diversified, in blue-chip securities with top tier banks.
- Group transactions on derivative instruments have the sole aim of reducing its overall exposure to exchange risks, interest rate risks and commodity risks in its normal course of business. Such transactions are limited to organized markets or over-the-counter transactions with first-class counterparties.
- Counterparty risk relating to trade receivables is limited due to the large number and geographical diversity of customers comprising the trade receivables portfolio.

At March 31, 2008 as in the years to March 31, 2007 and 2006 the Group did not identify any significant counterparty risk.

32.3. Market value of financial instruments

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

- Market values cannot take into consideration the effect of subsequent fluctuations in interest or exchange rates,
- Estimated amounts as of March 31, 2008, 2007 and 2006 are not indicative of gains and/or losses arising upon maturity or in the event of cancellation of a financial instrument.

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

The methods used are as follows:

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

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

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

- *Off balance-sheet instruments:*
  The market value of off-balance-sheet instruments corresponds to the amounts payable or receivable were the positions to be closed out as of March 31, 2008, 2007 and 2006 calculated using the year-end market rate.

Market values calculated in this way are shown in the table below :

In € millions	March 31, 2008		March 31, 2007		March 31, 2006	
	Net book value	**Estimated market value**	**Net book value**	**Estimated market value**	**Net book value**	**Estimated market value**
Financial assets						
Financial assets available for sale						
Shares	78	78	73	73	77	77
Assets at fair value through profit and loss						
Marketable securities	185	185	533	533	865	865
Loans and receivables						
Loans						
Fixed-rate	294	319	329	346	351	362
Floating-rate	85	84	126	126	151	151
Interest rate derivative instruments						
Interest rate swaps	116	116	156	156	220	220
Exchange rate derivative instruments						
Exchange rate options	2	2	15	15	21	21
Forward currency contracts	92	92	16	16	54	54
Currency swaps	20	20	23	23		
Commodity derivative instruments						
Petroleum swaps and options	3 152	3 152	836	836	1 700	1 700
Trade accounts receivables	2 569	2 569	2 610	2 610	2 518	2 518
Other assets (except derivatives instruments)	817	817	830	830	843	843
Cash and cash equivalents						
Cash equivalents	4 051	4 051	3 249	3 249	2 726	2 726
Cash in hand	299	299	248	248	220	220
Financial liabilities						
Debt measured at amortized cost						
Bonds (*)						
Fixed-rate	1 139	1 063	936	856	382	548
Perpetual subordinated loans	457	417	584	584	638	633
Other borrowings and financial debt						
Fixed-rate	2 318	2 226	2 534	2 549	3 175	3 182
Variable-rate	3 905	3 905	4 368	4 368	4 891	4 891
Derivatives						
Interest rate derivative instruments						
Interest rate swaps	170	170	159	159	121	121
Exchange derivative instruments						
Exchange rate options	203	203	24	24	15	15
Forward currency contracts	572	572	163	163	78	78
Currency swaps	16	16	1	1	-	-
Commodity derivative instruments						
Petroleum swaps and options	690	690	120	120	160	160
Other debt						
Trade accounts payable	2 218	2 218	2 131	2 131	2 039	2 039
Deferred revenue on ticket sales	2 279	2 279	2 217	2 217	2 062	2 062
Other liabilities (except derivatives instruments)	2 319	2 319	2 268	2 268	2 312	2 312

(*) the fixed rate bonds comprise the OCEANE (convertible bonds) issued in April 2005, as well as the € 750 million bond issue made in September 2006 and April 2007 by Air France.

OCEANE: The market value of € 368 million, was determined based on the bond's market price as of March 31, 2008. This market value includes the fair value of the debt component (amount of € 389 million in the financial statements as of March 31, 2008) as well as the fair value of the conversion option recorded in equity for € 61 million.

Bond issued in September 2006 and April 2007: the characteristics of this bond are described in note 30.4. The market value is € 756 million.

32.4. Sensitivity

Fuel price sensitivity

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

In € millions	**March 31, 2008**		**March 31, 2007**		**March 31, 2006**	
	Increase of USD 10 per barrel of Brent	**Decrease of USD 10 per barrel of Brent**	**Increase of USD 10 per barrel of Brent**	**Decrease of USD 10 per barrel of Brent**	**Increase of USD 10 per barrel of Brent**	**Decrease of USD 10 per barrel of Brent**
Income before tax	43	(46)	58	(21)	2	(31)
Gains / (losses) taken to equity	888	(921)	834	(779)	878	(886)

Currency sensitivity

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

In € millions	**Monetary assets**			**Monetary liabilities**		
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**
US dollar	528	635	586	919	1 321	1 708
Pound sterling	26	7	22	49	43	64
Yen	4	9	25	202	203	256
Swiss franc	10	2	10	271	258	265
Canadian dollar	3	2	2	2	9	3

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

The impact on " income before tax " and on "gains / (losses) taken to equity" of a 10% variation in exchange rates in absolute value relative to the euro is presented below:

In € millions	**US dollar**			**Pound sterling**			**Yen**		
Au 31 mars	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Income before tax	107	37	46	4	6	7	15	3	5
Gains / (losses) taken to equity	142	121	115	7	40	35	17	5	1

Interest rate sensitivity

The group is exposed to the risk of interest rate variation. The variation of 100 basic points of interest rates would have an impact on the net result of € 25 million for the year ending March 31, 2008 against € 16 million for the year ending March 31, 2007 and € 7 million for the year ending March 31, 2006.

33. LEASE COMMITMENTS

33.1. Capital leases

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

33.2. Operating leases

The minimum future payments on operating leases are as follows:

In € millions	**Minimum lease payments**		
Year ended March 31,			
	2008	**2007**	**2006**
Flight equipment			
Due dates			
N + 1	630	637	645
N + 2	589	555	580
N + 3	483	427	457
N + 4	356	369	354
N + 5	281	282	298
Over 5 years	433	516	613
	2 772	**2 786**	**2 947**
Buildings			
Due dates			
N + 1	227	146	106
N + 2	226	130	102
N + 3	224	118	90
N + 4	225	102	79
N + 5	228	95	67
Over 5 years	657	654	592
	1 787	**1 245**	**1 036**

The expense relating to operating leases for flight equipment amounted to € 611 million for the year ended March 31, 2008, to € 600 million for the year ended March 31, 2007 and to € 637 million for the year ended March 31, 2006.
The Group may sub-lease flight equipment and buildings. The revenue generated by this activity is not significant for the Group.

34. FLIGHT EQUIPMENT ORDERS

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

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
N+1	999	870	989
N+2	1 292	571	951
N+3	945	688	731
N+4	706	416	545
N+5	133	287	137
> 5 years	-	-	135
Total	**4 075**	**2 832**	**3 488**

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

The number of aircraft on firm order as of March 31, 2008 increased by 58 units compared with March 31, 2007 to 105 units. The number of options increased by 29 units over the same period to reach 63 aircraft. These movements can be explained by:

- the delivery of 11 aircraft over the period;
- new orders: 56 firm orders and 42 options;
- the conversion of 13 options into firm orders.

Long-haul fleet

Passenger

The Group took delivery of 6 Boeing B777. Concerning this aircraft type, the Group has ordered a firm order of 7 units, converted 8 options into firm orders (including one coming from Boeing B777F) and ordered 12 options. Moreover, the Group has converted two options on Airbus A380 and ordered two options on Airbus A330.

As of March 31, 2008, the Group’s backlog for the long-haul fleet comprised firm orders for 12 Airbus A380s and 20 Boeing B777s. It comprised also 17 options: 2 Airbus A380s, 2 Airbus A330s and 13 Boeing B777s.

Cargo

Following to the conversion of an option on Boeing B777F transformed into B777, the Group has ordered a new option. The outstanding orders concerning the cargo long-haul fleet are stable with 8 Boeing B777F (five firm orders and three options). The first deliveries will begin during the winter of 2008-2009.

Medium-haul fleet

The Group took delivery of two Boeing B737 finally under operational lease.
The Group has ordered a firm order of 15 Airbus A320/A321 and taken the three options on Airbus A318 converted into A320/A321. This new order is accompanied with ten options. Concerning the Boeing B737, the Group has ordered a firm order for twelve aircraft and three options.

As of March 31, 2008, the Group’s backlog comprised 12 Airbus A320s, 6 Airbus A321s and 20 Boeing B737s. The Group also has 21 options : 10 Airbus A320s and 11 Boeing B737s.

Regional fleet

The Group took delivery of three Canadair CRJ700. It has placed an order with Embraer for 10 ERJ170s (9 firm orders and 1 option) and for 24 ERJ190s (11 firm orders and 13 options). There is also a firm order for 2 AVRO RJ85s.

As of March 31, 2008, the Group’s backlog comprised 30 aircraft under firm orders (eight CRJ1000s, nine ERJ170s, eleven ERJ190s and two AVRO RJ85s) and 22 options (eight CRJ1000s, one ERJ170s and thirteen ERJ190s).

Air France-KLM Group

The Group’s commitments concern the following aircraft:

Aircraft type		To be delivered in	N+1	N+2	N+3	N+4	N+5	Beyond N+5
A318	As of March 31, 2008	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	2	1	-	-	-
	As of March 31, 2006	Firm orders	6	-	-	-	-	-
		Options	-	1	2	1	-	-
A320	As of March 31, 2008	Firm orders	1	1	2	8	-	-
		Options	-	-	-	-	8	2
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2006	Firm orders	-	-	-	-	-	-
		Options	-	1	-	-	-	-
A321	As of March 31, 2008	Firm orders	1	-	2	3	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2006	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
A330	As of March 31, 2008	Firm orders	-	-	-	-	-	-
		Options	-	-	-	2	-	-
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2006	Firm orders	3	-	-	-	-	-
		Options	-	-	-	-	-	-
A380	As of March 31, 2008	Firm orders	-	5	3	3	1	-
		Options	-	-	-	1	1	-
	As of March 31, 2007	Firm orders	-	-	5	3	2	-
		Options	-	-	-	1	2	1
	As of March 31, 2006	Firm orders	-	2	3	3	1	1
		Options	-	-	-	-	1	3
B737	As of March 31, 2008	Firm orders	4	3	7	4	2	-
		Options	-	-	-	1	3	7
	As of March 31, 2007	Firm orders	4	6	-	-	-	-
		Options	-	2	5	1	-	-
	As of March 31, 2006	Firm orders	1	1	-	-	-	-
		Options	-	2	9	4	-	-
B777	As of March 31, 2008	Firm orders	5	5	5	4	1	-
		Options	-	-	-	4	8	1
	As of March 31, 2007	Firm orders	6	4	1	-	-	-
		Options	-	-	5	3	-	-
	As of March 31, 2006	Firm orders	7	6	1	2	-	-
		Options	-	-	1	4	3	-
B777 F	As of March 31, 2008	Firm orders	3	2	-	-	-	-
		Options	-	-	2	1	-	-
	As of March 31, 2007	Firm orders	-	3	2	-	-	-
		Options	-	-	1	2	-	-
	As of March 31, 2006	Firm orders	-	-	3	2	-	-
		Options	-	-	-	1	2	-
Embraer 170	As of March 31, 2008	Firm orders	3	4	2	-	-	-
		Options	-	-	1	-	-	-
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2006	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
Embraer 190	As of March 31, 2008	Firm orders	5	6	-	-	-	-
		Options	-	-	5	8	-	-
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2006	Firm orders	3	3	-	-	-	-
		Options	-	-	-	-	-	-
AVRO RJ85	As of March 31, 2008	Firm orders	2	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2007	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2006	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-

Aircraft type		To be delivered in	N+1	N+2	N+3	N+4	N+5	Beyond N+5
CRJ 700	As of March 31, 2008	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2007	Firm orders	3	-	-	-	-	-
		Options	-	-	-	-	-	-
	As of March 31, 2006	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-
CRJ 1000	As of March 31, 2008	Firm orders	-	1	4	3	-	-
		Options	-	-	-	-	-	*8*
	As of March 31, 2007	Firm orders	-	-	1	4	3	-
		Options	-	-	-	-	-	*8*
	As of March 31, 2006	Firm orders	-	-	-	-	-	-
		Options	-	-	-	-	-	-

35. OTHER COMMITMENTS

35.1. Commitments made

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Call on investment securities	1	3	3
Put on investment securities	(5)	(6)	(3)
Warranties, sureties and guarantees	113	109	98
Mortgaged or secured assets	5 398	5 997	7 572
Other purchase commitments	159	73	187

The restrictions and pledges as of March 31, 2008 were as follows:

In € millions	**Starting date of pledge**	**End of pledge**	**Amount pledged**	**NBV of balance sheet entry concerned**	**Corresponding %**
Intangible assets	-	-	-	475	-
Tangible assets	March 98	October 2019	6 018	14 473	41.58%
Financial assets	May 92	October 2019	852	1 259	67.67%
			6 870	**16 207**	**42.39%**

35.2. Commitments received

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Warranties, sureties and guarantees	302	245	198
Other	2	83	133

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

36. Related parties

36.1. Transactions with the principal executives

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

Advantages granted to the three principal executives are detailed as follows:

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Short term benefits	4.7	3.4	2.9
Post employment benefits	7.5	5.0	1.6
Total	**12.2**	**8.4**	**4.5**

Fees paid during the year ended March 31, 2008 but concerning the year ended March 31, 2007, for attendance at Board meetings amounted to € 0.6 million.

36.2. Transactions with other related parties

The cumulated amounts of transactions with related parties for the financial years ended March 31, 2008, 2007 and 2006 are as follows:

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Assets			
Net trade accounts receivable	105	130	114
Other current assets	5	2	-
Other non-current assets	21	10	8
	131	**142**	**122**
Liabilities			
Trade accounts payable	104	61	128
Other current liabilities	43	49	-
Other long-term liabilities	56	82	93
	203	**192**	**221**

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Net sales	310	291	281
Landing fees and other rents	(584)	(553)	(571)
Other selling expenses	(255)	(214)	(209)
Passenger service	(61)	(87)	(91)
Other	238	(21)	(19)
	(352)	**(584)**	**(609)**

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

Aéroport De Paris (ADP)

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

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

Total expenses incurred by the Group in connection with the above mentioned arrangements amounted to € 548 million, € 524 million and € 500 million for the periods ended March 31, 2008, 2007 and 2006.

Defense Ministry

Air France-KLM has entered into contracts with the French Defense Ministry to maintain certain aircraft of the French Air Force. The net revenue derived from such arrangements amounted to € 116 million for the year ended March 31, 2008, € 125 million for the year ended March 31, 2007, and € 110 million for the year ended March 31, 2006.

DGAC

The civil aviation regulator is the French State service organization, which manages security and safety in French air space. As a result, the DGAC charges fees to Air France-KLM for the use of installations and services amounting to € 98 million for the year ended March 31,2008, € 106 million for the year ended March 31, 2007, and € 98 million for the year ended March 31, 2006.

Transactions with equity affiliates

During the financial year, Air France-KLM executed transactions with equity affiliates. The principal transaction concerned WAM Acquisition (ex Amadeus GTD). For the year ended March 31, 2008, total transactions with WAM Acquisition amounted to a gain of € 72 million (compared with € 69 million for the year ended March 31, 2007 and € 68 million for the year ended March 31, 2006) and a charge of € 228 million (compared with € 189 million for the year ended March 31, 2007 and € 177 million for the year ended March 31, 2006). The Group also conducted business with Martinair, with revenues amounting to € 32 million for the year ended March 31, 2008, € 33 million for the year ended March 31, 2007 and € 26 million for the year ended March 31, 2006. Moreover, the Group contracted Martinair’s services whose total cost amounted to € 28 million for the year ended March 31, 2008, like the year ended March 31, 2007 and € 35 million for the year ended March 31, 2006.

During the period, Air France-KLM executed transactions with the other equity affiliates, including Heathrow Cargo Handling. Total transactions realized with these equity affiliates were not significant for the periods ended March 31, 2008, 2007 and 2006.

37. CASH FLOW STATEMENT

37.1. Acquisition of subsidiaries and investments

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

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Cash disbursement for acquisitions	(294)	(25)	(58)
Cash from acquired subsidiaries	22	-	-
Net cash disbursement	**(272)**	**(25)**	**(58)**

- **Year ended March 31, 2008**

The cash disbursement relating to acquisitions corresponds mainly to the purchase of VLM for € 178 million, Air France-KLM shares for € 88 million and KLM shares for € 12 million.

- **Year ended March 31, 2007**

The cash disbursement relating to acquisitions corresponds mainly to the purchase of 2% of Club Med for € 17 million.

- **Year ended March 31, 2006**

The cash disbursement relating to acquisitions corresponds mainly to the subscription to the Alitalia capital increase amounting to € 25 million, the acquisition of KLM's shares for a total of € 13 million, to the acquisition of shares in Aero Maintenance Group (AMG) for an amount of € 12 million and of Airlinair shares for an amount of € 4 million.

37.2. Disposal of subsidiaries

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

In € millions **Year ended March 31,**	**2008**	**2007**	**2006**
Proceeds from disposals	84	43	35
Cash of disposed subsidiaries	-	-	-
Net proceeds from disposals	**84**	**43**	**35**

- **Year ended March 31, 2008**

Net proceeds from disposals mainly correspond to the sale of Alpha Airport Plc for a total amount of € 69 million.

- **Year ended March 31, 2007**

Net proceeds from disposals mainly correspond to the sale of treasury shares for € 30 million.

- **Year ended March 31, 2006**

Net proceeds from disposals mainly correspond to the sale of treasury shares for € 22 million and to the sale of Air Austral shares for € 9 million.

37.3. Non cash transactions

During the year ended March 31, 2008, the Group entered into a financial lease concerning a share in a luggage sorter named the "Trieur Bagages Est" (TBE) at Charles de Gaulle airport. Neither the acquisition of the TBE nor the debt attached has an impact on the cash flow statement.

During the year ended March 31, 2007, the Group exchanged land located close to Schiphol (Netherlands) for shares in Schiphol Logistics Park CV. The valuation of the land and of the shares amounted to € 24 million. The entity Schiphol Logistics Park CV is equity accounted. Neither the disposal of the land nor the acquisition of Schiphol Logistics Park CV shares has an impact on the cash flow statement.

During the year ended March 31, 2006, there was no significant non-cash transaction.

38. SUBSEQUENT EVENTS

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

39. RECENT ACCOUNTING PRONOUNCEMENTS

New standards, interpretations and amendments to existing standards, effective for periods beginning on or after April 1, 2008, were not early adopted by the Group for the preparation of these consolidated financial statements:

- the revision to standard IAS 1 “Presentation of financial statements”, effective for periods beginning on or after January 1, 2009;
- the standard IFRS 8 “Operating Segments”, effective for periods beginning on or after January 1, 2009;
- the revision to standard IAS 23 “Borrowing costs”, effective for periods beginning on or after January 1, 2009;
- the revision to standard IFRS 3 “Business combinations”, effective for periods beginning on or after July 1, 2009;
- the revision to standard IAS 27 “Consolidated and separate financial statements”, effective for periods beginning on or after July 1, 2009;
- the interpretation IFRIC 12 “Service concession arrangements”, effective for periods beginning on or after January 1, 2008;
- the interpretation IFRIC 13 “Customer loyalty programmes”, effective for periods beginning on or after July 1, 2008.
- the interpretation IFRIC 14 “IAS 19: The limit of a defined asset, minimum funding requirements and their interaction”, effective for periods beginning on or after January 1, 2009. Impact of the application of the interpretation IFRIC 14 has already been anticipated by the Group (see note 3.17) and its coming into effect will not have any impact for the Group.

The group is currently estimating the potential impact of IFRIC 13 on the consolidated financial statements and disclosures. Other texts listed above should not lead to significant impacts.

Revisions to standards IAS1, IAS 23, IFRS 3 and IAS 27 as well as interpretations IFRIC 12 and IFRIC 13 have not yet been adopted by the European Union.

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

40. CONSOLIDATION SCOPE AS OF MARCH 31, 2008

The scope includes 161 fully consolidated entities and 25 equity affiliates

40.1. Consolidated entities

Entity	Segment	% interest	% control
AIR FRANCE SA	Multisegment	100	100
KLM N.V.	Multisegment	99	49
AEROLIS	Passenger	51	51
AIR FRANCE SERVICES LTD	Passenger	100	100
AIR France GROUND HANDLING INDIA PVT LTD	Passenger	51	51
BRIT AIR	Passenger	100	100
CITY JET	Passenger	100	100
CYGNIFIC (UK) LIMITED	Passenger	99	49
CYGNIFIC B.V.	Passenger	99	49
FREQUENCE PLUS SERVICES	Passenger	100	100
IAS ASIA INCORPORATED	Passenger	99	49
IASA INCORPORATED	Passenger	99	49
ICARE	Passenger	100	100
INTERNATIONAL AIRLINE SERVICES EUROPE LIMITED	Passenger	99	49
INTERNATIONAL AIRLINE SERVICES LIMITED	Passenger	99	49
INTERNATIONAL AIRLINE SERVICES OFFSHORE LIMITED	Passenger	99	49
INTERNATIONAL MARINE AIRLINE SERVICES LIMITED	Passenger	99	49
INTERNATIONAL MARINE AIRLINE SERVICES LIMITED LIABILITY COMPANY	Passenger	99	49
KLM CITYHOPPER B.V.	Passenger	99	49
KLM CITYHOPPER UK LTD	Passenger	99	49
KLM GROUND SERVICES LIMITED	Passenger	99	49
KLM LUCHTVAARTSCHOOL B.V.	Passenger	99	49
LYON MAINTENANCE	Passenger	100	100
REGIONAL COMPAGNIE AERIENNE EUROPEENNE	Passenger	100	100
SOCIETE D'EXPLOITATION AERONAUTIQUE	Passenger	100	100
Stichting Studentenhuisvesting Vliegveld Eelde	Passenger	99	49
TEAMTRACKERS SA	Passenger	100	100
TEAMTRACKERS SRO	Passenger	100	100
VLM AIRLINES NV	Passenger	100	100
BLUE CROWN B.V.	Cargo	99	49
CSC INDIA	Cargo	50	49
MEXICO CARGO HANDLING	Cargo	100	100
ROAD FEEDER MANAGEMENT B.V.	Cargo	99	49
SODEXI	Cargo	75	75
AIR FRANCE INDUSTRIE US	Maintenance	100	100
CRMA	Maintenance	100	100
EUROPEAN PNEUMATIC COMPONENT OVERHAUL AND REPAIR (EPCOR) B.V.	Maintenance	99	49
GUANGZHOU HANGXIN AVIONICS CO. LTD	Maintenance	41	100
HANGXIN HITECH RESOURCES HOLDING LTD	Maintenance	41	80
KLM UK ENGINEERING LIMITED	Maintenance	99	49
REENTON DEVELOPMENT LIMITED	Maintenance	51	51
SHANGHAI HANGXIN AERO MECHANICS CO. LTD	Maintenance	41	100
ACNA	Other	98	100

Entity	Segment	% interest	% control
ACSAIR	Other	50	51
AEROFORM	Other	98	100
AEROSUR	Other	98	100
AFRIQUE CATERING	Other	50	51
AIRCHEF	Other	49	50
AIR FRANCE FINANCE	Other	100	100
AIR FRANCE FINANCE IRELAND	Other	100	100
AIR FRANCE PARTNAIRS LEASING NV	Other	45	45
AIR UK (Jersey) LIMITED	Other	99	49
AIR UK LEASING LIMITED	Other	99	49
AIRCRAFT MAINTENANCE AMSTERDAM B.V.	Other	99	49
AIRGO B.V.	Other	99	49
AIRPORT MEDICAL SERVICES B.V.	Other	79	49
AIRPORT MEDICAL SERVICES C.V.	Other	79	49
ALL AFRICA AIRWAYS	Other	80	80
AMA HOLDING B.V.	Other	99	49
AMSTERDAM SCHIPOL PIJPLEIDING BEHEER B.V.	Other	58	49
AMSTERDAM SCHIPOL PIJPLEIDING B.V.	Other	59	49
AMSTERDAM SCHIPOL PIJPLEIDING C.V.	Other	71	49
AQUILA INVEST B.V.	Other	99	49
BASE HANDLING	Other	98	100
BLUE YONDER II B.V.	Other	99	49
BLUE YONDER IX B.V.	Other	99	49
BLUE YONDER X B.V.	Other	99	49
BLUE YONDER XI B.V.	Other	99	49
BLUE YONDER XII B.V.	Other	99	49
BLUE YONDER XIII B.V.	Other	99	49
BLUE YONDER XIV B.V.	Other	99	49
BLUE YONDER XV B.V.	Other	99	49
BRUNEAU PEGORIER	Other	98	100
CARI	Other	98	100
CATERING FDF	Other	98	100
CATERING PTP	Other	98	100
CELL K16 INSURANCE COMPANY	Other	99	0
CENTRE DE PRODUCTION ALIMENTAIRE	Other	98	100
CULIN'AIR PARIS	Other	98	100
DAKAR CATERING	Other	49	50
ETS Equipment Techno Services	Other	99	49
EUROPEAN CATERING SERVICES	Other	98	100
GIE JEAN BART	Other	10	10
GIE SERVCENTER	Other	98	100
GIE SURCOUF	Other	100	100
HANDICAIR	Other	98	100
HEESWIJK HOLDING B.V.	Other	99	49
JET CHEF	Other	98	100
KES AIRPORT EQUIPMENT FUELLING B.V.	Other	99	49
KES AIRPORT EQUIPMENT LEASING B.V.	Other	99	49
KLEUR INVEST B.V.	Other	99	49
KLM AIRLINE CHARTER B.V.	Other	99	49
KLM CATERING SERVICES SCHIPOL B.V.	Other	99	49
KLM EQUIPMENT SERVICES B.V.	Other	99	49
KLM FINANCIAL SERVICES B.V.	Other	99	49
KLM FLIGHT CREW SERVICES GMBH	Other	99	49
KLM HEALTH SERVICES B.V.	Other	99	49

Entity	Segment	% interest	% control
KLM INTERNATIONAL CHARTER B.V.	Other	99	49
KLM INTERNATIONAL FINANCE COMPANY B.V.	Other	99	49
KLM OLIEMAATSCHAPPIJ B.V.	Other	99	49
KLM UK HOLDINGS LIMITED	Other	99	49
KLM UK LIMITED	Other	99	49
KROONDUIF B.V.	Other	99	49
LYON AIR TRAITEUR	Other	98	100
MALI CATERING	Other	70	99
MANAGEMENT MAATSCHAPPIJ B.V.	Other	99	49
MARTINIQUE CATERING	Other	91	93
MAURITANIE CATERING	Other	25	51
OCCABOT BEHEER B.V.	Other	99	49
O'FIONNAGAIN HOLDING COMPANY LIMITED	Other	100	100
ORION-STAETE B.V.	Other	99	49
ORLY AIR TRAITEUR	Other	98	100
OUAGADOUGOU CATERING SERVICES	Other	98	100
PASSERELLE	Other	98	100
PASSERELLE CDG	Other	98	100
PELICAN	Other	100	100
PHK FREIGHT SERVICES B.V.	Other	99	49
PMAIR	Other	50	51
PRESTAIR	Other	98	100
PYRHELIO-STAETE B.V.	Other	99	49
QUASAR-STAETE B.V.	Other	99	49
RIGEL-STAETE B.V.	Other	99	49
ROSC LIMITED	Other	99	49
SAVEUR DU CIEL	Other	98	100
SERVAIR (Cie d'exploitation des services auxiliaires aériens)	Other	98	98
SERVAIR SATS	Other	50	51
SERVANTAGE	Other	98	100
SERVCLEANING	Other	98	100
SERVLING	Other	98	100
SKYCHEF	Other	54	55
SKYLOGISTIC	Other	98	100
SOCIETE IMMOBILIERE AEROPORTUAIRE	Other	98	100
SOGRI	Other	95	97
SORI	Other	49	50
SPECIAL MEALS CATERING	Other	98	100
SPICA-STAETE B.V.	Other	99	49
STICHTING GARANTIEFONDS KLM LUCHTVAARTSCHOOL	Other	99	49
SYSTAIR	Other	98	100
TAKEOFF 1 LIMITED	Other	100	100
TAKEOFF 10 LIMITED	Other	100	100
TAKEOFF 11 LIMITED	Other	100	100
TAKEOFF 12 LIMITED	Other	100	100
TAKEOFF 13 LIMITED	Other	100	100
TAKEOFF 14 LIMITED	Other	100	100
TAKEOFF 15 LIMITED	Other	100	100
TAKEOFF 16 LIMITED	Other	100	100
TAKEOFF 2 LIMITED	Other	100	100
TAKEOFF 3 LIMITED	Other	100	100
TAKEOFF 4 LIMITED	Other	100	100
TAKEOFF 5 LIMITED	Other	100	100
TAKEOFF 6 LIMITED	Other	100	100

Entity	Segment	% interest	% control
TAKEOFF 7 LIMITED	Other	100	100
TAKEOFF 8 LIMITED	Other	100	100
TAKEOFF 9 LIMITED	Other	100	100
TOULOUSE AIR TRAITEUR	Other	50	51
TRANSAVIA AIRLINES BV	Other	99	49
TRANSAVIA AIRLINES C.V.	Other	99	49
TRANSAVIA France	Other	99	100
TRAVEL INDUSTRY SYSTEMS B.V.	Other	99	49
UILEAG HOLDING COMPANY LIMITED	Other	100	100
WEBLOK B.V.	Other	99	49

40.2. Equity affiliates

Entity	Segment	% interest	% control
FINANCIERE LMP	Passenger	20	20
HEATHROW CARGO HANDLING	Cargo	50	50
AERO MAINTENANCE GROUP	Maintenance	39	39
SHANGDONG XIANGYU AERO-TECHNOLOGY SERVICES LTD	Maintenance	8	20
SINGAPORE HANGXIN AVIATION ENG. PTE	Maintenance	12	30
SPAIRLINERS	Maintenance	50	50
BAAN TARA DEVELOPMENT LTD	Other	99	49
BAAN TARA HOLDING LTD	Other	99	49
FLYING FOOD CATERING	Other	48	49
FLYING FOOD MIAMI	Other	48	49
FLYING FOOD SAN FRANCISCO	Other	43	44
FLYING FOOD SERVICES	Other	48	49
INTERNATIONAL AEROSPACE MANAGEMENT COMPANY S.C.R.L.	Other	20	20
KENYA AIRWAYS LIMITED	Other	26	26
LOGAIR	Other	49	50
LOME CATERING SA	Other	17	35
MACAU CATERING SERVICES	Other	17	34
MARTINAIR HOLLAND N.V.	Other	49	49
PAVILLON D'OC TRAITEUR	Other	34	35
SCHIPOL LOGISTICS PARK CV	Other	52	49
SEREP	Other	38	39
SERVAIR EUREST	Other	34	35
SESAL	Other	39	40
TERMINAL ONE GROUPE ASSOCIATION	Other	25	25
WAM	Other	22	22