



2005-06

Sustainable Development Report

Contents

Group profile	Left inside flap
One group, two airlines	
Three businesses	
Reading keys	Right inside flap
Guidelines	
Report scope and methodology	
Terms and abbreviations	
Global Reporting Initiative reference table	
Global Compact reference table	
Foreword	1
Key challenges for sustainable development	2
Safety, security and health	
Achieving sustainable growth	
Contributing to the community	
Working together	
Protecting our environment	
A common commitment to sustainable development	4
Vision	
Policy for sustainable development	
Organization	
Corporate governance	
Dialogue with our stakeholders	
Safety, security and health	8
Flight safety	
Security	
Crisis management	
Health	
Health and safety in the workplace	
Achieving sustainable growth	12
State of the air transport industry	
A profitable growth strategy	
What is a hub?	
Customer satisfaction	
Contributing to the community	16
Contributing to the economy	
Creating value for our stakeholders	
Contributing to the community	
Humanitarian aid	
Working together	20
Separate human resources strategies under a common umbrella	
Employment data for the Air France-KLM group	
Protecting our environment	26
Environmental challenges for Air France-KLM	
Limiting Air France-KLM's impact on climate change	
Limiting noise emissions	
Controlling our impact on local air quality	
Managing environmental impact at operational sites	
Environmental data for the Air France-KLM group	
The road ahead	36

Group Profile

One group, two airlines

A global leader in air transport

Created in May 2004, the Air France-KLM group is composed of a holding company and two airline subsidiaries – Air France and KLM – which have kept their own identities. The combination is guided by a common steering committee, the Strategic Management Committee (SMC).

A world leader in the air transport industry, Air France-KLM is pursuing long-term profitable growth. By capitalizing on the complementary assets of Air France and KLM, the Group has built a balanced network, organized around its hub airports at Paris-Charles de Gaulle and Amsterdam Schiphol, two of Europe's largest hubs.

Air France and KLM play key roles in the SkyTeam alliance, the world's second largest alliance in terms of market share, together with ten European, American and Asian partners.

Air France-KLM is governed by French company law and is listed for trading on Euronext Paris and Amsterdam and on the New York Stock Exchange.

Three businesses

The Group has leadership positions in each of its three businesses: passenger, cargo, and maintenance. In 2005-06 the three businesses represented 79%, 14% and 4%, respectively of total revenues, with other activities contributing 3%. The Group has 102,422 employees (full-time equivalents).

Passengers

The passenger business is the Group's largest and most visible business, generating consolidated revenues of 16.9 billion euros.

By combining their two complementary networks, their capacity and their hubs, the two airlines can now propose an even wider choice of destinations and flight schedules, with more seats at the best available prices, along with seamless service.

The Group has developed innovative fare structures, termed fare combinability, enabling passengers to combine an outbound flight on Air France with an inbound flight with KLM (or vice versa) and to benefit from the most convenient schedule and/or the most attractive fares.

Two awards celebrate the success of the Air France-KLM merger

Air France-KLM received the 2005 Airline of the Year Award from Air Transport World and the Commercial Air Transport Laureate from Aviation Week & Space Technology. Both magazines praised the success of the merger that transformed Air France-KLM into the leading air transport group.



As a result of the combination, the SkyTeam alliance became the second-largest global alliance, serving over 728 destinations in 149 countries with 15,000 flights daily.

In June 2005, the two airlines combined Air France's Fréquence Plus and KLM's Flying Dutchman frequent flyer programs and have since had a single customer loyalty program – Flying Blue – with over 11 million members.

Cargo

With a consolidated turnover of 2.9 billion euros, Air France-KLM is among the world's leading air cargo operators.

Air France and KLM created the Joint Cargo Team (JCT) on October 1, 2005, grouping into a single commercial organization the two businesses' activities in Network & Marketing and Sales & Distribution. The Joint Cargo Team enables the Group to offer corporate customers a single point of contact for its integrated and highly competitive offering, with flights out of its two hubs.

With the Joint Cargo Team, Air France Cargo-KLM Cargo intends to strengthen its international positioning and offer stronger and more efficient commercial capabilities to its key customers.

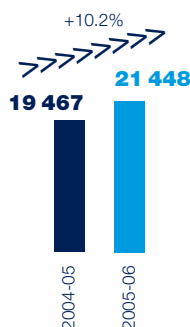
The Group's ambition is to be the world's number one cargo operator, based on its two extensive hubs in Paris and Amsterdam and the highly complementary operations at Air France Cargo and KLM Cargo.

Maintenance

Air France Industries and KLM Engineering & Maintenance provide the entire spectrum of aircraft MRO (Maintenance, Repair, Overhaul) services for selected aircraft types. Their respective fields of specialization are highly complementary and enhance the Group's ability to meet the needs of its two fleets, as well as those of some 150 third-party airline customers. The objective of the two companies is to give the Group a competitive advantage in terms of operational support and to be a significant and successful player in the global maintenance, repair and overhaul (MRO) market.

Air France-KLM group: Key facts & figures, March 31, 2006

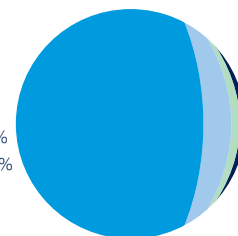
- World's largest airline group by revenues (€21.45 billion)
- Growth in revenues: 10.2%
- Europe's leading airline in terms of the number of passengers carried (70 million passengers in 2005-06); up 6.4%
- World's largest cargo operator in terms of revenue per ton-km
- 561 aircraft carried 70 million passengers and 1.4 million tons of cargo to 247 destinations in 104 countries
- Total of 102,422 employees (full-time equivalents)



Turnover by business

in million euros

16,942	Passenger +10.2%
2,882	Cargo +11.9%
896	Maintenance +12.1%
728	Other activities +2.1%



Reading keys

Guidelines

This report provides information to a wide range of target groups like customers, shareholders, employees, people living around airports, politicians, public authorities, non-governmental organisations and business relations. This report is intended to present a balanced picture of Air France-KLM activities for this wide range of stakeholders and provides to this end a lot of informations. To help the reader to keep track on the story line of the report, this page gives reading guidance.

This report is structured along the key challenges of the Group's sustainable development. Pages 2 and 3 summarise these key challenges. Pages 4 to 6 give a general overview of the way Air France-KLM tackles these key challenges (vision, policy and organization). The next chapters explain the progress made on these key challenges and where further improvements are expected. For the specialists among our readers, pages 22-25 and pages 32-35 provide the information that is requested by the European Prospectus (CE 809/2004) and the French NRE (New Economic Regulation - 31/05/2001). Finally, the report gives insight into the 'road ahead' on pages 36 and 37.

Report scope and methodology

The information in this report relates to the fiscal year 2005-06, which ended on March 31, 2006. Where information relates to a different time period, this is explicitly stated. It covers activities of the Air France-KLM group, including those of Air France S.A. and KLM N.V according to the following criteria:

- Relevance of activities to the economic welfare, social values and environmental quality of the Group.
- The level of materiality of the impacts on economic, social and environmental values.
- Financial control criteria.

Terms and abbreviations

ACARE:	Advisory Council for Aeronautics Research in Europe.
AEA:	Association of European Airlines.
CCE:	Consultative Environment Committees, in all main French airports.
CDG:	Paris-Charles de Gaulle airport.
CO:	Carbon monoxide.
CO₂:	Carbon dioxide.
CROS:	Schiphol Regional Review Board.
CSR:	Corporate Social Responsibility.
IATA:	International Air Transport Association.
ICAO:	International Civil Aviation Organization.
NO_x:	Nitrogen oxides.
SESAR:	Single European Sky Air Traffic Management and Research.
VOC:	Volatile Organic Compounds.

Global Reporting Initiative reference table (GRI)

The Global Reporting Initiative's guidelines and recommendations were taken into account in drafting this report.

GRI	Air France-KLM Sustainability report section	See pages
Vision & Strategy	Foreword	1
	Key challenges for sustainable development	2
	A common commitment to sustainable development	4
Profile	Group Profile	Cover
Economic performance	Achieving sustainable growth	12-15
	Contributing to the community	16-19
Environmental performance	Protecting our environment	26-35
Social performance	Working together	10, 11, 20-25

Global Compact reference table

Air France-KLM established a Corporate Social Responsibility Statement (CSR) (<http://sustainability.airfrance.com> and www.klm.com/sustainability) which covers the ten principles of the United Nations Global Compact.

Global Compact Principle	See p.	Additional information
Human rights (1 & 2)	4, 7, 14, 15 10, 11	Air France has issued different Charters: Ethical and Social Rights, for the Prevention of Harassment at work, health and safety in the workplace for suppliers, etc. (see http://sustainability.airfrance.com). KLM has included these principles in the pre-amble of the Collective Labor Agreement and the KLM Management Board has issued a health & safety policy statement
Labour Standards (3, 4, 5 & 6)	20-25	
Environment (7, 8 & 9)	26-35	For additional information, see www.klm.com/sustainability and http://sustainability.airfrance.com
Anti-corruption (10)	4, 6	Financial ethics code available on www.airfranceklm-finance.com

This document is published by Air France – Secretary Generalship – Environment & Sustainable Development and by KLM Royal Dutch Airlines

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France

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Printed on paper made from sustainably managed forests, with vegetable based inks on environmentally-friendly printing presses.

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For more information please visit <http://sustainability.airfrance.com> and www.klm.com/sustainability



Foreword

The Air France-KLM group, Europe's leading airline group, is a combination of two airlines sharing a long-standing commitment to sustainability. Its ambition, as shown by its endorsement of the United Nations Global Compact and its own declaration of Corporate Social Responsibility, is to ensure that profitable growth is balanced by the promotion of social values and environmental protection.

Commitment to sustainable development requires transparency in all dealings with our stakeholders, and the second sustainable development report from the Air France-KLM group presents an overview of our corporate responsibility policies, our successes and our long-term objectives.

The Group is committed to responding to the concerns and expectations of all its stakeholders. For its customers, this means an optimized network, outstanding service quality and consideration. For staff, a stimulating work environment and career opportunities. For its suppliers and shareholders, profitability and growth. And for society at large, economic and social added-value is combined with an active approach to environmental protection.

Since 2005, we have been included in the main sustainability indices, namely the Dow Jones Sustainability Index, the FTSE4Good and ASPI indices. This is ample evidence of our desire to achieve the best possible balance between economic growth, social values and environmental improvements.

Seeking to limit the environmental impact of their expanding activity, Air France and KLM are investing in renewing their fleets and optimizing their route networks.

One of the greatest challenges currently facing the airline sector is greenhouse gas emissions. Although air transport generates only 2.5% of global CO₂ emissions at present, this proportion will grow, not least because other sectors are expected to reduce their own emissions.

Aware of its responsibility in this respect, Air France-KLM is cooperating closely with the European Union and international authorities to set up an open emissions trading scheme that will enable the airline sector to contribute to an overall reduction of CO₂ emissions worldwide.

We are committed to preserving employment within the Group by achieving profitable growth and by promoting professional mobility, in response to the changing face of the airline sector. A respect for diversity, social dialogue and continuous improvements in workplace safety is also deeply rooted in our social model.

In the fiercely competitive world of air transport, powerful hubs in their home markets accommodating Air France-KLM's global network are vital assets. These hubs also serve local and national interests. In the areas around our hubs of Paris-Charles de Gaulle and Amsterdam Schiphol, we are the main employer, providing 90% of our 100,000 direct jobs based in France and the Netherlands. Our operations also help to sustain an even greater number of indirect jobs.

The Group's success largely depends on the involvement of its people and we would like to thank all of them: their professionalism and enthusiastic efforts contribute largely to customer satisfaction and our financial performance.

We hope you will enjoy reading this report and look forward to receiving your comments.

Jean-Cyril Spinetta
Chairman and
Chief Executive Officer
of Air France and
Air France-KLM

Leo van Wijk
President and
Chief Executive Officer of KLM
Vice-Chairman of the Board of Directors
of Air France-KLM

Key challenges for sustainable development

This Air France-KLM report on sustainable development is based on the key challenges described in this section.

Safety, security and health

The safety and security of customers and staff are absolute priorities for the Air France-KLM group.

The Group is actively pursuing improvements in flight safety, including IATA Operational Safety Audits (IOSA) certification, and seeks continuous improvements in this area.

With security of ever-increasing importance, the Group has implemented rigorous security measures and comprehensive crisis management procedures.

All carriers work closely together to enhance flight safety and security, and cooperate in the event of a crisis, in a common commitment to reduce risks at every level.

To protect the health of customers and employees, the Group has implemented a number of programs to handle health risks associated with its activities and to improve health in the workplace. Greater safety in the workplace remains the priority in coming years, with the Group actively committed to managing and preventing all risks in this field (see p. 8-11).

Achieving sustainable growth

A sound business climate is the pre-condition for building a sustainable air transport industry. Airlines must be profitable to ensure sustainable growth through investment in new technologies and continue to make a social and economic contribution at local and global levels.

This requires a level playing field not just for airlines but for all means of transport, worldwide. The International Civil Aviation Organization (ICAO), the European Union and national governments have a major role to play in achieving and maintaining this.

Airlines are at the end of the value chain in today's mainly partially liberalized market. At the same time, air transport has become commoditized.

In this context, high fuel prices, rising taxes and charges, security and insurance costs have affected airline profitability, making the air transport industry one where low margins prevail.

Sustainable air traffic requires efficient air traffic infrastructure and services. Today, air traffic management in Europe suffers from manifold inefficiencies. Improving European airspace organisation and infrastructure capacity must be priorities (see p. 12-15).

Contributing to the community

The Group makes a significant contribution to the global and local economies, satisfying a growing demand for worldwide mobility and boosting national economic growth and corporate competitiveness.

In their home countries, airlines work with local communities, aiding development and supporting employment with a range of initiatives, while sustaining a wide range of suppliers.

Creating value for all its stakeholders is a cornerstone of the Group's strategy for sustainable development. This means that the results achieved by the Group benefit all stakeholders, such as shareholders, employees, suppliers, public authorities and local communities.

Furthermore, both airlines are active in providing humanitarian aid through their corporate foundations and non-governmental organizations (see p. 16-19).

Working together

Professionalism and employee empowerment are crucial to an airline's success and continuity. This requires ongoing investment in employee training and career development, social dialogue, and health and occupational safety.

Following the combination of Air France and KLM in 2004, the Group has pursued numerous initiatives aimed at developing a common vision, to benefit from the synergies that result from the combined organization and to help employees work together more effectively. The creation of a program of cultural workshops and language training for employees are two key examples of this principle in action.

The two airlines maintain their own separate human resources policies, in line with the terms of the combination and in order to comply with different national labor laws (see p. 20-25).



Protecting our environment

The air transport industry has achieved significant progress in environmental protection in the past. It is committed to further improvement, particularly by limiting the environmental impact of future industry growth.

Like all airlines, for Air France-KLM it is through investment in new aircraft with enhanced environmental performance that it achieves

the greatest progress in this respect and is likely to deliver even better results in the future. It is still the case, however, that we do not yet have access to sufficiently powerful technologies to completely offset the impact of sector growth on matters such as greenhouse gas emissions.

Airlines must therefore find, in cooperation with suppliers, public authorities and other aviation industry players, the most cost-efficient and environmentally effective solutions. Air France-KLM believes that an emissions trading scheme could be an effective way to build a sustainable future for the air transport industry (see p. 26-35).

Main public positions of the Air France-KLM group in 2005-06

A sound economic context is the first pre-requisite for airlines to invest in social and environmental values. Air France-KLM is facing tougher competition from other airlines, increased some of their costs. To cope with this competition and to enable further investment in technologies guaranteeing sustainable growth, the airline industry requires a transparent and a stable policy on aviation, ensuring a level playing field for all airlines. It is for the European Commission and other international decision-makers to establish a common, equitable framework.

Climate change

Air France-KLM favors the inclusion of aviation in an open Emissions Trading Scheme (ETS) as the most efficient solution for air transport to contribute to the reduction of the global CO₂ emissions.

New aircraft technologies

Air France-KLM strive to implement the best available technologies, which significantly reduce noise and CO₂ emissions, and strongly supports the objectives of the European ACARE project for further reductions in NO_x (e.g., an 80% reduction by 2020 on 2000 levels).

Security/New European Directive

Air France-KLM considers that airlines should have access to the biometric data included in passports of their customers, to collect the information required by the authorities. This access would

increase airport throughput and reduce operational costs to better assure the security of air transport. Air France-KLM considers that, in the event the European Directive under preparation does not permit access to these data by private companies, an exception should be made for airlines.

Infrastructure

Due to growth in air traffic demand, the additional need for new infrastructure must be anticipated and provided for. This infrastructure needs to be of high quality and made available on a non-discriminatory basis. Air France-KLM believes that the most cost-effective and environmentally efficient solution is to widen the passenger catchment areas around airports.

Air traffic management

Air France-KLM defends the creation of an efficient and cost-effective air traffic management system. The Group participates in the European SESAR project to enable air transport to grow safely through a significant reduction in delays and CO₂ emissions.

Air-rail "co-modality"

Air France-KLM considers air/rail as two potentially complementary transport modes and supports the use of rail transport to widen the passenger catchment area around airports. The Group moreover believes that airlines and rail companies should bear the same costs and should be subject to the same regulations for security, passenger rights and the environment.

A common commitment to sustainable development

Vision

Air France and KLM share a common vision of sustainable development in their business. Both have a long tradition of environmental and social responsibility and are fully committed to sustainable growth.

The two airlines are committed to the principles of the Global Compact, an international initiative launched by the United Nations in July 2000 to support and promote sustainable development through ten major principles covering human rights, labor standards, environmental protection and anti-corruption measures.

Their joint vision covers the three key factors for sustainability: the economic dimension (ensuring the airline's financial future), the social dimension (promoting a motivating social policy) and the environmental dimension (protecting the environment).

Policy for sustainable development

In early 2005, the Air France-KLM Strategic Management Committee decided that the two airlines should develop a common policy on corporate responsibility. This was established jointly by the two airlines and signed by both chairmen in spring 2006. Each airline implements the joint policy according to its various action plans.

Each airline must comply with different national regulations, particularly as regards social policy. The airlines likewise use different methods to quantify results and are currently in the process of defining harmonized indicators wherever possible and appropriate.

Corporate Social Responsibility Statement

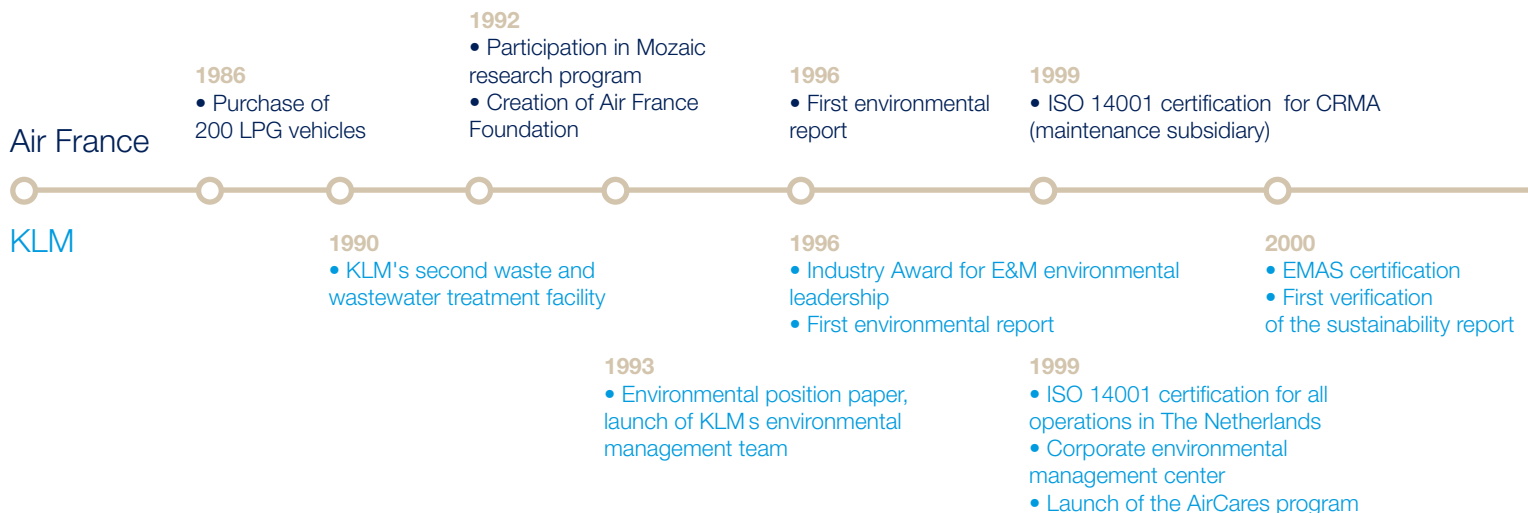
Air France-KLM has established a set of clearly defined commitments to ensure that profitable growth goes hand in hand with environmental quality and social progress.

As set out in its Corporate Responsibility Statement, Air France-KLM considers safety and security to be absolute obligations and is committed to:

- Developing trust with all its stakeholders;
- Building a socially responsible Group both on a national and international scale;
- Investing in environmental protection, going beyond regulatory compliance.

The full text of the Corporate Social Responsibility Statement is published on <http://sustainability.airfrance.com> and www.klm.com/sustainability.

Air France-KLM: A shared commitment to environmental and social responsibility





Organization

Each airline has its own structure for managing and organizing its initiatives in support of sustainable development.

At Air France, the Environment and Sustainable Development Department reports to the airline's Secretary General. The Department's mission is, in particular, to define the airline's policy on environmental and sustainable development issues and to implement sustainable development action plans in close cooperation with the airline's other departments and operating units.

This Air France Department also consolidates all sustainable development indicators for the Air France-KLM group as a whole, and takes responsibility for joint tasks, such as providing the tools and standards needed for the consistent deployment of policy across the Group.

At KLM, sustainable development is handled by two structures, one responsible for the environment and the other for social issues. The KLM environmental management system was established in accordance with ISO 14001 and is based on a continuous cycle of "plan, do, check and act", with responsibilities defined for the entire organization, from top management on down. KLM's Occupational Safety & Environment Board oversees the implementation of the environmental policy, is responsible for carrying out the KLM-wide annual environmental program and monitors compliance with ISO 14001.

At both airlines, the human resources departments define the social policies concerning sustainable development.

Air France-KLM included in the Sustainability Index

In September 2005, Air France-KLM was included in the Dow Jones Sustainability Index (DJSI), the only air transport group cited by this highly regarded index. The company is likewise present in the FTSE4Good and ASPI indices, which provide information to market investors on the sustainability performance of companies.

The DJSI takes a "best-in-class" approach, selecting only the top 10% of the leading companies in the area of sustainable development from the Dow Jones Global Index. Companies are added to the DJSI index based on an analysis of publicly-available documents and a questionnaire carried out by Sustainable Asset Management, an independent rating agency.

FTSE4Good takes a "positive selection" approach, listing all companies that have satisfied a series of minimum requirements, according to pre-established thresholds.



FTSE4Good

2001

- ISO 14001 certification of Air France Industries Department at Orly
- Launch of the Saphir service (assistance for passengers with reduced mobility)
- Ethics and Social Rights Charter

2002

- Listing in ASPI ethical index

2002

- ACC Awards for the best environmental report (2000 and 2001)
- KLM voted N°1 airline by SRI

2003

- Signature of UN Global Compact
- Charter for the Prevention of Harassment at Work
- ISO 14001 certification at Le Bourget maintenance site

2003

- Implementation of Environmental Best Practices at four outstations

2004

- Sustainability Charter for Suppliers

Air France-KLM group

2005-06

- Quotation in DJSI, FTSE4Good and ASPI index
- Signature of CSR Statement
- KLM's signature of UN Global Compact
- Air France's Charter for safety in the workplace

Corporate governance

The Air France-KLM holding company ensures the Group's corporate governance through its Board of Directors and other committees. The holding company, through its Strategic Management Committee (SMC), is currently responsible for fulfilling the group's legal obligations.

Comprising eight members, the SMC expresses the joint position of Air France and KLM in all strategic decisions relating to network and hub coordination, medium-term budgets and planning, fleets and investment plans, alliances and partnerships.

The SMC decided that the holding company's functions would be fulfilled by executives and experts of both airlines who keep their roles within their own companies. The functions of the holding company include financial consolidation and reporting, internal control and audit, legal affairs, European affairs and the SkyTeam alliance.

For more information on corporate governance, see the Reference Document on www.airfranceklm-finance.com.

Good governance standards		2005-06 Financial Year (April-March)			
Involvement in decision-making process					
Board of Directors	Number of meetings and average attendance rate	7 three-hour meetings, 74.2%*			
	Existence of internal rules and compliance and ethics codes	Yes (see 2005-06 reference document)			
	Existence of strategy, audit, remuneration and appointments committees	strategy committee	audit committee	remuneration committee	appointments committee
	<i>Number of meetings</i>	0**	5	1	1
	<i>Attendance rate</i>	–	81.4%	100%	100%
	Annual evaluation of Board functioning	Yes, carried out in 2005			
Statutory Auditors	The statutory auditors may not provide advisory services with the exception of ancillary audit services or tax advisory***	Yes			
	No executive director participation in the audit committee	Yes			
	Opportunities for statutory auditors and directors to meet without the presence of senior management	Yes			
Shareholders	One share is equal to one voting right	Yes			
	Attendance rate (quorum) at the last annual Shareholders' Meeting	39%			
	Proportion of votes cast at the Shareholders' Meeting of July 12, 2005 by shareholders present at the meeting, represented or voting by mail	90%			
Financial information					
	Financial information procedures committee	Yes, 3 meetings			
	Publication of the criteria for and the total remuneration of corporate officers	Yes (see 2005-06 reference document)			
	Publication of the allocation terms for and the amount of directors' fees	Yes (see 2005-06 reference document)			
	Publication of the number of stock options granted to corporate officers of Air France, KLM and their subsidiaries	Yes (see 2005-06 reference document)			

* The attendance rate for directors was 74.2% in 2005-06 (80.7% in 2004-05), two directorships having remained vacant for a period of 4 months following the death of one director and six months following the resignation of a second director.

** The strategy committee did not meet this year, the directors preferring that a special meeting of the full Board of Directors be convened to review Group strategy (January 26, 2006).

*** Within the limits imposed by SEC independence rules and the professional code of ethics of French statutory auditors.

Dialogue with our stakeholders

Listening to our stakeholders' concerns is a key pillar of the Group's sustainable development strategy. Both Air France and KLM traditionally are engaged in consultation processes with their most important stakeholders. The publication of our annual sustainability report also illustrates our will to provide stakeholders with accurate information on environmental, social and economic issues.

Stakeholders	Challenges	Examples
Shareholders and investors	Promote transparency and accountability. Supply updated and complete information. Share profits with shareholders.	Newsletter, dedicated financial website, periodic presentations for analysts. Dividend distribution.
Customers	Ensure customer safety and security. Provide the best quality of customer service while maintaining attractive prices. Inform passengers in the event of delays. Make flights accessible to all passengers. Design innovative products and services.	Customer satisfaction surveys. Quality certification, special services for people with special needs (Saphir, KLMCares), transparent pricing, calls to customers in the event of delays (ROC), e-services.
Employees	Protect employee health and safety. Offer a stimulating working environment and develop skills and mobility. Promote a constructive dialogue with employee representatives. Promote diversity and ensure equal opportunities for all staff.	Training and management programs. Health & Safety Charter, etc. Employee advisory structures and European Works Council. Collective agreement for professional equality, disabled persons, etc.
Suppliers and service providers	Ensure supplier compliance with environmental, social regulations and international conventions. Promote the development of CSR best practices, notably regarding human rights and opposition to all forms of child or forced labor. Collaborate with airports and air-traffic management to address local community concerns.	Sustainability Charter for suppliers. Audits on suppliers. Pilot projects on flight procedures.
Public authorities	Contribute to regulatory projects. Cooperate with public authorities to develop a relevant legal framework for air transport.	Contribution to international working groups and professional bodies such as IATA and AEA.
Local communities	Contribute to regional development in areas where we operate, particularly with regard to employment and economic growth. Maintain an ongoing dialogue with local residents about noise and other environmental issues. Introduce the best available technologies in fleet renewal and use the most efficient procedures to reduce noise and limit emissions. Ensure that all premises comply with environmental protection regulations.	Local employment (JEREMY, SODESI, AIREMPOI, etc.). Local development (Pays de Roissy, IAMA in Africa). Consultation with community structures. Fleet renewal, operational measures. ISO 14001 certification, environmental management, Good Environmental Practices in outstations.
Civil society, environmental/human rights NGOs*	Maintain an ongoing dialogue and availability. Support aid projects for disadvantaged children. Promote social integration. Encourage employee participation in humanitarian programs.	Meetings with NGOs*. Air France Foundation, KLM AirCares. Participation in international humanitarian programs (Groupe Développement, Aviation without borders, etc.).

* NGO: Non-governmental organization.

Safety, security and health

The safety, security and health of our customers and employees are priority commitments for Air France-KLM and the two airlines cooperate closely on these issues. The exchange of best practices with other airlines, especially with SkyTeam partners and IATA, contributes to the continuous improvement of flight safety and security and in crisis management procedures.

Flight safety

Flight safety is first determined by flight management, aircraft handling on the ground and aircraft maintenance.

IATA's published statistics show a continuous improvement in flight safety over the past ten years. In 2005, the rate of serious accidents per million departures was the lowest ever recorded.

Air France and KLM both see flight safety as a critical part of corporate policy, one that requires the personal involvement of every manager.

As part of the Group's commitment to flight safety, both airlines are fully certified by IATA Operational Safety Audits (IOSA), an extensive certification process managed by the air transport industry itself and recognized by government authorities. IOSA certification involves a periodic individual audit of each airline, covers 750 standards and includes compliance requirements in order to achieve best practice in matters of safety.

Like all types of transport, air transport involves risks. To ensure an optimum level of risk management, Air France-KLM analyzes different potential accident scenarios and implements the rigorous preventive measures needed to manage these risks, including training, maintenance, operational procedures, and investment in costly equipment.

Toronto, August 2, 2005

On August 2, 2005, an accident involving an Air France flight from Paris to Toronto, Canada, took place on arrival at the airport. The aircraft, a 6-year-old Airbus A340, was carrying 297 passengers and 12 crew. Twenty-two people were injured; there were no fatalities.

The Toronto accident mobilized the company's full crisis management response. Over 150 staff volunteers participated, giving onsite assistance, comforting passengers and families, and providing communications, logistical and administrative support.

Proactive measures to improve flight safety include constantly monitoring safety risks, regular aircraft maintenance and training staff in safety awareness. Specialists estimate that over 70% of incidents are due to human factors. Air France and KLM have thus instituted an array of preventive measures and procedures. For example, both airlines:

- Provide cockpit crews and cabin attendants with annual flight safety refresher courses,



- Run a Crew Resource Management program, designed to strengthen synergies between the cockpit and cabin crew to improve flight safety,
- Ensure that flight safety is a cooperative effort involving the teams responsible for flight operations, maintenance and ground operations.

Corrective measures consist of reporting and analyzing all incidents, logging operational incidents from all flights in dedicated air safety databases, and taking measures to deal with them. This was notably the case following the accident in August 2005 involving an Air France aircraft in Toronto, which gave rise to an in-depth analysis to determine any organizational or operational weaknesses, in order to identify the measures needed to improve safety.

The Group has, moreover, implemented a robust blame-free policy for employees to encourage feedback about minor events that could have an effect on operational safety.

Information Security

The purpose of information security is to ensure business continuity by preventing information security incidents and minimizing the impact of any that do occur. Information security management enables information to be shared, while ensuring it remains protected. With this goal, the Group undertook a major initiative in 2004-05 to develop and issue a joint policy on the security of information systems.

In 2006, Air France and KLM released a joint Information Security Manual in which all security requirements regarding the confidentiality, integrity, availability and accountability of data are described. It is based on the ISO 17799 standard, better known as the Code of Practice for Information.

Security Management provides a comprehensive set of information security controls based on the best security practices currently in use.



Security

Civil aviation has to contend with the potential threat of criminal or terrorist acts and political instability.

The corporate response of Air France-KLM underscores its fundamental commitment to security. The Group implements wide-ranging security programs to protect its customers, personnel and property. These initiatives include both mandatory and voluntary measures designed to keep pace with the increasing need for security.

Procedures in place include risk assessment and threat analysis, measures to protect people and property, and follow-up to ensure that prescribed measures are actually applied. Specific measures implemented include aircraft checks and searches, security checks on staff, 100% baggage screening and reconciliation, the presence of specially-trained security agents on certain flights and reinforced cockpit doors.

Air France and KLM take similar measures to insure the security of their passengers and each has implemented particular initiatives to take this a stage further:

- In cooperation with Amsterdam Schiphol, KLM has introduced improved biometrics. It is installing security cameras on all aircraft and has distributed a Quick Reference Card among employees outlining how to handle suspicious circumstances and highlighting the importance of remaining alert.
- The Air France Security Program includes a Security Manual, security training for all operations personnel (ground staff and crew members) and a Security Quality Assurance Program.

One issue both airlines have faced is the dilemma posed by the conflict between European privacy regulations and the demand by the U.S. government for detailed passenger information to enhance security. Disclosure of passenger data to a third party is only allowed if the passenger has given his consent, or if it is based on a legal obligation. Air France-KLM has recently revised its Passenger Disclosure Policy to be able to control and coordinate worldwide requests for disclosure of passenger data.

Another problem is the lack of a level playing field as regards who pays for security: in the U.S., the government pays, while in Europe, generally, the airline and its passenger are charged, even though no other mode of transport pays for its own security.

Crisis management

Both airlines have fine-tuned their crisis management procedures and carry out full-scale exercises several times a year.

In response to a crisis, whether an accident or another type of emergency, Air France and KLM Emergency Response Plans activate the corporate crisis center and deploy local support centers as needed, set up communications facilities, ensure liaison with local authorities and professional emergency services and call in volunteers for assistance.

At Air France about 2,800 ground staff volunteers may be contacted, of whom 1,900 have received training that allows them to be called upon to help victims and their families and 225 have been trained as team leaders.

KLM's ASSIST program includes some 1,800 volunteers whose job it is to meet the immediate physical and logistical needs of victims or family members of passengers, and do whatever they can to support the professional emergency services.

To remain ready to intervene at any moment, both Air France and KLM undertake annual exercises at various levels, involving either all or specific sections of the airline's emergency organization. Some exercises include the participation of airport management and local authorities and involve using volunteers to play the role of passengers or family members to test the airline's ability to respond to emergencies both rapidly and effectively.

Cooperating in times of crisis

Airlines always work together in times of crisis, as illustrated by the accident involving a West Caribbean Airways MD-82 in Venezuela on August 16, 2005. Although Air France was not involved in this accident, many of its employees at the Fort-de-France station had family ties to some of the 152 Martiniquais who died in the crash.

The company mobilized all of its available resources to help the victims' families, sending volunteers from France to assist the local team. Air France used one of its Boeing 747s (with a security manager on duty on board) to bring the families to Maracaibo, in western Venezuela.

Health

Air France-KLM established a common policy on medical care for passengers before and during their flight.

Air France-KLM passengers can use the airlines' medical facilities for vaccinations, medical problems or advice on travel-related health issues. The medical centers for Air France-KLM passengers are ISO 9001 certified.

On board aircraft, Air France-KLM both make medical equipment a key priority:

- To manage medical emergencies, the airlines regularly train their staff in first aid and in the use of automatic external defibrillators (AED). In June 2005, the medical departments jointly reviewed the emergency medical kit present on all medium-haul flights.
- In medical emergencies during flight, the crew can call on ground-based medical assistance and receive advice at all times via each airline's Operational Control Center, and may re-route the plane to any destination if required.
- Both airlines also provide passengers with advice on preventing deep-vein thrombosis (DVT). On long-haul flights, health-related video films are shown or information is distributed via in-flight magazines, showing exercises to help stimulate blood circulation and explaining the need for adequate fluid intake to prevent dehydration.

In recent years, infectious diseases such as SARS and avian flu have had an impact on travel and the airline industry. Air France-KLM have intensified their cooperative efforts for prevention and preparedness in the light of risks from worldwide infectious threats and in-flight communicable diseases. Air France-KLM work closely with the Dutch and French authorities on these issues.

Occupational health at Paris-Charles de Gaulle

Within the context of occupational risk analysis, Air France implemented a campaign to measure the quality of air breathed by its 7,500 employees working on the runways and in the terminals at Paris-Charles de Gaulle airport.

The survey measured the impact of various sources of runway pollution using sensors worn by individual employees throughout the workday, and other sensors situated at fixed points.

A variety of pollutants were measured, such as volatile organic components (VOCs), C6-C12 hydrocarbons, carbon particulates and polycyclic aromatic hydrocarbons (PAHs) representing potential sources of airport pollution, including emissions from aircraft, road and ramp vehicles, and power plants.

The results showed that the concentration of each pollutant was either negligible or well below acceptable limits. The report concluded there is no significant toxicity or no at-risk zones on the Paris-Charles de Gaulle airport.



Health and safety in the workplace

Ensuring health and safety in the workplace is a fundamental principle for Air France-KLM. The Group considers that every employee has the right to working conditions that respect his or her health, safety and dignity. Accordingly, actions to continuously improve workplace safety, health protection and working conditions represent an absolute and continuing obligation for the Group.

As legal requirements concerning health and safety in the workplace differ between France and the Netherlands, and in accordance with the principles of the merger, the two airlines deploy their own separate policies in this area. However, the guiding principle of both airlines is to seek continuous improvement in employee safety in all activities, and both seek to share best practices in this area.

Occupational accidents are recorded and reported by both airlines. Similarly, both airlines maintain detailed records of natural cosmic radiation, as per European guidelines.

KLM and Air France are harmonizing medical care for employees working abroad, such as employees on foreign postings or flight attendants and pilots during their periods abroad.

Air France

Air France has implemented an integrated Quality, Safety, Environment (QSE) management system, which incorporates quality methodologies, industrial health and safety regulations and environmental principles in a unified management strategy, with a shared commitment aimed at reducing the number of accidents in the workplace as an ongoing process.

The company has officially designated 2006 as the “Year of Safety in the Workplace,” with a campaign launch announced by Mr. Spinetta, Chairman and CEO of Air France, in November 2005 at the company’s first Convention on the Management of Safety in the Workplace. This multi-faceted initiative includes:

- The establishment of a company-wide Charter for Health and Safety in the Workplace, signed by all members of the Air France Executive Committee.
- A commitment in the form of individual contracts signed by each of the Company’s executive Vice Presidents representing the eight local Works Councils, with quantified objectives for reducing the industrial injury frequency rate over the 2006-2008 period.

As part of this initiative, Air France has launched a number of projects:

- the upgrading of its IT systems used in monitoring and preventing accidents in the workplace,
- a systematic approach to management training in the area of workplace safety,
- the gradual deployment of a system of safety criteria to result in an internal certification system.

This action plan supplements measures already applied concerning human behavior factors, materials and procedures to curb workplace accidents.

As regards occupational medicine, the previous agreement at Air France included a commitment to preventive action. Progress in 2005-06 included awareness raising on addictive substances and studies on the risks associated with ambient noise, exposure to cosmic radiation during flight, etc.

KLM

Preventing occupational accidents is a major concern of KLM management. In 2005, the Occupational Safety & Environment Board was established to evaluate serious incidents and accidents and monitor corrective actions.

A variety of initiatives have been taken to improve occupational safety. KLM Cargo has implemented a safety-awareness training program in cooperation with the Dutch authorities. At KLM ground handling, a new method for accident investigation has been introduced, with the aim of identifying common risk factors. The first steps have been taken towards the common benchmarking of KLM and Air France occupational safety data.

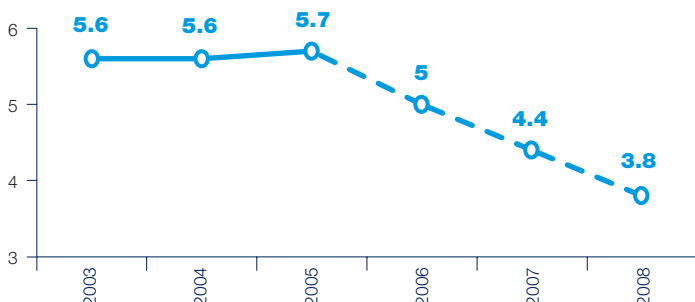
For employee health, KLM dedicates significant resources to developing health-monitoring systems. The Company remains focused on reducing staff absenteeism and is stepping up efforts to monitor employees on sick leave more closely. An Internet-based individual health scan for all employees is in preparation and will be available in 2006.

Through periodic health risk inventories, the physical demands of certain tasks have been reduced. In baggage handling, for example, KLM continues to experiment with and invest in state-of-the-art equipment, such as robots for loading baggage containers. These systems have been found to considerably reduce physical strain.



Industrial injury frequency coefficient at Air France: 30% reduction targeted for 2006-2008

Number of industrial injuries requiring time off for 100 employees / year



Achieving sustainable growth

State of the air transport industry

In 2005, for the fifth consecutive year, the air transport industry showed a loss (of \$6 billion). A sharp increase in the price of oil was one of the major events of the year. Air-France-KLM partly mitigated this negative impact by means of hedging and partly by introducing a fuel surcharge on tickets.

In coming years, the air transport sector will have to manage with high-priced oil. In this context, air transport companies need to ensure the sustainability of their business.

A profitable growth strategy

Air France-KLM is pursuing a strategy of profitable growth, supported by the complementarity of Air France and KLM in their three businesses (passenger, cargo and maintenance), which is a source of significant synergies, and by ongoing cost reductions.

The Group puts the customer at the heart of its strategy, not only by providing access to the best network in the world in terms of destinations and schedules but also by developing an innovative range of products. This includes e-services; combinable fares, which generate a wealth of flight options and access to attractive fares; and the joint frequent flyer program, Flying Blue, created when the Air France and KLM's programs were merged.

A balanced network

The Air France-KLM group has a well-balanced network that is present in all large markets. This network is organized around the two hubs at Paris-Charles de Gaulle and Amsterdam Schiphol, two of Europe's largest hubs.

A modern fleet

The Group invests in new aircraft on an ongoing basis and currently operates one of the most modern fleets in the sector. Such investments provide many advantages. With a modern fleet, the Group offers its passengers a higher level of comfort, makes substantial savings on fuel, and reduces noise and limits greenhouse gas emissions.

Cost reductions

The Group's strategy includes strict cost control, which is reflected by the cost-saving plans implemented by both companies. These plans are supported by the development of new technologies and a fleet management policy combining flexibility and modernization.

The Group mitigated the impact of higher fuel costs mostly by means of hedging, and will continue to do so, although the benefits of this approach are declining. The decision to invest in new aircraft has proven to be essential for ensuring sustainable growth.

Opportunities for synergies

Air France-KLM is continuing its development of synergies between the two airlines. A prime example is the creation of the Joint Cargo Team. Synergies from joint procurement and the exchange of capacity are already generating additional income. The next step will be the creation of a joint procurement and sales organization for the two airlines' maintenance activities, Air France Industries and KLM Engineering & Maintenance.

Conditions for ensuring profitable growth

To ensure profitable growth, an essential pre-condition is the existence of a level playing field between all airlines, including equal access to markets and infrastructure, and fair cost levels, particularly for hubs. Another essential condition is to ensure that today's airports (which already function as *de facto* monopolies) are not privatized without robust government regulation.

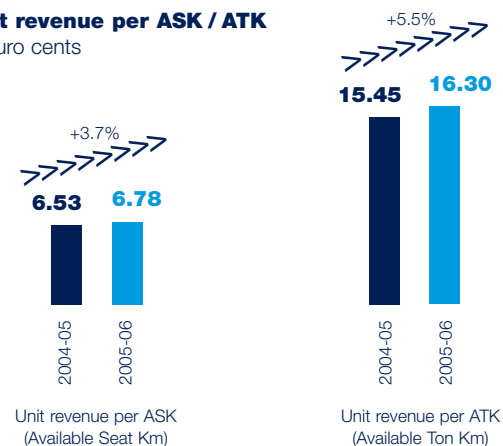
An issue of major concern is the rapid rise in taxes, approximately 35-40% in five years for Air France-KLM. This is an unfavorable situation in the light of the subsidies provided to other transport modes such as rail, and the support provided to non-European airlines by their respective governments.

Passenger and cargo activity

- Passenger traffic increased by 8.6%, improving the load factor by 1.7 points to 80.6%
- Cargo traffic rose by 3.5%, while capacity rose by 6.5%, implying a 1.8 point decline in the cargo load factor to 66.1%

Unit revenue per ASK / ATK

in euro cents





What is a hub?

A hub is a transfer point that connects many small traffic flows (short and medium-haul flights) from and to international destinations (long-haul flights). These transfers take place during 6 to 7 daily transfer periods.

A unique dual hub

Paris-Charles de Gaulle and Amsterdam-Schiphol are linked to offer a broader choice of destinations and schedules

Long-haul destinations

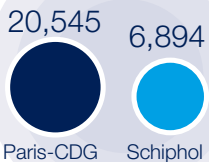
45	33	33	111
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Medium-haul destinations

36	52	24	112
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└ Air France-only destinations
└ KLM-only destinations

Transfer opportunities* in under 2 hours (per week):

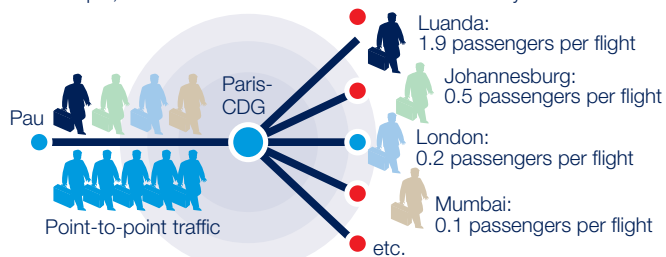


Reducing environmental impact

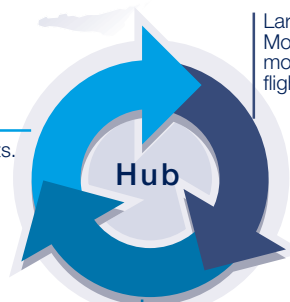
Fewer flights are needed to transport the same number of passengers. On long-haul flights, aircraft are larger and better filled.

The hub: a valuable collective asset

The hub opens regions to the rest of the world. For example, the Paris-CDG hub links the small French city of Pau with:



Reduced costs. Reduced environmental impact.



Larger network. More direct and more frequent flights.

Better-optimized load factors. Larger aircraft.

* Long-haul/ medium-haul connections, both ways. Source: OAG, week of 12-18 June 2006.

Raising supplier awareness about sustainable development

Air France-KLM consistently works to raise supplier awareness about sustainable development.

Air France takes the issue into account throughout the purchasing process. Thus, a questionnaire that evaluates suppliers addresses ethical, social and environmental issues. During calls for tender, suppliers are encouraged to sign the sustainable development charter for purchasing, which promotes the ten principles of the Global Compact. Moreover, the contracts contain ethics clauses concerning the protection of manpower, working conditions and, when justified, environmental conditions for waste treatment. Finally, specific criteria can be included in the quality audits of certain suppliers.

KLM takes environmental standards into account in its procurement policy and reviews the acceptability of the environmental standards used by the companies that work for it. The company is now working on the new requirements of ISO 14001 (2004), with a focus on supply chain management. Each significant process in the supply chain will be analyzed to determine the possibilities for environmental improvements.

Customer satisfaction

Increasing customer satisfaction

Flying Blue, the airlines' joint loyalty program, is a key avenue for enhancing customer satisfaction. Created in June 2005, Flying Blue is now the largest frequent flyer program in Europe, with over 11 million members.

The success of this loyalty program reflects the ability of both our companies to offer the best to our customers, thus fostering the Group's development.

Air France-KLM relies on its dual network coordinated around its Paris-Charles de Gaulle and Amsterdam Schiphol hubs, which enables the two companies to combine flights and fares and provides many opportunities to earn Miles (18,000 daily flights and 900 destinations of the 30 Flying Blue partners).

Sharing the progress

New technologies enable our customers to save time, while bringing added flexibility and convenience. Air France-KLM simplifies traveling through enhanced e-services that help customers throughout their trip.

E-services, which represent a major source of innovation and development, are one of our key assets for implementing the continuous and long-lasting improvements delivered by new technologies. On April 4, 2006, these services took on a worldwide dimension, through the implementation of a new online booking service at Air France-KLM. This service is now offered to all customers holding electronic tickets from Air France, KLM and SkyTeam.

Customer relationship management

Both airlines are proactive in handling relationships with customers, continuously providing questionnaires to obtain feedback on the quality of products and services and on overall satisfaction.

Each year, Air France and KLM process over 400,000 questionnaires. In addition, both companies use online research methods, and receive feedback from more than 22,000 customers.

The Group is committed to setting the global standard for quality of service. Air France has been certified by SGS-Qualicert, covering a total of 38 service commitments. Air France service is regularly monitored by mystery shoppers, who anonymously assess the quality of service from booking to baggage delivery.

Punctuality remains a strong point for Air France-KLM, enhancing customer satisfaction. The airlines' official record by the Association of European Airlines (AEA) shows the good results and the progress achieved in this area, for both departing and arriving flights (see AEA website: www.aea.be).

The two airlines have pooled their know-how to optimize their hubway, improving connections between their two hubs at Paris-Charles de Gaulle and Amsterdam Schiphol. Thus, in 2005-06, for flights from Amsterdam to Paris-CDG, punctuality on arrival rose 6 points, while for flights from Paris-CDG to Amsterdam, punctuality on arrival rose 13 points, resulting in a rate of 95% for successful transfers between the two hubs.

Baggage handling is another key issue for customer satisfaction. To limit the number of mishandled baggage incidents and manage them effectively when they occur, Air France-KLM uses a world tracer system that locates an item of baggage within 24 hours. Through joint improvements by KLM and Amsterdam Schiphol, the number of missing bags at KLM was reduced from 2.1 to 1.7 per 100 passengers. Air France, for its part, is one of the foremost European airlines as regards the quality of its baggage handling at Paris Charles-de-Gaulle airport, with a performance of 1.5% during IATA 2005-06. In 2006, Air France and KLM will test the introduction of RFID (Radio Frequency Identification) chips to improve baggage traceability.

Customer Care: Air France-KLM policy

Air France-KLM believes that customer comments are an important indicator. To manage these remarks and make the best use of them, KLM has created a new Customer Care department. In parallel, Air France provides ROC (Reservations Operations Center), its operational callback service.

Air France-KLM takes a proactive approach, registering all customer complaints to try to identify specific trends. The data collected is integrated with passenger satisfaction surveys and analyzed on a regular basis to determine areas that require improvement. This forms the basis of an action plan whose impact is later evaluated.

KLM has set targets to handle passenger complaints in a timely manner, with e-mailed complaints handled particularly promptly. For example, for Elite passengers, 93% of e-mailed complaints must be handled within three days.

Customer satisfaction surveys

Air France-KLM regularly monitors passenger satisfaction. The Hub Customer Survey, an ongoing onboard survey, has thus been conducted by both airlines since July 2005.

Customer appreciation for Air France-KLM is measured using an IATA benchmark study. The latest results show:

- Over 80% of Air France-KLM passengers are satisfied with their flight experience and perceive the service provided as value for money,
- Over 80% say that they will recommend the airline to a friend or relative,
- Over 90% say that it is likely, based on their experience, that they will choose to fly Air France or KLM again.

The survey findings are being analyzed by Air France-KLM teams.

Providing access for all

Air France-KLM maintains a policy of access for all, providing special services for passengers who need assistance. These include unaccompanied minors and passengers with reduced mobility.

For unaccompanied minors, both airlines provide a full service with support throughout the trip. This service is free for children aged 4 to 12, and has been extended as a paying service to teens up to 18 years old.

For passengers with reduced mobility, KLM provides its comprehensive service, KLMCares. Air France offers a comprehensive service called "Saphir," for passengers with reduced mobility flying from France and its overseas dependencies. In 2005-06, Air France transported 300,000 reduced-mobility passengers.

Moreover, Air France offers fare reductions for an additional seat for significantly overweight passengers.

Strengthening passenger rights

In 2005, the European Union's Regulation on air passenger rights entered into force. The law regulates passenger rights in the event of denied boarding, cancellation, downgrading or delay. Air France-KLM complies with the new legislation, and passengers are systematically informed of the new regulations on compensation and assistance.

Increasing cargo customer satisfaction

With the creation of the Joint Cargo Team, Air France-KLM is better equipped than ever to increase customer satisfaction. The Group pursues a quality policy to ensure reliability and safety, and improve quality of service and performance. Both airlines' cargo operations are ISO 9001 certified, and are members of Cargo 2000, an industry initiative to meet customer wishes for supply chain transparency.



Raising customer awareness

Air France-KLM keeps its customers regularly informed about sustainable development questions. To do this, the Group uses publications such as its regular Flying Blue Newsletter, together with its inflight magazines and videos. To mark France's Sustainable Development Week 2005, Air France made a film about the challenges of sustainability in the air transport sector and screened it on all its long-haul flights and its coaches in July and August 2005.

Our communication objectives are therefore not only educational, but also seek to raise awareness of disturbing subjects such as the sexual exploitation of children, addressed in the ECPAT* film shown aboard our aircraft. We also seek to inform travellers about initiatives by the two airlines and their sustainable development achievements, as in Air France's 6-month poster exhibition at the Luxembourg RER train station in Paris from February 2006.

* Since 1999, Air France has supported ECPAT, a network of not-for profit bodies (www.ecpat.net) in its efforts to combat the sexual exploitation of children through its support for the Groupe Développement voluntary body.

Meeting the needs of maintenance customers

Thanks to the complementary approaches of Air France Industries and KLM Engineering & Maintenance, customers benefit from comprehensive service driven by a quality-oriented approach. All industrial sites of Air France Industries are certified ISO 9001.

Both maintenance organizations have implemented the Six Sigma quality program. This method seeks to deliver products and services best suited to customer expectations, develop hands-on management, and continuously improve processes. It constitutes a vehicle for synergies between the two airlines.

Contributing to the community

Contributing to the economy

Global economy

Air transport carries close to 2 billion passengers annually and 4.25 million tons of cargo. Some 40% of international tourists travel today by air. The global economic impact of aviation is estimated at US\$ 2,960 billion, equivalent to 8% of world gross domestic product (GDP).

As the only global transportation network, aviation plays a vital role in facilitating economic growth worldwide and is key for increasing corporate competitiveness: access to international markets and efficient transport links significantly improve a company's export ability, efficiency and productivity.

Today, most European trade is with non-EU states (54%). Air transport is essential for trading with these fast-growing regions and currently carries 25% of trade by value.

National economy

The air transport industry is a major contributor to national economic growth, with 25% of enterprise sales dependent on aviation (up to 40% in high-tech industries⁽¹⁾). Moreover, 50% of enterprises think they will become more dependent on air transport in the next ten years.

Air transport is a highly efficient user of resources and infrastructure, with average load factors of up to 65%. Air France-KLM is even more efficient, with a load factor of 80%, more than double that of road or rail transportation. Moreover, air transport entirely covers its infrastructure costs and is a net contributor to national treasuries through taxation.

Local development and social inclusion

Aviation is a major contributor to the local economy. This is evidenced by economic development around major airports, such as Amsterdam Schiphol and Paris-Charles de Gaulle, which have developed business parks to capitalize on the value of air service connectivity for business activity. The municipality of Amsterdam has developed a metropolitan strategy to connect the development of the Greater Amsterdam region to the development of mainport Schiphol.

(1) Source: IATA study

When selecting business locations, enterprises require skilled labor, good access to their customers and suppliers, and efficient access to major cities nationwide and around the world. Air transport is unique for the speed and flexibility it offers its customers.

Aviation also promotes social inclusion, by developing links between people, countries and cultures, and improving access to remote regions and island communities. For example, Chengdu in China has recently been connected to the Group's network by KLM, linking this region of ten million inhabitants to Europe and the world.

Sustaining a wide range of suppliers

Air transport supports employment in the supply chain through the purchase of goods and services by aviation companies. These include jobs in aircraft manufacture, the fuel sector, the IT sector, etc. Over 60% of Air France-KLM turnover is for suppliers (not including airport and air navigation charges).

Fostering employment

In spite of successive crises that have affected air transport since 2001, employment in the sector continued to grow at an average annual rate of 2.6% during the period 2000-03⁽²⁾. Aviation is a major employer of highly qualified staff:

- The industry generates a total of 29 million jobs worldwide: 5.0 million direct jobs, 5.8 million indirect jobs through its supply chain, 2.7 million induced jobs through spending by industry employees and 15.5 million jobs through air transport's impact on tourism.
- For passenger traffic, one million passengers at a major hub create a total of 4,000 jobs⁽³⁾.
- For cargo, the transport of an additional 1,000 tons of general freight per year leads to the creation of 10 to 15 jobs, whereas express freight generates 120 to 170 jobs per 1,000 tons⁽⁴⁾.

The region around Paris-Charles de Gaulle airport is France's most dynamic in terms of job creation⁽⁵⁾. An estimated 80,000 direct jobs are based at Paris-Charles de Gaulle airport⁽⁶⁾. Amsterdam Schiphol generates more than 100,000 jobs, including almost 60,000 direct jobs⁽⁷⁾.

(2) Source: CTTN, July 2005.

(3) Source: Airport Council International Europe.

(4) Source: KMPG Consulting France study.

(5) Source: INSEE.

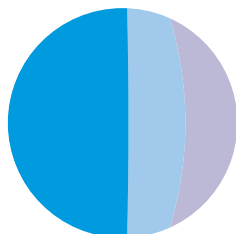
(6) Source: IAURIF.

(7) dutch government

Breakdown of external expenses of Air France-KLM

By type of expense

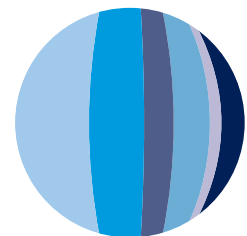
52% France
23% Europe
25% Rest of world



Breakdown of external expenses of Air France and KLM in 2005-06^(*)

By geographical area

34% Jet fuel
24% General purchases
12% Aircraft maintenance
14% Airport and navigational charges
6% Catering
10% Station charges



* Excluding insurance, sales and commissions cost, joint operations, chartering costs, aircraft operating leases and all investments, not dealt with by the purchasing departments.

Aviation taxes

It is often said that airlines do not pay enough taxes, as there is no direct tax on jet fuel. This view is erroneous, as the aviation industry pays annually many types of taxes and charges, which cover all its costs for security and infrastructure in particular. It is likewise the only transport mode that directly finances soundproofing measures. Both Air France and KLM, in 2005-06, provided €32 million for soundproofing in France and in the Netherlands. These taxes and charges have been sharply increasing in recent years, with a 50% rise between 2001 and 2005 at Paris-Charles de Gaulle (and an annual 5% hike announced for the coming years) and a 34% increase at Amsterdam Schiphol between 2000 and 2004 (ref. IATA). The two airports are among the most expensive in Europe and indeed worldwide.

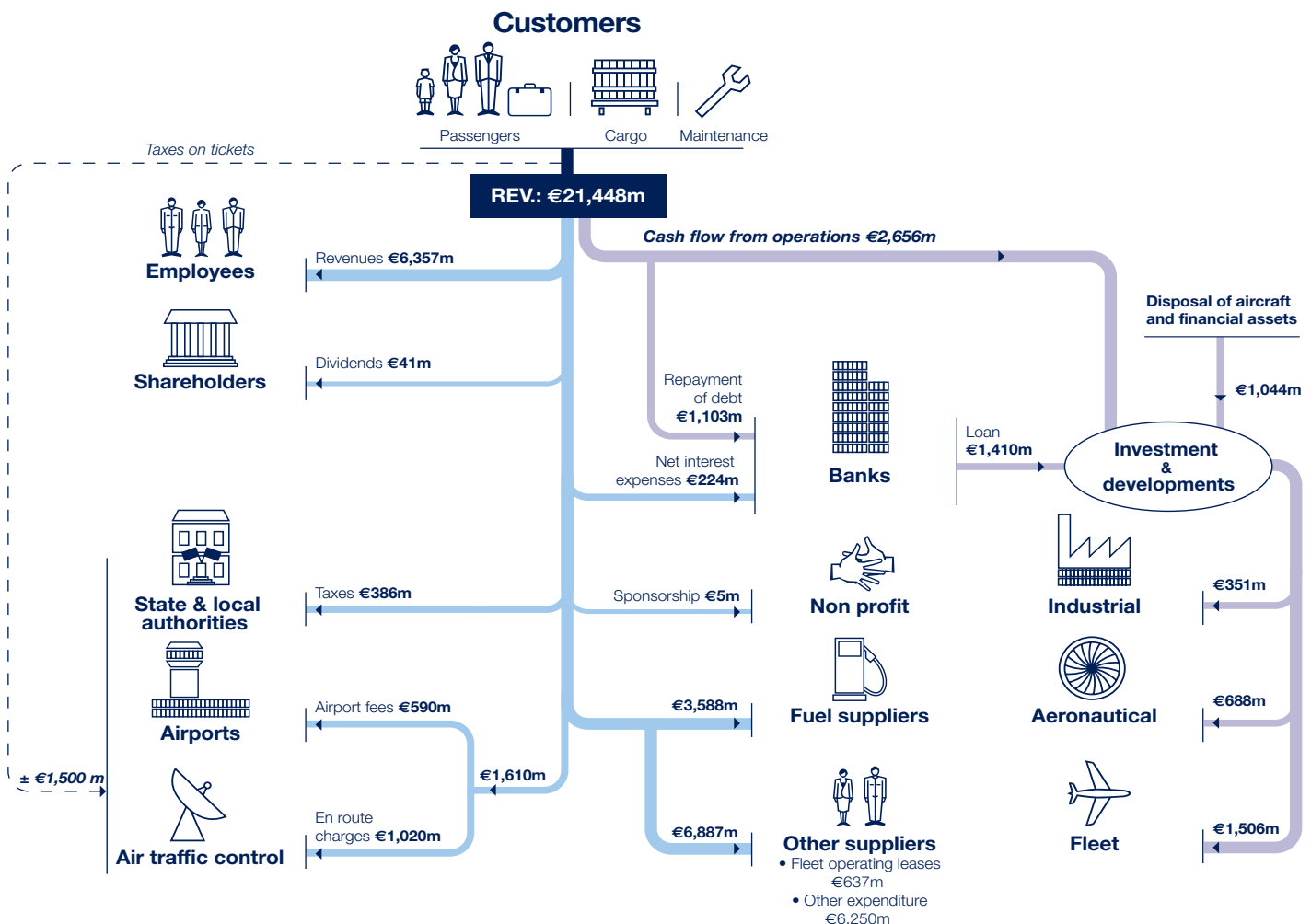
What is problematic for the French and Dutch air transport industries, both of which create wealth and employment in their respective countries and are essential for their national economies, is that air traffic can be diverted to other hubs located in countries where infrastructure costs, taxes and charges are significantly lower. This is notably the case for countries along the Persian Gulf, which are developing a hub model to connect Europe to Asia and Africa and effectively capture the long-haul traffic generated by these markets. Moreover, beyond the jobs it creates, the Group contributes financially to the economic development of the regions where it is based. Air France and its subsidiaries thus paid around €120 million in taxes to French local authorities, mainly for local economic development of airport regions.

Creating value for our stakeholders

The creation of value for our stakeholders is central to our strategy for sustainable development. The Group's economic results benefit not only shareholders but also other stakeholders, such as employees, suppliers, public authorities and local communities.

The chart below gives a schematic view of the Group's revenue distribution to its various stakeholders.

In addition to the price of the ticket, customers pay a number of taxes that airlines collect on behalf of the State. These taxes amount to about €1.5 billion for the Air France-KLM group, which, in France is notably used to finance the Civil Aviation Administration, airport security, safety (firefighters), etc.



Contributing to the community

Promoting dialogue with local communities

Air France and KLM are actively involved in consultative structures made up of local stakeholders and residents, to share views on strategic development issues and ensure mutual understanding on addressing the impact of air transport.

KLM plays an active role in the Schiphol Regional Review Board, CROS, a consultative body for provincial and municipal authorities, local residents and the aviation industry, including KLM. Its main task is to stimulate dialogue to optimize airport utilization according to the interests of different stakeholders.

Air France takes an active part in the Advisory Committee on the Environment at the ten main French airports. Chaired by the Prefect of the *département*, these committees include local authorities, local residents, environmental protection associations and airline professionals which wish to participate.

Supporting local employment and development

A major player in its industry, Air France-KLM supports local economic activities in the regions around the airports, using local businesses as suppliers and fostering local hiring. The Group also has a strong focus on sharing the skills of its employees with young people in adjacent regions.

KLM pursues numerous local initiatives, including a joint program with Amsterdam Schiphol to prevent youth unemployment, a training agreement with Amsterdam Airport Regional Education Center, and support for the Reading and Writing Foundation.

Local initiatives by Air France

Organization	Role	Activities & regions	Examples of 2005 actions
Airemploi www.airemploi.asso.fr	■ ■	Information and guidance on career opportunities in the training required to obtain jobs in the airline and aeronautical industry (Ile de France)	<ul style="list-style-type: none"> - 118 talks in middle and high schools - 87 forums and shows - 1,156 personal interviews - 18,751 information requests answered
Jeremy www.association-jeremy.com	■ ■	Employment assistance program for young people living near Paris airports. 19 firms are participating	<ul style="list-style-type: none"> - 300 interns, including 111 for Air France, of whom over 80% were hired at end of internship program
CFA www.cfadelaerien.fr	■ ■	Work/study program to prepare for technical and service jobs in the air transport industry (Ile de France)	<ul style="list-style-type: none"> - 400 students trained each year by the CFA managed by Air France - Almost 90% of diploma earners are hired (93% earn diplomas) - Job assistance program for those not hired
GIP emploi CDG	■	Studies and initiatives to support access to employment (Paris-Charles de Gaulle airport)	<ul style="list-style-type: none"> - Creation of an inter-company childcare center at the airport - Internet site for English language training for airport-related jobs - Specifications for a contract to study future local job needs
Fondation 2^{ème} chance www.deuxiemechance.org	■	Work assistance for people who face difficulties of diverse origin	<ul style="list-style-type: none"> - 50th Foundation site opened in October 2005 at Paris-Charles de Gaulle
SODESI (subsidiary of Air France) mailto:sodesi@sodesi.fr	■ ■	Support for small business creation and professional retraining	<ul style="list-style-type: none"> - Support for the Aeropole business incubator (see www.aeropole-roissy.com) - Summer Jobs Operation
Pays de Roissy-CDG www.paysderoissy-cdg.asso.fr	■ ■	Groups local elected officials, residents and enterprises from a 15 km radius around Paris-Charles de Gaulle airport who work to promote local development	<ul style="list-style-type: none"> - 50 meetings of work groups on economic development, housing, transportation, culture, training and research - Colloquium on research in the Charles de Gaulle airport region - Creation and distribution of a regional economic atlas

■ Founder ■ Director or joint director ■ Member of board of directors ■ Representative of Paris-Charles de Gaulle site

AIDS awareness program

Air France-KLM has launched an AIDS awareness and intervention program in South Africa, specifically addressing the Group's employees. South Africa has the highest HIV infection rate in the world, with more than 5.3 million people infected at end 2003 and 1,000 deaths per day.

The Group's program relies on peer education and provides employees at all levels with information and skills with regard to HIV/AIDS, with a view to encouraging and enabling people to change their behavior.

The program aims at dispelling the misconceptions and irrational fears that cause problems in dealing with this disease. It is, moreover, designed to create a culture that provides a supportive environment for employees infected with the virus, and thus assist in managing the disease.

Prize received for humanitarian aid

Orphans International recognized Air France for its contribution to humanitarian efforts at its "Overcoming Adversity" benefit, held in November 2005 in New York City, awarding the airline its "World of Appreciation Award."

In 2006, in recognition of its broad-based employment efforts, KLM was named the favorite employer in the Netherlands among students from ethnic minorities. This was the outcome of the Student Image Survey, conducted by Intermediair and Ebbing. KLM employs some 71 different nationalities.

Transferring skills to Africa

As part of the AIDA project, Air France has established a training institute in Bamako, Mali, to train air transport professionals to international operational standards. The Air Transport Professions African Institute (IAMA) was inaugurated on November 25, 2005, and will train 1,500 aviation employees per year.

Humanitarian aid

As international airlines that serve over 200 destinations and share the same desire to assist the disadvantaged, Air France and KLM have been involved in humanitarian aid for many years, through corporate and employee contributions, donations in kind, passenger awareness-raising campaigns and many other initiatives. The Group contributed a total of 5 million euros to humanitarian actions in 2005-06.

Commitments

Air France Corporate Foundation <http://fondation.airfrance.com>
 Assists sick and disabled children, street children, and children and teenagers in difficulty. Air France staff participate in the Foundation's work through Amis de la Fondation, a network of 1,500 employees.
Annual Program: funded each year by the Foundation, with projects in France and rest of world.
Concorde Program: funded by a Christie's auction in Nov. 2003 of items from retired Concorde planes. All proceeds were donated to the fund.
Tsunami Program: funded by Air France employees.

KLM AirCares www.aircares.nl
 KLM AirCares organizes innovative and creative promotional and fundraising activities to support four organizations each year, using its powerful communication resources to reach a wide audience.
 KLM also supports organizations on a long-term basis, including:
 - **Close the Gap International**, a Belgian organization that provides educational projects in Africa with used computers.
 - **Johan Cruyff Foundation** where disabled athletes can combine studies with their sports careers.

Groupe Développement www.groupeveloppement.com
 NGO that conducts urban development programs and sets up micro-credit projects on several continents, promoting the economic and social autonomy of the individual in rural economies. Supported by Air France.

Other humanitarian support
 - Aviation Sans Frontières (www.asf-fr.org), Pilots without borders (www.pzg.nl): Independent associations that provide air transport for medicines and sick children in developing countries.
 - KLM's Wings of Support (www.wingsofsupport.org): Voluntary organization set up by KLM pilots and ground staff. Sponsors projects in favor of disadvantaged children.
 - INSERM and Hopitaux de Paris Foundation partnership: Air France partnership with French National Institute of Medical Research (for children suffering from rare diseases) and Hopitaux de Paris Foundation.
 - Sponsorship of projects such as the Diambars Football Institute in Senegal and the Ghana-Netherlands Schoolfeeding Initiative in the context of the UN Millennium Development Goals.

Contributions from passengers
 Air France-KLM encourages passengers to participate in its charitable projects through financial donations or donations of frequent flyer miles.

Main actions 2005-06

57 projects distributed across 3 programs: Annual, Concorde and Tsunami.
 25 projects: 6 in Asia, 3 in Europe, 13 in France, 3 in Caribbean / Indian Ocean.
 Sponsored 26 projects this year: 15 in Africa and 11 in Latin America.
 Sponsored 6 projects for survivors in India, Sri Lanka, Thailand and Indonesia.

This year, AirCares' beneficiary organizations are:
 - **Save a Child's Heart:** charity program to operate on children suffering from deadly heart disorders. Passengers can send video messages to support the program.
 - **Nature for Kids:** environmental organization to educate children in Africa on nature conservation: Tours at children's farms in Holland, with KLM volunteers.
 - **Rehabilitation center for disabled children** in Indonesia: Financing and logistics support.
 - **Ronald McDonald House Charities:** Fundraising for a new Ronald McDonald House in Romania.

- Funded 29 projects: 17 in Africa, 4 in South America, 2 in Asia, 2 in the Indian Ocean.
 - Runs ECPAT (End Child Prostitution and Trafficking) to raise passengers' awareness of sex tourism issues involving children. A video is shown on Air France's long-haul flights.

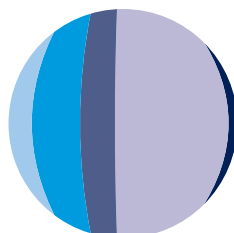
Transportation of children needing urgent medical treatment. Contributing logistics and the transport of patients and medical equipment in Africa and Asia.
 In cooperation with KLM AirCares, it provides funding and coordination for a project to build an orphanage in Indonesia for tsunami survivors.

Provides free travel to specialized centers or hospitals for consultation, treatment or assistance, often far from people's homes.

Fundraising initiatives and contributions to logistics.

In-flight videos, in-flight magazines and websites are used to reach a large international audience to request donations.

Air France-KLM donations⁽¹⁾ in 2005: Breakdown of funds (€5m)



- 14% South America
- 21% Asia
- 12% Europe (of which 3% in France and 2% in the Netherlands)
- 48% Africa
- 5% Caribbean, Indian Ocean

(1) Not including donations in kind (miles and tons of freight)

Working together

Separate human resources strategies under a common umbrella

Under the terms of the combination between Air France and KLM, and because of the differences between Dutch and French social legislation, each airline pursues its own human resources management policy, while facilitating cooperation through specific initiatives. The airlines favor coordination over integration, and work to share best practices.

Building a social dialog: Creation of the European Works Council

In a significant achievement, the CEOs of Air France and KLM established the European Works Council (EWC) in an agreement signed on Feb. 13, 2006. The aim of this consultative forum, which groups Air France and KLM employee representatives from throughout Europe, is to inform employees on issues that concern the entire Group and to discuss them.

The new EWC has 37 members who represent all of the Group's European employees in 18 different countries. Appointed for a four-year term with meetings twice a year, EWC members include 10 members from France, 6 from the Netherlands, along with representatives from the UK, Germany, Italy, Spain, Switzerland and Norway.

Striving towards a common vision

A broad array of initiatives was launched in 2005 to further consolidate the Air France-KLM combination. The aim is to help people get to know each other better, improve communication and develop shared approaches. Key initiatives include:

Optimizing our teamwork: following strong demand from staff for intercultural training, a consulting firm was jointly chosen by both airlines to provide two-day seminars, conducted in English, for mixed Air France and KLM teams. 600 employees have participated to date in these sessions, which provide a mixture of culture bridging and team-building.

Short-Term Exchange Program (STEP): this initiative enables Air France and KLM managers to develop a greater understanding of the other airline in the context of short-term missions (lasting from one day to four weeks). Over 50 employees have already participated, of whom 50% are from outstations.

Connecting our Talents: Air France and KLM exchange program: this program seeks to immerse high-potential executives in the corporate culture of the partner airline through two-year assignments in real jobs where they preferably work in the language of the host company. Thus far, 18 young managers of Air France-KLM have transferred to the partner airline; initial reactions are very positive.

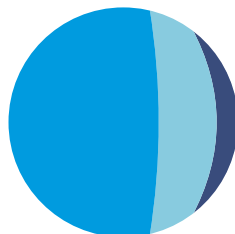
Evaluating employee perceptions

To evaluate employee perceptions and monitor the climate of cooperation, Air France and KLM run a quarterly survey, the Internal Perception Monitoring, as directed by the Group's Strategic Management Committee (SMC).

The survey's purpose is to gain insight into how Air France and KLM employees perceive the combination of the two airlines and how this perception evolves over time. The Internal Monitoring established two types of surveys, one for all employees, and the other for staff directly involved in Air France-KLM synergy work, such as synergy committees, work groups and common projects.

Breakdown of the weighted average number of employees of the Air France-KLM group (102,422 FTE)

64% France
25% The Netherlands
11% Rest of the world)





Integrating personnel at outstations

Some 40 destinations are served by both airlines, presenting major opportunities for synergies. The workforces at outstations have therefore been reorganized. At some outstations, mixed Air France and KLM teams now work together; at others, one airline has taken over. In all cases, these changes were carried out while providing extensive support to the employees involved.

Creating a common line management

To make the integration work, a common line management was needed to enable combined Air France and KLM teams to be run by a single manager. About 50 employees of Air France or KLM are “joint managers”. Among them, a limited number (18 people), mainly from Cargo, have a “double” contract with both airlines.

Helping employees work together

To enhance local synergies, the Group’s “Optimizing our Teamwork” program was extended to international staff. The course is greatly appreciated by participants, with a satisfaction rate of over 80%. More than 450 employees have taken the course in sessions in Dubai, Stockholm, São Paulo, Hong Kong and other cities, in sectors that include sales, computer technology and cargo.

To get a sense of how outstation employees feel about the combination, Air France launched a worldwide survey in early 2006, through the Cinergy project. This anonymous survey, to be held annually, monitors outstation employee perceptions on their day-to-day work, on communication, teamwork, management, ethics, remuneration, benefits, and the Air France-KLM combination. The results of the survey will be widely distributed and will later be the subject of targeted action plans. KLM has also run this type of survey, through the Siren project.

Overall, perceptions within both airlines are very positive. Employees at both airlines are convinced that the airline combination achieves more than each airline would have achieved separately. Employees are proud, motivated and confident about the shared future and eager to make it work.

Particular attention is being given to specific areas: sharing common priorities, enhancing the level of trust between team members and ensuring fairness in decision-making within the Group and the businesses. The SMC and synergy committees are using the survey results to develop specific action plans to further improve the cooperative process.

Joining forces: examples of team integration

To maximize the efficiency of cargo operations and increase the Group’s share of international markets, Air France and KLM created the Joint Cargo Team, grouping the two businesses’ marketing, sales and distribution activities in a single organization. Of the 6,000 Air France and KLM cargo employees, 2,200 are now part of the Joint Cargo Team, established October 1, 2005.

Similarly, to fully profit from the synergies created by the combination, KLM employees located in France have been integrated with Air France’s sales, operations and cargo staff. In parallel, Air France’s international sales employees located in the Netherlands have been integrated with KLM’s teams.

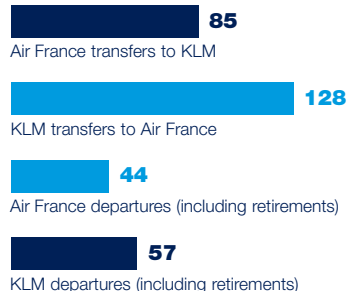
Raising employee awareness about sustainable development

Air France-KLM actively works to ensure employee awareness about sustainable development. Articles on the topic frequently appear in employee publications, such as Air France’s *Concorde* newsletter, KLM’s *Wolvenridder*, actual magazines and intranet bulletins.

At Air France, sustainable development is integrated in the curriculum for new cabin crew employees, with testing on the subject for those seeking supervisory roles. The company actively participated in France’s “National Sustainable Development Week” from May 30 to June 5, 2005, with presentations at its headquarters and documents distributed on other sites.

The Air France-KLM combination and local staff
Eleven percent of Air France-KLM’s 100,000 employees are local staff who live in more than 100 countries around the world, working in ground operations, cargo or sales. From the creation of the Group at May 2004 through end March 2006, fewer than 100 positions vanished. The Group is committed to assisting local staff affected by the combination.

Air France-KLM from may 2004 to march 2006: local staff; transfers and departures



Joining Air France-KLM means joining a Group with a wide diversity of experience, know how and cultures. It also means discovering new professions and adjusting to their development. The new technology revolution and changes in customer expectations and the competitive environment are creating fresh challenges for the whole of the air transport sector.

The human resources of the two airlines are supporting these changes and encouraging all the Group's employees to see this dynamic environment as one in which their abilities can really count. Attention to detail, rigor and respect are the values at the heart of this daily process.

Due to the differences between French and Dutch social legislation, and under the terms of the combination, each company pursues its own socially responsible human resources policy while encouraging teams to work together on joint initiatives such as training and social dialogue. This financial year saw the creation of an "Air France-KLM" European Works Council.

Employees

The weighted average number of employees of the Air France-KLM group was 102,422 full time equivalent in 2005-06, a 0.3% increase on the previous financial year.

	2005-06	2004-05	Change
Ground staff	74,258	74,462	-0.3 %
Managers	13,048	12,996	0.4 %
Supervisors / Technical Personnel	29,729	29,364	1.2 %
Agents	31,481	32,102	-1.9 %
Cabin crew	20,294	19,829	2.3 %
Cockpit crew	7,870	7,786	1.1 %
TOTAL	102,422	102,077	0.3 %

Employment

A stable workforce and supporting change at Air France

Air France has a policy of controlling the workforce, supported by the forward-looking management of jobs and skills, principally reflected in the priority given to internal resources, the development of professional and geographical mobility as well as to specific hiring follow-up. The 2005-06 financial year saw this policy developed within the context of growth in activity.

Air France's total full time equivalent workforce increased by 0.8%, principally due to an increase in cabin crew (+1.6%), and amounted to 60,055 full time equivalent employees (59,588 in 2004-05). In 2005, some 1,625 new staff were recruited on long-term contracts. The increase in ground staff recruitment was explained by the need to replace retirement departures. After several years of steep rises, this retirement curve has stabilized since 2004.

The percentage of part-time employees amounted to 18% of the total Company in 2005, compared with 19% in 2004. This reduction is primarily explained by the retirement of employees already in the progressive early retirement plan for ground staff (at 50% of the working week).

In 2005, Air France spent a total of 25 million euros on temporary staff and subcontractors in areas not associated with its core activities such as airport services, handling, cleaning and a number of specific IT development projects.

(1) French New Economic Regulations law of May 31, 2001, decree n° 2002-221 of February 20, 2002.

Employability and cost control at KLM

The main objectives of KLM's employment policy are to preserve employability and to control costs. For KLM, employability means promoting:

- flexibility, to find a better match between labor supply and demand,
- mobility, allowing staff to fulfill a wide variety of functions and use new working methods,
- health, a pre-requisite for current and future productivity, flexibility and employee mobility,
- participation, to stimulate diversity among KLM employees at successive career stages.

KLM stimulates diversity by ensuring equal opportunities among staff. Among the pre-conditions for helping employees at these various career stages are healthy working conditions and the ability of employees to switch jobs. This approach also helps KLM to deal with the problem of an ageing population.

Increasing productivity, efficiently controlling costs, and managing the workload are other important objectives of KLM's employment policy. KLM will increase productivity chiefly by achieving a better match between the availability of suitably skilled employees and demand (flexibility).

In response to a strong recovery in activity, 1,066 permanent employees were recruited in the Netherlands in 2005 (609 in 2004), of whom 613 ground staff, 341 cabin crew and 112 flight deck crew. Fixed term contract recruitment also increased, with 300 new cabin staff and 415 new ground staff.

The total KLM workforce (full time equivalent) remained stable in 2005-06 at 30,118 employees (30,045 in 2004-05).

Part-time staff at KLM in the Netherlands represented 36% of total employees in 2005, slightly higher than the figure for 2004 (35%).

Professional training

Air France expenditure on the company's 2005 training program totaled close to 200 million euros, representing 8.7% of the payroll, well in excess of the obligation under French law. The training program covers all stages of professional life and promotes employee mobility. Technical and regulatory training represented around 45% of the training programs. In 2005, the rate of access to training for all personnel reached 92%.

Within the framework of the French law of May 4, 2004 on career-long professional training, Air France wishes to encourage the consumption by employees of their individual training quotas (so-called *DIF* or *Droits Individuels à la Formation*) and to develop the periods dedicated to professional training. In February 2006, the training department was awarded ISO 9001 certification.

Within the framework of its professional training program, KLM helps its staff to combine their personal and professional development by supporting initiatives at various levels.

The KLM Academy was established to further improve the quality of KLM's organizational and management potential. During the financial year, several workshops were organized at which KLM-masters with established skills shared their experience in areas such as change management, innovation and strategic cost management as well as bridging cultural and behavioral differences.

The development program for KLM's high potentials now includes a new module, 'Focus on your Future', in which participants can benefit from a multi-year program of workshops, coaching, mentoring and a

final workshop based on their own input.

Compensation and sharing the value created

In accordance with the salary agreement of May 10, 2005 for ground staff and cabin crew, the general measures at Air France represented an average increase of 1.6% plus individual measures such as merit, promotion and seniority.

Pursuant to the incentive agreement of September 26, 2002 and its amendments, the results for the financial year ended March 31, 2005 made it possible to pay 3.28 million euros in incentive payments distributed among all Air France employees. An exceptional profit share bonus of 200 euros was, in addition, paid to all employees, amounting to a total of 11 million euros in 2005.

Within Air France, the differences in salary between men and women are not significant for equivalent positions, levels of seniority and similar organization of working hours.

At KLM, in accordance with the collective labor agreement, the general measures for salary increases represented an increase of 1% in August 2005, with another 1% in April 2006 and a further 0.75% in January 2007.

In July 2005, all KLM staff received an exceptional bonus equivalent to 4% of their July 2005 salary. In addition, the company's financial and economic performance allowed for the payment of an exceptional bonus of 200 euros in December 2005.

Social dialogue

In 2005-06, Air France continued work alongside union organizations on developing different corporate collective agreements to replace the Air France statutory regime: a joint agreement and three specific agreements for each personnel category (ground staff, cabin crew and flight deck crew). These conventions were signed by the trade unions representing the majority of the Company's personnel and are applicable as of May 6, 2006. In line with the commitments made, they maintain all the rights and accrued benefits of employees. Within the framework of this new agreement, ground staff are now subject to the collective bargaining agreement for air transport (known as the *CCNTA*).

2005-06 also saw the renewal of different contractual agreements: Internship Charter (July 18, 2005), Gender Equality agreement (April 6, 2006), Agreement for the Social and Vocational Integration of Staff with Disabilities (February 28, 2006), Profit-sharing and Incentive Agreement (August 1, 2005), Mutual Insurance agreement (September 16, 2005), Agreement on work place doctors' functioning within Air France's medical services (December 21, 2005).

In order to coordinate the local social life of the company following the revision in the scope of the Works Councils, local commissions for social and cultural activities were created with the signing of an agreement on December 16, 2005. Finally, in March 2006, a two-year salary agreement for ground staff and cabin crew was signed followed by a three-year agreement with flight deck crew in May 2006.

KLM has established a constructive relationship with trade unions based on common interests in employment matters. KLM currently applies three collective labor agreements (CLA): one for ground staff, one for cabin crew and one for flight deck crew.

In 2005, a new CLA was concluded for a 27-month period (2005-07), of which the fundamental principles are employability for all staff as well as cost control. The collective negotiations prior to the 2005 CLA also covered building trust, management by objective and simplification of processes.

In addition, following changes in Dutch social security arrangements

and employment law, the new CLA includes agreements concerning pensions, the "*levensloop regeling*" schemes (a savings scheme set up to finance career breaks), health insurance and income agreements in the event of a second year of absence due to illness.

Health and safety in the workplace

In 2005, a Charter for Preventive Management aimed at safety in the workplace was signed by all Air France operating divisions, guaranteeing their commitment to implementing specific contractual aims tailored to the Company's different activities over the 2006-08 period.

At the end of 2005, the Industrial injury frequency coefficient in France was unchanged at 5.75 but showed some marked differences between categories (Ground staff: 3.8, Cabin crew: 12.4, Flight deck crew: 2.6).

In 2005, Air France safety expenditure amounted to more than 12 million euros in France.

At KLM, the Occupational Safety and Environment Board is responsible for evaluating serious incidents and accidents, and for monitoring accident reports and any necessary corrective measures. At KLM there were no fatal accidents during the 2005-06 financial year. The total number of occupational accidents involving time off work fell by 10% on the previous year, although the total number of working days lost due to reported accidents increased slightly.

Legislative changes, which affected medical care and social security schemes in the Netherlands, prompted KLM to set up further illness prevention initiatives. The impact of this new policy is reflected in the absentee rate due to illness, which was reduced from 5.9% in 2004 to 5.6% in 2005.

For more information regarding health and safety, please refer to pages 10-11.

Diversity and social responsibility

For several years, Air France has conducted an employment policy based on integration through employment and a respect for diversity, reflected in Air France's Ethics and Social Rights Charter of June 25, 2001 and in the Charter to Prevent Workplace Harassment of November 3, 2003. This policy is applied particularly in the areas of gender equality, vocational integration of disabled persons, employment of young people and regional employment initiatives.

Professional equality between men and women is the subject of a specific agreement, renewed in 2006, informed by a number of important commitments:

- to develop the mix: the percentage of women in Air France's overall workforce moved from 31% in 1991 to 43% in 2005,
- to improve the balance between professional and family life,
- to promote equal opportunity in career development,
- to guarantee salary equality between men and women,
- to adapt work conditions.

In 2005, Air France renewed its commitment to the vocational integration of disabled workers, spending more than 900,000 euros on adapting work positions and transporting disabled people. In the 2003-05 period, 81 disabled people were recruited, 25 of them in 2005.

Thanks to this pro-active policy, introduced in 1991, some 1,878 disabled employees are currently contributing to the Company's future, with disabled staff reaching 6.6% of total employees in 2005, in excess of the legal requirement of 6%. The application of the French Law of February 11, 2005 since January 1, 2006, will reduce this level significantly due to the inclusion of cabin and flight deck crew in the calculation and the end of the weighting linked to the degree of disability. Efforts will continue with the sixth agreement on the social and vocational integration of staff with disabilities (February 28, 2006), which provides for 75 new hires in the 2006-08 period, including 32 in 2006.

Air France attaches particular importance to the incorporation of young people into the workforce. In the 2002-05 period, the Company offered 1,000 internships, including 686 in the 2005-06 financial year. With a retention rate of 90% within the businesses, internships represent a third of recruitment on permanent contracts and have been, since 1997, the subject of a Charter, which was renewed in 2005.

For many years Air France has been very active in the regions in which it operates, playing a significant role in job creation in the Orly and Roissy catchment areas, where the Company is the main employer. Air France was behind the creation of several organizations which it continues to support actively, such as the Jérémy association, which promotes the hiring of young job-seekers in the Paris-Charles de Gaulle area; Afmaé, which creates a pool of expertise and qualification programs in aviation through the Apprenticeship Training Center (CFA); the AirEmploi association, which provides information and assistance in the training required to enter the airline industry; and, finally, the Pays de Roissy association which promotes local economic development.

Air France has long been involved in assisting disadvantaged groups, particularly children, through its Foundation, created in 1992, and through other associations, particularly "Groupe Développement" and «Aviation without borders». It is also associated with the French National Health Institute (INSERM) in helping children suffering from serious illnesses.

In 2006 KLM was chosen as favorite employer in the Netherlands by realizing the highest staff satisfaction. In 2005, KLM was voted "favorite employer" of the Netherlands by students from ethnic minorities, following a survey conducted by Intermediair and Ebbing.

KLM participates in various social initiatives, particularly in the Amsterdam Schiphol area, and has built partnerships with different organizations involved in professional training in the air transport sector. Together with Amsterdam Schiphol, KLM is helping to prevent youth unemployment and provides training for underprivileged young people. When they pass their exam, they are offered a contract with one of the two entities.

KLM has concluded an agreement with Amsterdam Schiphol's Regional Education Center to provide training courses for students with technical qualifications. Students who obtain their aircraft maintenance license are offered a three-year employment contract.

In July 2005, the KLM Flight Academy at Eelde and Hanze University Groningen signed an agreement to set up a unique technology management and commercial pilot course. This course is in response to the future requirement for airline pilots to be flight managers.

In January 2006, KLM and the Breda University of Applied Sciences in the Netherlands (NHTV) signed an agreement aimed at promoting the development of new technologies in aviation management and engineering, both key to the future competitiveness of the Company

within the sector. KLM and NHTV have also announced their intention of developing this cooperation through different projects at both national and international level.

Creation of an Air France-KLM Chair in aircraft maintenance at Delft University

Air France-KLM sponsored the creation of a Chair in aircraft maintenance within the aerospace engineering faculty of the Delft Technology University in the Netherlands, giving the university the opportunity to introduce courses and conduct research in the field of aircraft repair, overhaul and maintenance.

KLM also works with the Dutch Reading and Writing Foundation in offering literacy courses to those needing help in this area. Since 1999, the Company has also supported various charitable aid programs for disadvantaged children notably through KLM AirCares.

For more information regarding local initiatives and humanitarian aid, please refer to pages 18-19.

Social indicators for the Air France-KLM group

Note on methodology

In 2005-06, under the aegis of Air France-KLM's Disclosure Committee, a memorandum relating to the social indicators and the reporting scope retained was drawn-up and approved by the Statutory Auditors.

The reporting scope retained for the Air France group is that of Société Air France and its main subsidiaries (Servair SA, Brit Air, Régional, OAT, ACNA, BPC, CRMA, Fréquence plus, Sodexi), representing around 96% of the consolidation scope of the Air France group in terms of employees.

The indicators for Société Air France and for its subsidiaries are presented separately in the table.

The information presented in the table for KLM include KLM and KLM Cityhopper, representing around 76% of the consolidation scope for the whole KLM group in terms of employees.

Employment data for the Air France-KLM group

	Air France				KLM ⁽¹⁾				SUBSIDIARIES ⁽²⁾			
	2003	2004	2005	2005-04	2003	2004	2005	2005-04	2003	2004	2005	2005-04
Headcount at 31/12 (permanent contracts and fixed term contracts)												
Ground staff	45,921	45,387	45,688	0.7%	21,862	19,366	19,550	1%	8,770	8,666	8,445	-2.6%
Cabin crew	13,572	13,582	13,947	2.7%	7,654	7,895	8,163	3.4%	640	671	723	7.7%
Cockpit crew	4,154	4,187	4,238	1.2%	2,298	2,269	2,333	2.8%	877	898	940	4.7%
Total	63,647	63,156	63,873	1.1%	31,814	29,530	30,046	1.7%	10,287	10,235	10,108	-1.2%
% of women per category at 31/12												
Ground staff	39%	39%	40%	2.1%	25%	24%	25%	3%	34%	33%	33%	1%
Cabin crew	66%	66%	66%	-0.1%	84%	84%	84%	-0.6%	80%	80%	79%	-0.5%
Cockpit crew	4%	5%	5%	4.3%	4%	4%	4%	-1.5%	4%	4%	3%	-10%
% of women at 31/12	42%	43%	43%	1.6%	40%	40%	41%	1%	34%	34%	34%	0.6%
Organization of working hours												
% of women working part time	32%	33%	33%	-2%	66%	63%	68%	8%	N.A.	N.A.	N.A.	
% of men working part time	10%	10%	9%	-10%	12%	8%	14%	70%	N.A.	N.A.	N.A.	
Percentage of part time staff	18%	19%	18%	-3%	34%	35%	36%	2%	7%	8%	8%	2%
Amounts paid to temporary work companies (€m)	15.5	18.1	25	38%	N.A.	N.A.	N.A.		25.8	25.6	23	-10%
Recruitment by permanent contract												
Ground staff	815	637	994	56%	427	420	981	134%	483	402	496	23%
Cabin crew	743	387	519	34%	2	349	518	48%	1	8	2	-75%
Cockpit crew	232	152	112	-26%	82	97	112	15%	43	38	44	16%
Recruitment by permanent contract	1,790	1,176	1,625	38%	511	866	1,611	86%	527	448	542	21%
Departures												
Ground staff	682	1,017	1,135	12%	1,986	3,276	1,016	-69%	403	417	494	18%
Cabin crew	333	276	317	15%	571	296	232	-22%	20	8	48	
Cockpit crew	143	112	116	4%	54	88	97	10%	14	14	13	-7%
Total	1,158	1,405	1,568	12%	2,611	3,660	1,345	-63%	437	439	555	26%
Retirement	525	976	1,060	9%	332	363	332	-9%	36	60	47	-22%
Redundancy (incl.economic)	314	172	157	-9%	297	393	532	35%	200	231	293	27%
Resignation	235	188	250	33%	1,958	2,861	450	-84%	184	142	205	44%
Death	84	69	101	46%	24	43	31	-28%	17	6	10	67%
Absenteeism ⁽³⁾												
Due to illness ⁽³⁾												
Ground staff	3.7%	3.3%	3.3%	-1%	6.5%	6.5%	5.9%	-9%	N.A.	N.A.	N.A.	
Cabin crew	6.2%	5.8%	6.8%	16%	5.3%	5.1%	5.4%	6%	N.A.	N.A.	N.A.	
Cockpit crew	2.3%	2.1%	2.7%	29%	4.5%	4.3%	4.2%	-2%	N.A.	N.A.	N.A.	
Due to work accidents ⁽³⁾												
Ground staff	0.5%	0.5%	0.5%	-4%	N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Cabin crew	0.6%	0.8%	0.9%	11%	N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Cockpit crew	0.1%	0.2%	0.2%	29%	N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Due to maternity ⁽³⁾												
Ground staff	0.9%	0.9%	0.9%	-5%	0.4%	0.5%	0.4%	-20%	N.A.	N.A.	N.A.	
Cabin crew	3.8%	3.9%	3.8%	-2%	2.3%	2.2%	2.1%	-5%	N.A.	N.A.	N.A.	
Cockpit crew	0.4%	0.3%	0.4%	38%	0.1%	0.2%	0.1%	-50%	N.A.	N.A.	N.A.	
Number of collective agreements	7	3	9		4	4	3		N.A.	N.A.	N.A.	
Health and safety ⁽⁴⁾												
Industrial Injury Frequency Rate (IIFR) ⁽⁴⁾	34.0	34.2	34.9	2%	8.80	11.06	11.16	0.9%	N.A.	N.A.	N.A.	
Severity of industrial accidents ⁽⁴⁾	0.87	0.93	0.83	-10.8%	0.11	0.09	0.10	10.1%	N.A.	N.A.	N.A.	
Spending on safety (€m)	15.3	18.2	12.2		1.0	0.8	4.2		3.1	3	2.2	
Total industrial accidents ⁽⁴⁾	2,683	3,029	3,113	2.8%	430	526	528	0.4%	N.A.	N.A.	N.A.	
Number of fatal industrial accidents	1	0	1		0	0	0		N.A.	N.A.	N.A.	
Training												
% of total payroll devoted to training	9.3%	8.7%	8.7%		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Ground staff	5.1%	5.6%	5.4%		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Cabin crew	10.3%	8.9%	8.9%		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Cockpit crew	18.6%	15.5%	16.3%		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Total number of hours of training			43		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Ground staff	N.A.	N.A.	33		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Cabin crew	N.A.	N.A.	36		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Cockpit crew			166		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Participation rate (number of agents trained/workforce)			92%		N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	
Disabled staff ⁽⁵⁾												
Number of disabled workers ⁽⁵⁾	1,637	1,759	1,878	6.8%	1,302	1,336	1,211	-9.4%	248	250	236	-5.6%
Employment rate of disabled staff (French law of July 10, 1987)	5.6%	6.2%	6.6%	6.5%	-	-	-		N.A.	N.A.	N.A.	
Number of disabled workers recruited during the year	25	31	25	-19.4%	N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	

Data in italics concerns only Air France in France area and KLM in Netherlands.

N.A. Not Available.

(1) The information gathering process being more precise at KLM (SAP HR system since 2005), the 2004 data have been updated. The restated figures for KLM refer to departures and recruitment, part time working and the percentage of women per category.

(2) Subsidiaries included: Servair SA, Brit Air, Régional, OAT, ACNA, BPC, Fréquence plus, Sodexi, CRMA.

(3) The figures relating to absenteeism at Air France and KLM are not comparable, the calculation methods being different.

(4) The information relating to workplace accidents at Air France and KLM are not comparable. The difference can be explained by the fact that barotraumatic otitis and lumbagos, representing the primary causes of workplace accidents at Air France, are not taken into account in KLM's list of workplace accidents.

(5) As Dutch and French legislation does not employ the same definition for disabled workers, the indicators for Air France and KLM relating to disabled employees are not comparable.

Protecting our environment

Environmental challenges for Air France-KLM

Air transport environmental issues have long been high on Air France and KLM agendas. The Group is committed to continuously improving its environmental performance in order to reconcile the growing demand for air transport with the need to protect the Earth's future. Key challenges include:

Climate change: Defining the most effective solutions for limiting the impact of air transport on climate change. See p. 27.

Noise: Meeting the growing demand for air transport while remaining within noise emission limits. See p. 28.

Local air quality: Limiting low-altitude emissions of nitrogen oxides (NO_x), carbon monoxide (CO) and unburned hydrocarbons (HC). See p. 30.

Other impacts of ground activities: Ensuring compliance with environmental regulations, reducing water and energy consumption, and optimizing waste management. See p. 30.

Levers for action

To improve the Group's environmental performance, Air France-KLM has four main levers at its disposal: the renewal of its fleet, operational procedures, its hub-based operating model and the quality of its environmental management.

Fleet renewal

The use of the newest technologies is the most effective tool airlines have for limiting noise and emissions. Air transport has already realized major environmental achievements in the past by improving fuel efficiency and thus reducing the growth of its CO₂ emissions, while considerably limiting the impact of aircraft noise.

Air France-KLM continuously invests in new aircraft. Last year, 16 new aircraft, mainly B777s, A330s and A318s, entered the fleet and 13 aircraft were phased out, B747-200s, B767-300s and B737-500s. The average age of the Air France-KLM fleet is 9.3 years as of March 31, 2006 (excluding regional subsidiaries), which is significantly younger than the world average of 11.4 years (source: IATA 2005).

Operational procedures

In the context of their environmental policy, Air France and KLM have implemented operational procedures to:

- reduce noise and fuel consumption by flight procedures, reduced onboard mass, engine maintenance procedures, etc,
- reduce aircraft emissions by modifying taxiing procedures, use of auxiliary power units, etc,
- improve air quality at the airport by using clean vehicles, etc.

Hub-based operating model

The hub is at the heart of Air France-KLM's strategy, a highly efficient system that improves load factors, for a decrease in environmental impact.

Along international routes, most towns do not have the potential to justify direct links. For example, for traffic between Europe and Asia, 94% of the towns involved are not directly linked, as the volume of traffic between each set of towns is generally quite low. Another example: for a feeder flight from Toulouse towards the Paris-Charles de Gaulle hub, 0.8 passenger goes to Hong Kong, 0.6 passenger to Singapore and 0.4 to Osaka. Direct links between Toulouse and those cities are clearly unreasonable.

On the contrary, by coordinating arrival and departure periods, the hub system can gather these very small flows of feeder traffic, link them to intercontinental traffic, and then, by increasing the load factor on long-haul flights, establish efficient operations on the largest possible network, while limiting the number of flights needed and thus the environmental impact. See p. 13.

Environmental management

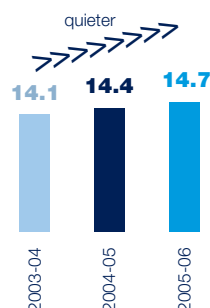
Air France-KLM's ambition is to rank among the world's top airlines for the quality of its environmental management.

The KLM Environmental Policy Declaration established in 1999 defines environmental responsibilities at each level of the organization to ensure individual empowerment and overall coordination. KLM's environmental management system received ISO 14001 certification in 1999 and EMAS certification in 2000. Both certifications have been renewed since then.

Air France also defined an Environmental Policy and set up a decentralized environmental organization to maintain decision-making at the appropriate level and to ensure that all staff and subcontractors contribute to achieving objectives.

Air France-KLM fleet performance

Average cumulative margin of the fleet (in EPNdB) with respect to the ICAO Chapter 3 standard



% of fleet engines compliant with ICAO manufacturing standards

- Current Caep 4 standard
- Future Caep 6 standard (applicable in 2008)



The environmental impact of fleet renewal at Paris-Orly

Air France is currently replacing its B747-200s and 300s with B777-300s, which feature lower emissions and noise energy. Thus, for departures from Paris-Orly Airport, Air France is introducing B777-300s for its Caribbean and Indian Ocean routes. When looking at total Air France activity at Paris-Orly, the replacement of the company's B747-300s by the new B777s has the following environmental impact at low altitudes:

- HC emissions are reduced by 35%
- CO emissions are reduced by 12%
- NO_x emissions are increased by 8%
- Noise exposure is reduced by 17%

The increase in NO_x emissions is the side effect of progress that has been made in reducing noise exposure and fuel consumption. See p. 27-28.



Operational measures to improve fuel efficiency

Fuel consumption can be reduced through specific maintenance measures, such as operating with optimally clean engines, optimizing flight procedures, establishing flight plans with an optimal cost index, making precise, daily calculations of each aircraft's zero fuel weight, and reducing the number of training flights by using flight simulators instead.

Another effective measure is to limit airplane mass by reducing the weight of onboard equipment, such as items needed for onboard service, including galleys and trolleys. All these avenues for improvements are the subject of ongoing research carried out by Air France-KLM.

Limiting Air France-KLM's impact on climate change

A real but moderate contribution to the greenhouse effect

Aircraft engines emit CO₂, water vapor, NO_x and particles, all of which have an impact on the composition of the atmosphere. The United Nation's IPCC report calculated that the aviation industry's contribution to the greenhouse effect, taking all emissions and impacts into account, could rise from 3.5% in 1992 to 5% in 2050.

The role that CO₂ plays in the greenhouse effect is well understood by the scientific community. However, scientific knowledge is limited concerning the impact of other emissions, as the atmosphere, such as NO_x, soot, condensation trails. For this reason, the Group has supported research programs that try to analyze the mechanisms at work in the upper atmosphere. See p. 30.

Reducing the greenhouse effect

The 1997 Kyoto Protocol, which does not apply to international aviation, established as an objective for 2012 the reduction of worldwide emissions of greenhouse gases by 5% relative to their 1990 levels. Among the six greenhouse gases listed in the protocol, only CO₂ is produced by the air transport industry. The key to reducing CO₂ emissions is to reduce fuel consumption, as the burning of one ton of fuel produces 3.15 tons of CO₂. Air France-KLM is pursuing three avenues for action in this regard:

- renewal of the fleet in favor of more fuel-efficient planes,
- development of hub-based operations,
- optimization of operational measures.

Emissions Trading Scheme

The Group's programs have been successful in improving fuel efficiency to a great extent. However, growth in worldwide air activity causes an increase in aviation emissions. The European Union is currently considering several options for resolving the problem of greenhouse gases emitted by aviation, including the possibility of creating an Emissions Trading Scheme (ETS), a tax on kerosene, or an "en route" charge, based on the volume of emitted CO₂. Air France-KLM supports the ETS and opposes taxes or charges, which do not provide an answer to the problem of climate change.

In January 2005, the European Union established an emissions trading scheme for CO₂ emitted by fixed sources. This system currently applies to some 12,000 fixed installations. It is likely it will be extended to cover mobile sources like aircraft.

Air France-KLM favors a worldwide solution, although a European ETS could be used as the first step towards a more global system, if it is fair and if the distortion of competition between airlines is reduced as much as possible. The ICAO also believes that including aviation in an open ETS would be the most efficient solution.

ETS: how it works

An Emissions Trading Scheme (ETS) defines the amount of greenhouse gases a company is allowed to emit.

Some companies emit more greenhouse gases than the amount defined by the system, in spite of implementing available measures to control their emissions.

On the other hand, other companies can reduce their emissions beyond the targets set by the system. These companies can sell their additional reductions to companies that have emitted too much, enabling the latter to achieve their targets.

Moreover, emissions permits can be acquired by financing, for example, a project that captures CO₂, such as a forest plantation. The geographic location of the reduction is not important, as this is a global climate problem.

By letting the market mechanism do its work internationally, reductions will take place where they are least costly.

Reform of air traffic management:

Another avenue for reducing CO₂ production is the reform of European air traffic management, to minimize delays and shorten aviation routes and arrival and departure paths, thus reducing flight times and associated emissions. The potential for reduction in CO₂ emissions resulting from improved European traffic management is estimated to be 6%.

Energy efficiency

Energy efficiency is a measure of the fuel consumed to carry passengers and baggage a given distance.

There are many ways to calculate fuel efficiency, but few are neutral with regard to the business model (e.g., cargo, low-cost, charter, intercontinental, etc.). The existence of multiple reporting methods is not a problem, as long as each method is only used by the operator to measure its own improvement over time. However, when comparing different types of air transport, the method should not favor one business model over another and should reflect intrinsic aircraft performance.

For this reason, Air France expresses its fuel efficiency with a standard cabin configuration for each of its aircraft types. Using this definition, the energy efficiency of Air France in 2005 was 3.1 liters per standard passenger per 100 covered kilometers, compared to 3.3 liters in 2004.

KLM expresses its result in kg of fuel per 100km transported. In 2005, 2.59 kg of fuel were used versus 2.64 in 2004.

Limiting noise emissions

Noise near airports is the major environmental concern for local residents. Air France-KLM participates in dialogue with neighboring municipalities and local residents, providing its expertise, its operational input and results.

The Group supports the ICAO's vision of a "balanced approach" for abating noise levels hindrance near airports. This concept involves striking a balance between reducing noise at source, adopting noise abatement procedures, implementing aircraft operating restrictions, and regulating land use planning and management near airports.

Reducing noise at source

Modern aircraft are 20dB quieter both on arrival and departure than aircraft used in the past; today, improving an aircraft's acoustic features is a major driver in its design. Fleet renewal is the most powerful lever for achieving quieter aircraft operation.

Air France-KLM has reduced global noise energy by 21% over the past five years, while the Group's number of flights worldwide has increased by 18%.

Noise abatement procedures

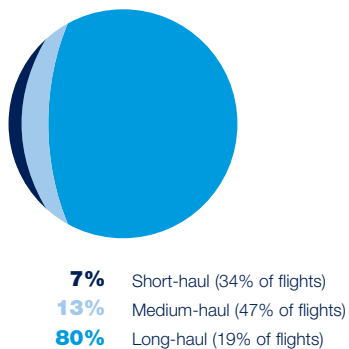
Noise exposure can also be mitigated by changes in flight procedures, such as preferential runways and routes, and noise abatement takeoff and approach procedures.

For example, the Delayed and Reduced Flap Approach now forms part of the standard training for Air France-KLM pilots. Furthermore, at night, a Continuous Descent Approach is used at Amsterdam Schiphol. KLM participates actively in pilot projects around Schiphol Airport to find ways to further reduce noise for local residents. One project under consideration would vary runway operations, announcing changes in advance to neighboring residents to create periods of relative local 'silence'. The aim is to determine whether these periods do result in a noticeable reduction in noise. Another project is studying the noise impact of a new flight route at night. These projects are designed and evaluated in close cooperation with local residents. However, in the Netherlands environmental regulation impedes further improvements in noise abatement.

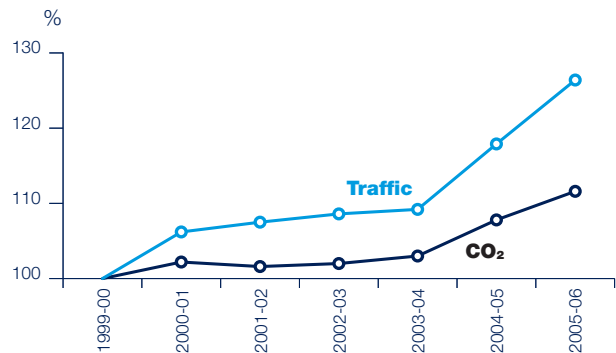
Aircraft operating restrictions

Many large European airports have already been subject to operating restrictions to reduce noise emissions. At Paris-Charles de Gaulle, the authorities have imposed a gradual phase-out of the noisiest aircraft and have limited the number of nighttime flights. At Amsterdam Schiphol, restrictions apply to nighttime flights of aircraft classed among the noisiest of the ICAO's Chapter 3, Annex 16. Current noise regulations limit the noise levels in inhabited areas around Schiphol by defining the annual maximum noise levels at 35 points around the airport.

Breakdown of CO₂ emissions per type of flight



CO₂ production and traffic (passengers and cargo) for Air France-KLM



Since the end of March 2004, Air France has removed from its schedule all flights to and from Paris-Charles de Gaulle between midnight and 5:30am, except for one incoming flight from Nouméa via Tokyo. Regulations at Paris-Charles de Gaulle have been imposed to decrease average flight noise, while allowing long-term air traffic development. Restrictions have been established which cap global noise emissions at the levels reached in 1999-2000-2001 and gradually reduce the use of the noisiest aircraft during the day after being banned at night.

Land use planning and management

It is generally observed that, wherever noise exposure has been reduced, the area then sees an increase in urban density. The success of efforts made by the airlines therefore depends on how far the authorities and local agents can control urban development around airport complexes.

It is essential that suitable structures exist for dialogue with local communities to find the optimal balance between environmental impact and economic development. Air France-KLM participates in local commissions, including the Advisory Environmental Committees in France, and the Schiphol Regional Review Board (CROS) in the Netherlands.

In 2006, the Dutch government carried out an evaluation of the environmental regulations that apply to Amsterdam Schiphol. With the aim of influencing future environmental regulations, KLM together with Amsterdam Schiphol and Air Traffic Control (ATC Netherlands), developed a four-part policy for an improved environmental system that benefits all stakeholders. This includes making agreements with the region on runway and flight path use (such as the noise-abatement pilot projects mentioned above); a monitoring system to measure runway noise to determine when a predetermined noise limit is exceeded; a system of penalties that benefits the region; and an adequate information system accessible to all. KLM expects that current noise regulations will be improved in a way that rewards airlines for their investments in cleaner, more silent technologies.

Soundproofing programs

Both KLM and Air France contribute to soundproofing programs in the vicinity of airports through specific taxes. In 2005, Air France-KLM paid 32 million euros for soundproofing in France and in the Netherlands. Over recent years, increases in these taxes were adopted in order to extend the areas covered by soundproofing and increase the number of local residents benefiting from it.

KLM Environment Capacity Award from Amsterdam Schiphol Airport

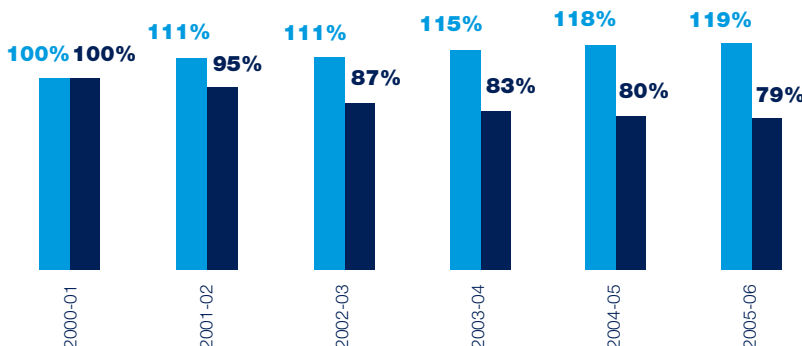
In recognition of its contribution to sustainable development, KLM was given the Environmental Capacity Award by Amsterdam Schiphol Airport. As the jury stated: "in innumerable sectors, KLM has greatly contributed to the sustainable development of Amsterdam Schiphol Airport."

The entire KLM fleet, for example, is equipped with navigation instruments that enable highly precise movements, limiting environmental impact. The company was also praised for the quality of its relations with the different communities in the region.

Furthermore, KLM was honored for its fleet renewal program. The company replaced its B747-300 fleet with eleven B777-200s and added three A330-200s to its fleet. In 2006-07 all twelve B767s will be replaced by a combination of eight A330-200s and four B777-200s.

Air France-KLM statistics on global noise/movements trends from 2000 to 2005

■ Number of Air France-KLM movements (ref. 2000)
 ■ Global noise energy (ref. 2000)



Infringement of noise regulations

Note that regulations evolve over the years, and infractions mainly concern time constraints for Air France-KLM at Paris-Charles de Gaulle. In 2004-05, regulatory constraints increased considerably:

Year	Number for Air France-KLM	Number for all airlines ⁽¹⁾
1999-00	18	58
2000-01	24	190
2001-02	2	89
2002-03	2	116
2003-04	11	130
2004-05	95	611

(1) Source: ACNUSA (2005-06 figures not available).

Controlling our impact on local air quality

Aircraft landing, takeoff and taxiing cycles as well as ground operations generate emissions of NO_x, CO, HC, SO₂ and particulate matter, which influence local air quality around airports. Although air traffic's contribution to local air pollution is small compared to road traffic and other sources, the Air France-KLM group is committed to reducing local emissions whenever reasonably achievable through fleet renewal, investment in cleaner ground services equipment and improved operating procedures.

Emission sources

Landing and takeoff (LTO) cycles generate about two-thirds of Air France-KLM's local NO_x emissions. Road travel by the Group's passengers and staff to the airport is the second-largest source of local emissions. On the other hand, aircraft contribute less than half of all CO and HC emissions at airport complexes.

Benefits of fleet renewal

In recent years, Air France-KLM's local emissions of CO and HC have decreased by 50% and 90% respectively. These advances were obtained thanks to the gradual incorporation of the best available technologies in the fleet, resulting from improvements made by the aviation industry. However, NO_x emissions are not following the trend for improvement.

Optimizing procedures to mitigate emissions

Air France-KLM has introduced various measures such as taxiing-in with one engine shut off and reducing the use of auxiliary power units (APU) on aircraft.

Using cleaner vehicles

On the ground, Air France-KLM renews its fleet with ever-cleaner vehicles, and improves maintenance. It optimizes its logistics circuits, reducing the number of vehicle trips, which also helps control the Group's environmental impact on airports.

The Group has a three-year plan to renew or retrofit ground support equipment (GSE) with the primary aims of reducing emissions, lowering maintenance costs and improving working conditions. More than 47 million euros will be invested in this effort.

An environmental trade-off between noise, CO₂ and NO_x

In recent years, the airline industry has made great strides in reducing noise and improving fuel efficiency – and consequently limiting the growth of CO₂ emissions – by optimizing engine combustion rates. However, the associated high temperature and pressure conditions in the engine result in an increase in NO_x emissions.

Engine manufacturers are currently developing technologies to reach the target set by the Advisory Council for Aeronautics Research in Europe (ACARE) to reduce NO_x emissions by 80% by 2020.

At Paris-Charles de Gaulle Airport, of the 163 self-powered jetways in service at Air France, 81 will be retrofitted with new technologies and 63 replaced with new vehicles, all of which will be compliant with the new Euro3 manufacturing standards. Over the past two years, 230 light vehicles of Air France have been replaced, such that today 94% of the vehicle fleet is equipped with catalytic converters. The average age of the vehicle fleet is now 5.5 years, compared to 6 years last year. These efforts will be pursued in the coming year.

At Amsterdam Schiphol, KLM is investing in 205 new GSE machines, including ground power units, mobile air conditioning units, container loaders and baggage conveyors. KLM Equipment Services has put fourteen solar-powered jetways into operation.

Commitment to research

Air France-KLM maintains an ongoing commitment to research that is designed to reduce aviation's impact on the environment.

Both airlines participate in Aeronet (AErosol RObotic NETwork), a program launched by ONERA – the French Organization for Aeronautic Research – on local air quality around airports.

KLM, Amsterdam Schiphol and Air Traffic Control in the Netherlands have agreed to cooperate with various institutes (such as TNO and NLR) and the Delft University of Technology with the aim of resolving the future capacity issues facing Schiphol and of finding ways through innovation to limit noise around the airport.

The Dutch Ministry of Agriculture recently carried out a thorough investigation in response to complaints by several horticultural firms regarding damage to their flowers; the companies charged that aircraft emissions might be at fault. The Ministry concluded there was no measurable impact from kerosene or any flight-related activities.

Managing environmental impact on operational sites

Air France-KLM ground activities have an environmental impact based on the consumption of energy and water, the production of waste and the management of hazardous substances.

KLM's ground activities are all located around Amsterdam Schiphol, while Air France's principal operational sites are located mainly around Paris-Orly, Paris-Charles de Gaulle and Toulouse.

The sites of both Air France and KLM are involved in a continuous process of improvements, including environmental aspects and are fully or partly ISO 14001 certified. The environmental impacts of suppliers are addressed through proper supply chain management.

In March 2006, Air France launched a new online system, the Environmental Regulations Tracking System, which can be used to look

up in real time the environmental standards that apply to any particular Air France activity or product. The system, available on the corporate intranet site, is designed for use in every sector of Air France ground activity.

Reducing energy consumption

To improve energy efficiency for vehicles, the Group has implemented a computer-aided equipment management system to track each vehicle's fuel consumption.

KLM has concluded its second Multiyear Energy Agreement with Dutch government authorities on the energy efficiency of its buildings and industrial processes. As part of this agreement, KLM implements a range of energy reduction measures, like the underground storage of heated water. In the winter, KLM uses stored water to heat buildings; in the summer, the buildings are cooled while the water is reheated. Another example is the lighting management for a new building, which is based on the presence of people in the building. Since 1989, KLM has improved energy efficiency in this regard by 50%.

Promoting selective sorting and waste treatment

Air France-KLM's sites in France and the Netherlands produced 46,700 tons of ordinary waste in 2005-06, similar to that produced by a city with approximately 32,000 households.

Several initiatives to promote the recycling of waste have been carried out by the cargo activity. Air France-KLM Cargo reduced the use of plastic film by using thinner film and collecting it for recycling at Paris-Charles de Gaulle and Amsterdam Schiphol. A total of 274 tons of plastic film were collected last year.

Reducing water consumption and preventing water pollution

In recent years, Air France and KLM (Air France Industries and KLM Engineering & Maintenance) have considerably reduced their water consumption through process controls, staff empowerment and the ecological design of tools at the workplace. Corporate water reduction measures include the installation of water meters, the re-use of rinsing water, the optimization of rinsing methods, and the replacement of ground-water cooling systems by closed cooling systems or alternative cooling systems.

Since 2000, KLM has invested in de-icing equipment to reduce the environmental impact of aircraft de-icing. In close co-operation with the airport, 80% of KLM's de-icing fluid is collected to ensure environmentally sound treatment and, whenever possible, it is recycled.

Accident simulation at maintenance facility

A simulation of an industrial accident took place at Air France Industrie's new EOLE aeronautic equipment maintenance facility at Villeneuve le Roi/Orly. The exercise simulated the spilling of a toxic chemical, causing the emission of fumes in a workshop and the intervention of emergency services.

The exercise was carried out as part of a preventive approach to risk management pursued by Air France, and tested a specific crisis management system.

The EOLE site, inaugurated in March 2004, was designed from the very beginning to integrate Air France's Quality, Security, Environment procedures.

Managing hazardous substances

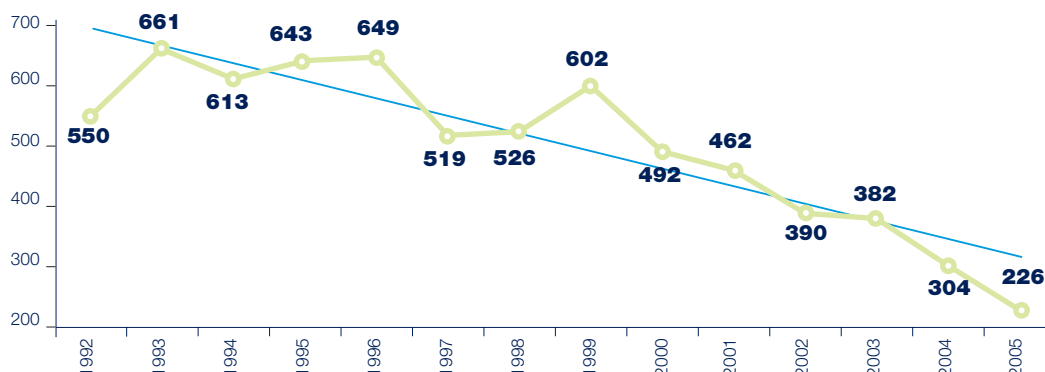
Air France-KLM has reduced VOC (volatile organic compound) emissions by 50% over the past years by selecting products with low VOC content and by improving work processes and tools. These ongoing efforts should bring an additional 30% reduction in the coming years.

Air France-KLM regularly updates the inventories of hazardous substances stocked on their sites. KLM has set up procedures to check new chemicals according to environmental, health and safety criteria before any use in the company.

Protecting the soil

Air France-KLM systematically rehabilitates its former industrial sites. Where necessary, the Group cleans the soil and groundwater.

Water consumption at Air France Industries (000's cu.m.)



Air France-KLM is committed to respecting the environment in its business development. Beyond the continuous investment in fleet renewal, with aircraft achieving ever better environmental performance, the environment is a collective commitment for the Air France group, involving all the employees of the company and its subsidiaries.

Air France and KLM have separate environmental management systems adapted to their individual contexts. However, they work together on a large number of matters, particularly on the creation of an environmental reporting mechanism or the establishment of the Group's sustainability report.

The impact of air transport activity on climate change is, furthermore, the subject of a joint Air France and KLM policy.

Environmental management

In 2002, the Executive Board of Air France decided to set up the environment function whose coordination was entrusted to the Environment and Sustainable Development Department within the General Secretary's office.

The Air France departments are responsible for ensuring regulatory compliance and limiting the environmental impact of their operations. Each department applies the Company's environmental policy in its own area through a dedicated action plan and appoints its own environmental liaison officer who reports to the Quality-Safety-Environment manager.

The role of environmental liaison officers is to:

- promote the Company's environmental policy in their entity through multiple strategic, training and communication initiatives;
- coordinate the departments' environmental initiatives and action plans;
- establish control mechanisms, analyze the results and identify preventive and corrective measures.

In 1999, KLM implemented an ISO 14001 compliant environmental management system. This international standard is based on the Deming total quality model: plan, do (implement), check (i.e. audits, management review) and act (corrective actions).

Environmental responsibilities have been outlined for the entire KLM organization. At top management level, the Executive Committee is responsible for environmental issues. Each department has appointed an environmental liaison officer to coordinate environmental initiatives and keep management informed.

At Executive Committee level, the Corporate Environmental Center assists, advises and monitors environmental developments KLM-wide internally and externally. Environmental performance and the results of audits are regularly discussed by the Occupational Safety & Environment Board.

In line with its commitment to develop its environmental policy, KLM has introduced a KLM-wide annual program in order to ensure continuous improvement in its environmental performance, guarantee environmental management and actively develop internal and external communication.

Environmental evaluation or certification programs

Air France is progressively achieving ISO 14001 certification, which is included in the scope of IMS certification.

Air France Industries aims to have IMS (integrated management system) certification for 90% of its industrial sites by mid-2007.

In the other areas of the business such as Air France Cargo or Operations, the ISO 14001 principles serve as the basis for the environmental management system. A certification program is currently being studied within these departments.

All KLM's activities with the exception of ground operations at the outstations are ISO 14001 certified. The relevant processes are planned, controlled and checked by audits to guarantee compliance with all environmental requirements..

Furthermore, on a yearly basis the management system is reviewed at KLM's Board level. Recently, the ISO 14001 standard has been revised and KLM implemented these revisions in its management system. The revised standard requires a more thorough evaluation of all areas potentially affected by the company. KLM is thus reviewing whether it needs to develop its current policy on supply chain management, currently focused on purchasing procedures.

Since 2002, KLM N.V. has been certified in accordance with the Eco Management and Audit Scheme (EMAS) of the European Union.

Measures taken to guarantee the Air France-KLM group's compliance with legal and regulatory requirements relating to the environment

Huglo-Lepage, a consultancy specialized in environmental law was commissioned by Air France to set up a reference framework and mechanism to monitor regulatory compliance. This reference framework may be used by all the operational divisions and was developed to assemble all the regulatory texts, interpret them within the context of the Company's activities and sort them so that each local entity can access the legal texts specifically concerning them.

Furthermore, the implementation of a reporting and management tool within Air France Industries in April 2006 facilitates the tracking of environmental performance and the early detection of any abnormality or threshold transgression by automating the process of information reporting.

Air France Cargo ensures its regulatory compliance by undertaking environmental site audits, whose contents are based on Prefects' decrees granting authorization for operation. The Air France Cargo environmental action plans integrate the conclusions of these audits.

For KLM, the principles of the ISO 14001 standard (2004 version) serve as the basis for its management system. In this regard, an audit of all requirements that need to be respected must be completed each year. The business units are responsible for monitoring their regulatory compliance and their procedures are checked by internal and external audits. The results of these checks and audits as well as the monitoring of corrective actions are regularly evaluated by KLM's Management Board. All significant environmental incidents are monitored and reported to the authorities.

(1) French New Economic Regulations law of May 31, 2001, decree n° 2002-221 of February 20, 2002.

In 2005-06, 221 incidents were recorded, of which the majority were small fluid spills without any environmental consequences. They were managed in line with KLM's environmental standards.

To ensure compliance with the legal and regulatory requirements relating to KLM's ground operations outside the Netherlands, KLM is implementing a code of good environmental practice in its outstations.

Environmental risk management

At Air France, risk control is founded on a precise evaluation of existing risks. For Air France Industries' facilities with ISO 14001 certification, the identification and management of risks is an integral part of the certification standards. In the other sites, audits are undertaken in order to map the environmental risks associated with the activities.

The identification and management of environmental risks is an integral part of KLM's ISO 14001 management system. Every year, the relevant business units check and update their environmental procedures to identify environmental risk and to define mitigating measures. Internal and external audit teams are tasked with monitoring procedures and implementing corrective measures. Environmental risks are included in the KLM global risk management system established quarterly. Within the framework of these systems, risks are identified, their impact evaluated and proposals for action established.

The requirements in terms of prevention or corrective action are implemented by the different entity action plans.

Furthermore, the implementation, in 2006, of an environmental reporting tool for the whole Group, already deployed within Air France Industries, will guarantee the exhaustive monitoring of at-risk activities and the earliest possible detection of any anomaly, leading to the necessary corrective measures.

Investment in environmental risk prevention and guarantees

Provisions

For environmental risk management, Air France has provisioned the following amounts:

- 1.7 million euros for the depollution of Montaudran,
- 0.7 million euros for the depollution of the Orly industrial site.

Guarantees

Air France has taken out an insurance policy to cover civil liability for environmental damage risks up to a sum of 50 million euros per claim and per year, with lower specific limits depending on location and/or activity. In the event of a claim, deductibles will apply.

In risk prevention, the main departments of Air France and its subsidiaries exposed to environmental risk have QSE (Quality Safety Environment) units, which regularly participate in site sensitivity studies, particularly for those sites where this is required by the insurers.

KLM has no specific financial provisions and guarantees for environmental risk because the regular financial provisions of KLM are applicable.

Indemnities paid and actions carried out to repair environmental damage

Indemnities linked with air transport operations:

In respect of the 2004-05 financial year Air France will pay out 375,800 euros in noise fines, mostly in connection with delayed flight departures infringing Roissy airport regulations.

In 2005, Air France paid 9.9 million euros of noise tax for all its operations in continental France. The funds collected from this tax are solely used to ensure that local residents are properly soundproofed. Air France is an active member of the Environmental Advisory Committee and Advisory Committee for Resident Assistance, which are responsible for ensuring that these funds are put to the most effective use.

In 2005, KLM paid 22.4 million euros in noise taxes for soundproofing and compensation for loss of value in properties around Schiphol airport in respect of article 77 of Dutch aviation law.

Indemnities and actions linked to ground operations:

The second phase in the rehabilitation and clean up of the Montaudran industrial site is proceeding at an estimated cost of 2.5 million euros. This action is being carried out subsequent to a formal demand from the French Regional Industry, Research and Environmental Agency (DRIRE) following the cessation of activities at the site, and involves no legal proceedings against Air France.

Environmental expenditure and investment

Some information on environmental expenditure is available concerning the Operations Department of Air France, which has invested 292,000 euros in various materials.

It is KLM's policy to fully integrate environmental management in the business operation. This means that it is not possible to determine environmental expenditure and benefit exactly. However, KLM lists the most significant expenditure that can be directly related to environmental legislation or environmental management. This concerns expenditure relating to noise and to the soundproofing mentioned in the above section on indemnities paid and actions taken to repair environmental damage.

Furthermore, KLM estimates that regulations concerning noise resulting in the alteration of landing and take-off procedures and in flight path diversions to avoid densely populated areas cost the airline 10 million euros in 2005.

In 2005-06, KLM expenditure to ensure environmentally sound waste disposal, wastewater treatment and cleaning processes amounted to 3.4 million euros. Over the year approximately 4 million euros was spent on KLM's environmental management system, external environmental communication and on initiatives to encourage staff to use the public transport system.

Soil use conditions

Consistent with the precautionary principle, Air France's property division has sub-soil samples taken prior to any new construction on a site in order to check for the possible presence of underground pollutants. This guarantees that future buildings and their occupants will be safe from possible health risks that could otherwise have emerged over time.

In a related development, Air France, although a tenant of most of its premises, decided to apply the latest regulatory recommendations applying to owners in matters of asbestos. Asbestos diagnostics have been carried out in all the buildings in which Air France employees work. The program, involving 300 buildings, was completed in 2005. The surveys concluded that there is the occasional incidence of asbestos but not sufficient to require its removal. A monitoring program has been implemented.

KLM has remedied all relevant soil or groundwater contamination outside its buildings. Where the removal has been partial, containment measures have been implemented and are functioning properly.

Measures taken to improve energy efficiency

For Air France, the main drivers in energy efficiency are:

- the renewal of aircraft and vehicle fleets;
- the continuous improvement of operating procedures linked to aircraft and ground vehicles in order to limit fuel consumption;
- the implementation in January 2006 of an IT system to monitor fuel consumption in registered vehicles;
- the quarterly tracking of energy consumption in the Company's different departments;
- employee awareness initiatives on energy saving;
- the inclusion of energy saving in the design of new facilities as with the Villeneuve-le-Roi and Blagnac industrial sites.

Since 1989, KLM has implemented a range of energy saving measures, allowing a 46% reduction in energy consumption. In 2005, KLM concluded, with the Dutch Ministry of Economic Affairs, the second multi-year energy agreement on the energy efficiency of its buildings, in which the company is committed to reducing its energy consumption by a further 6% to 20% as of 2007. KLM implements an extensive fleet renewal program, both for aircraft and ground support equipment. Aircraft fleet renewal in particular results in further improvements in energy efficiency.

Objectives for the Air France-KLM group's subsidiaries

The subsidiaries of Air France are involved in the Group's environmental control procedures. They attend committee meetings to monitor action plans organized by the Environmental and Sustainable Development Department and participate in the implementation of various environmental projects such as the regulatory monitoring mechanism.

As a consequence of its ISO 14001 (1999) certification, CRMA, an AFI subsidiary, conducts an annual monitoring program which verifies the regulatory compliance of its facilities and operations. The shortfalls identified are taken into account in the preventive and corrective action plan.

KLM's subsidiaries are responsible for their own environmental management systems and have integrated environmental management into their business operations in a variety of ways. All subsidiaries have implemented measures to ensure compliance with applicable environmental legislation and regulations and have defined objectives to improve their environmental performance. The environmental aspects of KLM Cityhopper and KLM Catering Services are for the most part included in KLM's environmental indicators.

Air France-KLM group environmental indicators

In 2005-06, under the aegis of the Group's Disclosure Committee, with the participation of the Statutory Auditors, an instruction memorandum relating to the environmental indicators and the reporting scope retained was established.

For the environment the scope is, for the Air France group, that of Société Air France and its main subsidiaries (Servair SA, Brit Air, Régional, ACNA, CRMA). The information supplied by KLM covers the KLM company and its subsidiary KLM Cityhopper.

The year's dataset (as well the historical data) was updated to include the environmental data of KLM's subsidiaries (KLM Catering Services) that were not included in the 2004-05 Reference Document for the Air France-KLM group.

Air operations for Air France-KLM⁽¹⁾

	Unit	2003-04	2004-05	2005-06	Pro-forma change	Air France 2005-06	KLM 2005-06
Consumption							
Consumption of raw materials: fuel	000 tons	7,625	8,026	8,373	4%	5,392	2,981
Emissions							
Greenhouse gas emissions							
CO ₂	000 tons	24,064	25,327	26,422	4%	17,012	9,410
Emissions of substances contributing to acidification and eutrophication							
NO _x	000 tons	115.3	123.5	131.9	7%	89.1	42.8
of which low altitude (< 3,000 ft)	000 tons	7.1	7.5	7.6	2%	5.6	2
SO _x	000 tons	3,430	4,605	6,421	39%	4,135	2,286
of which low altitude (< 3,000 ft)	000 tons	0.26	0.33	0.44	32%	0.30	0.14
In-flight fuel jettison							
Occurrences of fuel jettison		24*	20*	21*	5%*	21	ND
Fuel jettisoned	tons	1,707	1,343	1,046	-22%	525	521
Other emissions							
HC	000 tons	4.8	4.2	4.0	-7%	2.4	1.6
of which low altitude (< 3,000 ft)	000 tons	1.2	1.2	1.1	-7%	0.86	0.27
Noise impact							
Global noise energy indicator**	10 ¹² kj	1.48*	1.81	1.79	-1%	1.41	0.38

* Air France data only.

** Data computed on calendar year for Air France.

Ground operations for Air France-KLM⁽²⁾

	Unit	2003	2004	2005	Pro-forma change	Air France 2005	KLM 2005
Consumption							
Water consumption	000 m ³	1,173	1,230	1,210	-2%	954	256
Raw materials consumption: fuel oil	m ³	NA	7,357	7,371	0%	7,371	0
Energy consumption							
Electricity consumption	MWh	355,499	371,986	386,839	4%	285,539	101,300
Energy consumption							
Superheated water	MWh	388,875	156,371	146,939	-6%	146,939	0
Iced water	MWh		3,020	4,148	37%	4,148	0
DFO	MWh		10,204	7,927	-22%	7,927	0
Gas	MWh		252,706	237,196	-6%	65,746	171,450
Consumption of renewable energies	MWh	0	0	0		0	0
Emissions							
Greenhouse gas emissions							
CO ₂	tons	71,300	76,235	75,893	5%	32,588	43,305
Emissions of substances contributing to photochemical pollution							
Emissions of volatile organic compounds** (weight contained in products used)	tons	276	252	188	-25%	131	57
NO _x	tons	366*	355*	285*	-20%*	N.A.	285
SO _x	tons	43*	42*	47*	12%*	N.A.	47
Waste							
Waste production							
Quantity of ordinary industrial waste	tons	49,144	48,966	46,715	-5%	31,563	14,815
Quantity of special industrial waste	tons	4,371	4,975	5,721	11%	4,626	1,095
% of waste recycled	%	27%*	37%*	28%*	-24%*	N.A.	28%
Waste water							
Effluents contributing to acidification and eutrophication							
Nitrates	kg	3,667	5,387	3,468	-36%	3,058	410
Phosphoruses	kg	386	926	322	-65%	316	5
Heavy metals							
Heavy metals (Cr, Cd, Ni, Cu, Pb)	kg	74.1	63.3	78.2	26%	73.3	4.9

* KLM data only.

** Data calculated on IATA year for Air France.

(1) Current year dataset (as well as historical data) was updated to include consumption and emissions of Air France's subsidiaries (Régional and Brit Air) that were not included in the 2004-05 Reference Document for Air France-KLM Group.

(2) Current year dataset (as well as historical data) was updated to include the environmental data of KLM's subsidiaries (KLM Catering & KLM Equipment Services) that were not included in the 2004-05 Reference Document for Air France-KLM Group.

Air France-KLM: Joint Action Plan

Issues	Commitments	2005-06 Actions	Next Steps
Group reporting	Report with transparency and rigor on sustainable development performance.	- Disclosure Committee meetings, and social and environmental workshops, harmonization of indicators. - Selection of reporting system tool.	- Pursuit of work on harmonizing indicators to consolidate NRE reporting at Group level. - Deployment of the reporting system at Group level.
Climate change	Renew its fleet by introducing the best technologies and by operating the most efficient procedures.	- Fleet renewal: 16 new aircraft, 13 retired. - Contribute to the establishment of effective regulations for a responsible and fair ETS (Emissions Trading System).	- Continue to integrate environmental criteria in the evaluation of future aircraft for the Group fleet. - A380 takeoff noise abatement procedure designed for optimized power management. Define and promote a fair method for distributing emissions permits.
Supply chain	Promote environmental responsibility and the strict respect for human rights, opposing all forms of child labor and forced labor.	- Sustainable development charter sent to all Air France's suppliers. - Environmental audits of KLM suppliers.	- Define a sustainable development charter for purchases common to Air France-KLM. - Creation of an Air France map of risks by purchasing segment and geographic area.
Air France-KLM	Build a socially responsible Group.	- Creation of European Works Council. - Training to facilitate staff integration. - Internal Perception Monitoring.	- Pursue actions in favor of staff cohesion. - Pursue staff exchanges.

Air France Action Plan

Environment

Environmental management	Ensure regulatory conformity and anticipate changes in regulations. Strengthen environmental management in the QSE management system.	- Implemented a centralized Environmental Regulations Tracking System. - ISO 14001 Certification of two new Air France Industries sites in process.	- Pursue certification programs and define with Management the objectives for an Integrated Management System (IMS). - Certify 100% of Air France Industries sites ISO 14001 by 2007. - Expand the eco-design of products onboard aircraft. - Define the basis for an environmental audit plan.
Aircraft noise and emissions	Control the environmental impact of air operations as regards noise and CO ₂ emissions.	- Fleet renewal: 12 new aircraft; 9 retired. - Participated in OACI, IATA, AEA..., workgroups and supported to the research.	- Pursue fleet renewal efforts and continue to contribute expertise to workgroups. - Reduce the mass of onboard "accessories", for the same service to customers.
Air Quality	Research and implement methods for reducing low-altitude emissions from aircraft and ground activities.	- Operational procedures: aircraft taxiing with n-1 engines, preferential use of centralized 400Hz, etc. - Reduced VOC from maintenance by 40% (by changing products and procedures). - Ground service equipment (GSE) renewal.	- Develop a procedure against air pollution for use during pollution peaks. - Further reduce Air France Industries' VOC emissions by 30% by 2008 and pursue actions to renew the GSE fleet. - Participate in the Onera workgroup on the spatial-temporal mapping of Paris-CDG.

Social

Diversity	Promote social integration through employment and equal opportunity.	- Signature of the second three-year agreement on male/female equality. - Signature of the sixth multi-year agreement for the social and professional integration of the disabled	- Measure any differences in remuneration between men and women. Adapt working conditions. - By 2008, reestablish an employment rate for disabled staff of over 6% (according to the criteria of the law of Feb. 11, 2005). - Recruit 75 disabled people during the period 2006-08 and promote the purchase of services from the protected work sector.
Employability	Develop employee skills and promote professional mobility.	- 2,692,825 training hours in 2005. - Internal selection of cabin crew: 230 accepted.	- Pursue training activities and extend e-learning programs. - Make employability and mobility central to the next collective agreement for ground staff (2006-09).
Social Dialogue	Listen to employees and promote social dialogue.	- Survey of all personal abroad (approx. 6,000 people); internal survey. - 11 accords signed with social partners in 2005-06.	- Monitor the implementation of agreements signed in 2005-06. - Finalize the collective agreement for ground staff for 2006-09. - Prepare the protocol for the exercise of labor rights.
Safety in the Workplace	Protect employee health and safety at work.	- Charter for Health and Safety in the Workplace signed by all members of the Executive Committee. - Three-year contracts setting goals for reducing workplace accidents were signed by the presidents of all 8 local Works Councils.	Reduce the frequency of accidents in the workplace for AF staff, in conformance with contract goals.

Society

Spending on the Community	Define priorities for the commitment of spending for the community.	- Humanitarian actions (see p. 19). - Creation of "Friends of the Foundation" to encourage employees to participate in humanitarian actions.	- Support relations with suppliers by humanitarian projects for underprivileged children in certain countries. - Carry out an inventory of Air France's actions in France and abroad.
Local Development	Promote socio-economic development in communities near the Company's main sites.	- Support for local employment, professional guidance, training for jobs in the air transport industry, and economic development in the area around Paris-CDG airport (see, p. 18). - Renewal of the work/study charter. - €560 million worth of purchases in the four départements around Paris-CDG airport.	- Pursue involvement in local actions. - Build up the Roissy drop-in center for people who face multiple difficulties (Foundation for a Second Chance). - Improve the tutoring arrangements for the work/study program. - Pursue awareness programs regarding local purchasing.
Dialogue with Stakeholders	Listen to the expectations of regions where Air France is located.	Dialogue with stakeholders about Lyon airport and definition of action plan.	Perform a methodological review for the stakeholders dialog destined to Air France sites.
Communication	Communicate with transparency and rigor with all of our stakeholders. Involve employees in the effort for sustainable development.	Developed an intranet/Internet site with a users' forum and sharing of best practices.	Launch the sustainable development intranet/Internet site.

KLM Action Plan

Issues	Commitments	2005-06 Actions	Next Steps
Environment			
Environmental management	Compliance with environmental regulations and ISO 14001. Commitment to Good Environmental Practices (GEP).	- Re-certification for next 3-year period. - Implemented GEP at 9 outstations.	- Implement revised ISO 14001 standard, assure compliance and enhance supply chain management. - Implement GEP at all KLM outstations by 2008
Climate change	Limit environmental impact of aircraft, reducing CO ₂ per passenger-kilometer. Improve the energy efficiency of ground operations.	- Introduced new fleet of A330-200s.Reduced weight of catering products (by optimized loading, adjustments of trolleys, etc). Implemented the 41 measures itemized in the action plan.	- Continue fleet renewal and weight reduction measures. - Multi-discipline working group to investigate how to further optimize fuel consumption. Focus on Engine Waterwash project,flight planning with optimum cost index, and optimizing the calculation of Zero Fuel Weight. Continue implementation; further improve energy efficiency by approximately 20% by 2007.
Local Environmental Aspects	Control local emissions through fleet renewal. Operate within noise limits and reduce noise hindrance as much as possible. Minimize waste.	Introduced new A330-200 fleet and 15 new ground support machines (GSE). - Developed 4-pillar noise policy. - Participated in soundproofing programs (GIS) and in pilot projects on reducing noise. Improved waste separation (e.g. by using plastic foils).	- Continue with fleet renewal and renew GSE in accordance with three-year plan. - Participation in pilot projects, GIS and noise-reducing operational procedures (e.g., reduced flap approach and continuous descent approach at night). - Continue with waste prevention and separation at source.
Social			
Flexibility	Build flexibility into the workforce and contracts.	- Launched rostering project to have fewer people work during off-peak hours and ensure flexibility during peak hours. - Initiated option for employees to have a partially variable income (based on financial results KLM). - Launched a project for a single salary system to cover technical and administrative employees.	- Next steps subject to deal with unions. - Implementation by May 2006. - Implement system by July 2008.
Mobility	Stimulate mobility inside and outside the company. Encourage personal development and training.	- Implemented a career scan in the virtual mobility center. - Created the KLM Academy to enhance KLM's organizational and management potential with masterclasses.	- Continue to stimulate mobility. - Target population managers and specialists. Implementation of management skill training. Extend career training programs, and extension with leadership programs for executive level .
Health and safety	Protect employee health and safety.	- Launched a health scan project, enabling employees to see the effects of their lifestyle on their health. - Implemented new collective health insurance program. - Formulated a new policy concerning employees' second and third year of disability, in anticipation of new legislation.	- Implementation in 2006. - Develop additional insurance policy features. - Implementation for all employees with first date of illness after January 1, 2004.
Diversity	Encourage diversity in the workforce, through participation of the seniors, minorities, the disabled, and women in positions of senior management	- Implemented a "life-course" policy, enabling employees to have a long paid leave period during their employment. - Adapted pension provisions to new legislation for cabin, flight and ground employees. - Launched Sustainable Employability project, to enable employability at all stages of employees' lives. - Cooperation with the Reading and Writing Foundation to assist staff with reading or writing difficulties.	- Ready for all employees. - Apply new provisions to all employees. - Implement project with special attention to the seniors. - Embedding in organisation process, by creating awareness and promote use of training possibilities.
Society			
Local Development	Promote training and economic development.	Established training course for underprivileged young people to prevent youth unemployment.	
KLM Aicares	KLM AirCares raises awareness and funds for children's charities worldwide through inflight communications and special promotional campaigns.	Support a rehabilitation center for handicapped children in Indonesia, Ronald McDonald, Save a Child's Heart and Nature for Kids.	- Contributing to raise awareness for the increasing problem of diabetes among children. - Together with the VU Amsterdam Hospital set up a new health program for seriously ill African children. - Develop three other communication campaigns for foundations, in the field of child welfare.
Dialogue with Stakeholders	Contribute to a sustainable relation with employers, sector and region in the field of environmental capacity at Amsterdam Schiphol Airport.	Active participation in regional platforms (CROS, BRS), development of four part policy within the sector and start of pilot projects on noise abatement.	- Continue pilot projects to reduce noise. - Contribute to the airport program to improve quality of life in noisy areas. - Launch a dedicated website - Co-sponsor of the Global Reporting Initiative (GRI) congress in Amsterdam in 2006.
Communication	Improve communication with all relevant stakeholders.	See dialogue with stakeholders.	See dialogue with stakeholders.

As part of the Group's sustainable development approach,
this document is printed on environmentally-friendly paper.