AIRFRANCE KLM

Reference Document

2008-09

This reference document includes the annual financial report

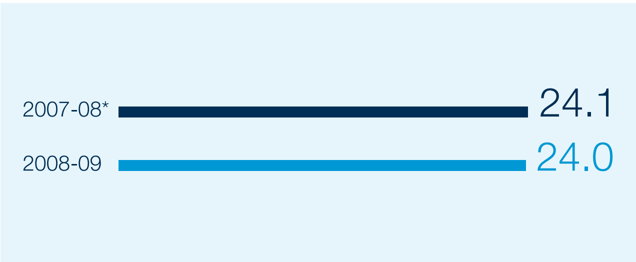
2008-09 Reference Document | Air France-KLM

This Reference Document is an unofficial translation of the French Document de Référence, which was filed with the French Autorité des Marchés Financiers on June 9, 2009, pursuant to Article 212-13 of the AMF General Regulations. This unofficial translation has been prepared by Air France-KLM for information purposes only and has not been reviewed or registered with the AMF. The French Document de Référence may be used for the purposes of a financial transaction if supplemented with an offering memorandum approved by the AMF. In the event of any ambiguity or discrepancy between this unofficial translation and the French Document de Référence, the French version shall prevail.

Key figures

Pursuant to Article 28 (EC) no.809/2004 of April 29, 2004, the review of the financial situation and the results for the financial year ended March 31, 2008 figuring on pages 2 and 3 of the 2007-08 reference document is included by reference in this document. The change in accounting method for the application of the IFRIC 13 interpretation and the related impacts are presented in section 5 note 3.1 of the consolidated financial statements.

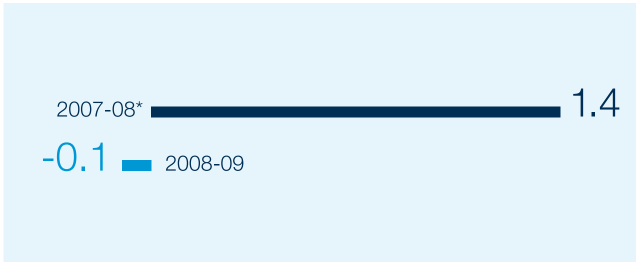
Revenues (In € billion)



** After restatement for the application of the IFRIC 13 interpretation: + €9 million*

Revenues were stable (-0.6%), after a negative currency impact of 1.9%.

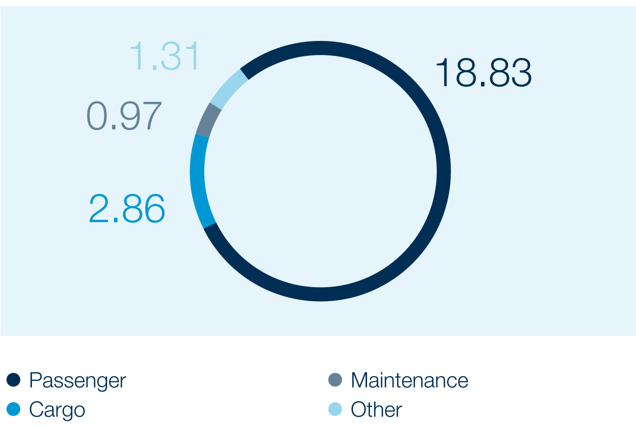
Income/(loss) from current operations (In € billion)



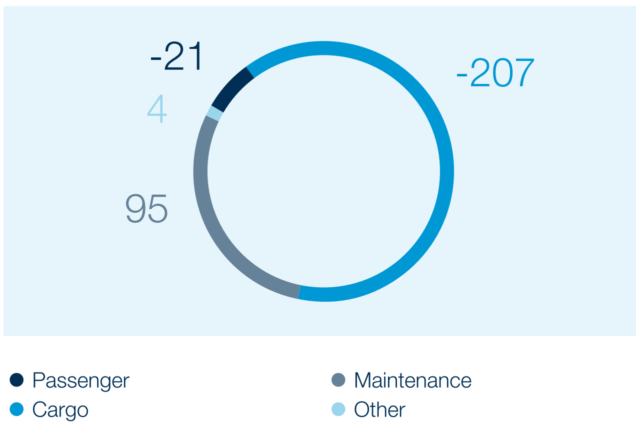
** After restatement for the application of the IFRIC 13 interpretation: + €9 million*

The loss from current operations reflected the deterioration in the operating environment during the 2008-09 second half. The adjusted operating margin stood at 0.4% versus 6.7% at March 31, 2008 (*See also section 5, page 117*).

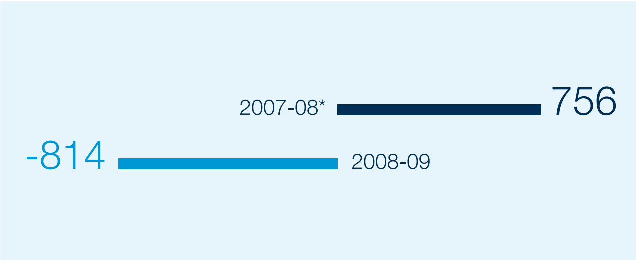
Breakdown of 2008-09 revenues by activity
(In € billion)



Breakdown of 2008-09 operating income by activity
(In € million)



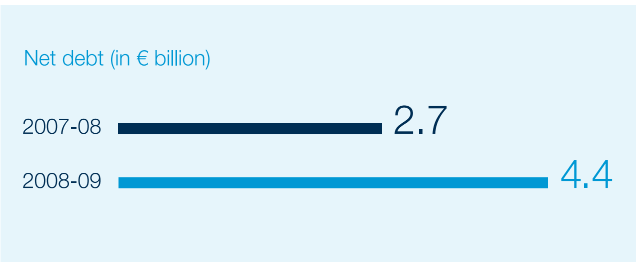
Net income/(loss), Group share (In € million)



* *After restatement for the application of the IFRIC 13 interpretation.*

The net result for the 2008-09 financial year was significantly impacted by the change in the fair value of fuel hedging instruments linked to the sudden, sharp decline in the oil price. Excluding non-recurrent items and the change in the fair value of hedging instruments, the restated net loss would have been €578 million versus income of €790 million at March 31, 2008 (*See also section 5, page 117*).

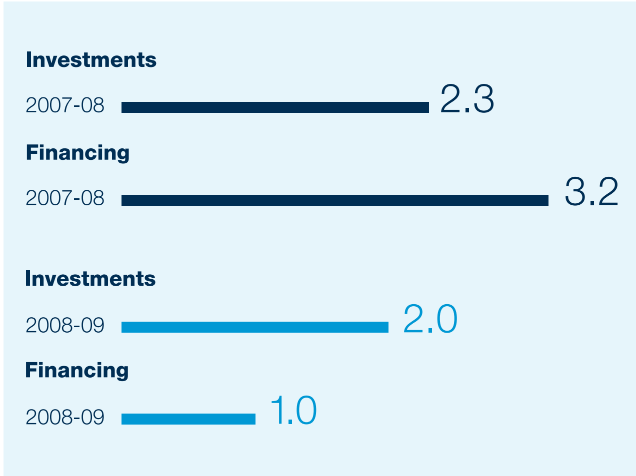
Financial structure



* *After restatement for the application of the IFRIC 13 interpretation.*

The gearing ratio increased from 0.27 (0.25 before a €639 million negative impact on shareholders' equity at March 31, 2008 for the application of the IFRIC 13 interpretation during the 2008-09 financial year) to 0.78, under the combined effect of an increase in net debt and a €3.3 billion reduction in shareholders' equity linked to the change in the fair value of hedging instruments. The ratio would amount to 0.62 versus 0.33 at March 31, 2008 excluding the valuation of hedging instruments.

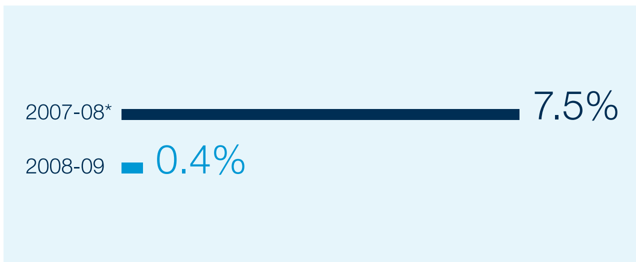
Investments and financing (In € billion)



Operating cash flow was insufficient to fund the totality of tangible and intangible investments.

Return on capital employed

(See also section 5, page 118).



* *After restatement for the application of the IFRIC 13 interpretation.*

Corporate governance

1.

The Board of Directors

Composition of the Board of Directors at March 31, 2009

At March 31, 2009, the Board of Directors comprised 15 members:

- 10 directors appointed by the Shareholders' Meeting;
- 2 representatives of the employee shareholders appointed by the Shareholders' Meeting;
- 3 representatives of the French State appointed by ministerial order.

The functions exercised by the Board of Directors members within the specialized committees are detailed in the *Board of Directors Committees* section.

Directors appointed by the Shareholders' Meeting

Jean-Cyril Spinetta

*Chairman of the Board of Directors of Air France-KLM **

First appointed as a Board director: September 23, 1997.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2010.

Number of shares held in the company's stock: 65,349 shares.

Other directorships and offices

French companies

- Chairman of the Board of Directors of Air France;
- Chairman of the Supervisory Board of Areva * since April 30, 2009;
- Director of Saint-Gobain *;
- Director of Alcatel-Lucent *;
- Director (representing the French State) of GDF-Suez * since June 2008.

Non-French company

- Director of Alitalia CAI (Italy) since January 2009.

Others

- Member of the IATA (International Air Transport Association) Board of Governors (Canada);
- Member of the Board of Paris Europlace.

Directorships and offices held in the last five years and having expired

French companies and public institutions

- Chairman and Chief Executive Officer of Air France-KLM until December 31, 2008;
- Chairman and Chief Executive Officer of Air France until December 31, 2008;
- Director (representing the French State) of La Poste between August 2008 and April 2009.

Non-French companies

- Director of Unilever (United Kingdom) until July 2007;
- Director of Alitalia (Italy) until January 2007.

Other

- Chairman of the IATA (International Air Transport Association) Board of Governors (Canada) until June 2005.

Born October 4, 1943, Mr Spinetta is a graduate of the Institut des Sciences Politiques de Paris and of the École Nationale d'Administration.

Pierre-Henri Gourgeon

*Chief Executive Officer of Air France-KLM **

First appointed as a Board director: January 20, 2005.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2011.

Number of shares held in the company's stock: 45,797 shares.

Other directorships and offices

French companies

- Chief Executive Officer of Air France and Permanent representative of Air France-KLM on the Board of Directors of Air France;
- Member of the Supervisory Board of Steria *.

Non-French company

- Vice-Chairman of the Board of Directors of Amadeus IT Group (Spain).

Directorships and offices held in the last five years and having expired

French companies

- Deputy Chief Executive Officer of Air France-KLM until December 31, 2008;
- Deputy Chief Executive Officer of Air France until December 31, 2008;
- Director of Autoroutes du Sud de la France until March 2006;
- Chairman of Amadeus GTD until September 2005.

Born April 28, 1946, Mr Gourgeon is a graduate of the École Polytechnique and the École Nationale Supérieure de l'Aéronautique. He is also a graduate of the California Institute of Technology.

* *Listed company.*

Leo M. van Wijk

Vice-Chairman of the Board of Directors

First appointed as a Board director: June 24, 2004.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2010.

Number of shares held in the company's stock: 3,565 shares.

Other directorships and offices

Non-French companies
- Member of the Supervisory Board of Aegon N.V.* (Netherlands);
- Member of the Supervisory Board of Randstad Holding N.V. (Netherlands).

Directorships and offices held in the last five years and having expired

Non-French companies
- Member of the Supervisory Board of Martinair (Netherlands) until March 2008;
- Member of the Supervisory Board of Kennemer Gasthuis (Netherlands) until December 2007;
- Member of the Advisory Board of ABN AMRO Holding (Netherlands) until December 2007;
- President of the KLM Management Board (Netherlands) until July 2007;
- Director of Northwest Airlines (USA) until May 2007.

Born October 18, 1946, Mr van Wijk, a Dutch national, holds a Masters degree in Economic Sciences.

Patricia Barbizet

Chief Executive Officer and Director of Artémis

First appointed as a Board director: January 3, 2003.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2010.

Number of shares held in the company's stock: 2,270 shares.

Other directorships and offices

French companies
- Artémis/PPR Group: Member of the Supervisory Board and Chief Executive Officer of Financière Pinault, Director of the Société Nouvelle du Théâtre Marigny, Director of Piasa, Artémis Permanent representatives on the Boards of Directors of Sebdo Le Point and L'Agefi, Member of the Management Board of Château Latour, Vice-Chairman of the Board of Directors of Pinault-Printemps-La Redoute*, Director of FNAC, Member of the Supervisory Board of Yves Saint-Laurent;
- Director of Bouygues*;
- Director of TF1*;
- Director of Total* since May 2008;
- Director of the Fonds Stratégique d'Investissement and Chairman of the Investment Committee since December 2008.

Non-French companies
- Chief Executive Officer and Director of Palazzo Grassi (Italy);
- Chairman and Director of Christie's International Plc (United Kingdom);
- Director of Tawa* (United Kingdom);
- Member of the Supervisory Board of Gucci (Netherlands).

Directorships and offices held in the last five years and having expired

French companies
- Chairman of the Board of Directors of Piasa until May 2008;
- Chairman and Chief Executive Officer of Piasa until April 2007;
- Permanent representative of Artémis on the Bouygues Board of Directors until December 2005;
- Chairman of the Société Nouvelle du Théâtre Marigny until June 2005.

Non-French company
- Director of Afipa (Switzerland) until October 2006.

Born April 17, 1955, Ms Barbizet is a graduate of the École Supérieure de Commerce de Paris.

Frits Bolkestein

First appointed as a Board director: November 22, 2005.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2011.

Number of shares held in the company's stock: 10 shares.

Other directorships and offices

Non-French company
- Member of the Supervisory Board of de Nederlandsche Bank (Netherlands).

Other
- Chairman of Telders Foundation (Netherlands).

Directorships and offices held in the last five years and having expired

Non-French company
- Advisor to PricewaterhouseCoopers (Netherlands) until December 2007.

Other
- Member of the European Commission (Belgium) until November 2004.

Born April 4, 1933, Mr Bolkestein, a Dutch national, was a Member of the European Commission between 1999 and 2004.

* *Listed company.*

Jean-François Dehecq

*Chairman of the Board of Directors of Sanofi-Aventis **

First appointed as a Board director: January 25, 1995.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2010.

Number of shares held in the company's stock: 523 shares.

Other directorships and offices

French companies
- Director of Veolia Environnement *;
- Chairman of the Orientation Committee of the Fonds Stratégique d'Investissement since March 2009.

Others
- Chairman of ENSAM (École Nationale Supérieure d'Arts et Métiers);
- Director of the French National Research Agency;
- Chairman of the National Association for Technical Research;
- Member of the French Foundation for Research into Epilepsy.

Directorships and offices held in the last five years and having expired

French companies
- Director of Société Financière des Laboratoires de Cosmétologie Yves Rocher until June 2007;
- Chairman and Chief Executive Officer of Sanofi-Aventis until December 31, 2006;
- Member of the Aventis Supervisory Board until December 2004.

Non-French companies
- Chairman and Director of Sanofi-Synthelabo Daiichi Pharmaceuticals Co. (Japan) until 2006;
- Director of Fujisawa Sanofi-Synthelabo Inc. (Japan) until June 2005;
- Director of Sanofi-Synthelabo Inc. (United States) until November 2004.

Others
- Vice-Chairman of EFPIA (European Federation of Pharmaceutical Industries and Associations) (Belgium) until June 2008;
- Governor to the Board of the American Hospital of Paris until November 2008;
- Member of the Supervisory Board of the Agency for Industrial Innovation until December 2007;
- Director of UNIFEM, Finance Management until September 2006;
- Chairman of the Conservatoire National des Arts et Métiers until 2005;
- Member of the French Council of INSEAD until 2004.

Born January 1, 1940, Mr Dehecq is a graduate of the École Nationale des Arts et Métiers.

Jean-Marc Espalioux

Chairman of Financière Agache Private Equity

First appointed as a Board director: September 14, 2001.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2010.

Number of shares held in the company's stock: 601 shares.

Other directorships and offices

French companies
- Director of Veolia Environnement *;
- Member of the Supervisory Board of Flo Group *;
- Member of the Supervisory Board of Homair Vacances;
- Member of the Supervisory Committee of Lyparis;
- Member of the Supervisory Board of Paprec since July 2008;
- Non-voting director on the Supervisory Board of the Caisse Nationale des Caisses d'Epargne.

Directorships and offices held in the last five years and having expired

French companies
- Member of the Supervisory Board of Club Méditerranée until January 2006;
- Accor Permanent representative on the Supervisory Board of Lucien Barrière Group until January 2006.

Non-French company
- Chairman of Accor UK until January 2006.

Born March 18, 1952, Mr Espalioux is a graduate of the Institut des Sciences Politiques de Paris and of the École Nationale d'Administration.

Cornelis J.A. van Lede

First appointed as a Board director: June 24, 2004.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2010.

Number of shares held in the company's stock: 1,000 shares.

Other directorships and offices

French company
- Director of Air Liquide *.

Non-French companies
- Chairman of the Supervisory Board of Heineken* (Netherlands);
- Member of the Supervisory Board of Philips Electronics (Netherlands);
- Director of Sara Lee Corporation (US).

Other
- Chairman of the Board of Directors of INSEAD (Institute of Business Administration) (Canada).

* *Listed company.*

Directorships and offices held in the last five years and having expired

Non-French companies

- Member of the Supervisory Board of Stork (Netherlands) until January 2008;
- Director of Reed Elsevier (Netherlands) until May 2007;
- Director of Sara Lee Corp (Netherlands) until April 2007;
- Member of the Supervisory Board of Akzo Nobel N.V. until May 2007;
- Chairman of the Supervisory Board of de Nederlandsche Bank (Netherlands) until October 2004;
- Director of Scania AB (Sweden) until May 2004.

Born November 21, 1942, Mr van Lede, a Dutch national, was Chairman of the Management Board of Akzo Nobel between 1994 and 2003 and Chairman of the Dutch Federation of Industries between 1984 and 1990.

Floris A. Maljers

First appointed as a Board director: June 24, 2004.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2010.

Number of shares held in the company's stock: 500 shares.

Other directorships and offices

Non-French company

- Chairman of Roompot Recreatie B.V. (Netherlands).

Other

- Chairman of the Board of Directors of the Rotterdam School of Management (Netherlands).

Directorships and offices held in the last five years and having expired

Non-French companies

- Director of Het Concertgebouw N.V. (Belgium) until June 2005;
- Director of SHV Holdings N.V. (Netherlands) until May 2005;
- Director of BP Plc * (United Kingdom) until March 2005.

Other

- Director of Rand Europe until July 2007.

Born August 12, 1933, Mr Maljers, a Dutch national, was Chairman of Unilever N.V. between 1984 and 1994.

Pierre Richard

First appointed as a Board director: October 20, 1997.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements of the year ending March 31, 2010.

Number of shares held in the company's stock: 401 shares.

Other directorships and offices

French companies

- Director of Generali France Holding;
- Director of EDF Energies Nouvelles *;
- Member of the Supervisory Board and Director of Le Monde group, Société Editrice du Monde and Le Monde Investisseurs.

Non-French company

- Expert member of the Board of Directors of the European Investment Bank (Luxembourg).

Others

- Member of the Board of the Institut de l'Entreprise.

Directorships and offices held in the last five years and having expired

French companies

- Chairman of the Board of Directors of Dexia Crédit Local until September 2008;
- Director of Crédit du Nord until February 2007.

Non-French companies

- Chairman of the Board of Directors of Dexia (Belgium) until September 2008;
- Vice-Chairman of the Board of Directors of Dexia Banque (Belgium) until September 2008;
- Director of Dexia Banque International (Luxembourg) until September 2008;
- Director of FSA (United States) until 2006.

Born March 9, 1941, Mr Richard is a graduate of the École Polytechnique and of the École Nationale des Ponts et Chaussées.

Directors representing the French State

Bruno Bézard

Director of the French Treasury State Holdings Agency

First appointed as a Board director: March 14, 2007.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2013.

Other directorships and offices representing the French State

French companies and public institutions

- Director of La Poste;
- Director of EDF *;
- Director of Areva *;
- Director of France Telecom *;
- Director of Thalès *;
- Director of the Fonds Stratégique d'Investissement since December 2008;

* *Listed company.*

- Director of the Grand Port Maritime de Marseille since December 2008.

Non-French company
- Director of Dexia * (Belgium) since October 2008.

Directorships and offices held in the last five years and having expired

French companies and public institutions
- Director of France Télévisions until April 2007;
- Director of the SNCF until April 2007.

Born May 19, 1963, Mr Bézard is a graduate of the École Polytechnique and of the École Nationale d'Administration.

Claude Gressier

President of the Economic, Transport and Networks unit, Counsel General for the Environment and Sustainable Development

First appointed as a Board director: June 24, 2004.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2010.

Other directorships and offices representing the French State

French companies and public institutions
- Director of the SNCF.

Directorships and offices held in the last five years and having expired

French companies and public institutions
- Representative of the Counsel General for Public Works on the Board of Directors of the Établissement des Autoroutes de France until December 2008.

Born July 2, 1943, Mr Gressier is a graduate of the École Polytechnique, attended the Institut des Sciences Politiques de Paris and is qualified as a general public works engineer.

Philippe Josse

Director of Budget, French Ministry of Economy, Finance and Industry

First appointed as a Board director: May 16, 2006.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2012.

Other directorships and offices representing the French State

French companies and public institutions
- Director of EDF *;
- Director of the SNCF.

Born September 23, 1960, Mr Josse holds a law degree and is a graduate of the Institut des Sciences Politiques de Paris and of the École Nationale d'Administration.

Directors representing the employee shareholders

Didier Le Chaton

Representative of the flight deck crew

First appointed as a Board director: January 26, 2006.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2010.

Number of shares held in the company's stock: 7,199 shares and 3,590 FCPE units.

Born February 3, 1951, Mr Le Chaton is a graduate of the École Nationale de l'Aviation Civile and a Boeing 747-400 Captain.

Christian Magne

Representative of the ground staff and cabin crews

First appointed as a Board director: September 14, 2001.

Expiration date of current term of office: Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2010.

Number of shares held in the company's stock: 175 shares and 309 FCPE units.

Born August 20, 1952, Mr Magne is a finance executive.

Secretary for the Board of Directors

Jean-Marc Bardy

Legal Counsel

* *Listed company.*

Experience of members of the Board of Directors

Director	Age at 03/31/2009	Board of Directors experience: Date appointed to the Group	Date appointed to the Board	Professional experience: Sector	Current position
Jean-Cyril Spinetta	65 years	September 23, 1997	September 15, 2004	Public Service, Air Transport (Air Inter and Air France)	Chairman of the Board of Directors of Air France-KLM and Air France
Pierre-Henri Gourgeon	62 years	January 20, 2005	January 20, 2005	Aeronautics and air transport	Chief Executive Officer of Air France-KLM and Air France
Leo van Wijk	62 years	June 24, 2004	September 15, 2004	Air Transport (KLM)	Vice-Chairman of the Air France-KLM Board of Directors
Patricia Barbizet*	53 years	January 3, 2003	September 15, 2004	Industry (Renault, Pinault group)	CEO and Director of Artémis
Bruno Bézard	45 years	March 14, 2007	March 14, 2007	Public Service	Director of the French Treasury State Holdings Agency
Frits Bolkestein*	75 years	November 22, 2005	November 22, 2005	Industry (Shell)/ Public (Dutch Parliament and European Commission)	Member of the Supervisory Board of de Nederlandsche Bank
Jean-François Dehecq*	69 years	January 25, 1995	September 15, 2004	Industry (SNPA and Sanofi)	Chairman of the Board of Directors of Sanofi-Aventis
Jean-Marc Espalioux*	57 years	September 14, 2001	September 15, 2004	Services (CGE, Accor)	Chairman of Financière Agache Private Equity
Claude Gressier	65 years	June 24, 2004	September 15, 2004	Public Service	President of the Economy, Transport and Networks unit, Counsel General for the Environment and Sustainable Development
Philippe Josse	48 years	May 16, 2006	May 16, 2006	Public Service	Director of Budget
Didier Le Chaton	58 years	January 26, 2006	January 26, 2006	Air Transport (Air France)	Flight Captain
Cornelis van Lede*	66 years	June 24, 2004	September 15, 2004	Industry (Shell, Akzo, Dutch Industry Federation), Consultancy (McKinsey & Company)	Chairman of the Board of Directors of INSEAD
Christian Magne	56 years	September 14, 2001	September 15, 2004	Air Transport (Air France)	Finance executive
Floris Maljers*	75 years	June 24, 2004	September 15, 2004	Industry (Unilever)	Chairman of the Board of Directors of the Rotterdam School of Management
Pierre Richard*	68 years	October 20, 1997	September 15, 2004	Banking (CDC, Crédit Local de France, Dexia)	Director of Generali France Holding Expert advisor to the European Investment Bank

* *Directors considered to be independent.*

Missions of the Board of Directors

The Board of Directors determines the orientations of the company's activities and ensures their implementation. Subject to the powers conferred upon it, the Board is responsible for any question regarding the proper running of the company and settles, in its deliberations, the matters which concern it. In addition, the Board undertakes the monitoring and verification it considers appropriate.

Organization of the Board of Directors

Separation of the functions of Chairman and Chief Executive Officer

In accordance with the proposal submitted by the appointments committee, the Board of Directors decided, on September 25, 2008, to separate the functions of Chairman of the Board of Directors and Chief Executive Officer, effective January 1, 2009. Since that date, Jean-Cyril Spinetta (who had, until then, been Chairman and Chief Executive Officer) has remained Chairman of the Boards of Directors and Pierre-Henri Gourgeon (who had, until then, been Deputy Chief Executive Officer) has fulfilled the functions of Chief Executive Officer.

The Chairman of the Board of Directors organizes and directs the work of the Board and reports to the Shareholders' Meeting. He ensures the smooth operation of the governing bodies in compliance with the principles of sound governance and ensures, in particular, that the Board directors are in a position to fulfil their mission. He also ensures that the Board devotes the time necessary to issues affecting the future of the Group and particularly to its strategy.

The Chairman of the Board of Directors has no executive powers. He may, however, represent the Group in high-level discussions with, for example, the government, key customers and partners, both domestically and internationally, in close collaboration with the Chief Executive Officer. He devotes his best efforts to promoting the values and image of the Group on all occasions.

The Chief Executive Officer is appointed by the Board of Directors. He is invested with the broadest powers to act in the company's name in all circumstances within the limits set forth in the internal regulations of the Board of Directors, which stipulate that the Chief Executive Officer must obtain prior approval from the Board to perform the following operations when their amount exceeds €150 million:

- acquire or sell all interests in all companies formed or to be formed, participate in the formation of all companies, groups or organizations, subscribe to all issues of shares, units or bonds; and
- grant all exchanges, with or without balancing cash adjustments, on the company's assets, stocks or securities.

Internal regulations of the Board of Directors

On June 17, 2004, the Board of Directors adopted its internal regulations, inspired by the Bouton and Vienot reports. In addition to the limitations on the powers of the Chief Executive Officer, these internal regulations specify the terms for the organization and functioning of the Board and establish the prerogatives and duties of the Board directors in terms of the rules on reporting, disclosure, confidentiality and conflicts of interest. They also determine the powers of each of the specialized committees established within the Board.

The internal regulations are regularly updated and were modified by the Board of Directors meeting of March 26, 2009 in order, notably, to:

- specify the role and powers of the Chairman and of the Chief Executive Officer following the separation of the functions of Chairman and Chief Executive Officer, effective January 1, 2009;
- remove any references to the strategy committee, in that the Group's strategy is now presented directly to the Board of Directors, notably during an annual meeting dedicated to strategy.

The internal regulations are available on the website http://www.airfranceklm-finance.com (Corporate Governance section).

Corporate governance principles and independence of the directors

The Board of Directors operates in accordance with the governance principles in force in France as presented in the AFEP-MEDEF Corporate Governance Code updated in 2008. However, given its ownership structure (notably the French State and employees) and the specific rules governing the appointment of a number of its Board directors, Air France-KLM does not comply in full with the AFEF-MEDEF Code guidelines with regard to the proportion of independent directors within the Board of Directors and the audit committee.

In effect, after having examined the situation of each Board director in the light of the criteria stipulated by the AFEP-MEDEF Code, the Board of Directors meeting of March 26, 2009, considered that:

- eight of the fifteen directors are either representatives of the French State, or representatives of the employee shareholders, or senior executives or former senior executives of Air France-KLM and KLM and, in this capacity, may not be considered to be independent;
- the seven remaining directors (Ms Barbizet, Mr Bolkestein, Mr Dehecq, Mr Espalioux, Mr van Lede, Mr Maljers and Mr Richard) can be considered independent in that:
  - none of these seven directors appointed by the Shareholders' Meeting has a relationship with the company, the Group or its management that is such as to color his or her judgement (aside from the fact that the candidature of some of these individuals had been proposed to the Shareholders' Meeting either by KLM or by the Dutch government pursuant to the agreements signed in October 2003),

- Mr Dehecq and Mr Richard's terms of office are considered to start from 2004, when Air France-KLM modified its corporate purpose to become the holding company for the Group [1];
- given the above, half the members of the audit committee and all the members of the appointments and remuneration committees can be considered independent.

The Board considered that all the Board directors had competences and professional experience that are useful to the company, whether or not they are considered to be independent in the light of the AFEP-MEDEF criteria.

Compliance and ethics

The Board of Directors has adopted a Compliance Charter and a Financial Code of Ethics. The Compliance Charter, adopted by the Board of Directors on March 25, 2004, and amended on November 22, 2005, prohibits company officers, senior executives and some employees of the company in sensitive posts from trading in the company's shares during the month preceding annual results announcements and for a period of twenty-one days preceding the quarterly and half-year results. The Financial Code of Ethics defines the principles with which the principal executives of the company responsible for the disclosure of financial information must comply.

In the past five years, to the company's knowledge, no Board director has been subject to a fraud or other criminal conviction or to public sanction by the statutory or regulatory authorities, associated with a bankruptcy, a sequestration of goods or liquidation nor has, finally, been prevented by a court from acting as a member of a management or supervisory body of an issuer or from involvement in managing the business of an issuer.

Conflicts of interest

To the company's knowledge, none of the Board members are related and there are no conflicts of interest between the duties of the members of the Board of Directors with regard to the company and their private interests or other duties. It should, however, be noted that the French State, which holds 15.7% of the Air France-KLM share capital as at March 31, 2009, also holds 60.4% of the share capital of Aéroports de Paris. Furthermore, the SNCF, which is Air France's main competitor on the domestic network, is a public company.

With the exception of the agreements concluded in October 2003 between Air France, KLM and the Dutch government, there is no arrangement or agreement between the main shareholders, customers, suppliers or other parties, in accordance with which a member of the Board of Directors has been appointed.

There is no service level contract binding any member of the Board of Directors to Air France-KLM or one of its subsidiaries involving the granting of benefits under the terms of the contract.

Functioning of the Board of Directors

The minimum number of Board of Directors meetings is set at five per year. Prior to Board meetings, a file is sent to Board members containing the agenda for the meeting together with any summaries or, where appropriate, full documentation on any issues requiring special analysis and/or prior consideration. The matters raised in meetings are usually the subject of presentations, followed by discussion.

Board meetings are conducted in French, however each director may speak in French or in English with simultaneous interpretation.

Secretarial services for the Board of Directors are provided by the Legal Counsel.

Board activity during the 2008-09 financial year

During the 2008-09 financial year, the Board of Directors met ten times (12 meetings in 2007-08). The meetings lasted two and a half hours on average and the attendance rate for directors was 84.7% (80% in 2007-08). Excluding extraordinary meetings (three during the financial year), this average attendance rate was 89.5%.

During these meetings the following matters were notably addressed:

- interim and annual financial statements;
- regular status reports on the Group's activity and financial situation;
- budget projections;
- acquisition of an equity stake in Alitalia;
- European consolidation;
- fuel hedging strategy;
- comparative study on the costs of Air France and KLM;
- status report on the *Flying Blue* frequent flyer program;
- separation of the functions of Chairman and Chief Executive Officer;
- remuneration of the executive directors;
- evaluation of the functioning of the Board of Directors;
- modification of the internal regulations of the Board of Directors;
- qualification of independent Board directors.

As has been the case since 2006, an annual Board of Directors meeting was held in December 2008 dedicated to the Group's strategy in its different businesses (passenger, cargo, maintenance). The Group's strategic vision with respect to consolidation in the air transport sector was also discussed during this meeting.

(1) In any case, the AFEP-MEDEF Code provides, as a practical guideline, that the loss of independent director status should only occur on expiry of the term of office during which the 12-year limit is reached, i.e. in 2010 for Mr Dehecq and Mr Richard, were their total length of service within the Group to be taken into account.

Evaluation of the functioning of the Board of Directors

During the 2008-09 financial year, the Board of Directors conducted a self-evaluation of its functioning.

A number of themes were addressed in this evaluation:

- organization and functioning of the Board of Directors;
- composition and involvement of the Board;
- areas in which the Board intervenes;
- relations between the Board and the Chairman and the company's executive management;
- organization and functioning of the Committees.

The results of the evaluation, based on a questionnaire sent to each Board director, were handled under the seal of anonymity and were the subject of a presentation and discussion during the Board of Directors meeting of March 26, 2009.

On this occasion, the following improvements and positive points were identified: the quality of the information files and the discussions, the increased contribution of the audit committee, the interest of the annual meeting dedicated to strategy, the changes in governance and the added value for the discussions of a bi-cultural Board. A number of additional improvements were also suggested such as a change in the form of the presentations submitted to the Board, the circulation of provisional medium-term agendas including one-off matters, the functioning and the positioning of the appointments committee and the presentations and discussions relating to the situation of the alliances in the airline sector.

Regulated agreements and commitments

During its meeting of November 19, 2008, in an express decision taken in application of the Breton law of July 26, 2005, the Board of Directors confirmed the benefit of the defined-benefit pension scheme accorded to Mr Pierre-Henri Gourgeon, in his new capacity as Chief Executive Officer, effective January 1, 2009. Mr Gourgeon has been a beneficiary of this scheme since its creation in 2004, under the same conditions as the other senior executives (see *Other commitments made in respect of the executive directors* section below).

The following agreements approved during previous financial years continued to apply:

- the agreement by which, as the beneficiary of a payment guarantee from Air France-KLM to Aéroports de Paris covering rents and charges, Air France accepts to remunerate Air France-KLM in return for the aforementioned guarantee;
- the cash and domiciliation agreements between Air France-KLM and Air France;
- the brand license agreement between Air France-KLM and Air France;
- the agreement between Air France-KLM and Air France relating to the issue by Air France of bonds convertible into Air France-KLM shares;
- the service provision agreements between Air France-KLM and Air France;
- the agreement relating to the re-invoicing by Air France-KLM to Air France of a portion of the compensation of the executive directors.

The Board of Directors Committees

The audit committee

Composition

Following a proposal from the Chairman of the committee, the Board of Directors decided, on March 26, 2009, to increase the number of audit committee members from six to seven, given the range and importance of its work.

The committee comprises the following members: Pierre Richard (Chairman of the committee), Jean-François Dehecq, Bruno Bézard, Floris Maljers, Christian Magne, Didier Le Chaton and, since March 26, 2009, Claude Gressier.

The principal executives responsible for accounting, legal affairs, finance, internal control and audit of Air France-KLM and the subsidiaries Air France and KLM attend the meetings.

The Statutory Auditors attended all meetings of the audit committee held during the financial year. At the request of the Chairman of the committee, they were able to consult with committee members outside the presence of the Group's senior executives.

Missions

The audit committee's principal missions are to review the interim and annual consolidated financial statements in order to inform the Board of Directors of their content, to ensure that they are reliable and exhaustive and that the information they contain is of high quality, including the forecasts provided to shareholders and the market.

It evaluates the consistency and effectiveness of the internal control procedures and examines the material risks in order to guarantee the quality of the financial information provided by the company.

It approves the fees of the Statutory Auditors and issues prior approval for some services provided by them.

The committee must also monitor the quality of procedures to ensure compliance with stock market regulations.

The audit committee reviews the interim and annual consolidated financial statements prior to their submission to the Board of Directors and, more specifically, the:

- consolidation scope;
- relevance and consistency of the accounting methods used to draw up the financial statements;
- principal estimates made by management;

- principal financial risks and material off-balance-sheet commitments;
- comments and recommendations made by the Statutory Auditors and, if applicable, any significant adjustments resulting from audits.

The audit committee has access to the resources required to fulfil its mission and may, notably, be assisted by persons from outside the company.

Activity

During the 2008-09 financial year, the audit committee met three times (four times in 2007-08) with an attendance rate for members of 67% (87.5% in 2007-08). The meetings lasted an average of two hours and forty minutes.

The following matters were notably reviewed by the audit committee during the 2008-09 financial year.

Review of the financial statements

The committee reviewed the quarterly, half-year and annual financial statements prior to their presentation to the Board of Directors. It conducted a detailed examination of the Statutory Auditors' report on the half-year and annual financial statements as well as the feedback on significant audits.

Internal control and internal audit

At each of its meetings, the committee reviewed the status of internal control and internal audit. Although the company is no longer required to comply with the obligations of the Sarbanes-Oxley Act, it continues to maintain high standards of disclosure and corporate governance and a rigorous level of internal control across the Group.

Risk assessment

The audit committee also reviewed the:

- impact of the crisis and the valuation of derivative instruments (particularly fuel hedges) on the Group's financial situation;
- change in the financial situation of the KLM pension funds;
- accounting treatment of the debt linked to the *Flying Blue* loyalty program and the accounting policy for tickets issued and not used;
- status of the antitrust authorities' investigations into the cargo sector.

Additionally, the audit committee reviewed the comparative study of Air France and KLM costs.

The remuneration committee

Composition

The remuneration committee comprises three directors: Jean-Marc Espalioux (Chairman of the committee) Cornelis van Lede and Pierre Richard.

Missions

The remuneration committee is primarily responsible for submitting recommendations for the level of and changes to the remuneration of the executive directors. It may also be asked to comment on the compensation of the Group's senior executives, as well as on any possible stock subscription or purchase option plan policies.

Activity

The remuneration committee met three times during 2008-09 (one meeting in 2007-08) and the attendance rate for members was 100% as in 2007-08.

The remuneration committee submitted a number of proposals to the Board of Directors, which were subsequently adopted by the Board, relating to the principles and the amounts of the fixed and variable compensation for the executive directors (see *Compensation of the Company Officers* section below). The remuneration committee called on the assistance of a specialized external consultancy to support its work.

The appointments committee

Composition

Comprised of three members: Jean-Marc Espalioux (Chairman of the committee), Patricia Barbizet and Jean-François Dehecq.

Missions

The appointments committee is responsible for proposing candidates to serve as members of the Board of Directors as well as to replace the executive directors, particularly in the event of unforeseen vacancies.

Activity

The appointments committee met on September 5, 2008. After hearing the opinion of the Chairman and Chief Executive Officer, it decided to propose to the Board of Directors the separation of the functions of Chairman of the Board of Directors and Chief Executive Officer of Air France-KLM, effective January 1, 2009, and to appoint Mr Spinetta and Mr Gourgeon to the respective functions of Chairman of the Board of Directors and Chief Executive Officer of Air France-KLM as of January 1, 2009.

The strategy committee

On March 26, 2009, on the occasion of the change in its internal regulations, the Board decided to disband the strategy committee. In effect, the latter had not met since 2007, the Group's strategy now being presented directly to the Board of Directors notably during an annual meeting dedicated to strategy.

Compensation of the company officers

Compensation for directors

Board directors' fee modalities

Board directors receive fees whose maximum amount was set at €800,000 by the Shareholders' Meeting of June 24, 2004. On the recommendation of the remuneration committee, the Board of Directors decided, at its meeting of June 27, 2007, to adopt new modalities for the payment of directors' fees as follows:

- €20,000 as fixed compensation;
- €20,000 as variable compensation based on Board of Directors and Shareholders' Meeting attendance; and
- €7,000 of additional directors' fees for each non-resident director.

Committee members receive additional fees:

- for the audit committee, the Chairman and members receive, respectively, fees of €12,000 and €8,000;
- for the other committees, the Chairman and members receive, respectively, €7,500 and €5,000.

In privatized companies, the representatives of the French State are entitled to directors' fees, which are paid directly to the French Treasury.

Modalities for the compensation paid to directors other than the executive directors

The directors' fees and other compensation paid in respect of the 2007-08 and 2008-09 financial years were as follows. Note that, with the exception of Mr van Wijk, no non-executive director received any compensation other than directors' fees:

(In €)	**2008-09 financial year**	**2007-08 financial year**
Patricia Barbizet	43,182	40,000
Bruno Bézard	44,364 (1)	41,846 (1)
Frits Bolkestein	43,364	42,385
Jean-François Dehecq	49,364	43,385
Jean-Marc Espalioux	45,909	32,115
Claude Gressier	40,000 (1)	38,462 (1)
Philippe Josse	30,909 (1)	26,154 (1)
Didier Le Chaton	46,182	46,462
Cornelis J.A. van Lede	44,727	47,385
Christian Magne	48,000	48,000
Floris Maljers	55,000	50,385
Pierre Richard	55,182	53,923
Leo van Wijk (2)		
Directors' fees	45,182	47,000 (3)
Other compensation	639,970 (4)	2,362,842 (5)
Total	**1,231,335**	**2,920,344**
Of which Directors' fees	***591,365***	***557,502***
Of which Other compensation	***639,970***	***2,362,842***

(1) Amount paid to the French Treasury.
(2) Mr van Wijk was President of the KLM Management Board until the end of the KLM Annual General Meeting held on July 5, 2007. He continued to be employed by KLM until December 2008 with responsibility for the alliances and the Group's IT development as well as being a member of the Group's Executive Committee. On January 1, 2009, Mr van Wijk opted to start receiving payment from his pension schemes.
(3) Amount paid to KLM.
(4) €532,869 of fixed compensation and €107,101 of variable compensation in respect of the period between April 1 and December 31, 2008.
(5) In respect of the 2007-08 financial year, Mr van Wijk received total compensation of €2,362,842 corresponding to a fixed portion amounting to €699,125, a variable portion amounting to €527,593 and an exceptional payment of €1,136,124, provided in his employment contract following the merger between Air France and KLM in 2004, the payment of which was subject to his continued activity within KLM until the age of 60 years (a condition which was met in 2007).

Compensation of the executive directors

At its meeting of November 19, 2008, the Board of Directors reviewed the AFEP-MEDEF recommendations on the compensation of executive directors of listed companies, published on October 6, 2008. It considered that these recommendations were in line with the corporate governance practice of the company and confirmed that the thus-amended AFEP-MEDEF Corporate Governance Code would remain the reference code for Air France-KLM for the establishment of the Chairman's report.

Rules and principles decided by the Board to determine the compensation paid to the executive directors

Principles adopted for determining compensation prior to the separation of the functions of Chairman and Chief Executive Officer (until December 31, 2008)

In line with the recommendations formulated by the remuneration committee following its meetings of June and September 2008, the Board of Directors set the fixed annual compensation for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer at the same level as in the three previous years.

The modalities for determining the variable portion of the compensation of the Chairman and Chief Executive Officer and of the Deputy Chief Executive Officer in respect of the 2007-08 financial year and the period until December 31, 2008 were as follows:

- ♦ setting of the target amount at 100% of the fixed compensation for the Chairman and Chief Executive Officer (70% for the quantitative portion - assessed on the basis of the achievement of the profit objectives set in the budgets - and 30% for the qualitative portion) and at 90% for the Deputy Chief Executive Officer (60% for the quantitative portion and 30% for the qualitative portion);
- ♦ setting of the maximum amount at 150% of the fixed compensation for the Chairman and Chief Executive Officer and at 120% for the Deputy Chief Executive Officer with no ceiling for the qualitative portion.

Principles adopted for determining compensation after the separation of the functions of Chairman and Chief Executive Officer (since January 1, 2009)

The policy for determining the compensation of the executive directors was amended during the 2008-09 financial year to take into account the separation of the functions of Chairman and Chief Executive Officer, effective January 1, 2009.

In line with the recommendations of the remuneration committee, the Board of Directors thus decided, for the period beginning January 1, 2009:

- ♦ to grant the Chairman of the Board of Directors a fixed compensation, with no variable portion;
- ♦ to grant the Chief Executive Officer compensation comprising a fixed portion (taking into account notably the absence of long-term plans such as stock options or free shares) and a variable portion (a target amount of 100% of the fixed compensation and a maximum amount of 130% of this same compensation). This variable portion is determined based on three components whose relative proportions have been set as follows:
  - in equal proportions (i.e. 35% and, if applicable, rising to 50%) between the two quantitative components, which is to say Air France-KLM's effective (assessed on the basis of adjusted EBIT whose target level is established annually according to the budget) and relative performance (compared with its main European competitors on the basis of an *operational cash flow/ revenues* ratio),
  - capped at 30% for the qualitative component (assessed on the basis of various criteria such as, for example, the reconciliation of short and long-term objectives or the responsiveness of management to the economic situation);
- ♦ that the Chief Executive Officer and the Chairman will no longer receive directors' fees in addition to their compensation.

Note that the Air France-KLM executive directors do not receive additional compensation in respect of their functions within Air France.

The compensation of the Air France-KLM executive directors is invoiced to Air France based on the proportion of their time dedicated to Air France, in line with the regulated agreement approved by the Board of Directors meeting of November 23, 2004 and confirmed on November 19, 2008. Until December 31, 2008, this proportion amounted to 50% for the Chairman and Chief Executive Officer and 70% for the Deputy Chief Executive Officer. Since January 1, 2009, it has amounted to 50% of the compensation of the Chairman and 30% of that of the Chief Executive Officer.

Compensation of Mr Spinetta

Compensation of Mr Spinetta in his capacity as Chairman and Chief Executive Officer until December 31, 2008 (prior to the separation of the functions of Chairman and Chief Executive Officer)

Variable compensation in respect of the 2007-08 financial year

At its meeting of September 25, 2008, the Board of Directors decided, as proposed by the remuneration committee, to grant the Chairman and Chief Executive Officer, in respect of the 2007-08 financial year, variable compensation equal to 140% of his fixed compensation (i.e. €1,050,000) given the exceeding of the quantitative and qualitative objectives set by the Board of Directors at the beginning of the financial year. This variable portion was paid during the 2008-09 financial year.

Compensation in respect of the 2008-09 financial year (period between April 1 and December 31, 2008)

At its meeting of September 25, 2008, the Board of Directors decided, as proposed by the remuneration committee, to grant the Chairman and Chief Executive Officer an annual fixed compensation of €750,000 (unchanged for the fourth consecutive year), i.e. €562,500 for the period between April 1 and December 31, 2008 (prior to the separation of the functions of Chairman and Chief Executive Officer).

At its meeting of May 19, 2009, the Board of Directors decided, as proposed by the remuneration committee, to grant Mr Spinetta, in his capacity as Chairman and Chief Executive Officer, in respect of the period between April 1 to December 31, 2008, variable compensation equal to 40% of his fixed compensation (i.e. €225,000). This variable portion was determined solely on the basis of the qualitative criterion, the quantitative portion being nil in view of the results for the 2008-09 financial year. This variable portion is paid during the 2009-10 financial year.

Compensation of Mr Spinetta in his capacity as Chairman of the Board of Directors since January 1, 2009 (after the separation of the functions of Chairman and Chief Executive Officer)

Compensation in respect of the 2008-9 financial year (period between January 1 and March 31, 2009)

At its meeting of November 19, 2008, the Board of Directors decided, as proposed by the remuneration committee, to grant the Chairman of the Board of Directors an annual fixed compensation of €500,000 (with no variable portion or directors' fees in addition to this fixed compensation), i.e. €125,000 for the period between January 1, and March 31, 2009 (following the separation of the functions of Chairman and Chief Executive Officer).

Compensation in respect of the 2009-10 financial year

At the request of the Chairman, who wished to take into account the impact of the economic environment on the company's situation, the Board of Directors decided, at its meeting on May 19, 2009, to reduce the annual fixed compensation of the Chairman of the Board of Directors to €200,000, effective April 1, 2009 (with no variable portion or directors' fees in addition to this fixed compensation).

Summary of Mr Spinetta's compensation in respect of the 2008-09 financial year

In respect of the 2008-09 financial year, Mr Spinetta's total compensation thus amounted to €941,591 (€687,500 for the fixed portion and, for the period between April 1 and December 31, 2008, €225,000 in variable compensation together with €29,091 in directors' fees).

In April 2005, Mr Spinetta subscribed for the *Air France-KLM shares-for-salary exchange offering*, made by the French State to Air France employees at the time it sold part of its shareholding. He subscribed for 65,240 shares whose sale is subject to the restrictions outlined in the AMF offering memorandum No. 05-055 of January 31, 2005. Given his participation in the *Air France-KLM shares-for-salary exchange offering*, his fixed compensation was reduced from €687,500 to €537,740. Consequently, **Mr Spinetta received total compensation of €791,831 in respect of the 2008-09 financial year.**

➤ Summary table of the compensation, options and shares granted to Jean-Cyril Spinetta

	2008-09 financial year		2007-08 financial year	
(In €)	**Before SSE***	**After SSE***	**Before SSE***	**After SSE***
Compensation due in respect of the financial year	941,591	791,831	1,840,000	1,690,240
Value of the options granted during the financial year	N/A	N/A	N/A	N/A
Value of the performance shares granted during the financial year	N/A	N/A	N/A	N/A
TOTAL	**941,591**	**791,831**	**1,840,000**	**1,690,240**

* *'Air France-KLM shares-for-salary exchange'*

➤ Summary table of the gross compensation due to Jean-Cyril Spinetta

	Fixed compensation						
(In €)	**Before SSE***	**After SSE***	**Variable compensation**	**Exceptional compensation**	**Directors' fees(1)**	**Benefits in kind**	**Total**
Amounts due in respect of the 2008-09 financial year	687,500	537,740	225,000	0	29,091 (2)	0	791,831 (3)
(reminder of 2007-08)	*(750,000)*	*(600,240)*	*(1,050,000)*	*(0)*	*(40,000)*	*(0)*	*(1,690,240) (4)*

** 'Air France-KLM shares-for-salary exchange'*

(1) Mr Spinetta has foregone directors' fees in respect of his mandate on the Board of Directors of Air France.

(2) Since January 1, 2009, Mr Spinetta has no longer received directors' fees.

(3) Before the 'Air France-KLM shares-for-salary exchange', the total compensation due in respect of the 2008-09 financial year amounted to €941,591

(4) Before the 'Air France-KLM shares-for-salary exchange', the total compensation due in respect of the 2007-08 financial year amounted to €1,840,000

In line with the recommendation of the Autorité des Marchés Financiers of December 22, 2008, the table below indicates the amounts paid during the financial year, the variable compensation and the directors' fees being due in respect of the previous financial year.

➤ Summary table of the gross compensation paid to Jean-Cyril Spinetta

(In €)	Fixed compensation	Variable compensation	Exceptional compensation	Directors' fees(1)	Benefits in kind	Total
Amounts due in respect of the 2008-09 financial year	537,740 (2)	1,050,000 in respect of 2007-08	0	40,000 in respect of 2007-08	0	1,627,740
(reminder of 2007-08)	*(600,240)* (2)	*(750,000) in respect of 2006-07*	*(0)*	*(31,000) in respect of 2006-07*	*(0)*	*(1,381,240)*

(1) Mr Spinetta has foregone directors' fees in respect of his mandate on the Board of Directors of Air France.

(2) Amount after the 'Air France-KLM shares-for-salary exchange'

Compensation of Mr Gourgeon

Compensation of Mr Gourgeon in his capacity as Deputy Chief Executive Officer until December 31, 2008 (prior to the separation of the functions of Chairman and Chief Executive Officer)

Variable compensation in respect of the 2007-08 financial year

At its meeting of September 25, 2008, the Board of Directors decided, as proposed by the remuneration committee, to grant the Deputy Chief Executive Officer, in respect of the 2007-08 financial year, variable compensation equal to 100% of his fixed compensation (i.e. €550,000) given the exceeding of the quantitative objectives set by the Board of Directors at the beginning of the financial year. This variable portion was paid during the 2008-09 financial year.

Compensation in respect of the 2008-09 financial year (period between April 1 and December 31, 2008)

At its meeting of September 25, 2008, the Board of Directors decided, as proposed by the Remuneration Committee, to grant the Deputy Chief Executive Officer an annual fixed compensation of €550,000 (unchanged for the fourth consecutive year), i.e. €412,500 for the period between April 1 and December 31, 2008 (prior to the separation of the functions of Chairman and Chief Executive Officer).

At its meeting of May 19, 2009, the Board of Directors decided, as proposed by the remuneration committee, to grant the Deputy Chief Executive Officer, in respect of the period between April 1 to December 31, 2008, variable compensation equal to 40% of his fixed compensation (i.e. €165,000). This variable portion was determined solely on the basis of the qualitative criterion, the quantitative portion being nil in view of the results for the 2008-09 financial year. This variable portion is paid during the 2009-10 financial year.

Compensation of Mr Gourgeon in his capacity as Chief Executive Officer since January 1, 2009 (following the separation of the functions of Chairman and Chief Executive Officer)

Compensation in respect of the 2008-09 financial year (period between January 1 and March 31, 2009)

At its meeting of November 19, 2008, the Board of Directors decided, as proposed by the remuneration committee, to grant the Chief Executive Officer:

- an annual fixed compensation of €750,000 (with no directors' fees in addition), i.e. €187,500 for the period between January 1, and March 31, 2009 (after the separation of the functions of Chairman and Chief Executive Officer);
- a variable portion (whose payment is subject to the achievement of the attribution criteria outlined above) representing 100% of his fixed compensation (target amount) or up to 130% of this compensation (maximum amount).

At its meeting of May 19, 2009, the Board of Directors decided, as proposed by the remuneration committee, to grant the Chief Executive Officer, in respect of the period between January 1 and March 31, 2009, variable compensation of €55,000 (i.e. 29.33% of his fixed compensation). This variable portion was determined solely on the basis of the qualitative criterion, the quantitative portion being nil in view of the results for the 2008-09 financial year. This variable portion is paid during the 2009-10 financial year.

Compensation in respect of the 2009-10 financial year

At its meeting of May 19, 2009, the Board of Directors decided, as proposed by the remuneration committee, to maintain the annual fixed compensation of the Chief Executive Officer at €750,000. The criteria for establishing his variable compensation remain those set by the Board of Directors at its meeting on November 19, 2008.

Summary of Mr Gourgeon's compensation in respect of the 2008-09 financial year

In respect of the 2008-09 financial year, Mr Gourgeon's total compensation thus amounted to €849,091 (€600,000 for the fixed portion, €220,000 for the variable portion and, for the period between April 1 and December 31, 2008, €29,091 in directors' fees).

In April 2005, Mr Gourgeon subscribed for the *Air France-KLM shares-for-salary exchange offering*, made by the French State to Air France employees at the time it sold part of its shareholding. He subscribed for 44,769 shares whose sale is subject to the restrictions outlined in the AMF offering memorandum No. 05-055 of January 31, 2005. Given his participation in the *Air France-KLM shares-for-salary exchange offering*, his fixed compensation was reduced from €600,000 to €499,200. Consequently, **Mr Gourgeon received total compensation of €748,291 in respect of the 2008-09 financial year.**

➤ Summary table of the compensation, options and shares granted to Pierre-Henri Gourgeon

	2008-09 financial year		2007-08 financial year	
(In €)	Before SSE*	After SSE*	Before SSE*	After SSE*
Compensation due in respect of the financial year	849,091	748,291	1,140,000	1,039,200
Value of the options granted during the financial year	N/A	N/A	N/A	N/A
Value of the performance shares granted during the financial year	N/A	N/A	N/A	N/A
TOTAL	***849,091***	***748,291***	***1,140,000***	***1,039,200***

** 'Air France-KLM shares-for-salary exchange'*

➤ Summary table of the gross compensation due to Pierre-Henri Gourgeon

	Fixed compensation						
(In €)	Before SSE*	After SSE*	Variable compensation	Exceptional compensation	Directors' fees(1)	Benefits in kind	Total
Amounts due in respect of the 2008-09 financial year	600,000	499,200	220,000	0	29,091 (1)	0	748,291 (2)
(reminder of 2007-08)	*(550,000)*	*(449,200)*	*(550,000)*	*(0)*	*(40,000)*	*(0)*	*(1,039,200) (3)*

** 'Air France-KLM shares-for-salary exchange'*
(1) Since January 1, 2009, Mr Gourgeon has no longer received directors' fees.
(2) Before the 'Air France-KLM shares-for-salary exchange', the total compensation due in respect of the 2008-09 financial year amounted to €849,091
(3) Before the 'Air France-KLM shares-for-salary exchange', the total compensation due in respect of the 2007-08 financial year amounted to €1,140,000

In line with the recommendation of the Autorité des Marchés Financiers of December 22, 2008, the table below indicates the amounts paid during the financial year, the variable compensation and the directors' fees being due in respect of the previous financial year.

➤ Summary table of the gross compensation paid to Pierre-Henri Gourgeon

(In €)	Fixed compensation	Variable compensation	Exceptional compensation	Directors' fees	Benefits in kind	Total
Amounts due in respect of the 2008-09 financial year	499,200 (1)	550,000 in respect of 2007-08	0	40,000 in respect of 2007-08	0	1,089,200
(reminder of 2007-08)	*(449,200) (1)*	*(550,000) in respect of 2006-07*	*(0)*	*(24,000) in respect of 2006-07*	*(0)*	*(1,023,200)*

(1) Amount after the 'Air France-KLM shares-for-salary' exchange

Other commitments made in respect of the executive directors

As regards the "commitments of any nature made by the company to the benefit of its company officers" note that, in its deliberation of January 15, 2004, the Board of Directors decided to set up a separate collective pension scheme for Air France senior executives*, including the Chairman of the Board of Directors and the Chief Executive Officer.

This pension scheme aims to guarantee these executives, once they fulfil the particular conditions for eligibility (notably 7 years' service with Air France), an annual pension benefit of between 35% and 40% of their average annual compensation during the last three years of their functions, with the amount capped, on any assumption, at 40% of average compensation during the last three years.

** Some 37 beneficiaries at March 31, 2009.*

At its meeting of November 19, 2008, the Board of Directors confirmed the benefit of this additional collective scheme to Mr Gourgeon in his new capacity as Chief Executive Officer as of January 1, 2009, under the same conditions as the other personnel concerned.

Mr Spinetta, who also benefits from this additional collective scheme, opted to start receiving payments from his pension schemes as of January 1, 2009.

No non-compete indemnity nor specific severance package is provided in the event of the departure of the Chairman of the Board of Directors or of the Chief Executive Officer.

Summary table of the situation of the executive directors in function at March 31, 2009

	Employment contract		Additional pension scheme (see above)		Indemnities or benefits due or liable to be due on a cessation or a change in function		Indemnities relating to a non-compete clause	
Executive directors	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Jean-Cyril Spinetta		X	X			X		X
Pierre-Henri Gourgeon		X	X			X		X

Loans and guarantees granted to company officers

None.

Stock options for new or existing shares granted to the company officers of Air France-KLM

Air France-KLM has not established a stock option scheme for new or existing shares for its company officers.

Stock subscription or purchase option schemes granted to the company officers of Air France-KLM and employees of the Air France-KLM group by the subsidiaries*

	KLM (1)				
Date of authorization	06/24/2003	05/04/2004	05/17/2005 (2)		
Date of granting by the Board of Directors	06/26/2003	06/25/2004	07/26/2005	07/26/2006	07/27/2007
Total number of options granted *of which to Mr van Wijk*	355,379 *28,686*	463,884 *28,686*	390,609 *25,000*	411,105 *25,000*	428,850 *25,000*
Available for exercise from	06/27/2006	06/26/2007	07/28/2008	07/27/2009	07/27/2010
Expiration date	06/30/2008	06/25/2009	07/16/2010	07/26/2011	07/25/2012
Exercise price per share	€6.48	€13.19	€13.11	€17.83	€34.21
Number of shares purchased at March 31, 2009 *of which by M. van Wijk*	355,379 *28,686*	149,858 *0*	3,500 *0*	0 *0*	0 *0*
Number of share options cancelled or lapsing on March 31, 2009	0	23,521	13,643	19,906	18,334
Outstanding stock options at March 31, 2009 *of which remaining to be exercised by Mr van Wijk*	0 *0*	290,505 *28,686*	373,466 *25,000*	391,199 *25,000*	410,516 *25,000*

* *The company Air France-KLM has not established a stock subscription or purchase option scheme for its employees and/or company officers.*

(1) *KLM plans for its senior executives and company officers. The number of options and acquisition prices mentioned take into account adjustments linked to the merger between Air France and KLM in 2004.*

(2) *The vesting conditions of the options granted by KLM in 2005, 2006 and 2007 provide for the vesting of one third of the options on the grant date, a second third at the end of the first year following the grant date, with the final third at the end of the second year. The vesting of these options is conditional on the achievement of pre-determined performance criteria which are not market dependent.*

Information on stock subscription or purchase option schemes granted to the employees of the Air France-KLM group and exercised by them during the financial year

Options for stock purchase granted to employees who are not company officers benefiting from the greatest number of options/Options exercised by employees who are not company officers having exercised the greatest number of options	Number of options granted/Number of shares purchased			
	Total number of options granted/shares purchased	Weighted average price *(in €)*	Grant date	Number of options exercised by grant date
• ***KLM***				
Options granted in 2008-09 (10 employees)	0	-	-	N/A
Options exercised in 2008-09 (10 employees)	39,303	9.75	6/26/2003 6/25/2004 7/26/2005	20,081 15,722 3,500

During the 2008-09 financial year, KLM introduced Share Appreciation Rights or SARs, which are share-based plans paid for in cash. This scheme has replaced the option plans since 2008 although those granted until 2007 remain in force. 153,080 SARs were granted by KLM on July 1, 2008 (see *Consolidated financial statements – note 28.4*), of which 6,000 were granted to Mr van Wijk.

Performance shares granted to the company officers of Air France-KLM

Air France-KLM and its subsidiaries have not established a performance shares scheme to the benefit of the Air France-KLM company officers.

Summary of operations in the shares of Air France-KLM realized during the financial year (Art. 223-26 of the General Regulation of the Autorité des Marchés Financiers)

None.

The Group Executive Committee

The Group Executive Committee meets every two weeks, alternating between Amsterdam and Paris, in order to determine the Group's main orientations within the framework of the strategy approved by the Board of Directors.

The Group Executive Committee members fulfil responsibilities at the level of the Air France-KLM group while retaining their functions within each entity. They are thus remunerated by the company to which they belong. Initially comprising 11 members, the Group Executive Committee has had 12 members since the beginning of 2009, three of whom were appointed on the departure from the Group Executive Committee of Jean-Cyril Spinetta and Leo van Wijk.

Members	Age at March 31, 2009	Professional experience	
		Sector	Experience
Pierre-Henri Gourgeon Chief Executive Officer of Air France-KLM and of Air France	62 years	Aeronautic and air transport	38 years
Philippe Calavia Senior Executive Vice President, Finance, of Air France-KLM and Air France	60 years	Banking Air transport (Air France)	7 years 11 years
Peter Hartman President and Chief Executive Officer of KLM	59 years	Air transport (KLM)	36 years
Alain Bassil Executive Vice President, Maintenance, of Air France and the Air France-KLM Group	53 years	Air transport (Air France)	29 years
Christian Boireau Executive Vice President, Commercial France, Air France	58 years	DDE – French Departmental Directorate for Equipment Air transport (Air Inter and Air France)	6 years 28 years
Frédéric Gagey Chief Financial Officer of KLM and Senior Vice President, Fleet of the Air France-KLM Group	52 years	Air transport (Air Inter, Air France and KLM)	15 years
Bertrand Lebel Secretary to the Executive Committee in charge of strategic planning for the Air France-KLM Group	56 years	Consultant Air Transport (Air France)	16 years 11 years
Bruno Matheu Executive Vice President, Marketing, Revenue Management and Network, of Air France and of the Air France-KLM Group	45 years	Air transport (UTA and Air France)	23 years
Édouard Odier Executive Vice President, Information Systems, of Air France and the Air France-KLM Group	52 years	Air transport (Air France and Amadeus)	32 years
Frank de Reij Executive Vice President, Procurement, of the Air France-KLM Group	49 years	International transport Air transport (KLM)	10 years 11 years
Erik Varwijk Executive Vice President, Commercial Passenger Business, KLM and Executive Vice President, International and The Netherlands of the Air France-KLM Group	47 years	Air transport (KLM)	20 years
Michael Wisbrun Executive Vice President, KLM Cargo and Air France-KLM Cargo	57 years	Air transport (KLM)	31 years

Stock market and shareholder structure

Air France-KLM shares in the stock market

Air France-KLM is listed for trading on the Paris and Amsterdam Stock Markets (Euronext Paris and Amsterdam) under the ISIN code FR0000031122. It is a component of the CAC 40 and of the Euronext 100 and DJ Eurostoxx 300 indices. The stock is also included in the sector indices FTSE Cyclical Services, FTSE Airlines and Transports. Air France-KLM is the only airline to figure in the two leading sustainable development indices, the FTSE4Good and the DJSI Stoxx 2006. Lastly, the stock is also included in the French IAS employee shareholders index.

On February 7, 2008, Air France-KLM was delisted from the NYSE and its American Depositary Receipt program transferred to the OTC Market (OTCQX) under the ticker AFLYY.

The Reuters code is AIRF.PA or AIRF.AS and the Bloomberg code AF PA.

	2008-09	2007-08	2006-07
Stock price high *(In €)*	21.150	39.40	36.30
Stock price low *(In €)*	6.215	15.20	15.93
Number of shares in circulation	300,219,278	300,219,278	269,398,500
Market capitalization at March 31 *(In € billion)*	2.0	5.4	9.2

Dividend policy

During the most recent financial years, Air France-KLM paid the following dividends.

Financial year ended	Earnings per share *(In €)*	Dividend paid *(In €)*
2005-06	3.47	0.30
2006-07	3.35	0.48
2007-08(1)	2.63	0.58

The Group's objective is to have a sustained dividend policy, subject to the growth in net income excluding exceptional items. The dividend is paid on the fifth trading day after the Shareholders' Meeting approving the dividend.

In view of the difficult environment, the Board of Directors decided not to propose the payment of a dividend in respect of the 2008-09 financial year.

A regular dialogue with individual shareholders and investors

The Air France-KLM Group informs the market on its activity through monthly traffic figures and quarterly on the trend in its results and strategic orientations. While the Group adapts its communication to the profile of its shareholders and investors, all the information is available on the financial website in French, English and, in certain cases, Dutch.

Relations with investors

The Investor Relations department maintains a dialogue with financial analysts and institutional investors. In addition to conference calls and information meetings scheduled at the time of results announcements, the Group's management organizes regular roadshows in order to meet financial analysts and institutional investors in Europe and the United States. The Investor Day is also an opportunity for the latter to meet the Group's operational management.

Relations with individual shareholders

The department dedicated to relations with individual shareholders has a pro-active approach towards engaging with private shareholders. Each quarter, a financial notice on the results is published in a wide range of media in France and the Netherlands. Every three months, the *Connecting* newsletter, with an update on the sector and the Group's activity, is sent by email or mail to the 7,000 members of the Shareholders' Club. This newsletter is also available in three languages on the website.

Air France-KLM also publishes an individual shareholder's guide covering all the practical information relating to the stock and the different forms of ownership in France and the Netherlands. This document is published in French, English and Dutch and an interactive version is available on the website or on request.

The Group regularly organizes and participates, in partnership with the business press, in information meetings reserved for its individual shareholders in the French regions. These are an opportunity for the Group to update them on its strategy, results and issues in the airline sector and to address shareholder concerns. Site visits are also organized for members of the Shareholders' Club.

The Shareholder Relations department can be reached on a toll free number, 0800 320 310 in France or +33 1 41 56 88 85 from outside France or by email.

Lastly, the Consultative Committee for Individual Shareholders (CCRAI), established in 2000, constitutes a forum for discussion and proposing ideas on Air France-KLM relations with individual shareholders.

A dedicated website

The Group's financial website (www.airfranceklm-finance.com) posts all the information released by the Group (press releases, presentations, offering memoranda, speeches, etc.). Documents such as the Reference Document, the Annual Report and its summary version, and the Shareholder's Guide are available in interactive versions, enabling a targeted search for information. An email alert system enables everyone to be informed of the publication of press releases and be reminded of any financial event in the Group's calendar.

The website is also available in PDA (personal digital assistant) form and from cell phones by logging into www.airfranceklm-finance.mobi, where you can access a simplified version of the site with press releases, the stock price and the financial calendar. In November 2008, a new space was opened to shareholders in *Second Life*.

Awards for financial communication

In 2006, Air France-KLM's financial communication won the award for the Best Annual Report from an SBF 120 company, third prize in the Boursoscan awards and the Outstanding investor relations site award in the United States. These awards highlighted the transparency, clarity and quality of the information made available by Air France-KLM to all its shareholders. Lastly, in January 2009, the Group won the award for the best investor relations in terms of sustainable development. This trophy, awarded by the *SFAF, Opinion Way, IR Intelligence* and the *Forum des Relations Investisseurs*, recognizes the Franco-Dutch Group's achievements in this area.

Disclosure Committee

Since the missions of the disclosure committee are now covered by the internal control procedures, together with those of the finance and legal affairs divisions, the Group decided to simplify its organization and not maintain this committee.

Activity

2.

Highlights of the 2008-09 financial year

April 2008

- The *Open Skies* agreement between Europe and the United States comes into force, enabling Air France and KLM and their American partners to operate trans-Atlantic flights departing from London Heathrow.
- Air France and Delta launch their trans-Atlantic joint-venture.
- Air France-KLM notes the breakdown of negotiations with the Alitalia unions and withdraws its offer.
- Delta and Northwest announce their merger plans.

May 2008

- The US Department of Transportation grants Air France, KLM, Delta and Northwest anti-trust immunity, together with the obligation to establish a sole trans-Atlantic joint-venture between these four airlines before the end of 2009.
- Transavia France celebrates its first anniversary.
- Air France takes delivery of its 50th Boeing B777.

June 2008

- 100% of passenger tickets are electronic tickets.

July 2008

- The oil price reaches its record high of $146.08 per barrel.

August 2008

- Air France-KLM confirms its intention to remain the strategic partner of the new Alitalia.
- The oil price begins to fall.

September 2008

- As proposed by the appointments committee, the Air France-KLM Board of Directors decides to separate the functions of Chairman of the Board of Directors and Chief Executive Officer, effective January 1, 2009.
- Air France inaugurates terminal 2G at Roissy-CDG, enabling the activities of Air France-KLM's regional subsidiaries to be regrouped.
- The collapse of Lehman Brothers unleashes a global crisis in the banking system which will gradually contaminate the whole economy.

October 2008

- Air France celebrates its 75th anniversary.
- The UK Office of Fair Trading approves the acquisition of the regional airline VLM by Air France.
- Delta and Northwest merge under the name Delta which becomes the leading global airline.
- The expectation of a sustainable fall in the oil price leads the Group to suspend its hedging.

December 2008

- KLM finalizes the acquisition of Martinair.
- Air France and KLM begin to unwind a significant portion of their fuel hedging contracts early in order to benefit from the fall in the oil price. These transactions will be finalized in February 2009.

January 2009

- Air France-KLM signs a strategic partnership agreement with Alitalia and takes a 25% equity stake in the Italian airline.
- Air France-KLM is awarded the prize for the best sustainable development report from the French Institute of Chartered Accountants.

February 2009

- Air France, the launch company, takes delivery of its first Boeing B777-freighter.
- The Group announces a new reduction in Summer 2009 capacity in the passenger and cargo activities.

March 2009

- The European Commission gives the go-ahead for the Alitalia transaction.
- Air France-KLM submits a non-binding expression of interest within the framework of the privatization of Czech Airlines, a member of the SkyTeam Alliance.
- Air France-KLM announces that it expects a €200 million loss for the 2008-09 financial year.

April 2009

- Air France-KLM announces a further reduction in Summer 2009 capacity in the passenger and cargo activities.
- Air France takes delivery of its 54th Boeing 777-300, the 777th aircraft in this family. The aircraft is painted in the new Air France livery.

May 2009

- Air France and KLM celebrate the fifth anniversary of their merger.

Market and environment

The economic environment

2008 or the beginning of the global crisis

Although an economic slowdown had been predicted last year by the IMF, whose growth forecasts for 2008 were steadily downgraded, no-one had expected a soft landing to turn into an unprecedented economic crisis. After four years of annual growth approaching 4%, 2008 saw growth at only half this level (*Source: Global Insight March 3009, IMF, Consensus Forecast March 2009*). The crisis has impacted not only the developed but also the emerging countries whose dynamism had, until recently, been the driver of growth. Furthermore, 2008 was a year of extremes for the oil price. After taking four years to move from $40 to $140 a barrel, it was to take only four months for oil to return to $40, these moves being accompanied by very high volatility.

The negative impact of the crisis in the credit sector which emerged as of summer 2007, combined with the surge in the oil price and the financial crisis unleashed with the collapse of the US bank, Lehman Brothers, in September 2008, all had direct consequences for air transport.

Travel was one of the first areas of spending to be reduced. In leisure, the crisis has encouraged the trend for customers to seek the lowest fares. They are increasingly turning to promotional offers and those of the low cost airlines and reducing their number of trips. However, business travel, representing on average 8% of passengers but 15% to 20% of airline revenues, was the worst affected. Despite a robust start to the year, volume fell by 2.8% over the year, with a collapse in the final months. (*Source: IATA*).

Thus, in 2008, international traffic grew by only 1.6% (+7.4% in 2007) for capacity up by 3.5%. The load factor lost 1.1 points to 75.9%. Around 2.3 billion passengers (+4.5%) traveled world-wide, generating revenues of $530 billion (+4.3%). At the same time and based on an average oil price of $99 a barrel, the fuel bill increased by 24% to $168 billion, representing 32% of operating costs compared with just 13% in 2001 (*Source: IATA 2008 figures*). This was accompanied by significant oil price volatility. For the air transport industry as a whole, a three dollar change in the oil price represents around $4.5 billion on the upside or the downside in the fuel bill, or a figure comparable with the net margins for the industry. European airlines also suffered from the crisis with traffic growth of just 1.3% (+5.3% in 2007) for a capacity increase of 3.0% (+4.2% in 2007), leading to a 1.1 point fall in the load factor to 76%. While still in the black, the European airlines saw their profitability decline with operating income down by 39% at $3.9 billion (*Source: AEA European airline members*).

Many airlines are also encountering difficulties in financing their investments, with the traditional sources of funding drying up: the weakness in results is significantly reducing their ability to self-finance; the major operating lease companies have less capacity for additional commitments; and the banks are reducing or abandoning their aviation finance activities.

As a consequence of this difficult environment, a growing number of airlines are in difficulty with, in 2008, some 70 either having serious problems or in receivership (24 in 2007 and 27 in 2006).

Forecasts for 2009 remain pessimistic

Growth forecasts are pessimistic for virtually all world regions in 2009, with global GDP expected to show negative growth of around 2.3%. GDP is expected to contract by 2.9% in the United States, by 3.7% in the Euro zone and by just 0.4% in the Asia-Pacific region but 6.3% in Japan. The emerging countries may also be considered to be in difficulty, with GDP growth at under 6% for China and 5% for India not being sufficient to sustain the growth in their active population (*Source: Consensus Forecasts, May 2009*). The deployment of massive stimulus plans in, for example, the United States ($800 billion), the Euro zone (€400 billion) and China ($600 billion) should have an effect in the second half of the year, with a number of experts forecasting the beginning of a recovery in late 2009 or early 2010.

The competitive environment

All reference points swept away

The competitive advantages built by the European airlines over the past few years could prove temporarily detrimental in the current environment. Indeed, until the autumn of 2008, the best-positioned airlines were those with a broad business customer base and effective fuel hedging strategies. The sudden downturn caused by the crisis has temporarily weakened these two strengths.

It is business customers who have been the most affected by the crisis. As of June 2008, the number of passengers carried in business class was down on 2007 levels. After showing growth until June 2008, premium traffic on the North Atlantic declined by 2.0% in September and by 8.8% in December 2008. Between Europe and Asia, the trend turned negative as of June 2008 before collapsing in September (-8.7%) and even more dramatically in December 2008 (-17.3%) (*Source: IATA*). The traffic weakness also disadvantages companies without a hub since they do not have the opportunity to stimulate demand outside their own countries. Since they often have to cancel direct flights, they thus oblige their customers to travel via a transfer platform.

Lastly, the fall in the oil price has made fuel hedges inefficient, increasing rather than reducing fuel bills and obliging companies with hedging to recognize significant financial charges in their financial statements.

The beneficiaries of this particular context are the strongest low cost carriers and the traditional airlines with efficient hubs. Note, however, that experts are convinced that oil prices will rise in the medium term as we emerge from the crisis and that the recovery will bring with it a rebound in business traffic.

Industry responses to the crisis

The crisis is global, but each airline has to contend with a different context. The particularly pronounced downturns in the UK and Japanese economies are penalizing both British Airways, which has announced that it is losing £2.7 million daily, and Japan Airlines, which has turned to the Japanese government for low-interest loans *(Source: company announcements).* The US airlines are benefiting from significant capacity reductions in their domestic market and the fall in the oil price, underpinning expectations of an improvement in their profitability. On the other hand, the Indian airlines are facing overcapacity in their domestic market. Volatile exchange rates are being reflected in losses or gains in competitiveness which are also prompting changes in commercial strategy. Financing difficulties also raise the issue of growth and the relevance of investment plans.

Capacity discipline

Whatever the context, the industry's first response is to cut capacity. Whereas long-haul capacity between Europe and the rest of the world has seen 6%-plus growth since 2004, the European airlines have opted to reduce capacity by 3.2% in the Summer 2009 season (*Source: OAG data*). The US airlines are reducing their capacity by 2.4% while the Chinese and Indian airlines are going still further with reductions of 12.3% in their capacity to Europe and North America. Only the Gulf airlines plan increases in Summer 2009 capacity due a significant number of aircraft deliveries despite the fact that they are also suffering from a collapse in demand.

In medium-haul, the trend is even more marked, with the capacity cutbacks concerning both the low cost and scheduled carriers. In summer 2009, for a sample of 32 European airlines, the reduction in capacity should be of the order of 6% (*Source: OAG data and company announcements*). In 2009, the low cost airlines will see their market share decline for the first time, to 46% from 49% in 2008, due to the reduction in capacity but also to restructuring and even bankruptcy.

Whereas the airlines are reducing their offer in medium-haul, the TGV high-speed train continues its development in Europe. In France, its market share gained one point to 81% and the number of passengers increased from 91 to 98 million in 2008. Over the same period, the number of Air France domestic passengers declined from 20 million to 19 million.

Finally, on May 5, 2009, in order to enable the European airlines to adapt their capacity to demand while maintaining an appropriate level of revenue, the European Parliament and the European Council of Ministers of Transport agreed to suspend, for the Summer 2009 season (with a possible extension to the Winter 2009-10 season), the *use it or lose it* rule which provides that an airline may only retain a same series of slots at a coordinated airport if they have been used subject to precise conditions for 80% of an aviation season. This decision will allow the airlines to conserve their grandfather rights to slots.

The reduction in costs and investment

In the summer of 2008, the industry's main concern was to reduce costs in order to offset the very sharp rise in the fuel bill. Despite the correction in the oil price, cost cutting remains a priority since revenues have collapsed due to the crisis.

For most European and American airlines, payroll expenses will be the main cost item in 2009 and, given the significant cutbacks in capacity, they are implementing headcount reduction programs. In 2008, 28,000 jobs were lost in the American airlines and 2,500 at Japan Airlines. In 2009, British Airways plans a further 1,400 redundancies while, at Lufthansa, 500 of the 2,500 jobs in its CityLine subsidiary are expected to go. In addition to the airlines, some 350,000 jobs could disappear in the sector as a whole. Savings are also being sought in all the other cost items including the reduction in commercial expenses, renegotiation of contracts, etc. Lastly, a number of airlines have decided to curtail their investment plans, notably in deferring aircraft deliveries in order to conserve their cash.

The development of ancillary revenues

Ancillary revenues are already an integral part of the low cost model which is based on the lowest possible entry level price point corresponding to a minimal level of service, to which a whole range of supplements are added. They thus account for more than 20%

of revenues at Ryanair and some 10% at easyJet. For the traditional carriers, however, this is a new trend which is developing rapidly, initiated by the US airlines that were particularly affected by the soaring oil price. Ancillary revenues include both charging for extras that are already part of the service such as excess baggage and new services either offered by non-airline partners (car hire, hotels, insurance, etc.) or developed for the airline such as access to high-tech services (wifi or on-board telephony).

Consolidation in the sector

The industry's last response consists of restructuring and mergers to gain competitiveness, a trend taking place on both sides of the Atlantic. The merger between Delta and Northwest will give this major a 21% share of the US market. In Europe, consolidation is taking place via the merger of airlines in their domestic markets like Vueling and Clickair in Spain or Alitalia and Air One in Italy and via the strengthening of multinational networks with the acquisition of Brussels Airlines, bmi and Austrian Airlines by Lufthansa, the planned merger between British Airways and Iberia and the purchase of an equity stake in Alitalia by Air France-KLM.

Strategy

The economic slowdown early in the year turned into a fully-fledged global crisis as of September 2008, leading the Air France-KLM group to adapt its successful profitable growth strategy of more than a decade. While continuing to leverage the specific strengths stemming from the complementarities between Air France and KLM in their three principal activities (passenger, cargo and maintenance), the Group has introduced measures to strengthen its ability to weather the crisis. Fine-tuning capacity to demand, reducing investment and reinforcing cost-savings plans are the cornerstones of this plan. The fall in the oil price has also led the Group to review its fuel hedging strategy.

Fundamental strengths

A powerful, balanced network

The Air France-KLM group currently operates the largest network between Europe and the rest of the world. Thus, of the 179 long-haul destinations served directly by AEA (Association of European Airlines) member airlines in the Summer 2009 season, Air France-KLM accounts for 110, or 61% of the total, compared with 40% for British Airways and 46% for Lufthansa and Swiss. Furthermore, the Group also offers 43 unique destinations which are served by neither British Airways nor Lufthansa.

Lastly, given its presence in all the major markets, the Group's network is balanced, with no one market representing more than a third of passenger revenues.

Two coordinated hubs at developing airports

The Group's network is coordinated around the two intercontinental hubs of Roissy-Charles de Gaulle and Amsterdam-Schiphol, which are two of the four largest transfer platforms in Europe. Their efficiency is supplemented in southern Europe by the airports of Rome and Milan where Alitalia, the Group's partner since January 2009, operates. These hubs, which combine connecting with point-to-point traffic, are organized around airport platforms whose development potential will further strengthen the role of the large intercontinental hubs. Between June 2007 and 2012, Air France will benefit from the gradual opening of new airport infrastructure which will provide state-of-the-art facilities for passengers and make Roissy-CDG a model of excellence in Europe.

This large scale pooling of reduced flows gives small markets world-wide access while optimizing the fleet and enabling the use of larger aircraft, thereby reducing noise and carbon emissions. Thus, the second wave at the Roissy-Charles de Gaulle hub, organized around the arrival of 59 medium-haul flights and the departure of 21 long-haul flights offers 1,319 possible combinations within a period of less than two hours with only 80 aircraft.

During this period of crisis, this unique combination of hubs is a major strength at a time when the smallest airlines are cancelling a number of their direct flights, requiring passengers to such destinations to use a connecting flight.

A balanced customer base

The Air France-KLM group's policy of meeting the expectations of all its customers in terms of networks, products and prices has enabled it to build a balanced customer base of whom half are traveling for leisure and half for business purposes. The impact of the crisis has changed this breakdown with business customers switching to economy class. However, the Group still benefits from an equal balance between transfer (56%) and point-to-point passengers (44%). Furthermore, 50% of revenues are generated by the Group's passenger loyalty strategy (frequent flyer program and corporate contracts).

A global alliance which strengthens the network

Air France and KLM play a lead role in the SkyTeam alliance, the number two global alliance in terms of market share. Bringing together ten European, American and Asian airlines, SkyTeam enables the Group to respond to market needs and withstand competition in both passenger and cargo transportation. The alliance comprises Aeroflot, AeroMexico, Air France, Alitalia, China Southern, Continental until October 2009, CSA Czech Airlines, Delta which has merged with Northwest, KLM and Korean Airways. Air Europa (Spain), Coppa Airlines (Panama) and Kenya Airways have joined them as associate airline members.

A unique partnership on the North Atlantic

On April 1, 2008, Air France and Delta implemented their joint-venture agreement, modelled on that of KLM and Northwest who have cooperated for more than a decade on the North Atlantic. This type of agreement enables joint network management and the sharing of revenues and costs. In May 2008, the US Department of Transportation (DoT) granted overall anti-trust immunity to Air France and KLM and to Delta and Northwest thus enabling the two joint-ventures to merge into a single four-way joint-venture. For the duration of the financial year, Air France and KLM worked on planning for this single joint-venture which was implemented on April 1, 2009.

A strategic partnership with Alitalia

Air France-KLM chose to step up its cooperation with Alitalia through an operational partnership agreement, cemented with a 25% equity stake in the Italian company. This operation has significant advantages for the two groups. Air France-KLM gains access to the Italian market, the fourth-largest in Europe, thanks to a restructured and financially sound partner with a strong presence in its domestic market following the merger with competitor Air One. For its part, Alitalia has access to the leading network linking Europe to the rest of the world thanks to the dual hub system whose reach into southern Europe is extended by this partnership. The main common objectives of the two companies are to strengthen Alitalia's positioning in the business customer segment, to share best practices and to develop the joint-ventures between Air France and Alitalia and Alitalia and KLM. The two partners have estimated the potential synergies at €370 million as of the second or third year, of which €90 million at the operating level for Air France-KLM. Air France-KLM will also benefit, in proportion with its holding in the share capital, from the synergies generated by Alitalia *(see also section 6, page 239)*.

A modern fleet

The Group has consistently invested in new aircraft and currently operates one of the most streamlined and modern fleets in the sector. This investment has a triple advantage in enabling the Group to offer an enhanced level of passenger comfort, achieve substantial fuel savings and fulfil its sustainability commitments in reducing noise pollution for local residents and greenhouse gas emissions.

An innovative product offer

Air France-KLM puts the customer at the heart of its strategy by offering not only one of the leading networks in terms of destinations and flight times but also in developing an innovative product offer. This innovation can be seen, specifically, in fare combinability, which multiplies the routing possibilities and gives access to attractive fares, in the joint frequent flyer program, *Flying Blue*, born of the merger of the Air France and KLM loyalty programs, in e-services and in improved cabin services. The Group ensures that the development of these new products and services is consistent with its environmental policy.

Flexibility to strengthen resilience in the face of the crisis

Adapting capacity to demand

As of the beginning of the 2008-09 financial year, given the rise in the oil price, the Group had anticipated a slowdown in demand for air transport, opting for a moderate and flexible increase in capacity. Planned capacity growth of 4.6% in the passenger activity was thus reduced to 1.7% for the Winter 2008 season. With economic conditions experiencing a significant deterioration since the beginning of 2009, capacity was again reduced by 2.9% between January and March 2009. Cargo had an even more difficult year with the collapse in international trade flows. Whereas capacity had been increased by 3% in the first quarter, it was down by 2.8% on a constant scope at the end of the financial year. An economic recovery not anticipated during the 2009-10 financial year, the Group has decided to reduce its capacity by a further 4.5% in the passenger activity and by around 10% in the cargo activity. The curtailment in the passenger offer will be biased towards a reduction in frequencies rather than outright route closures, enabling the integrity of the network to be preserved. The cutback in cargo capacity will be achieved via the grounding of six cargo aircraft.

Adapting the fleet plan

As a result of the reduction in capacity, the Group is revising its fleet plan. While continuing to take delivery of new aircraft to pursue the modernization of the fleet aimed at enhanced passenger comfort, the Group has negotiated a postponement in the delivery of 11 aircraft between 2009 and 2011, thus limiting its investment and preserving its cash. Between 2008-09 and 2010-11, the reduction in the fleet investment program amounts to €2.9 billion, of which €500 million in 2008-09, €1.3 billion in 2009-10 and €1.1 billion in 2010-11. The investment plan in the fleet, net of disposals, will thus be reduced from €4.9 billion to €2 billion in three years.

Reinforcing cost savings

On April 1, 2007, Air France and KLM launched *Challenge 10,* a three-year cost savings plan targeting savings of €1.4 billion, or a 3% reduction in unit costs excluding fuel by the end of the 2009-10 financial year. This plan is based on four sources of savings: the renewal of the fleet, the reduction in travel agent commissions, procurement and productivity and the improvement in processes. During its first year, the Group achieved €536 million of savings. Given the deterioration in the economic environment, the initial plan has been extended through to 2012 and reinforced with a further €1.1 billion of savings over the period. Thus, for the 2008-09 financial year, the initial target of

€430 million of savings was increased to €675 million. For the following financial years, the annual targets are €600 million of savings in 2009-10, €420 million in 2010-11 and €380 million in 2011-12. The latter two figures could be reviewed in future. In total, the Group should achieve around €2.6 billion of savings in five years.

At March 31, 2009, the Group had achieved its targeted savings of €675 million. They enabled a 0.8% fall in unit costs per EASK (equivalent available seat-kilometer) on a constant currency and fuel price basis. The main sources of savings were procurement (42% of the total) and the improvement in productivity and processes (30%), followed by fleet renewal (17%) and distribution costs (11%).

Target synergies achieved

Thanks to the complementarity between their three main activities, Air France and KLM are generating substantial synergies. Initially estimated at €495 million after five years (2008-09), these synergies have been regularly upgraded with the most recent revision standing at €750 million (+51.5%) over the same period. At March 31, 2009, the target had been exceeded, with synergies amounting to €790 million. After five years it is difficult to distinguish between synergies linked to the merger and those generated from greater integration of the two companies. Furthermore, the Group has decided to no longer measure synergies as such even if, in certain areas such as IT, gradual integration will generate additional amounts, underpinning the €1 billion target in 2010-11.

The new organization of the Group, introduced in October 2007, is accelerating the integration of the two companies. Within this framework, groups of initiatives have been established whose aim is to rationalize the organization to generate additional revenues and/or reduce costs. Each project reports to one of the Group's senior executives and a project head. These groups of initiatives, of which there are 22, are either cross-cutting or concern the Group's three activities. A regular report is presented to the Group Executive Committee.

A change in the fuel hedging strategy

For more than a decade, the Air France-KLM group has deployed a hedging strategy to smooth the impact of the fuel price. This prudent strategy proved highly effective in terms of limiting the negative impact of the increase in the oil price through to September 30, 2008. The sudden and sustained downturn in the oil price at the end of summer 2008 turned the fuel hedges into a hindrance. The Group thus revised its fuel hedging policy in taking on no new hedging contracts as of October 2008 and in unwinding, between December 2008 and February 2009, almost half its hedging portfolio. For the 2009-10 financial year, the Group thus moved from a hedged position of around 70% of its fuel consumption in October 2008 to 43%. For the 2010-11 financial year, the hedging position has been reduced from 49% to 18% and, for 2011-12, from 29% to 21%. While these unwinding transactions have effectively increased the hedged price, Air France-KLM benefits from market prices for the un-hedged portion. For the 2009-10 financial year, the fuel bill should thus fall by $1.9 billion on a constant scope basis compared with 2008-09 based on futures prices on May 14, 2009. In total, il is estimated at $6.5 billion for the 2009-10 financial year and to $7.5 billion in 2010-11.

Key performance indicators

Air France-KLM has chosen the following key performance indicators:

- return on capital employed, the relevant indicator for an industry which is investing heavily; and
- adjusted operating margin.

Return on capital employed measures the return on invested capital by expressing operating income as a percentage of average capital employed. The comparison of this ratio with the cost of capital shows whether the Group is creating value for its shareholders.

The adjusted operating margin strips out the accounting impact of the different methods of fleet financing and makes it easier to compare the profitability of different airlines *(see also section 5 - Performance ratios)*.

Passenger activity

Passenger transportation is the Air France-KLM group's main activity, representing nearly 80% of revenues.

In order to respond to the challenging conditions created by the global economic crisis, the Group is adapting its passenger strategy which is based on a combination of unique strengths and a commercial policy focused on customer satisfaction. The SkyTeam alliance and partnerships supplement the Group's offer in terms of both destinations and products.

A strategy adapted to the new economic environment

A powerful network with an adapted offer

A suitable reduction in capacity

With a fleet of 557 passenger aircraft in service, the Group operates some 2,500 daily flights to 244 destinations of which 123 medium-haul and 121 long-haul. This network is organized around five hubs: Paris-CDG and Amsterdam-Schiphol, the international transfer platforms, Paris Orly which covers the French domestic market, Lyons, a medium-haul hub principally reserved for European trans-regional flights and, since April 2008, London, where the Group is present in partnership with Delta with flights bound for the United States out of Heathrow and for Europe out of London City Airport. During the financial year, 74.5 million passengers (+0.5%) traveled on the Group's network.

In the current environment, the Group is implementing a strategy based on a targeted reduction in capacity aimed at maintaining maximum efficiency.

As of the summer of 2008, the Group started to moderate its growth then to gradually adjust its capacity to demand. In fifteen months, capacity planned for the Summer 2009 season has moved from growth of 5% to a 4.5% reduction. This reduction involves all the networks but is particularly marked in the French domestic network which is suffering from both the economic conditions and from competition with the TGV (high speed train). In order to preserve the quality of the offer and the integrity of the network and the hub, the capacity cutbacks are being achieved, in long-haul, through a reduction in frequencies on destinations served by several daily flights and, in medium-haul, in preserving the coverage of the hubs. In the French domestic market, a number of flights in the middle of the day have been withdrawn.

A targeted and flexible redeployment

This redeployment of capacity is highly targeted, the aim being to adapt the offer to demand in individual zones, taking into account economic forecasts and the competitive situation at each destination.

The long-haul offer has been significantly reduced in zones which are most affected by the crisis such as the United States, where demand has collapsed, or in zones with excess capacity such as India. It has, however, been increased in Africa which remains buoyant and where the market still lacks capacity. At the same time, this redeployment involves a rebalancing of frequencies and average modules directed at greater efficiency. The arrival of the Airbus A380 is a good example of this. During growth periods, the vocation of this aircraft is to increase capacity whereas, in periods of crisis, it will enable a reduction in costs. Since it offers the same capacity as an Airbus A340-300 and a Boeing B777-200 put together but at a unit cost some 20% lower, this aircraft can be used to rationalize multi-frequency services. The Group also plans to take advantage of its flexibility in rapidly adapting to any change in trend or the withdrawal of competitors from any one zone. Lastly, partnerships will play a key role in consolidating the Group's market positions. In this respect, the opportunities offered by the collaboration with Alitalia and the joint-venture with Delta are significant.

The short and medium-haul network is vital for the Group in that it contributes passengers transferring to long-haul destinations. It is, however, under pressure from the low cost airlines and the TGV. Within this context, this network is the subject of specific action plans aimed at increasing the attractiveness of fares since it is important to secure the loyalty of passengers in these markets and particularly the French domestic market.

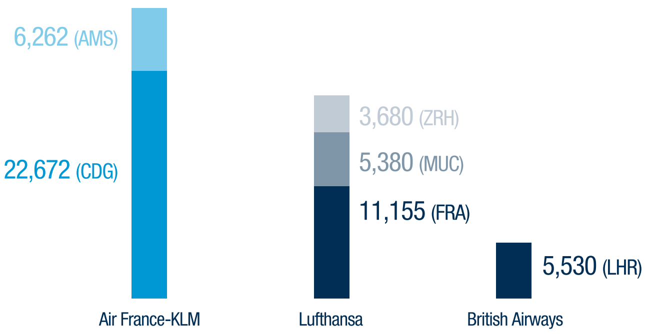
The hubs, shock absorbers of the crisis

The dual hub system, which has been the cornerstone of the profitable growth strategy in recent years, is now acting as a shock absorber thanks to the diversity of the transfer flows which are not all exposed to the crisis in the same way. The hubs also provide an immediate solution for passengers whose direct flights have been suspended. Lastly, some substantial qualitative improvements have been made to flight times this summer in increasing minimum transfer periods at Roissy from 45 to 60 minutes.

Paris-CDG and Amsterdam Schiphol, the two powerful, coordinated hubs, are linked by around fifteen daily flights and make an effective contribution to the Group's activity. The number of transfer passengers effectively increased by 1.5% over the financial year, generating revenue growth of 0.8% whereas both the total number of passengers carried by the Group and passenger revenues fell by, respectively, 0.5% and 1.7%.

The combination of the two hubs offers approaching 29,000 weekly transfer possibilities inside periods of under two hours between European medium-haul and international long-haul flights. This is twice as many as Lufthansa in Frankfurt and four times more than British Airways at Heathrow.

➤ The most flight connection opportunities in Europe



Number of weekly medium-haul/long-haul flight connection opportunities in under two hours.

The combination of the CDG and Schiphol hubs, which is unique in Europe, enables the Air France-KLM group to offer a large number of frequencies by destination and a wide range of flight times. A passenger can thus choose between 11 daily flights to New York, five flights to Tokyo, three flights to Johannesburg and five to Montreal. This organization is particularly attractive to both high contribution passengers looking for a direct flight and transfer passengers who also have the opportunity to optimize their trip in using the two hubs.

A policy of attractive fares

The economic crisis is affecting spending on transportation. Companies are reducing travel budgets and leisure travellers are increasingly seeking the cheapest fares in turning to promotional offers and those of the low cost operators. The response has thus not just been one of fine-tuning capacity in that fare structures need to be continually adapted to respond to the more opportunistic behaviour of business customers whether or not they are under contract and to stimulate leisure traffic which is highly price sensitive. In order to meet the needs of business passengers, the Group is adapting its corporate contract policy in offering more attractive discounts and access to new fares. Business passengers without corporate contracts are being offered a new range of fares accessible to small and medium-sized companies. For leisure travellers, particularly on the short and medium-haul network, the fare structure has also been revised with a reduction in promotional prices, more flexible purchase conditions and, specifically in the French domestic market, a complete overhaul of the fare structure involving, notably, the withdrawal of the fuel surcharge.

A strategy focused on customers

Flying Blue for passengers

Launched in June 2005, *Flying Blue*, the frequent flyer program common to the two airlines, is experiencing steady growth with membership having increased from 10 million in 2005 to 15.4 million in 2008. Every month sees some 115,000 new members of whom 64% sign up online. 48% of *Flying Blue* members are French or Dutch, 30% are European and 22% come from the rest of the world. Designed principally to compete with the loyalty cards of the national carriers in third-party markets and to bolster the Group's commercial presence, it enables Air France and KLM passengers to benefit from the Group's combined network. Thus, more than 10% of members travel on the two airlines. It has proved a major success in Europe with 18% of card holders in the United Kingdom, 17% in Switzerland and 16% in Germany traveling on the networks of the two airlines. *Flying Blue* also enables members to earn miles that can be redeemed on flights operated by SkyTeam alliance members as well as with 130 air or commercial partners. *Flying Blue* has won numerous awards recognizing it as the leading frequent flyer program in Europe.

Flying Blue members benefit from e-services: they can consult their account, request the crediting of miles or access promotional offers on the commercial websites of the two airlines. A new search engine is now available on line enabling the availability of reward tickets to be consulted for a period of two months around a chosen date. This functionality is greatly appreciated by internauts as seen in the steady growth in online bookings.

Corporate contracts for companies

The Group seeks to secure the loyalty of companies through its corporate contracts policy. In normal operating conditions, they represent nearly 50% of business revenues which, in turn, represent more than 50% of revenues from the passenger activity. This commercial strategy concerns not only large companies but also small and medium-sized businesses for whom the Group has specially-adapted offers. Currently, there are more than 70,000 such contracts in force. International companies also benefit from global contracts, signed within the framework of the SkyTeam alliance.

Innovation, a differentiating factor

The two airlines prioritize research and marketing innovation in order to design and test new inflight and ground-based products and services. The work of the research and development teams is supported by focus groups and by *Innovaction*, a structured approach aimed at generating ideas which are studied and then launched. Customers are involved in this approach, either by filling in surveys or through participating in online panels and focus groups. Air France processes around 450,000 surveys and seeks the opinion of its largest customers via a special tool, the FB@home website. KLM works with a panel of 400 internaut customers with KLM *in touch*. All this market research generates ideas for future products and services.

New products

Streamlining the travel experience

The Group's many technological innovations are aimed at simplifying the lives of its customers. E-services (self-service check-in kiosks, check-in online and by mobile phone) are used by more than half of Air France-KLM customers who can choose the check-in channel which suits them the best. They can check in at the airport using self-service kiosks where assistance is on hand or online at home or in the office. Check-in by mobile phone has also been available on short and medium-haul routes since February 2009, enabling a further step towards *zero paper* travel. Once they have checked in using a mobile device, passengers receive their boarding cards by SMS or MMS in the form of a bar code which they present on boarding. Lastly, since March 2009, Air France has been experimenting on the Paris-Amsterdam route with a new automated boarding system known as Smartboarding, a world first. The Smartboarding card, combining biometric technology, RFID and thermal printing, acts as a personal, unique boarding card and means passengers no longer need to show their identity papers again in the boarding lounge.

Ensuring passenger loyalty

In March 2009, the Air France group unveiled its new logo and aircraft livery. In parallel, the company carried out a review of its brands aimed at making them simpler, more intelligible and more consistent. The *L'Espace Première* and *L'Espace Affaires* classes became *Première* and *Affaires* while the *Tempo* economy class was rebranded as *Voyageur*.

The emphasis was put on products aimed at the core target group, high contribution passengers. *Première* class ground services were reviewed to ensure a personalized service on departure and arrival and when making an onbound flight connection. A new lounge was inaugurated for customers and a number of new services introduced. For the *Affaires* class, the coming year will see improved service, catering and comfort both on the ground and on board the aircraft.

In October 2009, Air France will launch its new *Premium Voyageur* product. This new class of 22 to 28 seats will have a rigid shell seat offering a higher level of comfort than the Voyageur economy cabin for a lower price than in business class. It is mainly targeted at small and medium-sized businesses but is also intended to appeal to leisure customers. Faced with the economic crisis, this class is a response aimed at reducing the number of business passengers switching to economy class.

Enriching the customer relationship

Air France and KLM enable their passengers to meet at Bluenity.com, an interactive platform created for and by travelers. This website enables travellers to meet up, share useful tips and broaden their social networks. For the Group, it increases the visibility of the brands, secures customer loyalty and generates advertising revenues. After four months, Bluenity.com already has some 60,000 members.

A differentiated cultural approach

With international customers now representing more than 60% of the overall total and a development strategy turned towards Latin America and Asia, the Group plans to respond to the cultural diversity of its customers. The inclusion in cabin crews of nationals from destination countries and crew training aimed at giving customers the service they expect are just two examples of the many initiatives underway. Thus three programs, Phoenix USA, India and China, enable cabin crews to appreciate cultural differences and respond appropriately. The Group also takes into account culinary differences. It has signed a partnership agreement with prestigious Chinese food group, South Beauty, to offer passengers traveling between China and Europe a choice between western and Chinese meals. Similarly, Air France has joined forces with the Indian group Oberoi to offer Indian-influenced catering, while KLM has added a Japanese touch to its Japan-bound flights thanks to its partnership with Hotel Okura Amsterdam.

The inflight entertainment on Air France aircraft offers movies with sub-titles in nine languages including Chinese, Korean and Japanese. In September 2008, Air France was awarded the WAEA (World Airline Entertainment Association) prize for the best single achievement for its original and innovative inflight entertainment.

A responsible commercial strategy

The Group is committed to responsible development. For *Flying Blue*, its frequent flyer program, it is gradually replacing plastic membership cards with cards made of natural starch from plants. Since they are 90% composed of abundant, renewable, natural materials, they have less impact on the environment throughout their life cycle. Baggage tags are also going to be replaced with biodegradable versions. At the end of this replacement process some ten tons of PVC will have been saved. Furthermore, the Group encourages *Flying Blue* members to receive their account statements by email. Currently 37% have signed up, enabling an annual saving of more than 200 tons of paper.

The Group also offers its customers a comprehensive carbon offsetting program. In partnership with the WWF for KLM and Goodplanet for Air France, voluntary contributions together with the Group's various initiatives all go towards supporting projects focused on the development of renewable energies.

The SkyTeam alliance and strategic partnerships

In order to meet all its customers' needs, the Group extends its offer with the SkyTeam alliance and strategic partnerships.

SkyTeam: a global alliance

SkyTeam, created in 2000, is a global alliance bringing together European, American and Asian airlines. While retaining their own identities and brands, the airlines work together to offer their customers a network and global services. Local partners such as JAL in Japan and Qantas in Australia also expand the service offered.

The alliance, which comprises ten members (Aéroflot, Aéromexico, Air France, Alitalia, China Southern, Continental until October 2009, CZech Airlines, Delta merged with Northwest, KLM and Korean Air) and three associate airline members (Air Europa, Copa Airlines and Kenya Airways), is managed by a Governing Board and a Steering Committee. The Governing Board comprises the Chairmen and Chief Executive Officers of the airlines. It meets twice a year to define the major strategic orientations and appoints, for a two-year term of office, the Chairman and Vice-Chairman of the Steering Committee which is made up of the alliance directors.

On April 1, 2009, Leo van Wijk, Chairman of the SkyTeam Governing Board, announced a new alliance organization with the creation of a centralized management entity reporting to a Managing Director. This central entity will be responsible for marketing, sales, airport synergies, the transfer product, cargo, advertising and the brand as well as for the alliance finances and administration. In liaison with the Governing Board and the Steering Committee, it will implement plans to support SkyTeam's development. The alliance budget is financed by the airlines on an apportionment basis.

Major advantages for alliance members

In order to become an alliance member, the airlines must fulfil a number of prior conditions notably in terms of operations, technologies and products. Thus, they must be linked by code sharing agreements and have signed agreements concerning their loyalty programs and the sharing of lounges. They must also be able to offer products and services specific to the alliance.

Belonging to SkyTeam strengthens the reputation of the airlines in enabling them to extend their offer to all world regions, bolstering their commercial presence. As a member of the SkyTeam alliance, Air France-KLM has access to a global network offering more than 16,700 daily flights to 905 destinations in 169 countries.

In sharing their expertise and know-how and in pooling best practices, airlines improve the quality of their services to customers. Lastly, the alliance also enables synergies to be generated within the framework of co-located facilities in airports or cities, the coordination of teams, the reduction of aircraft handling charges or better use of lounges. One important stage will be the gradual opening in 2009 of co-located facilities at London Heathrow's Terminal 4 which will be the first airport at which the SkyTeam airlines will share their self-service check-in kiosks and a lounge in the alliance colors.

Significant benefits for alliance customers

The SkyTeam network is organized around major hubs enabling the alliance to offer a very large number of connecting flights and guarantee its 462 million annual passengers a seamless travel experience on flights with one or several airline members.

The alliance has developed specific products such as the new *Passes* that enable travel in the destination region at attractive fares, global contracts exclusively for large companies or contracts for the organizers and attendees of congresses and international events.

Passengers earn air miles on all SkyTeam flights that can be redeemed with several alliance airlines during the same journey.

Strategic partnerships

Alitalia

During the financial year, Air France-KLM stepped up its cooperation with Alitalia through an operational partnership agreement and in taking a 25% shareholding in the Italian company (*See also Section 2, page 33*).

The joint-venture with Delta

In October 2007, Air France and Delta concluded a joint-venture agreement modelled on that of KLM and Northwest who have cooperated for more than a decade on the North Atlantic. This type of contract enables joint network management and the sharing of revenues and costs. Applicable in April 2008, the scope of the joint-venture between Air France and Delta comprised the flights linking the hubs of the two airlines and the connecting flights as well as the flights departing from Heathrow.

A new stage in the structuring of the North Atlantic market was reached, in May 2008, when the US Department of Transportation (DoT) granted antitrust immunity to Air France, KLM, Delta and Northwest. These two joint-venture contracts, which functioned independently during the 2008-09 financial year, have been regrouped in a single four-way contract since April 1, 2009 with the equal sharing of revenues and costs.

With Delta and Northwest having merged, this joint-venture between the US and European market leaders creates, to the benefit of their customers, the number one operator on the North Atlantic with more than 200 daily flights linking six principal hubs - Paris, Amsterdam, Atlanta, Detroit, Minneapolis and New York – and a market share of 25%. The joint-venture is for a ten-year period and its governance bodies comprise an Executive Committee, a Management Committee and working groups.

The scope of this joint-venture is very extensive and represents revenues of around $12 billion. It covers all the flights between North America, Mexico and Europe through integrated cooperation and all the flights between North America and Mexico to and from the Mediterranean basin, Africa, the Gulf countries and India together with the flights from Europe to and from Central America, Colombia, Venezuela, Peru and Ecuador through close coordination.

This organization represents a significant strategic advance for the Group in enabling it, firstly, to improve the performance of this network by around $150 million as of the next financial year and, secondly, to implement a model which it is difficult to replicate.

Activity affected by the crisis

Despite the depressed environment, the Air France-KLM group slightly strengthened its position as European leader with a market share of 26.4% (+0.2 point) within the Association of European Airlines (AEA) in terms of traffic and 8.2% (+0.2 point) at global level.

Passenger transportation is the Air France-KLM group's main activity and represented approaching 80% of revenues at March 31, 2009.

The beginning of the 2008-09 financial year saw a less favorable economic backdrop, with the impact of the financial crisis that emerged in summer 2007 in the United States and the surge in oil prices starting to be felt. The collapse in financial services prompted by the failure of the US institution, Lehman Brothers, in September 2008 gradually contaminated the wider economy, plunging the world into an unprecedented crisis. In these conditions, analysis of the activity on a half-year basis is required.

First half (April-September 2008)

First half activity held up well in this more difficult environment, marked by the first signs of economic slowdown and a further increase in the oil price. Traffic grew by 2.8% for a 4.5% rise in capacity after the integration of the regional airline VLM on April 1, 2008. The load factor remained at a very high 81.7%, down by 1.4 points on the first half of the previous financial year. The Group carried 40.5 million passengers (+0.9%) across its networks which all contributed to resilient unit revenues per available seat-kilometer which rose by 2.5% excluding currency, on the previous year. The long-haul network held up very well with a 3.1% increase in traffic while medium-haul saw traffic growth of 1.4%. Revenues increased by 2.8% to €10.21 billion despite a negative currency impact of 3.9%. Operating income, while significantly down on the previous year (-52.4%), was comfortably positive at €497 million.

Second half (October 2008-March 2009)

Second half activity bore the full brunt of the deteriorating economic situation which was particularly severe in the final quarter of the financial year. During this fourth quarter, traffic was down by 5.8% whereas it had still shown growth of 3.4% between September and December 2008. The Group rapidly adjusted its capacity which, having been 2.9% higher in the third quarter, was down by 2.7% in the fourth. Having been slightly up in the quarter ended December 31, 2008 at 79.5%, the load factor was down by 2.5% points at 75.5% in the final quarter. The medium-haul and long-haul networks were in line with this half-year trend with a decent performance during the third quarter followed by a significant fall in traffic in the fourth quarter.

Over the six months, traffic fell by 1.2% for stable capacity, resulting in a one point fall in the load factor to 77.5%. The Group carried 33.9 million passengers (-3.1%). Revenues were down by 6.5% at €8.62 billion.

This half year was also marked by the fall in the oil price which penalized the Group given its hedging levels. The negative impact of these hedges is estimated at around €366 million compared with the operating loss of €518 million recorded by this activity.

2008-09 financial year

Overall, the passenger activity saw a modest increase in traffic (+0.9%) for capacity up by 2.3%. The load factor lost 1.2 points to 79.7%. The Group carried 74.5 million passengers (-0.5%). Revenues stood at €18.83 billon (down by -1.7% after an negative currency impact of 2.1%). At operating level, a loss of €21 million was recorded.

Key figures by network												
	Destinations *(Summer season)*		Capacity in ASK *(In million)*		Traffic in RPK *(In million)*		Load factor *(In %)*		No. of passengers *(In thousands)*		Scheduled passenger revenues *(In € million)*	
At March 31	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Europe	123	134	58,439	57,958	40,465	40,868	69.2	70.5	51,044	51,701	6,983	7,219
North America	23	23	55,208	53,848	45,955	45,329	83.2	84.2	6,799	6,722	2,784	2,860
Latin America	11	11	28,328	26,530	24,014	22,822	84.8	86.0	2,556	2,424	1,407	1,365
Asia/Pacific	22	24	56,865	55,312	48,070	47,806	84.5	86.4	5,574	5,565	2,863	2,967
Africa-Middle East	50	50	36,432	35,811	28,831	28,191	79.1	78.7	5,462	5,318	2,618	2,530
Caribbean/Indian Ocean	15	16	27,092	26,854	21,725	22,211	80.2	82.7	3,017	3,065	1,282	1,254
Total	**244**	**258**	**262,364**	**256,314**	**209,060**	**207,227**	**79.7**	**80.8**	**74,447**	**74,795**	**17,937**	**18,195**

The application of the IFRIC 13 interpretation to frequent flyer programs during the 2008-09 financial year led to a restatement of 2007-08 revenues amounting to a €9 million positive, which was split between the revenues of the networks on a pro-rata basis.

The long-haul network

With a long-haul fleet of 158 aircraft, the Group carried 23.4 million passengers (+1.3%) on the long-haul network to 124 destinations (Summer 2008) in 69 countries. The dual hub (Paris and Amsterdam) gives access to 41 unique destinations offered by the Group. For the shared destinations, it enables a wide choice of flight times, particularly for the transfer passenger who has the choice of transiting through either Paris or Amsterdam. As in 2007-08, this network represented around 80% of traffic and 78% of capacity. Scheduled passenger revenues amounted to €10.95 billion, as last year, despite a negative currency impact of 2.3%. This network contributed 61% of scheduled passenger revenues (+1 point), confirming the Group's international dimension.

All the sectors, with the exception of the Africa-Middle East network, suffered from the impact of the crisis with capacity growth outpacing that of traffic, resulting in a 1.2 point drop in the load factor which remained at a high 82.7%. The respective weight of each network showed no significant change on the previous year.

The ***North and Latin American*** market is the Group's first network in terms of both traffic (33%) and capacity (32%). 9.4 million passengers (+2.3%) traveled to the 34 destinations in 10 countries. Traffic rose by 2.7% for a 3.9% increase in capacity, taking the load factor to 83.8%, one point down on the previous year. Revenues amounted to €4.19 billion, down by 0.8% after a negative currency impact of 3.5%. Its contribution to scheduled passenger revenues remained stable at 24%.

The Group served 24 destinations in 11 countries in the ***Asia-Pacific*** region. This second long-haul network represented 23% of traffic and 22% of capacity as in the previous year. Activity was marked by the economic slowdown in this zone, particularly since summer 2008. Traffic grew by just 0.6% for a capacity increase of 2.8%, resulting in a 1.9 point fall in the load factor which remained at a very high 84.5%. 5.6 million passengers (+0.2%) were carried on this network, generating revenues of €2.86 billion (-3.5% after a negative currency impact of 2%) representing around 16% of total scheduled passenger revenues.

With 50 destinations in 40 countries, ***Africa-Middle East*** is the Group's third long-haul network. The share of this network was unchanged on the 2007-08 financial year (around 14% of capacity and traffic). Traffic and capacity increased by 2.3% and 1.7% respectively, underpinning a 0.4 point increase in the load factor to 79.1%. The Group carried 5.5 million passengers (+2.7%) and generated revenues of €2.62 billion, a 3.5% increase after a negative currency impact of 1.7%. The contribution of this network to total scheduled passenger revenues gained one point to 14%.

The ***Caribbean and Indian Ocean*** network offers 16 destinations in five countries. With 10% of traffic and capacity, this network is the Group's fourth long-haul network. This network has not recovered the dynamism it enjoyed prior to the health crisis of 2006. Furthermore, social unrest in the French West Indies also weighed on activity at the end of the financial year. Traffic fell by 2.2% for a capacity increase of 0.9%, the load factor losing 2.5 points to 80.2%. The number of passengers amounted to 3 million (-1.6%) and revenues to €1.28 billion, up by 2.2%. Its share of total scheduled passenger revenues remained stable at 7%.

The medium-haul network

The medium-haul network is the Group's third network with 19% of traffic and 22% of capacity. It covers France, the other European countries and North Africa and totals 134 destinations in 36 countries. This network mainly links Europe with the rest of the world thanks to the Group's two hubs. The French domestic market is mostly served out of Orly, with the *La Navette* shuttle service which links Paris to the main French regional capitals. The Group's regional subsidiaries, BritAir, Régional, CityJet, VLM and Cityhopper, contribute to the medium-haul activity either in linking secondary French, Dutch and European cities or in offering intra-domestic routes.

Over the year, traffic on the medium-haul network was down by 1.0% for a modest capacity increase (+0.8%). The load factor stood at 69.3% (-1.3 points). This network was particularly badly hit by the depressed domestic market during the second half, with traffic falling by 9.3% for a capacity reduction of 4.1%.

With a fleet of 399 aircraft in operation, of which 198 regional aircraft, the Group carried 51 million passengers (-1.3%) and generated €6.98 billion of revenues, down by 3.3% after a negative currency effect of 1.1%. This network represented 39% of total scheduled passenger revenues, compared with 40% in 2007-08.

Key figures for the passenger activity

Year ended	March 31, 2009	March 31, 2008*
Number of passengers *(In thousands)*	74,447	74,795
Total passenger revenues *(In €m)*	18,832	19,165
Scheduled passenger revenues *(In €m)*	17,937	18,194
Unit revenue per ASK *(In € cents)*	6.84	7.10
Unit revenue per RPK *(In € cents)*	8.58	8.78
Unit cost per ASK *(In € cents)*	6.78	6.52
Income/(loss) from current operations *(In €m)*	(21)	1,300

* *After restatement for the application of the IFRIC 13 interpretation at March 31, 2009.*

Unit revenue per available seat-kilometer (ASK) was down by 3.6% and by 1.6% on a constant currency basis. Unit revenue per revenue passenger-kilometer (RPK) declined by 2.2% but was stable on a constant currency basis (-0.1%). Unit cost per available seat-kilometer increased by 3.9% but was stable (+0.1%) on a constant currency and fuel price basis.

The operating loss amounted to €21 million. The operating margin adjusted for the portion of operating leases considered as financial charges was modestly positive at 0.8% versus 7.6% at March 31, 2008. Since the merger with KLM, the passenger activity has achieved €456 million of synergies, of which €115 million in commercial synergies and €341 million in revenue management.

Cargo activity

Cargo is the second of the Group's activities, accounting for 12% of total revenues. During this financial year, KLM took control of Martinair which has been fully consolidated since January 1, 2009 and is mainly involved in the cargo business. Furthermore, Air France-KLM has been entrusted with marketing the holds of Alitalia aircraft.

A major transformation in the operating environment

The cargo activity's operating environment underwent a radical transformation over the 2008-09 financial year. During the first half, demand was only modestly lower (-1.8%) although this decline marked a break with the 4.2% average growth trend of the past decade. In the autumn of 2008, the deepening economic recession had a major impact on air cargo, the leading barometer for international trade flows. In seven months, from June 2008 to February 2009, the fall in international traffic on the previous year was to move from -1.3% to -22.1% (*Source: IATA*). The Europe-Asia routes have been the most seriously impacted whereas this axis has constituted the principal growth relay in recent years. Traffic between Europe and Asia fell by 29% between January 2008 and February 2009, with a 20% reduction to Asia and a 39% reduction towards Europe. Traffic to Japan and China declined by a respective 38% and 25% over the same period.

The very strong cargo growth seen in recent years had encouraged many new operators to enter the market, particularly in air freight but also in shipping. Given the scale of its needs and the dynamism of its export industries, China has been a particularly strong contributor to shipping growth.

Although the airlines have reduced their capacity, the current economic crisis is creating a situation of overcapacity which is increasing the competitive pressure. Lastly, the integrators are also maintaining constant pressure on prices in switching between different methods of transportation.

Air France-KLM Cargo confirms its leadership position

Air-France-KLM Cargo confirmed its position as the European and world-wide leader, excluding integrators, with a market share of 29.1% in 2008 (29.5% in 2007) amongst the AEA (Association of European Airlines) airlines and 7% at global level. With the acquisition of Martinair, the Group increased its lead over the competition with European market share rising to 34% and global market share to 9%.

During the financial year, the Group (excluding Martinair) carried more than 1.44 million tons of cargo of which 67% in the holds of passenger aircraft and 33% in the dedicated cargo fleet to around 350 destinations in some 175 countries.

Backed by two major European hubs, Air France-KLM Cargo is well positioned to weather the crisis. Roissy remains the leading European cargo hub, ahead of Frankfurt and Schiphol but the Schiphol hub has a terminal specialized in handing fresh products which represent one third of shipments.

The Group is also benefiting to the full from its integrated organization which has been in place for the past three years. The Joint Cargo Team regroups sales, distribution, marketing, network management and communication as well as the strategy and development teams within one integrated structure, representing more than 2,600 of the 5,700 employees working for the cargo activity.

This organization enables Air France-KLM Cargo to offer all its customers one contact point, one contract and a single network with the choice of two separate operational systems via Paris-CDG or via Amsterdam Schiphol, or a combination of the two hubs.

The integration of the two cargo activities is generating significant synergies, amounting to a total of €93 million to date, of which €27 million during the 2008-09 financial year.

A tailor-made product range

Air France-KLM Cargo has a product range organized around four product families which respond to the specific needs of industrial companies and the markets. This product range is also offered by the members of the SkyTeam Cargo alliance. Founded in 2000, SkyTeam Cargo brings together Air France-KLM Cargo, AeroMexico Cargo, Alitalia Cargo, CSA Cargo, Delta Air Logistics now merged with Northwest Cargo and Korean Air Cargo with a network of 728 destinations. The alliance also prioritises one sole contact point together with the *one roof concept*, with most of the freight transiting the cities served by the alliance being handled in warehouses or by ground handlers that are common to all the SkyTeam Cargo members.

Equation is the Group's express shipment solution and guarantees immediate boarding, without prior reservation, on the first available flight and the shortest handling time. It contributed around 10% of revenues as last year.

Variation offers solutions for the transportation of atypical merchandise, in which Air France-KLM Cargo specializes. These range from hazardous or high added-value products to live animals and over-sized parcels and the French mail service. This family contributed around 26% of revenues and was the only product to show growth on the previous year.

Cohesion is a customized logistics solution, based on a three-way contractual agreement between the shipper, the cargo agent and the airline, giving customers the opportunity to establish a closer relationship with Air France-KLM Cargo. The proportion of revenues represented by this product is 9%.

Dimension covers the general cargo category and offers standard airport-to-airport shipping that does not require special handling and mostly concerns consolidated shipments. Its share of revenues is gradually declining in favor of other products with higher added value and, at March 31, 2009, stood at 56% .

In order to meet the needs of its customers, Air France-KLM Cargo has also developed e-services, ranging from e-freight, which replaces paper invoices, to the *Track and Trace* tool which enables the real time status of a shipment to be tracked.

Protecting the short term, planning for the long term

The cargo activity is currently confronted with a major economic recession whose duration is impossible to predict. Air France-KLM Cargo responded immediately to this threat in reducing capacity as soon as the first signs of a downturn in activity appeared in the summer of 2008. The acquisition of Martinair opens up new opportunities in this area in enabling coordinated capacity cuts. For the Summer 2009 season, the reduction is around 11%, essentially achieved by the grounding of six cargo aircraft. The coordination of the program is optimized at the level of the Group and aims to ensure that the three operators specialize in specific destinations. Lastly, the acquisition of Martinair will also enable synergies arising from the integration of aircraft handling at outstations and the implementation of a common information system.

With the reduction in capacity, the Group has been able to reduce its investment. Of the five Boeing B777Fs initially planned, only two aircraft were delivered in 2008-09, the delivery of a further three having been deferred. Additionally, the four Boeing B747-400 BCFs were withdrawn from the fleet in April 2009. The Air France fleet has thus been re-focused on 7 next-generation cargo aircraft: the B777-200Fs and B747-400 ERFs, whose average age is one of the lowest in the industry.

In the short term, the aim is to optimize the scale and use of the fleet in order to fine-tune capacity to demand and preserve the Group's cash.

Over the longer term, Air France-KLM Cargo is investing in next-generation aircraft with much improved fuel efficiency which will ensure greater economic competitiveness for the Group when fuel prices again start rising.

The environment a key concern

Reducing the impact of its activity on the environment remains a key consideration for Air France-KLM Cargo. The inclusion of the Boeing B777Fs in the fleet has already enabled a minimum reduction of 18% in carbon emissions per ton-kilometer transported. The aircraft is also currently the quietest in its category.

The Group also recently introduced the opportunity for customers to offset the CO_2 emissions involved in these flights. The offsetting programs enable, for example, the financing of carbon-free energy generation projects (for example, wind and solar power).

Other projects of the same type have been created such as the development of e-freight which generates substantial savings on paper, the recycling of the batteries in our refrigerated containers or the purchase of lighter equipment to be loaded on board aircraft.

2008-09: results in line with the environment

The cargo activity was impacted by contrasting first and second halves.

First half (April-September 2008)

The cargo activity started the year in a difficult trading environment with a significant slowdown as of early summer 2008. During this half, traffic fell by 2.7% for a very modest increase in capacity (+1.2%), the load factor losing 2.6 points to 63.7%. The fall in traffic was, however, offset by significantly higher unit revenues, thanks to the fuel surcharges. In effect, in the cargo activity, the fuel surcharges automatically keep pace with the trend in the oil price which saw a sharp increase over the summer. In the first six months of the financial year, cargo revenues stood at €1.54 billion (+9.5%) and the operating result saw a significant improvement, moving from a loss of €29 million at September 30, 2007 to a €22 million profit at September 30, 2008.

Second half (October 2008-March 2009)

The second half saw a sudden downturn in the cargo activity, the global recession resulting in a freefall in international trade flows with a direct impact on traffic. Despite the capacity adjustments implemented by most operators, the disparity between capacity and demand widened further. At Air France-KLM, excluding Martinair which was consolidated as of January 1, 2009, this was reflected in a 16.7% fall in traffic for a 6.8% reduction in capacity. With Martinair, traffic declined by 6.5% for a capacity increase of 3.6%. Furthermore, this half year was penalized by two phenomena which put pressure on unit revenues: increased competition linked to the overcapacity in both air transport and shipping and the fall in the oil price which led to the removal of fuel surcharges. Revenues declined by 13.5% to €1.31 billion. Excluding Martinair, the decline would have been 20.3%. The operating result was a loss of €229 million.

2008-09 financial year

Over the financial year and on a constant scope, traffic declined by 9.8% for capacity down by 2.8%. The load factor fell by 4.9 points to 62.6%. After the integration of Martinair, traffic was down by 4.6% for a capacity increase of 2.4%. The load factor stood at 62.9% (-4.6 points).

Total revenues for the cargo activity amounted to €2.86 billion, down by 2.4% after a negative currency effect of nearly 1%. The operating result was a loss of €207 million compared with a €39 million profit one year earlier.

	Capacity in ATK *(In million)*		Traffic in RTK *(In million)*		Load factor *(In %)*		No. of tons *(In thousands)*		Cargo revenues *(In € million)*	
At March 31	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Europe	523	563	77	90	14.7	16.1	57	70	117	67
North and Latin America	5,973	5,524	3,794	3,709	63.5	67.1	489	484	843	849
Asia-Pacific	7,346	7,653	5,059	5,726	68.9	74.8	586	658	1,116	1,251
Africa-Middle East	2,277	2,056	1,374	1,287	60.3	62.6	235	225	415	382
Caribbean-Indian Ocean	1,128	1,047	536	553	47.6	52.9	72	73	183	190
Total	**17,247**	**16,842**	**10,840**	**11,365**	**62.9**	**67.5**	**1,439**	**1,510**	**2,674**	**2,739**

Asia-Pacific is still the Group's leading network, representing 43% of capacity and 47% of traffic. This network is being particularly badly hit by the crisis. Despite a capacity cut of 4.0%, traffic fell by 11.6%, driving the load factor down 6 points to 68.9%. Revenues declined by 10.8% to €1.1 billion.

The Americas, the second network, saw a progression, accounting for 35% of capacity and traffic compared with 30% one year earlier. Its traffic increased by 2.3% for a capacity increase of 8.1%, resulting in a 3.6 point fall in the load factor to 63.5%. Revenues were slightly lower at €843 million (-0.7%).

Africa-Middle East, the Group's third network, remained dynamic with a traffic increase of 6.8%. With capacity having increased by 10.7%, the load factor lost 2.2 points to 60.3%. This network represents around 13% of capacity and traffic and proved very resilient during the year with revenues up by 8.6% to €415 million.

The Caribbean-Indian Ocean network suffered from social unrest in the French West Indies during the last quarter of the financial year with a traffic fall of 3% for a capacity increase of 7.8%. The load factor deteriorated by 5.3 points to 47.6%. Revenues fell by 3.7% to €183 million.

Key figures for the cargo activity

Year ending	March 31, 2009	March 31, 2008
Tonnage transported *(In thousands)*	1,439	1,510
Total cargo revenues *(In €m)*	2,857	2,928
Freight transport revenues *(In €m)*	2,674	2,739
Unit revenue per ATK *(In € cents)*	15.49	16.26
Unit revenue per RTK *(In € cents)*	24.67	24.09
Unit cost per ATK *(In € cents)*	16.51	15.89
Income/(loss) from current operations *(In €m)*	(207)	39

Revenue per available ton-kilometer fell by 4.7% and by 3.9% on a constant currency basis. Unit revenue per revenue ton-kilometer increased by 2.4% and by 3.3% on a constant currency basis. Unit cost per available ton-kilometer, up by 3.9%, was down by 3.0% on a constant currency and fuel price basis.

Since February 2006, the world-wide air cargo industry has been the subject of investigations by the European and US competition authorities into alleged illegal price fixing. At March 31, 2008, the Group had booked a €530 million provision representing the best estimate of the risk incurred. During the financial year, Air France and KLM entered into agreements which concluded the antitrust procedure in the United States in return for the payment of a $350 million fine (€221 million), as well as in Canada and Australia for some €10 million. The procedure before the European Commission remains ongoing.

Maintenance activity

Aircraft maintenance is the Air France-KLM group's third business. In addition to the services provided to the Group fleets, one third of this activity is realized with third-party clients generating revenues amounting to around 4% of the Group total.

In the aeronautics maintenance or MRO market (Maintenance, Repair and Overhaul), Air France Industries and KLM Engineering & Maintenance rank number two globally amongst the multi-product players. AFI KLM E&M has a dual mission: to ensure the competitive support of the Air France and KLM fleets and to be a leading MRO player contributing to the Group's results.

A market driven by fleet trends

The global MRO market, constituted by the costs of aircraft maintenance and modification borne by airlines either directly or through outsourcing, is estimated at US $44 billion for 2008. The market closely follows the trend in the global commercial fleets and is principally impacted by changes in the old-generation fleets. In early 2008, the rise in the oil price resulted in the grounding of an increased number of old-generation aircraft. At the end of the year, despite the fall in the oil price, few of these aircraft had been brought back into service given the global economic crisis and the subsequent fall in both passenger and cargo traffic. The fall in global MRO spending in 2008 is thus evaluated at 2% (*Source: Aerostrategy*).

Whereas the European MRO players have been penalized by the weakness in the dollar relative to the euro, the market has continued to grow in emerging countries, driven by the age of the fleets in service. One further factor has contributed to containing the fall in the so-called *open* market: an established trend towards increased outsourcing. The active fleet of next-generation aircraft also continued to grow by more than 10% over the course of the year, notably for the Airbus A320s, Boeing B737NGs, B777s and Airbus A330/340s – aircraft types on which AFI KLM E&M is particularly well positioned – enabling the impact of the crisis on the Group's third-party client activity to be delayed, with the exception of cargo customers (*Source: ACAS*).

Increased competition

Competition is increasing, both in terms of independent MRO players and aviation OEMs and component suppliers. Since they do not have their own fleets as a stable activity base, the independents are more exposed to the economic crisis, which is forcing them to reposition themselves on the same products and aircraft types as AFI KLM E&M, which has been comparatively less affected for the moment by the grounding and retirement of fleets. The OEMs and component suppliers are intensifying their efforts on after-sales services in order to offset the fall in their revenues and margins.

Two strategic focuses

In this context, AFI KLM E&M has opted for a development strategy aimed, firstly, at improving its performance and reducing costs and, secondly, on growing its client portfolio in value-added products and services.

In terms of this first strategic goal, the Group's priorities are to reduce – for an equivalent level of quality – the cost of heavy airframe overhaul and to contain the increase in the cost of components and materials.

For the second, the aim is to intensity the activity for clients notably in two buoyant segments: component support and engine support. For the first product, it has been decided to reinforce proximity to the client and commercial responsiveness via the adaptation and improvement of the performance of the logistics network and by establishing local operations in new markets. In engine support, the Group can exploit scale effects in terms of its products and industrial capacity.

A flexible, high-performance offer

The Group demonstrates a significant degree of flexibility which, together with its multi-product offer, enables it to meet all the expectations of its clients. It is for this reason that KLM E&M, for example, is the only European MRO to have received Japan Civil Aviation Bureau official authorization to carry out the maintenance, outside the Japanese archipelago, of Japanese-registered aircraft. The expertise acquired by AFI KLM E&M in the engineering of the Group's fleet is the best guarantee of the high quality standards offered to clients in their maintenance strategies. It is for this reason that, aside from the manufacturer, AFI is currently the only MRO capable of overhauling the GE90 engine range. From support services to line maintenance, component support, engine overhaul and cabin modification, the AFI KLM E&M multi-product offer covers the entire maintenance chain.

An evolving heavy maintenance business

New technologies are completely transforming the heavy airframe overhaul activity. Next-generation aircraft require considerably fewer man hours for heavy maintenance. Furthermore, the attractiveness of low-cost countries is increasing. AFI KLM E&M has effectively anticipated this trend in adapting its industrial facilities and calling on airframe overhaul capacity in low-cost countries for certain more labor-intensive operations.

Component support: recognized expertise

The component support product range developed by AFI KLM E&M benefits from expertise which is recognized by the market in terms of integrated services and the strategic availability of component inventories together with the localization of its operations globally with logistics centers in South-East Asia, China and the Americas.

This expertise has enabled it to win the confidence of new clients, such as KingFisher, which has entrusted AFI KLM E&M with the full component services for its 20 new Airbus A330-200s. Another component support contract has been signed with SAA Technical covering repairs and spares pool access for its fleet of 11 Airbus A319s, 21 Airbus A340-200/300/600s and 21 Boeing B737s, together with the maintenance of the APUs on its Airbus A340s (for which EPCOR will be responsible in the Netherlands). The Group puts a major emphasis on client satisfaction which has resulted in the renewal of contracts, such as the one signed with Afriqiyah for component support on its Airbus A319 and A320 fleets.

Partnerships with a number of OEMs strengthen the Group's competitive positioning while providing economies of scale. The number of Boeing B777s supported by the CSP (Component Support Program) partnership between AFI and Boeing has thus continued to increase, reaching 140 aircraft over the financial year. A similar partnership has been developed between KLM E&M and Boeing for the next-generation B737s.

Engine support: a flagship product

The scale effect provided by the Group fleets and from key alliances with engine OEMs are major drivers of growth for the engine support activity. This year, AFI significantly increased its GE90 engine overhaul capability for both the Group and third-party clients and is, to date, the only alternative to the manufacturer. KLM E&M continued to develop its position in the overhaul of General Electric's CF6-80 E1 and increased its positioning on the CFM56-7, while supporting specific requirements such as the exclusive contract signed with Kelowna Flightcraft for the maintenance of its CF6-50C2 engines.

Subsidiary CRMA has also helped drive engine support services growth via increased capacity on GE90 component repair and in positioning itself on the GP7200 (the Airbus A380 engine). Lastly, AFI KLM E&M now has an engine disassembly unit with the creation of the TSI joint-venture. This new entity will enable both the increased use of re-certified parts and the reduction in product materials costs.

A developing partnership network

In addition to extending its product and services offer thanks to the subsidiaries, AFI KLM E&M this year pursued its international deployment via strategic partnerships.

Air France Industries increased its shareholding in AMG to 81.39% and, in taking control of this subsidiary, both extended its reach in the Americas and increased its component repair capacity at the Miami, Atlanta and Dallas bases.

AFI KLM E&M, in association with Aviation Repair Technologies, has also created Turbine Support International (TSI). This joint-venture, based in the United States, disassembles, inspects and repairs parts from the CF6-50, CF6-80 and CFM 56 engines. Following certification, a number of these parts will be used to support the engine repair activities for the Group's fleets and those of third-party clients.

In China, where the market is being transformed, AFI KLM E&M reviewed the key elements of its presence and, in February, decided to reorientate its strategy. Air France has sold the shares it owned in Hangxin A.E. Group to the senior management and cadre employees. This move gives AFI KLM E&M more room for manoeuvre and opens the way to a new phase of potential alliances and long-term agreements.

Lastly, the Spairliners joint-venture between AFI and Lufthansa Technik started work on component support for the Airbus A380 with the signature of a 10-year contract with Qantas.

Imagination serving the environment

The *green maintenance* philosophy has been an integral part of AFI KLM E&M's organizational approach for a number of years. It consists of combining a commitment to responsibility with innovative drive and the pursuit of improved results.

In June 2008, on the second consecutive occasion, Air France Industries obtained Single Global Certification. In addition to the seven initial aeronautical standards, its scope of application was extended to two new standards: OHSAS 18001 for health in the workplace and ISO 15489 for document management.

The future Orly logistics building, part of the Oryzon 2010 project to adapt and modernize the site's industrial infrastructure, should also be High Quality Environment certified on completion of the technical studies.

Innovation: benefits for the customer

The aircraft painting process developed by KLM E&M is now an integral part of the Group's product range and offers an innovative solution to client airlines that are concerned about the environment. Similarly, the *Engine Water Wash* system recommended for the engine activities is now a source of savings for both the Group and its clients in prolonging engine lifespans and reducing their fuel consumption and carbon emissions.

Sharing ideas and expertise

AFI won the National Innov'Acteurs award for its Quality Innovation Program (QIP) which capitalizes on the imagination of its employees in areas such as quality, safety in the workplace and sustainable development. AFI continues to pay particular attention to the transfer of its know-how and, every year, welcomes several hundred apprentices from schools and diverse walks of life to its various departments.

A single interface with the client

AFI and KLM E&M continue to work towards establishing a joint organization aimed at developing their maintenance network through the optimum allocation of specialized product responsibilities within their respective operating units.

Finalized at the beginning of the 2008-09 financial year, the creation of a joint structure to be responsible for strategy, industrial and commercial development, the sales forces in Europe and world-wide and external communication has established one sole interface with clients.

Furthermore, in order to meet the increased ambition in terms of cost reduction, a common procurement organization was also created through a joint *maintenance* department within the Air France-KLM Procurement division.

Lastly a joint *Supply Chain: Logistics* project was initiated this year, within the framework of the two groups of initiatives within the maintenance activity.

Operational synergies

In addition to the structural changes to ensure process harmonization in the procurement and sales areas over the long-term, the synergies between AFI and KLM E&M can also be evaluated in the operational area by the level of revenues exchanged within the Group between the two MRO components. For the 2008-09 period, this figure amounted to more than €177 million (versus €149 million in the previous year).

Key figures for the maintenance activity

Year ended	March 31, 2009	March 31, 2008
Number of aircraft handled	900	900
Total revenues *(In €m)*	2,896	2,859
Third-party revenues *(In €m)*	974	969
Income from current operations *(In €m)*	95	63

The increase in third-party revenues was limited by the 2.5% depreciation in the dollar. The component and engine support activities continued to grow with revenues up by around 9%. The airframe activity recorded a fall in revenues, largely due to the loss of a military contract, however, profitability improved strongly. In total, the maintenance activity saw a 51% increase in income from current operations to €95 million.

Other activities

The main businesses in this segment, which represents around 5.5% of the Group's total revenues, are the catering and leisure activities with consolidated revenues of €1.31 billion, up by 23.2% on the previous financial year. This increase was principally driven by buoyant activity in catering and by scope effects, of which Martinair's leisure activity since January 1, 2009.

Catering: a leading player

The catering activity is organized around Servair, an Air France subsidiary, which contributes 93% of the revenues of this activity and KLM subsidiary, KLM Catering Services. Servair employees amount to 9,500, including more than 100 head cooks and 40 experts in hygiene, microbiology and quality standards. KLM Catering Services is the leader in its domestic market.

Servair, the leader in the French catering market and number three globally with 120 third-party airline customers, comprises 42 subsidiaries located in France, Italy (Air Chef), Africa, the Caribbean and the Indian Ocean. The company also has a number of equity interests in companies based in Europe (London, Madrid and Barcelona), the United States with Flying Food Group (Seattle, Chicago, Miami and San Francisco), China and Africa. During the year, the Group opened Skyflavour, a new unit at the Roissy platform, dedicated to the Chinese destinations, and acquired a production center in Abidjan in the Ivory Coast.

The Servair Group is pursuing its certification policy with 21 of its production sites now ISO 9001 V2000 certified and two sites with ISO 14001 certification (17 at March 31, 2008). Furthermore, the Servair laboratory, which carries out 50,000 analysis operations annually, has obtained COFRAC accreditation.

Every day of the year, the two companies provide Air France and KLM as well as their third-party airline customers with a wide range of services including:

- catering with the assembly of meal trays for passengers and crew, compliant with regulations specific to the air transport sector and the pre-preparation of meals;
- the supply or loading, in addition to meal services, of drinks, hospitality products, and newspapers and magazines, together with the washing of equipment unloaded from aircraft;
- cabin cleaning and supply.

Servair also offers its customers other services such as assistance for passengers with restricted mobility, the management of onboard sales and the supply of newspapers and magazines.

Air France and KLM have chosen to work with well-known chefs. For *L'Espace Première*, Air France benefits from the advice of Guy Martin, chef at a Michelin-starred restaurant in Paris. The wines served on board are selected by Olivier Poussier, winner of the best world sommelier award in 2000. KLM has chosen Cess Helder, whose restaurant is also Michelin-starred, for its *World Business Class* cabin.

Income from current operations stood at €21 million, down on the previous year. The *Winning through change* business plan, launched in 2005, enabled the achievement of €7.2 million of cost savings in 2008-09, together with additional savings of €4 million in respect of the plan to adapt to the operating environment.

Key figures for the catering activity

Year ended	March 31, 2009	March 31, 2008
Total revenues *(In €m)*	939	901
External revenues *(In €m)*	352	317
Income from current operations *(In €m)*	21	27

Leisure: a low cost offer

The Group is developing a low cost leisure business via its transavia.com subsidiaries based in Amsterdam and Paris Orly. This offer is directed at medium-haul leisure customers and at tour operators with charter flights.

transavia.com Netherlands operates a fleet of 28 Boeing B737-700 and 800 aircraft and offers, out of Amsterdam, Eindhoven and Rotterdam, scheduled flights to 25 destinations and charter flights to 73 destinations which can also be booked by individual passengers. The airline also offers special flights and leases aircraft with or without crew. On the website customers can also find holiday accommodation with transavia.com flights and packages marketed by well-known tour operators. At the end of 2008, transavia.com Netherlands benefited from the collapse of a Danish airline principally offering destinations in the Mediterranean countries with transavia.com operating charter flights out of Billund during the winter. Since December 2008, the company has also introduced scheduled flights leaving from Copenhagen. In order to strengthen its operations out of Denmark, transavia.com created Transavia Denmark in early 2009. The airline's development in the winter sports market led it to launch flights from Berlin, Brussels, Copenhagen and Hamburg bound for Innsbruck in Austria.

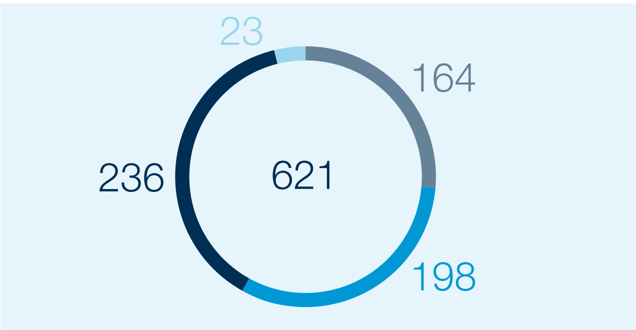
transavia.com France was launched in May 2007 in capitalizing on the expertise of the Dutch company and the existing tools. It has developed a network of 30 scheduled and charter destinations with a fleet of seven Boeing B737-800s. The company has seen a significant increase in revenues and an improvement in profitability even though it remains loss-making.

Key figures for the leisure activity

Year ended	March 31, 2009	March 31, 2008
Number of passengers *(In million)*	6.7	6.0
Total revenues *(In €m)*	877	673
Income from current operations *(In €m)*	3	2

Fleet

➤ **Breakdown of the Air France-KLM fleet in operation**



- Long-haul
- Medium-haul
- Regional
- Cargo

At March 31, 2009, the Air France-KLM group fleet comprised 641 aircraft, of which 621 were operational compared with, respectively, 622 and 607 aircraft at March 31, 2008. The change is mainly due to the integration of Martinair which has a fleet of 17 aircraft.

The main fleet consists of 429 aircraft (408 aircraft at March 31, 2008), of which 164 long-haul aircraft including six at Martinair (159 at March 31, 2008), 29 cargo aircraft including 11 at Martinair and 236 medium-haul aircraft (233 at March 31, 2008), including 35 aircraft in the transavia.com group fleet (33 aircraft at March 31, 2008). The regional fleet comprises 212 aircraft (214 at March 31, 2008).

At March 31, 2009, 327 aircraft were fully owned (51% of the fleet compared with 48% one year earlier), 107 aircraft were under finance leases representing 17% of the fleet (20% at March 31, 2008) and 207 under operating leases (32% of the fleet as at March 31, 2008). There were firm orders for 102 aircraft at March 31, 2009, including 33 orders for regional aircraft, while options stood at 58 of which 18 for regional aircraft. At March 31, 2008, orders had amounted to 105, of which 30 for regional aircraft, with options on 63 aircraft, of which 22 regional aircraft.

A pro-active fleet policy

The Air France-KLM group pursues a pro-active fleet policy whose objective is to ensure a fleet scaled in line with growth in traffic and to achieve technological consistency while reducing its environmental impact.

The fleet policy is established according to the following four key principles:

- to meet the need for fleet renewal and expansion;
- to remain compatible with the Group's financial capacity;
- to preserve the asset value of the fleet over the medium and long term;
- to retain a sufficient level of flexibility in the fleet plan.

The analysis of requirements, whether in terms of renewal or expansion of the fleet, is based on the age curve of aircraft, the availability of replacement aircraft as well as the growth outlook in each market segment. Following this analysis, a target plan is established taking into account the forecast financial capacity of the Group.

In order to preserve the fleet's asset value, the choice of aircraft is based on models offering long-term operating potential and a potentially positive residual value. In addition, the Group favors aircraft specifications as close as possible to industry standards in order to facilitate their eventual replacement.

This pro-active fleet management has generated synergies of €10 million since the merger between the two companies, coming either from a joint approach to suppliers or from transferring aircraft between subsidiaries.

An adjustment in the aircraft delivery plan and in investment

Flexibility in the management of the fleet enabling capacity to be fine-tuned to demand is an important optimization tool in a sector which is subject to considerable and rapid change. This flexibility is achieved either through contract clauses or operating leases. In its contracts, the Group provides for clauses enabling, within the limits of contractual notice periods, the adjustment of delivery schedules and/or a change in the model delivered within a family of aircraft. The Group finances an average of one third of its fleet under operating leases. This policy, implemented progressively, gives the Group a degree of leeway on around 5% of its capacity in returning aircraft or extending their contract periods.

In addition to this flexibility and in order to weather the economic crisis, the Group has taken two major measures which have impacted the fleet plan: the rescheduling, over a four-year period, of the delivery of 17 aircraft under firm order initially planned for 2009-10 and 2010-11 and the deferral of the exercise of five options. These measures principally concern long-haul aircraft. In parallel, the Group has continued to take delivery of new aircraft. In total, in the summer of 2009, the planned number of new long-haul aircraft (passenger and cargo including Martinair) has been reduced from 189 to 180 aircraft. In summer 2010, summer 2011 and summer 2012, the planned number of new aircraft has been reduced, respectively, from 193 to 180, from 198 to 185 and from 203 to 189.

These measures also enable an adjustment in the investment plan. At March 31, 2009, fleet investment net of disposals, which had initially been foreseen at €1.3 billion, has been reduced to €800 million. In 2009-10 and 2010-11, respectively, fleet investment net of disposals will be reduced from €1.8 billion to €500 million and from €1.8 billion to €700 million.

The environment: a key concern

Despite the plan to adapt the fleet program to the crisis, the two companies continue to modernize their fleets and thus to reduce their carbon emissions, even if this plan involves extending the operation of the most-recent Boeing B747-400s at Air France. The latter took delivery of two Boeing B777 passenger and two Boeing 777 cargo aircraft during the 2008-09 financial year while KLM concluded the replacement of its Boeing B767-300ERs with Airbus A330s and Boeing B777s.

The renewal of Air France's medium-haul fleet continued during the 2008-09 financial year with the withdrawal of six first-generation Airbus A320s which were replaced with aircraft with more efficient engines.

The Air France group fleet

The Air France group fleet totaled 422 aircraft at March 31, 2009, of which 262 aircraft in the main fleet and 160 in the subsidiaries. Firm orders amounted to 71 aircraft and options to 30 aircraft.

Within the framework of the adaptation of the investment plan, Air France is deferring the delivery of 14 long-haul and three cargo aircraft by between one and three years and three medium-haul aircraft by one aviation season. The company has also decided to defer the exercise of five options.

The Air France fleet

The Air France fleet comprised 262 aircraft at March 31, 2009, with 256 in operation. The fleet includes 149 medium-haul, 99 long-haul and 14 cargo aircraft and has an average age of 9.3 years, including 8.1 years for the long-haul, 10.4 years for the medium-haul and 5.9 years for the cargo fleet.

Within the fleet, 162 aircraft are fully owned (62%), 12 are under finance leases (4%) and 88 under operating leases (34%).

Investment in aircraft amounted to €961 million over the year (including advance payments on orders, spare parts and ground-based maintenance operations). At March 31, 2009, the order book comprised 48 firm orders and 23 options.

Over the 2008-09 financial year, nine aircraft joined the fleet and ten were withdrawn. In the long-haul fleet, two Boeing B777-300ERs were added and three older-generation Boeings that had not been operational for a number of years were definitively retired (Boeing B747-300/200s). In cargo, the renewal program continued with the arrival in the fleet of the first two Boeing B777-Fs. Air France returned a Boeing B747-400ERF to KLM at the end of an 18-month lease period. The renewal of the medium-haul fleet, decided in June 2007, continued with the withdrawal of six first-generation Airbus A320s which were replaced with four Airbus A320s and one Airbus A321 with more efficient engines.

The fleet of the regional subsidiaries and transavia

The fleet of the regional subsidiaries is organized around four aircraft families: the Embraer family at Régional, the Bombardier family at BritAir, the Fokker family common to BritAir, Régional and VLM and the BAE fleet operated by CityJet. At March 31, 2009, the total fleet of these four companies comprised 153 aircraft, with a seat capacity of up to 100, of which 144 in operation.

The average age of the fleet in operation was 10.8 years at March 31, 2009: 10.6 years for the BritAir fleet, 8.7 years for Régional, 8.7 years for CityJet and 19.3 years for the VLM fleet.

Investment in aircraft amounted to €157 million over the year.

The fleet of the charter and low cost subsidiary, transavia.com France, launched in May 2007, comprised seven Boeing B737-800s all in operation and under operating lease.

Of a total fleet of 160 aircraft, 70 are fully owned (44%), 38 under finance lease (24%) and 52 under operating lease (32%). At March 31, 2009, the order book stood at 23 firm orders and 7 options, including a portion of the first grouped order placed by two Group companies, Régional and KLM Cityhopper, for the acquisition of Embraer Ejets. This grouped order has significantly improved the purchasing conditions on these aircraft.

The KLM group fleet

The KLM group fleet totalled 219 aircraft at March 31, 2009 (195 aircraft at March 31, 2008) of which 115 in the KLM fleet (112 at March 31, 2008), 17 in the Martinair fleet, 59 in the regional fleet and 28 in the fleet of transavia.com. The average age of the fleet is 12.2 years.

Within the framework of the adaptation of the investment plan, KLM has deferred the delivery of four long-haul and one medium-haul aircraft by between one and two years.

The KLM Fleet

The KLM fleet comprises 115 aircraft all in operation, of which 59 are long-haul, 4 are cargo and 52 are medium-haul aircraft. Thirty-seven aircraft are fully owned (32%), 42 are under finance lease (37%) and 36 under operating lease (31%). The aircraft in the fleet have an average age of 11.1 years, with 11.6 years for the long-haul fleet, 11 years for the medium-haul fleet and 5.7 years for the cargo fleet.

During the financial year, eight aircraft joined the fleet and five were withdrawn. One Boeing B747-400 cargo aircraft thus joined the fleet, together with seven medium-haul aircraft (three Boeing B737-800s and four Boeing B737-700s). One Boeing B737-400 and four Boeing B737-300s were withdrawn from the medium-haul fleet. Investment in aircraft amounted to €400 million during the financial year (including advance payments on orders, spare parts and ground-based maintenance operations).

At March 31, 2009, firm orders amounted to 21 aircraft and options to 17.

The subsidiaries' fleet

Investment in flight equipment amounted to €94 million during the financial year.

Other non-regional fleets

The transavia.com Netherlands fleet comprised 28 aircraft, as at March 31, 2008, of which ten Boeing B737-700s and 18 Boeing B737-800s. They are financed under finance lease (43%) and operating lease (57%). The average age of aircraft in the fleet is 7.2 years.

Martinair has a fleet of 17 aircraft, of which 11 are cargo aircraft, the transportation of freight being its main activity, and six long-haul aircraft. Eight aircraft are fully owned (18%), 12 are under finance lease (27%) and 25 are under operating lease (55%). The average age of this fleet is 14.6 years.

Regional fleet

The KLM Cityhopper fleet comprises 59 aircraft, of which 54 in operation. During the financial year, six Fokker aircraft were withdrawn and four joined the fleet together with three Embraer 190 aircraft. The average age of the aircraft in the regional fleet is 14.7 years.

Fifty aircraft are fully owned (85%), three are under finance lease (5%) and six aircraft are under operating lease (10%).

At March 31, 2009, the order book amounted to ten firm orders and 11 options.

Air France Fleet

Aircraft	Owned		Finance lease		Operating lease		Total		In operation	
	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09
B747-400	6	6	-	-	7	7	13	13	13	13
B747-300/200	3	-	-	-	-	-	3	-	-	-
B777-200/300	30	32	4	4	15	15	49	51	49	51
A340-300	10	10	3	3	6	6	19	19	19	19
A330-200	6	6	1	1	9	9	16	16	16	16
Long-haul fleet	**55**	**54**	**8**	**8**	**37**	**37**	**100**	**99**	**97**	**99**
B747-400	5	5	-	-	5	4	10	9	10	6
B747-200	3	3	-	-	-	-	3	3	-	-
B777-F Freighter	-	2	-	-	-	-	-	2	-	2
Cargo	**8**	**10**	**-**	**-**	**5**	**4**	**13**	**14**	**10**	**8**
A321	11	12	-	-	9	9	20	21	20	21
A320	50	48	-	-	17	17	67	65	65	65
A319	19	20	4	4	22	21	45	45	45	45
A318	18	18	-	-	-	-	18	18	18	18
Medium-haul	**98**	**98**	**4**	**4**	**48**	**47**	**150**	**149**	**148**	**149**
Total	**161**	**162**	**12**	**12**	**90**	**88**	**263**	**262**	**255**	**256**

Regional fleet

Aircraft	Owned		Finance lease		Operating lease		Total		In operation	
	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09
BritAir										
Canadair Jet 100	2	5	11	8	2	2	15	15	15	15
Canadair Jet 700	6	6	9	9	-	-	15	15	15	15
F100-100	5	5	-	-	8	8	13	13	13	13
Total	**13**	**16**	**20**	**17**	**10**	**10**	**43**	**43**	**43**	**43**
CityJet										
BAE146-200/300	5	1	-	-	2	-	7	1	6	-
AVRO RJ 85	14	15	-	-	9	12	23	27	22	25
Total	**19**	**16**	**-**	**-**	**11**	**12**	**30**	**28**	**28**	**25**
Régional										
BEECH 1900-D	3	-	1	-	1	-	5	-	-	-
EMB190	-	2	-	-	6	6	6	8	6	8
EMB170	-	2	-	1	-	-	-	3	-	3
EMB145-EP/MP	4	5	17	17	7	6	28	28	28	28
EMB135-ER	3	4	3	3	3	2	9	9	9	9
EMB120-ER	6	5	-	-	-	-	6	5	6	-
F100-100	3	3	-	-	6	6	9	9	9	8
F70-70	5	2	-	-	-	-	5	2	5	2
Total	**24**	**23**	**21**	**21**	**23**	**20**	**68**	**64**	**63**	**58**
VLM Airlines										
Fokker 50	15	15	-	-	3	3	18	18	18	18
Total	**15**	**15**	**-**	**-**	**3**	**3**	**18**	**18**	**18**	**18**
Total regional fleet	**71**	**70**	**41**	**38**	**47**	**45**	**159**	**153**	**152**	**144**

Other fleet

Aircraft	Owned		Finance lease		Operating lease		Total		In operation	
	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09
Transavia France										
B737-800	-	-	-	-	5	7	5	7	5	7
Total	**-**	**-**	**-**	**-**	**5**	**7**	**5**	**7**	**5**	**7**
Total Air France group	**232**	**232**	**53**	**50**	**142**	**140**	**427**	**422**	**412**	**407**

KLM fleet

Aircraft	Owned		Finance lease		Operating lease		Total		In operation	
	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09
B747-400	13	15	9	7	-	-	22	22	22	22
B777-300	2	-	-	2	-	-	2	2	2	2
B777-200	-	-	6	6	9	9	15	15	15	15
MD11	6	8	2	-	2	2	10	10	10	10
A330-200	-	-	6	6	4	4	10	10	10	10
Long-haul	**21**	**23**	**23**	**21**	**15**	**15**	**59**	**59**	**59**	**59**
B747-400	-	-	3	3	-	1	3	4	3	4
Cargo	**-**	**-**	**3**	**3**	**-**	**1**	**3**	**4**	**3**	**4**
B737-900	-	-	2	2	3	3	5	5	5	5
B737-800	-	-	13	13	5	8	18	21	18	21
B737-700	-	1	-	3	-	-	-	4	-	4
B737-400	6	6	-	-	7	6	13	12	13	12
B737-300	6	7	1	-	7	3	14	10	14	10
Medium-haul	**12**	**14**	**16**	**18**	**22**	**20**	**50**	**52**	**50**	**52**
Total	**33**	**37**	**42**	**42**	**37**	**36**	**112**	**115**	**112**	**115**

Regional fleet

Aircraft	Owned		Finance lease		Operating lease		Total		In operation	
	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09
KLM Cityhopper										
F100	9	20	11	-	-	-	20	20	20	16
F70	18	21	3	3	-	-	21	24	21	23
F50	6	6	-	-	8	6	14	12	14	12
EMB 190	-	3	-	-	-	-	-	3	-	3
Total	**33**	**50**	**14**	**3**	**8**	**6**	**55**	**59**	**55**	**54**

Other fleet

Aircraft	Owned		Finance lease		Operating lease		Total		In operation	
	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09
Transavia Netherlands										
B737-800	1	-	7	7	10	11	18	18	18	18
B737-700	-	-	5	5	5	5	10	10	10	10
Total	**1**	**-**	**12**	**12**	**15**	**16**	**28**	**28**	**28**	**28**
Martinair										
B767-800	-	3	-	-	-	3	-	6	-	6
Long-haul	**-**	**3**	**-**	**-**	**-**	**3**	**-**	**6**	**-**	**6**
B747-400 BCF	-	-	-	-	-	4	-	4	-	4
MD-11-CF	-	3	-	-	-	1	-	4	-	4
MD-11-F	-	2	-	-	-	1	-	3	-	3
Cargo	**-**	**5**	**-**	**-**	**-**	**6**	**-**	**11**	**-**	**11**
Total	**-**	**8**	**-**	**-**	**-**	**9**	**-**	**17**	**-**	**17**
Total other fleet	**1**	**8**	**12**	**12**	**15**	**25**	**28**	**45**	**28**	**45**
Total KLM group	**67**	**95**	**68**	**57**	**60**	**67**	**195**	**219**	**195**	**214**

Air France-KLM group fleet

	Owned		Finance lease		Operating lease		Total		In operation	
	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09	03/31/08	03/31/09
Total Group	**299**	**327**	**121**	**107**	**202**	**207**	**622**	**641**	**607**	**621**

Highlights of the beginning of the 2009-10 financial year

Operating conditions in the first half of the current year remain challenging and visibility for the second half is low. Although there have been some signs of stabilization in recent weeks in both the cargo and passenger activities, it is still too early to tell whether they indicate the start of an economic recovery. In April, passenger traffic declined by 2.8% with capacity down by 3.4%, enabling a 0.6 point improvement in the load factor, however this improvement in activity was not accompanied by a recovery in unit revenues. The cargo activity has continued to deteriorate with traffic down by 22.7% excluding Martinair (-6.4% with Martinair) with a 13.8% reduction in capacity excluding Martinair (-2.9% with Martinair).

The Group continues to take appropriate measures to respond to this environment in cutting capacity by 4.5% in the passenger activity and by 11% in the cargo activity for the Summer 2009 season and reducing the initial investment plan from €2.9 billion to €1.4 billion. The cost-savings target has also been increased to €600 million including the adaptation of the workforce in line with current activity levels. These measures, combined with a $1.9 billion reduction in the fuel bill (on a comparable consolidation basis and based on the forward curve at May 14, 2009) should offset a significant proportion of the anticipated reduction in revenues in the 2009-10 financial year however the operating result should be negative. These measures will not compromise the Group's ability to rebound once signs of a recovery are confirmed.

On June 1, 2009, flight AF447 between Rio de Janeiro and Paris-CDG disappeared above the North Atlantic with 228 people on board including 12 crew members.

Aside from the events outlined above, there has been no significant change in the Group's financial or commercial situation since the end of the last financial year.

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Social and environmental data

3.

Social data

The average number of employees of the Air France-KLM group was nearly 107,000 full time equivalent for the 2008-09 financial year. The 2.2% increase on the previous year is mainly due to scope effects (sale or integration of subsidiaries, notably the integration of Martinair as of January 1, 2009). At March 31, 2009, on a constant scope, the number of full time equivalent employees in the Air France-KLM group was down by 1%.

Financial year	2008-09	2007-08	2006-07
Ground staff	75,310	74,795	74,329
Cabin crew	22,903	21,605	20,701
Flight deck crew	8,720	8,259	8,020
Total	**106,933**	**104,659**	**103,050**

Air France-KLM's human resources and employment policy

Air France and KLM share a number of common values in terms of both social matters and sustainable development which are enshrined in the Social Rights and Ethics Charter, signed in February 2008. This Charter forms the shared foundation of the Group's commitments in reaffirming the values and fundamental rights that guide the Group's social, ethical and environmental policy.

Differences between the social legislation applying in the two countries mean that the companies have separate human resources policies. However, with the integration of the activities moving at a faster pace due to the current economic environment, a series of guidelines enabling the entities to work together and managers to reconcile differences has been deployed. Finally, the Group is preparing the executives who will become the managers of the future in a common management culture to drive the Group's integration momentum.

Air France

Employment

Despite a difficult economic environment, Air France maintained its commitment to the provisions of the three-year forward planning of jobs and skills agreement signed in 2006 for the 2006-09 period. However, this environment has required the implementation of a series of measures designed to preserve staff employment. These measures are based on the respect of several guiding principles: a priority on internal resources, use of all the voluntary methods and streamlining of the way work is organized. They involve, in particular, a recruitment freeze, support and planning for mobility, and adapting the number of employees to the level of activity in taking advantage of natural departures.

The 2008-09 financial year thus saw the number of Air France employees fall by around 1% in response to the overall downturn in activity.

In France, recruitment on permanent contracts (*CDI*) fell by nearly 7% to some 2,051 employees in 2008 (a 20%-plus reduction for ground staff) while retirement departures concerned 1,346 individuals.

Sub-contracting/temporary staff

In 2008, Air France spent a total of €37.4 million on temporary staff and sub-contractors in areas such as airport services, handling, gardiennage, cleaning and the development of special IT systems.

The procurement division stepped up its contribution towards achieving the recruitment target for staff with disabilities in upping the level of sub-contracting from the protected sector, thus increasing its contribution to the employment obligation to more than 22% in 2008.

Recruitment on short-term contracts amounted to 4,656 in 2008.

Organization of working time

The average length of the working week applied within the company is consistent with that stipulated by the law in force.

The percentage of employees working part time in France remained stable in 2008, at 15.3% for ground staff, 33.3% for cabin crew and 13.7% for flight deck crew.

The absentee rate for illness, maternity or work-associated accidents also remained stable in 2008 at 3.77% for ground staff and 6.12% for cabin and flight deck crew.

Gender equality

The application of the 2nd Gender Equality Agreement, renewed in April 2006 for the 2006-09 period, continued with, notably, the introduction of training for members of the obligatory Professional Equality commissions and social relations managers on the challenges, especially of a legal nature, relating to professional gender equality. Pursuant to the French law of March 23, 2006 on equal wages for men and women, the salary agreement for 2008 for the first time included provision for pay increases in respect of professional equalization. This measure concerned 359 women amongst non-management level ground staff working for the company.

Finally, the obligatory annual report on the relative situation of men and women now includes new indicators required under French law and was presented for the first time this year in the format recommended by the Ministry of Employment. At the end of 2008, women amounted to 43% of total employees in France.

Compensation and sharing the value created

In accordance with the salary agreement for all categories of staff (ground staff, cabin crew and flight deck crew) signed in 2008, the general measures at Air France represented an average increase of 2.8% for 2008, plus individual measures in respect of merit, promotion and seniority (or an average increase of 4.1%) and the increase (+3.5%) in bonuses and allowances. The increase in Air France compensation was thus higher than inflation.

Furthermore, this agreement also introduced a minimum increase mechanism intended to help those on entry-level salaries.

Senior managers benefit from a variable compensation scheme: 30% based on the company's results (this component of compensation will be zero this year), 40% on the achievement of targets linked to the position and 30% on the achievement of targets in terms of personal development

For the 2007-08 financial year, the results of the financial year ended March 31, 2008 enabled the disbursement of a €98.1 million incentive payment in addition to a profit-share of €25.2 million, or a total of €123.3 million.

In order to give all its employees access to a retirement savings product, Air France set up a *PERCO* collective retirement scheme through a collective agreement on October 27, 2008, whose management charges are paid by Air France. Employees can pay into the scheme by transferring the profit share or by voluntary contributions and, in both cases, Air France has added an additional employer contribution which can reach €450 for any payment of up to €600.

This scheme is in addition to the supplementary pension schemes (*Article 83* and *P.E.R.E – Plan d'Épargne Retraite d'Entreprise*) established by the collective agreement in May 2006 for ground crew, cabin crew and flight deck executives.

Social dialogue

This year Air France again pursued its policy on employee and corporate social responsibility agreements, in signing 23 new agreements or clauses to existing agreements.

The company's commitment to corporate social responsibility and respect for diversity was pursued with the implementation of the agreement on the vocational integration of staff with disabilities, of which a 7th version was signed for a new three-year period.

A new Internship Charter was signed for a period of three years (2008-11) and a Social Rights and Ethics Charter was signed at Air France-KLM group level in February 2008. The implementation of the gender equality agreement was pursued while specific charters aimed at the prevention of harassment in the workplace and the prevention of alcohol abuse were signed in July 2008 and October 2008 respectively.

An incentive agreement was renewed for the periods 2008-09, 2009-10 and 2010-11 periods.

The agreement relating to the exercise of the right to unionization, signed in March 2008, renewed the foundations of the company's tradition of social dialogue.

Health and safety in the workplace

Between 2006 and 2008, all the Air France entities mobilized around the prevention of accidents in the workplace involving absence from work within the framework of target-based contracts.

Most of the entities achieved, or even exceeded, the targeted 30% reduction in the accident frequency coefficient(1) (ground operations reducing such accidents by 39%, cargo by 33%, maintenance by 32% and the support functions, (Commercial France, Information Systems, and Corporate Center and Support Functions) by 30%).

This approach based on three-year target-based contracts has also enabled the avoidance of 600 work-associated accidents in three years across all eight Air France entities. They have also launched targeted action plans in specific areas in order to reduce accidents linked to 'aches and pains'. For more than two years, Air France Industries, Air France Cargo and Orly Ground Operations have been working to reduce musculoskeletal disorders (MSD), which account for 37% of work-associated accidents involving absence from work. In using the services of ergonomic therapists, these entities have greatly reduced the incidence of MSD.

All these efforts are being made within the framework of a new three-year target-based contract (2009-11) aimed at a further 30% reduction in the accident frequency coefficient.

In 2008, there were, regrettably, two fatalities at Air France. Following the death of a cabin crew member from complications arising from malaria, information provision was stepped up and a prevention campaign was implemented for the illness. Another cabin crew member died while on duty following a cardiac incident.

(1) Frequency coefficient: number of workplace accidents (involving time off work) divided by the workforce and multiplied by 100.

Training

In 2008, in a context marked by a significant slowdown in growth, Air France continued to invest the equivalent of around 10.4% of the payroll in training, with an access to training rate of 94% for all its employees.

The commitment to prioritizing internal human resources, the need to respond to changes in the professions, together with the need to ensure a high level of individual and flight safety explains this particularly high level.

In addition to training of a technical and regulatory nature which represents around 55% of the initiatives, the company is resolutely focused on the development of its employees' skills in order to anticipate professional changes and increase its competitiveness.

2008 was marked by the signature, by all the unions, of a collective agreement relating to professional training for ground staff.

This agreement covers a three-year period and reflects the company's commitment to pursuing a policy of voluntary training, in response to collective expectations and those of individual employees, which is adapted to the company's need for new skills.

In order to foster the quality of the social dialogue, a special training program on the application of this new agreement is offered to members of the workplace-training commissions of the Works Councils and Corporate Works Councils and to human resources personnel.

Consistent with the commitments made within the framework of the training agreement, numerous information initiatives were launched on the orientation and training of employees in order to support their professional projects.

Furthermore, during the summer of 2008, the deployment of web-based 'e-services'-type HR tools contributed to simplifying access to training programs and particularly requests to use individual training quotas (so-called *DIF* or *Droits Individuels à la Formation*).

In 2008, the highlights were:

- a DIF access rate of more than 8% for all employees;
- the continued mobilization of human resources in support of some hundred employees working, on an individual or collective basis, towards formal recognition of their work experience in the form of a professional diploma or certification *(Validation des Acquis de L'Expérience – VAE)*;
- a sustained high level of vocational training in order to support continued employability.

Air France is also committed to improving the performance and the quality of the training provided. The teams responsible for training have been ISO 9001 certified since 2006, and consistently work towards meeting the needs of employees more effectively through more personalized programs aimed at supporting long-term career development, and in using a wide range of training methods.

Diversity and corporate social responsibility

In line with the commitments made within the Air France-KLM Corporate Social Responsibility statement, Air France is pursuing its employment policy founded on social integration through employment, the respect of equal opportunity, the prevention of discrimination and the promotion of diversity to reflect that of society as a whole.

Integration through youth employment

The company's commitment was reflected in the signature of the 5th Internship Charter for the 2008-11 period by all the union bodies representing ground staff and cabin crew. Some 460 new apprenticeship or vocational training contracts were signed in 2008.

Through a network of associations established by the company, Air France is pursuing its equal opportunity initiatives in creating a regional momentum for access to employment. For example, through *AirEmploi*, an association that provides information on air transport professions, and *JEREMY,* the association of French airport companies, which promotes the hiring of young job-seekers for the airport professions, which celebrated its tenth anniversary in 2008 in the presence of Jean-Cyril Spinetta in posting some very positive results: 2,000 young people placed over ten years in some fifteen member companies in the Roissy and Orly catchment areas.

Since the signature, on March 1, 2007, of a framework agreement for the 2007-12 period with the French Education Ministry, the partnership with the IPE school engineers association has also enabled 11 Air France engineers to be seconded to the French Department of Education in order to strengthen cooperation between business and education.

All these initiatives were implemented in partnership with the region, the French Department of Education, the Apprenticeship Training Centers (CFA), and local institutions and associations.

Air France is active in developing the regions in which it operates. Thus, at Roissy, the company established and supports the *Pays de Roissy-CDG* association which, in bringing together companies, local elected representatives and residents, enables projects concerning economic development, housing, transportation, culture, training and research to come to fruition.

Recruitment: equal opportunity

This equal opportunity requirement is particularly reflected in the collective recruitment and internal selection processes. Since June 2006, for its external recruitment, Air France has used a web-based software application enabling candidates to submit their applications online using a universal CV. Furthermore any individual likely to use the selection tools, consult job application files or have access to confidential information is obliged to respect the ethical and moral obligations set out in the Ethics Charter of the Recruitment, Selection and Redeployment department.

This Charter is updated annually as a function of any regulatory changes and in the light of best practice for the profession. In 2008, it was rolled out to internal selection personnel.

In order to ensure the management and quality of the recruitment process, the ISO 9001 certification was renewed in November 2007 for a three-year period. The guarantee provided by this certification ensures, in particular, that the ethical and moral guidelines are respected.

Policy on disability

With an eighteen-year commitment to the vocational integration of staff with disabilities, Air France signed a 7th version of the Agreement for the Social and Vocational Integration of Staff with Disabilities for the 2009-11 period, notably providing for the recruitment of 75 employees. Furthermore, the Internship Charter, renewed in 2008, introduced a recruitment priority for disabled employees with an internship contract.

The company continued its efforts in favor of disabled employees in order to increase its employment rate in 2008. Since the change in the French law imposing new, more restrictive rules for calculating the target of 6% of employment, the quota, which had fallen to 2.66% in 2006 due to the application of these rules, again rose to 3.14% in 2008. Furthermore, 94 individuals were hired within the framework of the previous three-year agreement for the 2006-08 period (compared with a target of 75 people over three years).

More than €9 million was invested within the framework of the 6th Agreement, of which approaching 20% on employee awareness initiatives and the creation of partnerships, 42% on maintained employment initiatives and nearly 10% on training.

The Agreement signed in 2009 set a new €9 million budget for the 2009-11 period which will enable, specifically, the financing of maintained employment initiatives, the adaptation of work stations and training.

KLM

Workforce and employment

KLM pursues a sustainable employment policy for all employees, based on the development of the skills and qualifications of its employees, encouraging professional mobility and the promotion of healthy lifestyles. Given that the air transport sector is subject to constant change which has repercussions for KLM's activity and its employees, professional mobility is a key component of KLM's human resources management.

KLM's human resources policy also identifies a number of key commitments for all employees of the company:

- improve productivity and reduce payroll costs;
- offer and expect flexibility in terms of working hours, contracts and skills;
- contribute to the ongoing harmonization and integration of Air France and KLM;
- secure a pool of candidates with the right qualifications to fill vacant positions within a tight labor market.

Sustaining employment despite the crisis

KLM began to be affected by the crisis during the third quarter of the 2008-09 financial year, with a decline in the number of passengers and the volume of cargo carried. KLM responded by reducing its frequencies to a number of destinations in order to cut costs while preserving the integrity of the network. Investment was also reviewed and cancelled in cases where it was considered necessary to further reduce costs and align them with revenues.

The adaptation in the number of frequencies led to a reduced workload and employees were encouraged to take leave in order to adjust to this reduced level of activity and a hiring freeze was introduced. Any job opening following a retirement departure or resignation is now reviewed before deciding on any replacement in order to reduce salary costs. For positions where a replacement is absolutely necessary, priority is given to internal hires. Employees are thus encouraged to accept a post in another department or to change roles if necessary. The overall aim is to limit as far as possible the impact on employees and maintain existing skills within the company.

Mobility

The current crisis demonstrates that, more than ever before, the principles of flexibility and adaptability in the face of change are necessary for the company and its employees. KLM thus pursues its sustained employability policy in leveraging training and mobility.

The aim is to encourage employee mobility in providing easily-accessible information on job openings within KLM and support with skills assessment, help with drafting CVs, preparing job interviews, and career-planning advice.

KLM posts all the vacant positions on its intranet site and in a weekly bulletin which is circulated to all KLM departments.

Organization of working time

Part-time working is a legal right in the Netherlands. The employer may only turn down a request to work part time if the post is not compatible with part-time working. Part-time working is a concept that is very widespread in the Netherlands and thus at KLM. More than one third of KLM employees work part time and this percentage is increasing from year to year, with a greater number of women than men seeking to work on a part-time basis.

Over the past two years, KLM has recorded no major change in terms of the absenteeism rate, with or without maternity leave.

Gender equality

In line with the Air France-KLM group's commitment to promoting diversity and guaranteeing equal opportunities for all employees, enshrined in the Group's Social Rights and Ethics Charter, the two companies pursue this aim within the respect of local employment legislation.

At KLM, women executives are offered special mentorship aimed at helping them to achieve positions with a higher level of responsibility. Positive discrimination is not applied when filling vacancies.

KLM has long been combating acts of discrimination, violence and sexual harassment or violence.

Compensation policy

In 2006, KLM and the unions agreed that part of employees' income would be based on the results of KLM, the performance of the department and the achievement of individual objectives. Every year targets are set for each department and for individual employees. For certain positions, the level of bonus is guaranteed and does not relate to individual performance. These employees also receive an end of year bonus. This system is an integral part of the collective agreement.

The KLM pension scheme receives contributions from both the company and its employees. The contributions are paid to a pension fund managed by the Blue Sky Group. A committee comprised of members of the KLM management and the unions decide on indexation and other pension-related matters. The KLM pension scheme is open to all employees.

Social dialogue

KLM has a history of a constructive relationship with trade unions wishes it hopes to continue.

In 2007, three collective labor agreements were signed with pilots, cabin crew and ground staff, whose main orientation, consistent with the human resources policy, is long-term employability. New collective labor agreements should be signed in 2009, the 2007 agreements effectively expiring on April 1.

Health and safety in the workplace

All the Operational Senior Executive Vice Presidents of KLM signed the KLM Safety and Security policy for the protection of safety in the workplace, aimed at an effective reduction in incidents and accidents and based on the following commitments:

- zero compromise where safety is concerned;
- safety in the workplace is a management priority;
- the entire company must be committed to improving the safety performance;
- KLM's safety effort aims to minimize incidents and accidents.

Managers are responsible for establishing permanent safety procedures in setting appropriate targets and in implementing the resources required to achieve them. For their part, employees must buy-in to these measures and commit to achieving the targets set.

Safety performance is regularly measured to evaluate their effectiveness and identify any potential problems.

Over the years, the number of accidents leading to absence from work has steadily fallen, moving from 250 in 2001-02 to around 150 in 2008-09. In 2008, the analysis carried out by KLM on safety in the workplace revealed that further progress was both possible and desirable, thanks to the implementation of systems and practices comparable to those that already exist for flight safety. Additional measures will be implemented and targets set in 2009.

In 2008, KLM took out a death and permanent invalidity insurance policy to provide financial compensation in the event of occupational accidents leading to permanent invalidity or the death of employees. This insurance concerns all employees.

On March 6, 2008, a serious traffic accident led to a fatality at KLM Cargo and an investigation was opened by the government and by KLM to determine the causes. Measures were effectively taken to improve safety in and around places of work in order to avoid another such accident re-occurring. These measures include more pedestrian crossings and clearly designated paths for people on foot to ensure a safe distance from vehicles.

Training

Every employee has the opportunity to define, in cooperation with his or her line manager, a personal development plan (Dutch acronym: POP) enabling the development of new and existing skills. Employee and manager then agree on the relevant training or other forms of development support.

In terms of formal education, an agreement is in place enabling the financing of all or part of further education costs and the opportunity to schedule training within working hours. The assistance provided by KLM is determined as a function of how closely the training coincides with the skills requirements within KLM.

The programs implemented by the KLM Academy, an in-house training center for executives, are based on the common principles within the Air France-KLM group and are an integral part of strategy. Air France and KLM executives participate in common programs in order to establish a sound foundation for the future: Joint Executive Program, Joint Senior Management Programs, Managing Joint Teams, Managing Joint Projects.

The KLM Academy has developed *Career and Leadership* sessions for high potentials and management programs for all executives and specialist personnel within KLM. For more individual training needs, the KLM Academy has opted for open programs on management skills, project management, general management and personal effectiveness.

In 2007, with the support of the Works Council, KLM launched the KLM Elementary Leadership program. This program teaches leadership skills to operational managers that are new to their jobs. Some 103 executives were involved in this program during the 2008-09 financial year compared with just 88 in the previous year.

In November 2008, all the Human Resources managers were offered a two-day training program on their future HR partnership role in business for management.

Vocational integration of the disabled

Some employees are unable to fulfil all the tasks associated with a position for health reasons. Within the framework of Dutch legislation, KLM is committed to furthering the integration of disabled individuals and to maximizing their contribution. This represents a collective goal for both KLM and its employees. Based on government guidelines, company doctors evaluate the employee’s potential contribution then, in cooperation with other specialists, advise managers and employees on the adjustment of working hours and conditions that are required for the maximum level of participation.

In the Netherlands, after two years of continuous absenteeism, a government body evaluates the measures that have been taken. Financial help from the government is dependent on analysis of each situation taking into account both the employer’s obligations and those of the employee, together with their respective responsibilities.

In 2008, 33 KLM employees had not found a job adapted to their full potential after two years, down on the previous year. Furthermore, KLM is seeking to reduce the number of employees developing a disability through fostering policies aimed at prevention and swift, appropriate responses when employees fall ill.

For all employees suffering long-term incapacity leading to a decline in income of up to 35%, KLM guarantees employment regardless of the nature of the disability. This guarantee is part of a pilot scheme that will be evaluated in 2010.

Individuals suffering from congenital disabilities receive, in certain cases, social security benefits and may find it difficult to find employment due to their lack of work experience. In order to help such individuals each KLM division runs an annual internship program.

Corporate social responsibility at local level

KLM also participates in a number of local and regional development projects such as:

- ***Alders Table:*** The Alders agreement of September 30, 2008 is a comprehensive consultation on the development of Schiphol Airport and its surrounds for the period between 2010 and 2020;
- ***cooperation between KLM and Local Education Centers;***
- ***a Biodiversity & Natural Resources Taskforce,*** under the leadership of the former Dutch Minister Hans Alders, of which KLM is a member, and whose mission for the next three years is to advise the government on concrete measures for the preservation of biodiversity and the sustainable use of natural resources;
- ***CleanEra*****:** Part of the DELcraFTworks program, bringing together a team of researchers from the Delft University of Technology (the faculty of Aerospace Engineering).The CleanEra team is developing new technologies for revolutionary *green* aircraft to be used, on an experimental basis, for a new regional aircraft, demonstrating that there is significant room for progress in air transportation;
- ***KLM Bicycle Plan:*** In partnership with Johnny Loco (an Amsterdam-based bicycle manufacturer), KLM has introduced a KLM-branded Blue Bike, whose purpose is to raise awareness amongst KLM employees of social and environmental issues.

For more information, please see the Air France-KLM 2008-09 Corporate Social Responsibility Report.

Note on the methodology for the reporting of social performance indicators

In 2005-06, under the aegis of the Air France-KLM group's Disclosure Committee, and validated by the college of Statutory Auditors, the Group's social performance indicators were defined in order to comply with the requirements of the French New Economic Regulations law (*Les Nouvelles Regulations Economiques, NRE,* May 15, 2001) and the European Regulation (EC 800/2004).

As of the 2007-08 financial year, the Group chose to have the social indicators (indicated by the symbol √) verified by KPMG, one of the Statutory Auditors, with a moderate level of assurance.

Reporting scope

The Air France-KLM group social reporting consolidation scope covers 90% of Group employees. It includes employees working for Air France in continental France, the French overseas territories and internationally, the employees of KLM in the Netherlands and internationally, the majority of the subsidiaries of Air France and KLM over which the Group has at least 50% control whose acquisition dates back at least one full year.

- Air France consolidated subsidiaries are: AFSL, BritAir, Blue Link, CityJet, CRMA, Régional, Servair Group (ACNA, Bruno Pegorier, OAT, Servair SA) and Sodexi, representing 71% of the employees of the Air France Group subsidiaries. The reporting scope for the Air France Group subsidiaries was unchanged between 2007 and 2008.
- KLM consolidated subsidiaries are: CSC India, Cynific, KES (KLM Equipment Services), KHS (KLM Health Services), KLM Ground Services Limited, KLM UK Engineering Limited, KLM Cityhopper UK and BV, Transavia and KCS (KLM Catering Services), representing 96% of the employees in the KLM Group subsidiaries. The KLM Group reporting scope increased by 11% between 2007 and 2008, with the integration of two new subsidiaries, CSC India and KLM UK Engineering Limited.

The reporting period is based on the calendar year to ensure consistency with the social performance indicators of other French companies. Note that the reporting of financial information is based on the IATA year (April 1 to March 31).

Reporting tools

The indicators are collated and consolidated using the Osyris reporting tool developed by Enablon and deployed across the entire reporting scope. The quality and consistency of reporting is ensured through the inclusion within Osyris of precise definitions of each indicator in both French and English as a guide to contributors, as well as through consistency tests.

The consolidation of the Group's social data is carried out by the Air France sustainable development department, within the Organization and Sustainability Division.

Details and methodology/Commentary on changes in the indicators

At the level of the Air France-KLM group, instructions on the social indicators and the scope retained are established in an instruction memorandum approved by the Statutory Auditors.

Table of the consolidated data on Air France-KLM employees

This table comprises the indicators relating to employees, recruitment, departures, the proportion of women employees and those working part time. These indicators are consolidated at the level of the Air France-KLM group.

Employees

The number of employees working for the Group on both permanent and fixed-term contracts at December 31 in the reference year.

The 0.5% increase in the number of consolidated employees within the Group between 2007 and 2008 is due to the recruitment of flight crew to cover the needs in this area and the change in reporting scope. The integration of CSC India and KLM UK Engineering Limited contributed 679 additional employees. On a constant reporting scope, the number of employees fell by 0.2%.

Recruitment on permanent contracts (CDI)

For Air France, the calculation of the number of employees recruited on permanent contracts includes those initially recruited on a fixed-term contract transferring to a permanent contract during the year.

For KLM, only employees recruited directly on a permanent contract are taken into account.

Departures

The total number of departures in 2007 included departures for reasons other than those detailed in the NRE social table which means that the total number of departures and the total departures indicated by reason are not comparable.

The number of redundancies in 2007 is explained by the outsourcing of the KLM Facility Services department to Sodexho.

Percentage of women - Organization of working time
The calculation of the indicators for the proportion of women in the workforce and the organization of working time is based on the number of employees on both permanent and fixed-term contracts at December 31.

Tables: other social data

The indicators reported in these tables are subject to different qualification and legal reporting obligations in France and the Netherlands which means they are not comparable and need to be presented separately for Air France and KLM. The Air France and KLM subsidiaries are presented separately for the same reasons.

These indicators are consolidated at the level of the following entities:

- Air France, comprising continental France, the French overseas territories and international staff,
- The Air France subsidiaries comprising AFSL, Britair, CRMA, CityJet, Régional, Servair Group (ACNA, Bruno Pegorier, OAT, Servair SA) and Sodexi,
- KLM in the Netherlands, excluding international staff,
- The KLM subsidiaries: CSC India, Cynific, KES (KLM Equipment Services), KHS (KLM Health Services), KLM Ground Services Limited, KLM UK Engineering Limited, KLM Cityhopper UK and BV, Transavia and KCS (KLM Catering Services).

Health and safety - absenteeism
Cases of barometric otitis and lumbago are recorded as workplace accidents in France and represent 40% of the workplace accidents reported by Air France, whereas they are recorded as sick leave by KLM, pursuant to Dutch law.

Air France only records accidents involving time off work, pursuant to French law, whereas KLM records accidents not involving time off work as soon as they meet the criteria enabling them to qualify as an accident in the workplace.

The frequency and severity rates are calculated based on theoretical working hours for each employee in the two companies.

In 2008, the method for calculating the theoretical hours worked was changed for flight crew in order to take into account the hours of 'commitment' corresponding, for these employees, to the real number of hours of exposure to professional risks within the framework of their activity on the ground and in flight.

The frequency and severity rates of the KLM subsidiaries are calculated without the Transavia and KLM Ground Services Limited subsidiaries.

In 2007, Air France deployed a new system for monitoring days of absence due to workplace accidents. Due to an operational problem during the deployment phase, the company is unable to report the severity rate for 2007.

Training
KLM does not yet have a centralized reporting system for training since the disclosure of this information is not required by Dutch law however the company is currently deploying such a system.

For Air France, the number of training hours for ground staff declined by 7% between 2007 and 2008 due to the reduction in recruitment in 2008, leading to a fall in training for new arrivals.

For flight deck crew, the change in the training rate is explained by a change in the calculation method in 2008 (move from calendar day to working day basis). On a constant methodology basis, the number of training hours increased.

The training indicators for the Air France subsidiaries are calculated for the following scope: BritAir, Blue Link, CRMA, Régional, Servair Group (ACNA, Bruno Pegorier, OAT, Servair SA) and Sodexhi.

Number of disabled employees
For Air France, the number of disabled employees reported are those for whom a valid certificate, pursuant to French law, is available, whatever their ability to perform the tasks involved in their position.

The reporting scope was extended to all employees in 2008. This change in scope had no impact on the data.

The number of disabled employees at Air France fell between 2007 and 2008 due to employees retiring, not all of whom were replaced.

The number of disabled employees in subsidiaries of the Air France Group significantly increased due, particularly, to the recruitment of 11 disabled employees by the Servair Group in 2008.

For KLM, an individual is considered to be disabled if unable to carry out his or her work or any other work at an equivalent salary level. This requires the employer and the employee to look for another position with a salary level as close as possible to the previous level and gives the employee the right to government benefits to compensate for the possible difference.

Due to a change in Dutch law, the number of disabled employees at KLM declined between 2007 and 2008.

Health and safety
The absentee rate for accidents in the workplace for Air France is calculated on the basis of the workplace accidents occurring in 2008.

Workplace accidents
Air France and KLM regret the workplace fatalities during 2008. Information on the action plans that have been implemented to ensure better prevention of accident risks is provided in the social section of this report.

Social indicators for the Group

Consolidated NRE social data for Air France-KLM group

NRE social data 2008 – Headcount at December 31 (permanent contracts and fixed-term contracts)

	Air France-KLM group			Air France group *				KLM group **			
				Total AF group		of which AF		Total KLM group		of which KLM	
	2007	2008	08/07	2007	2008	2007	2008	2007	2008	2007	2008
Total staff ✓	**110,369**	**110,878**	**0.5%**	**74,959**	**74,320**	**63,598**	**63,010**	**35,410**	**36,558**	**29,831**	**30,266**
Ground staff	76,177	75,668	-0.7%	53,798	52,592	44,649	43,529	22,379	23,076	18,708	18,700
Cabin crew	25,545	26,308	3.0%	15,728	16,209	14,648	15,106	9,817	10,099	8,506	8,794
Flight deck crew	8,647	8,902	2.9%	5,433	5,519	4,301	4,375	3,214	3,383	2,617	2,772
Staff under permanent contract ✓	**103,772**	**104,601**	**0.8%**	**71,416**	**71,586**	**61,459**	**61,002**	**32,356**	**33,015**	**28,143**	**28,390**
Recruitment under permanent contract											
Ground staff	3,012	2,594	-13.9%	2,593	1,927	1,940	1,356	419	667	385	483
Cabin crew	931	995	6.9%	843	834	833	797	88	161	50	141
Flight deck crew	566	691	22.1%	325	435	188	310	241	256	238	200
Total ✓	**4,509**	**4,280**	**-5.1%**	**3,761**	**3,196**	**2,961**	**2,463**	**748**	**1,084**	**673**	**824**
Departures (1)											
Ground staff	5,161	4,804	-6.9%	2,960	2,920	2,411	2,366	2,201	1,884	1,465	1,114
Cabin crew	1,121	1,047	-6.6%	339	323	259	253	782	724	214	202
Flight deck crew	342	355	3.8%	248	295	141	191	94	60	57	43
Total departures (2) ✓	**6,624**	**6,206**	**-6.3%**	**3,547**	**3,538**	**2,811**	**2,810**	**3,077**	**2,668**	**1,736**	**1,359**
Resignation ✓	2,611	3,011	15.3%	1,169	1,250	765	877	1,442	1,761	857	961
Redundancy (incl. Economic) ✓	1,118	1,208	8.1%	605	650	326	367	513	558	513	73
Retirement ✓	2,018	1,852	-8.2%	1,666	1,540	1,624	1,484	352	312	333	295
Deaths ✓	143	135	-5.6%	107	98	96	82	36	37	33	30
Percentage of women at 31/12 (3) ✓	***42.7%***	***42.9%***	***0.4%***	***42.6%***	***43.0%***	***44.2%***	***44.4%***	***43.1%***	***42.6%***	***42.3%***	***42.5%***
Ground staff	37.1%	37.0%	-0.4%	39.6%	40.0%	41.1%	41.1%	31.2%	30.4%	29.2%	29.1%
Cabin crew	72.3%	72.2%	-0.1%	65.6%	65.5%	64.7%	64.8%	83.0%	82.9%	83.0%	82.9%
Flight deck crew	5.3%	5.5%	2.8%	5.8%	6.0%	6.2%	6.4%	4.6%	4.7%	4.1%	4.3%

	Air France-KLM group			Air France group *				KLM group **			
				Total AF group		of which AF		Total KLM group		of which KLM	
	2007	2008	08/07	2007	2008	2007	2008	2007	2008	2007	2008
Part time employment at 31/12 (3)											
Percentage of female part time employees ✓	39.7%	39.9%	0.5%	31.1%	31.4%	33.7%	33.6%	55.7%	57.3%	60.0%	60.7%
Percentage of male part time employees ✓	9.5%	10.1%	6.5%	7.5%	7.7%	8.0%	8.2%	13.7%	14.9%	14.0%	15.0%
Percentage of part time employees ✓	**22.2%**	**22.9%**	**3.0%**	**17.6%**	**17.9%**	**19.4%**	**19.5%**	**31.8%**	**33.0%**	**33.2%**	**34.4%**

✓: indicators verified by KPMG for 2008 (moderate level of assurance).
**** Air France:** Air France in Continental France, the French overseas territories and international staff;*
***Air France group:** Air France and Air France subsidiaries (detailed list below).*
***** KLM:** KLM in the Netherlands and international staff;*
***Group KLM:** KLM and KLM subsidiaries (detailed list below).*
***Air France subsidiaries:** AFSL, BritAir, Blue Link, CityJet, CRMA, Regional, Servair group (ACNA, Bruno Pegorier, OAT, Servair SA), Sodexi representing approximately 70% of Air France subsidiaries headcount.*
Air France subsidiaries reporting perimeter remains unchanged compared to 2007.
***KLM subsidiaries:** CSC India, Cynific, KES (KLM Equipment Services), KHS (KLM Health Services), KLM Cityhopper (UK and BV), Transavia, KLM Catering Services, KLM Ground Services Limited, KLM UK Engineering Limited, representing approximately 96% of the KLM subsidiaries headcount. KLM subsidiaries reporting perimeter has been extended in 2008 by including new subsidiaries: CSC India, KLM UK Engineering Limited.*
(1) The number of total departures for 2007 includes other leaves for KLM group than those detailed below (resignations, redundancies,etc.)
(2) The number of 2008 KLM redundancy is lower than for 2007 due to an externalisation of « KLM Facility Services» department to Sodexo.
(3) The calculation is based on permanent and fixed-term contracts at 31/12.

Other social data for the group Air France (according to local legislation)

Air France in Continental France, the French overseas territories and international staff *

	Air France		
	2007	2008	08/07
Absenteeism			
Due to illness			
Ground staff ✓	*2.6%*	*2.6%*	**1%**
Cabin crew ✓	*4.9%*	*4.5%*	**-8%**
Flight deck crew ✓	*2.0%*	*1.8%*	**-9%**

	Air France 2007	Air France 2008	08/07
Due to work accidents (1)			
Ground staff ✓	*0.4%*	*0.4%*	**3%**
Cabin crew ✓	*0.8%*	*0.8%*	**3%**
Flight deck crew ✓	*0.2%*	*0.2%*	**-5%**
Maternity leave			
Ground staff ✓	*0.8%*	*0.7%*	**-8%**
Cabin crew ✓	*1.1%*	*2.0%*	**88%**
Flight deck crew ✓	*0.1%*	*0.2%*	**90%**
Health and safety			
Total industrial accidents ✓	*2,812*	*2,586*	**-8%**
Number of fatal workplace accidents ✓	*1*	*2*	
Industrial Injury Frequency rate ✓	30.68	27.62	**-10%**
Severity rate of industrial accidents (2) ✓	N/A	0.98	
Training			
Percentage of total payroll dedicated to training ✓	**10.8%**	**10.4%**	**-4%**
Ground staff ✓	6.7%	6.4%	**-4%**
Cabin crew ✓	10.8%	10.4%	**-4%**
Flight deck crew ✓	20.0%	19.1%	**-5%**
Number of training hours by employee ✓	**54**	**45**	**-17%**
Ground staff ✓	37	34	**-7%**
Cabin crew ✓	48	40	**-16%**
Flight deck crew (3) ✓	229	177	**-23%**
Participation rate (number of agents trained/workforce) ✓	**95%**	**94%**	**0%**
Ground staff ✓	91%	92%	**0%**
Cabin crew ✓	100%	100%	**0%**
Flight deck crew ✓	100%	100%	**0%**
Disabled staff (4)			
Total staff with disabilities ✓	1,489	1,444	**-3%**
Ratio of disabled staff (under French law) ✓	3.10%	3.14%	**1%**
Total staff with disabilities recruited during year ✓	38	31	**-18%**
Collective agreements	***11***	***23***	

✓: indicators verified by KPMG for 2008 (moderate level of assurance).
(1) Absenteeism rate is calculated based on lost days due to accidents occured in 2008.
(2) Due to a technical problem in the new Health and Safety IT system the severity rate could not be calculated for 2007.
(3) The decrease of training hours for flight deck crew is due to a change in the methodology of calculation in 2008; (change from calendar days to working days). Based on the 2007 methodology the number of training hours for flight deck crew has increased.
(4) The perimeter of employees with disabilities was extended from ground staff in 2007 to total staff in 2008.
N/A : not available.

The information in italics concerns only continental France and the French overseas territories.

Air France subsidiaries (5)

	2007	2008	08/07
Health and safety			
Total workplace accidents ✓	989	897	**-9%**
Disabled staff			
Total staff with disabilities ✓	235	290	**23%**
Total staff with disabilities recruited during year ✓	4	18	**350%**
Training (6)			
Participation rate (number of agents trained/workforce) ✓	**92%**	**85%**	**-7%**
Ground staff ✓	86%	89%	**3%**
Cabin crew ✓	88%	94%	**7%**
Flight deck crew ✓	99%	99%	**0%**
Number of training hours by employee ✓	**31**	**26**	**-15%**
Ground staff ✓	19	19	**0%**
Cabin crew ✓	51	42	**-19%**
Flight deck crew ✓	87	81	**-7%**

(5) Air France subsidiaries: AFSL, BritAir, Blue Link, CRMA, City Jet, Regional, Servair group (ACNA, Bruno Pegorier, OAT, Servair SA), Sodexi.
(6) This data includes: BritAir, Blue Link, CRMA, Regional, Servair group (ACNA, Bruno Pegorier, OAT, Servair SA), Sodexi.

Other social data for KLM (according to local legislation)

KLM *

	KLM		
	2007	2008	08/07
Absenteeism			
Due to illness			
Ground staff ✓	5.7%	5.3%	**-7%**
Cabin crew ✓	5.8%	6.1%	**5%**
Flight deck crew ✓	4.2%	3.8%	**-10%**
Maternity leave			
Ground staff ✓	0.4%	0.2%	**-50%**
Cabin crew ✓	2.0%	1.5%	**-25%**
Flight deck crew ✓	0.1%	0.1%	**0%**
Health and safety			
Total industrial accidents ✓	1,098	1,067	**-3%**
Number of fatal workplace accidents ✓	0	1	
Industrial Injury Frequency rate ✓	22.74	21.66	**-5%**
Severity rate of industrial accidents ✓	0.17	0.12	**-29%**
Disabled staff (1)			
Total staff with disabilities (1) ✓	902	755	**-16%**
Collective agreements signed	***3***	***0***	

** KLM: data concerns KLM without international staff.*

✓: Indicators verified by KPMG for 2008 (moderate level of assurance).

(1) The perimeter of employees with disabilities was extended from ground staff in 2007 to total staff in 2008. Due to a number of change in legislation, the number of disabled employees has decreased.

KLM subsidiaries (2)

	2007	2008	08/07
Health and safety (3)			
Total industrial accidents ✓	156	166	**6%**
Number of fatal workplace accidents ✓	0	0	**0%**
Industrial Injury Frequency rate ✓	27.35	22.33	**-18%**
Severity rate of industrial accidents ✓	0.19	0.1	**-63%**

✓: Indicators verified by KPMG for 2007 (moderate level of assurance).

(2) KLM subsidiaries: Cynific, KES, KHS, KLM Ground Services Limited, KLM Cithopper (UK and BV), Transavia, KLM Catering Services, CSC India, KLM UK Engineering Limited.

(3) Frequency and severity rates calculated without Transavia and KLM Ground Service Limited.

Environmental data

For some years Air France-KLM has been committed to a growth strategy that respects the environment and these environmental concerns are now at the heart of an ambitious, common strategy across the Group.

The Air France-KLM Group is aware of the impact of its activity on climate change and is seeking to reduce its greenhouse gas emissions through the various initiatives in its Climate Action Plan.

For Air France, its aim of setting the example in corporate social responsibility and sustainable development is one of the four major challenges targeted in its *VISION 2010* corporate plan. In France, within the framework of the *Grenelle de l'Environnement*, the French National Conference on the Environment, Air France signed, in January 2008, the Air Transport Sector Agreement with the French State.

As part of the Dutch national Agreement on Sustainability, KLM has signed the ambitious Sector Agreement on Transport, Logistics and Infrastructure for 2008-2020, consistent with its vision of making Schiphol Airport the first carbon neutral airport.

Organization and responsibilities

Air France and KLM each have their own environmental management systems however the two environment divisions work together on a wide range of issues and carry out a common environmental reporting process through the Group's Corporate Social Responsibility Report.

Air France recently created a new Organization and Sustainability Division which will include the Environment and Sustainable Development department. This new division is responsible for formulating proposals on the company's environmental policies and priorities to be submitted to the general management and to the Executive Committee.

Within Air France, the Executive Committee approves the environmental policy and the company's priorities, together with the orientations of the action plans, and ensures the proper functioning of the monitoring system. The environmental management system is based on a decentralized structure, established in 2002, but coordinated by the Environment and Sustainable Development department.

Thus, each Air France department is responsible for ensuring its regulatory compliance, controlling the environmental impact of its activities and applying the company's environmental policy through a coordinated action plan.

Each department has an environmental coordinator, generally reporting to the Quality-Safety-Environment manager, who is responsible for:

- promoting the company's environmental policy in their entity through multiple strategic, training and communication initiatives,
- coordinating the departments' environmental initiatives and action plans,
- establishing control panels, analyzing the results and identifying preventive and corrective measures.

Within KLM, the Executive Committee approves the company's environmental policy and the related environmental action plans. The Airport and Environmental Strategy department drafts this policy and is responsible for the proper functioning of the environmental management system.

Every KLM department, consistent with ISO 14001 certification, reports on regulatory compliance and the environmental impact of its activities through the Planet program during the monthly meeting organized by the Airport and Environmental Strategy department. Departments have their own environmental coordinators who generally report to the Quality Managers, who are themselves members of the Operational Safety & Environment Board, that meets every quarter and is chaired by the Executive Vice President, Operations.

Environmental management/ISO 14001 certification

Air France and KLM have established separate but harmonized environmental management systems based on the ISO 14001 standard.

The ISO 14001 certification policy is part of a strategy focused on integrated environmental management systems. This international standard is based on the Deming total quality model: plan, do (implement), check and management review. For both companies, the processes identified are planned, monitored and verified by audits in order to ensure their conformity with environmental standards.

In addition to the existing certification by operational site, in July 2008 Air France obtained ISO 14001 certification for all its activities carried out using its own resources and its facilities in continental France. All KLM's activities, with the exception of the ground operations at the outstations, are ISO 14001 certified.

KLM has deployed an ISO 14001-compliant environmental management system since 1999. Within the framework of its commitment to developing its environmental policy, KLM has implemented an extensive annual program aimed at ensuring a continuous improvement in environmental performance, guaranteeing environmental management and actively developing internal and external communication.

The subsidiaries of Air France and KLM have established their own environmental policies and management systems, aimed at compliance with regulatory requirements and a continuous improvement in their environmental performance.

The Air France subsidiaries are involved in the Group's environmental control procedures. They attend committee meetings to monitor action plans organized by the Environment and Sustainable Development department and participate in the implementation of various environmental projects such as environmental reporting or regulatory monitoring. They contribute to the effort directed at reducing the Group's environmental footprint.

The environmental results of KLM CityHopper and KLM Catering Services are included in KLM's environmental performance indicators.

Environmental reporting

Air France and KLM monitor their environmental performance on a regular basis and the annual results are published in a number of documents. For Air France, this monitoring and reporting is provided by the OSYRIS (Operational SYstem for ReportIng on Sustainability) IT application, initially developed in 2006 for the ground operations. Its extension to the aviation activities is planned for 2009 to include gas emissions.

KLM monitors and reports its environmental data using the Mirage (MIlieu RApportaGE) IT application, then enters this consolidated environmental data directly into the OSYRIS system in order to enable its consolidation with the Air France data.

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

The reference framework and monitoring tool for regulatory compliance (REVER) deployed by Air France in 2005 with the help of Huglo-Lepage, a consultancy specialized in environmental law, enables each Air France activity to keep up to date with any relevant legislative changes, and facilitates access to regulatory documents thanks to a search engine. Air France subsidiaries Régional and BritAir also have access to a similar tool.

In addition to REVER, Air France has launched a project to improve its ability to monitor action taken to ensure compliance with environmental regulations. This new monitoring tool will be based on the one already deployed for health and safety in the workplace and should be operational next year.

An audit of all the requirements to be respected within the framework of ISO 14001 certification must be carried out annually. The entities are responsible for verifying their regulatory compliance and their procedures are, in turn, monitored by internal and external audits.

The results of these checks and audits as well as the monitoring of corrective measures are regularly reviewed by the Air France and KLM Management Boards. Air France has just launched an external audit on the regulatory compliance of all its activities.

In order to ensure compliance with the legal and regulatory requirements relating to KLM's ground operations outside the Netherlands, KLM has also established an environmental code of best practice in its outstations (GEP = Good Environmental Practices)

Environmental risk management

The identification and management of environmental risks is an integral part of the ISO 14001 management system. Within the framework of these systems, the risks are identified, their impact evaluated and preventive and corrective measures implemented through the action plans of the different entities.

A feedback system has been established in all the Air France and KLM operational divisions (Sentinel application), which records environmental incidents, enabling prevention plans to be established and implemented for risks at Group level.

Greenhouse gas emissions

Controlling its greenhouse gas emissions is a strategic priority for the Air France-KLM Group and is reflected in its Climate Action Plan:

- support for the Kyoto protocol and international efforts to reach an agreement in Copenhagen in December 2009 in participating in initiatives aimed at ensuring an equitable contribution from aviation to collective efforts to reduce greenhouse gas emissions;
- the ongoing renewal of the fleet and support for aeronautics research to improve aircraft energy efficiency;
- providing its customers with information and a CO_2 calculator that uses real operational data and offers opportunities for carbon off-setting;
- support for environmental protection programs developed by NGOs;
- promotion of research programs into renewable energy sources and particularly biofuels for aviation;
- mobilization of the entire Group around ambitious environmental action plans aimed, in particular, at reducing emissions generated by the ground operations.

Air France and KLM continue to work on developing their operational model organized around the hubs and on optimizing operating procedures.

In 2008, the European Union finalized its directive initiated in December 2006, including aviation in the existing Emissions Trading Scheme as of 2012. However, this directive does not yet provide the full solution to international aviation emissions. For this reason the Air France-KLM Group is actively contributing to international initiatives aimed at proposing possible solutions to the ICAO which could be discussed during the post-Kyoto negotiation in Copenhagen in December 2009.

The Air France-KLM Group thus contributed to the GAP or Global Approach Proposal developed by the AEA (Association of European Airlines), which reconciles environmental efficiency with a level playing field for airlines and the principle of common but differentiated responsibility enshrined in the Kyoto protocol.

Furthermore, the Air France-KLM Group, together with British Airways, Cathay Pacific and other partners, is behind the AGD (Aviation Global Deal) initiative, whose spirit is very similar to that of the AEA, the main difference being that it brings together both European and non-European players.

Soil use conditions

Consistent with the precautionary principle, Air France's Real Estate department has sub-soil samples taken prior to any new construction at a site in order to check for the possible presence of underground pollutants. This measure protects future buildings and their occupants from any health risk which might emerge over time. Within the framework of its Montaudran industrial site clean-up, Air France uses the most up-to-date technologies in order to set exemplary standards.

KLM has treated all soil or groundwater contamination outside its premises. Where the removal has been partial, containment measures have been implemented and have proven effective.

Measures taken to reduce water consumption

Air France is implementing measures to reduce its water consumption.

These initiatives include the installation of water meters, the reuse after treatment of rinsing water and the replacement of systems pumping groundwater by closed-loop or alternative systems.

Servair, in particular, continues to deploy tools enabling the consumption of its industrial washing machines, which use a lot of water, to be monitored more closely.

Measures taken to limit noise pollution

The entire Air France-KLM fleet complies with the criteria established by the ICAO Chapter 4 Noise standard, the most demanding norm in terms of the acoustic quality of civil aircraft.

In addition to renewing its fleet (with the massive introduction of Boeing 777s in 2008), the Air France-KLM Group implements the following measures to reduce the noise impact of its operations:

- Application of *less noise* procedures, such as the reduced use of reverse engine thrust, delayed and reduced flap use and the deployment of continuous descent approaches.
- Reduction of night traffic: at CDG, Air France has given up all but one of its night slots, amounting to 725 of the 818 annual slots abandoned by the airlines as a whole. Following experimentation, KLM is now authorized to use the higher-altitude operational approach procedure at night.
- Airport Noise Tax (TNSA) payments which are used for sound-proofing the homes of local residents.

Measures taken to improve energy efficiency

For Air France-KLM, the main drivers of energy efficiency in both the air and ground operations are:

Air operations

- The renewal of the aircraft fleet to ensure that it comprises modern aircraft which have some of the best performance standards in the market.
- The continuous improvement of operational procedures linked to aircraft and ground vehicles in order to reduce fuel consumption.
- An ongoing reduction in the weight of cabin equipment and supplies.

Ground operations

- The renewal of the vehicle fleet and engines to increase the share of electrical propulsion (the aim being to increase the proportion of electrically-powered engines from 34% to 58% by 2020);
- The monitoring, via an IT system, of the fuel consumption of registered vehicles;
- The half-year reporting of energy consumption in the company's different divisions;
- Employee awareness initiatives on energy saving;
- The inclusion of energy saving at the design stage for our new facilities (commitment to the HQE approach).

Within the framework of this approach, Air France is currently involved in a French national electric vehicle initiative with a view to increasing the electrically-propelled portion of its vehicle fleet. For its part, KLM has equipped its Amstelveen headquarters with a sustainable energy facility, using 90% less gas and 30% less energy.

Since 1989, KLM has deployed a range of electricity-saving measures, enabling an annual reduction of between 2% and 3% in its energy consumption. In 2008, KLM concluded a third multi-year energy agreement with the Dutch Ministry of Economic Affairs, aimed at optimizing the energy efficiency of its buildings, in which the company is committed to reducing its energy consumption by a further 2% annually through to 2020. KLM is pursuing an extensive program to renew its aircraft and vehicle fleets. The renewal of the aircraft fleet will result in a significant improvement in energy efficiency. KLM participated in the Dutch Mobility Task Force and consequently signed the regional multi-party Mobility Convention, aimed at a 10% reduction in employee-car-kilometers between 2008 and 2012.

Environmental risk provisions and guarantees

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

As for risk prevention, the main Air France divisions and subsidiaries exposed to environmental risk have in-house QSE (Quality Safety Environment) units, which regularly participate in site sensitivity studies, particularly when these are required by insurers.

KLM's aviation insurance covers environmental damage due to an aircraft crash, fire, explosion or collision. KLM has no specific financial provisions or guarantees for environmental risks because the regular financial provisions of KLM are applicable. The only exception is the provision made within the framework of the agreement between KLM and the WWF-NL on CO_2-neutral growth between 2007 and 2011.

Indemnities paid and actions carried out to repair environmental damage

Indemnities linked with air transportation operations

In 2008, Air France paid €18.6 million in Airport Noise Tax (TNSA). The TNSA is a tax paid at the ten largest French airports, whose proceeds are dedicated to financing sound-proofing for homes situated near airports and exposed to aircraft noise. In addition, Air France is actively involved in Advisory Committees for Resident Assistance (CCARs) at airports subject to the noise tax, the CCARs being the bodies responsible for supervising the use of noise tax proceeds.

In 2008-9, KLM paid €24.5 million in noise taxes for the sound-proofing and compensation for loss of value in real estate around Schiphol airport in respect of Article 77 of Dutch aviation law.

Indemnities and actions linked to ground operations

At the Montaudran site, maintenance operations had left highly diverse traces of hydrocarbons, solvents and even metal deposits in the soil and underground. Air France obtained approval from the French administration for the clean up of 95% of the ground at the site. This major, complex project has involved both soil and groundwater decontamination. The pollutants having been identified are mainly metals (arsenic, chromium, mercury, nickel, lead zinc), HVOCS (trichloroethylene, tetrachlorethylene, vinyl chloride) and hydrocarbons together with benzenes, toluene, ethylbenzene and xylene. Soil contaminated with hydrocarbons was treated under ventilated tents, then in biopile, whereas soil contaminated with HVOCs was treated under ventilated tents at the site. Treating the soil under tent cover avoids any propagation of pollutant gases. Soil which cannot be reused has been evacuated through approved channels. Nearly 60,000 tonnes of soil have thus been excavated and treated. Saturated zones (groundwater) have been decontaminated by underground injections of oxidative products. All the studies and works represented a €4 million cost.

Environmental expenditure and investment

Air France-KLM's policy is to fully integrate environmental management within the business operations. This means that it is difficult to identify environmental expenditure and investment exactly.

Air France does, however, collate information on environmental expenditure and investment for three divisions (Air France Industries, Air France Cargo and Operations).

KLM does itemize a list of the most significant expenditures that can be directly linked to environmental legislation or management. This concerns expenditure relating to noise disturbance and the sound-proofing mentioned in the above section.

In 2008-09, expenditure linked to waste and waste water treatment and cleaning processes amounted to €1.9 million. During that year, KLM spent approximately €2.8 million on its environmental management system (including payroll costs), on external communication and on initiatives to encourage staff to use the public transport system.

For more information, please see Air France-KLM's 2008-09 Corporate Social Responsibility Report.

Note on the methodology for the reporting of environmental indicators

In 2005-06, under the aegis of the Air France-KLM Group's Disclosure Committee, and validated by the college of Statutory Auditors, the Group's environmental performance indicators were defined in order to comply with the requirements of the French New Economic Regulations law (*Les Nouvelles Regulations Economiques, NRE,* May 15, 2001) and the European Regulation (EC 809/2004).

As of the 2007-08 financial year, the Group chose to have the environmental indicators (indicated by the symbols √ and √√) verified by one of the Statutory Auditors with the highest level of assurance, reasonable assurance, for fuel consumption and CO_2 emissions (√√) and a moderate level of assurance for the other verified indicators (√).

Scope

Scope covered and scope N-1

- **For the air operations,** the environmental reporting consolidation scope is identical to last year and covers the flights operated by Air France and its subsidiaries BritAir, Régional and CityJet and those operated by KLM and its KLM CityHopper subsidiary (KLC).
- **For the ground operations,** the environmental reporting consolidation scope is identical to last year and covers 99% of the sites in France and 95% of the sites in the Netherlands. The international outstations are not taken into account.
  The Air France consolidated subsidiaries are BritAir, Régional, CRMA, Sodexi, Servair and its subsidiaries and Transavia.com France. The KLM consolidated subsidiaries are KLC, KES, KCS and KHS. The company Transavia is excluded from the KLM reporting scope except for non-hazardous industrial waste.
- **The reporting period** is based on the calendar year to ensure consistency with national figures for greenhouse gas emissions, unlike financial reporting which is based on the IATA year (April 1 to March 31).

Reporting tools

The environmental indicators are collated at local level via two reporting tools, Osyris (Enablon software) for Air France and Mirage for KLM available, respectively, in each Air France and KLM subsidiary with the exception of Transavia.com France for Air France.

The quality and consistency of reporting is ensured by precise definitions of each indicator common to both Air France and KLM and available in both French and English as a guide to contributors, as well as through consistency tests.

The consolidation of the Air France-KLM Group's environmental data is carried out by the Air France environment department in the Osyris tool.

Details and methodology/Commentary on changes

At Air France-KLM Group level, the regulatory requirements and the reporting and consolidation principles are outlined in a document entitled the Environment Instruction Memorandum, which is updated annually. The assembly of data, calculation methodologies and operational consolidation are defined in procedures which are specific to Air France and KLM, but which are harmonized.

Within the framework of an approach based on continuous improvement, the methodologies used for certain performance indicators have been more precisely defined. When these changes have a significant impact on the data, comparison with the figures for previous years is not possible. This is why, in such cases, the pro-forma change is indicated in the commentary.

Air operations

SO_2 emissions

The calculation of SO_2 emissions from the air operations is based on the sulphur content of the fuel loaded, respectively, in Amsterdam and Paris-CDG, applied to all fuel used during the year by KLM and Air France.

The sharp increase in SO_2 emissions from the air operations of KLM between 2007 and 2008 is explained by the higher sulphur content of the fuel available in Amsterdam during 2008.

Total noise energy

This indicator was implemented by the Air France-KLM group to manage the evolution in the noise footprint of its activity. The change in noise energy and traffic is determined by comparing total noise energy calculated for the calendar year with that of 2000.

This year, in order to harmonize the Air France and KLM data, the calculation methodology for the total noise energy indicator defined by the DGAC and used by Air France since 1997 was adopted by KLM. The 2007 and 2008 data are thus not comparable. The total noise energy indicator for the year 2000 has been recalculated consistent with the new methodology.

Based on the previous methodology, the total noise energy for the Air France-KLM Group would have been 1,697 10^{12}kJ in 2007 and 1,713 10^{12}kJ in 2008, an increase of 0.9%.

NOx and HC emissions

Two distinct methodologies are applied by KLM to calculate NOx and HC emissions depending on the aircraft: the *fuel flow* methodology and the *GE* methodology (developed by General Electric).

The 15% increase in KLM's NOx emissions between 2007 and 2008 is explained by a change in the calculation methodology for the Airbus A330s and the Boeing B777-200s.

In-flight fuel jettison

An exceptional operation (less than one flight in 10,000 in 2008) involving the jettisoning of a quantity of fuel in flight to avoid an overloaded plane on landing whenever a flight is aborted. Each operation is effected in close coordination with air traffic control under strict conditions governing geographical location (avoiding urban zones) and altitude (generally at or above 2,000 meters).

Ground operations

Water consumption

The consumption of drinking water is taken into account for all ground activities. Water used on board flights is not included.

The increase at Air France this year is partly explained by a leak detected in the network at one of the sites.

Consumption of iced water for climate comfort

The consumption of iced water for air conditioning fell between 2007 and 2008 following an error noticed at one site in 2007. Taking into account the revised figure, Air France group water consumption increased by 5.5%.

Consumption of DFO for climate comfort

This indicator concerns the domestic fuel consumed by Air France for climate comfort. The consumption of electric generating sets is included separately for 2007 and 2008.

Consumption of gas for climate comfort

The consumption of cooking gas in the catering activity at Servair Group, an Air France subsidiary, is included.

The conversion of the quantity of gas used as energy is carried out taking into account the quality of gas specific to France and the Netherlands.

The significant change for Air France between 2007 and 2008 is linked to an error noticed at one site in 2007. Taking into account the revised figure, consumption declined by 3.6% at Air France and increased by 1.1% for the Air France-KLM group.

Emissions from ground operations

In 2008, the Air France scope was extended to electric generating sets and the consumption of gas for cooking.

In 2008, the reporting scope for the Air France KLM group's emissions from ground operations thus included emissions linked to climate comfort, ground support equipment, vehicles belonging to the company (except those of Servair), test benches, electric generating sets and the consumption of gas used in cooking.

On a comparable scope (pro-forma 2008/2007), emissions from Air France's ground operations increased, respectively, by 0.5% for CO_2 and by 13% for NOx and fell by 5.8% for SO_2.

Non-hazardous industrial waste

The waste resulting from the demolition or construction of buildings is not included in this indicator.

The fall in the indicator between 2007 and 2008 is mostly explained by the slowdown in the Cargo activity in 2008.

Hazardous industrial waste/Percentage of hazardous industrial waste

The increase for Air France-KLM is explained by the improvement in the processes for reporting hazardous industrial waste within the entities.

For Air France, when the reporting tools dedicated to hazardous industrial waste do not enable its level to be monitored based on European standards, this is done on the basis of contractual clauses established with the eliminators.

Heavy metals

Since 2007, the engineering and maintenance operations of Air France and KLM have reported on seven metals (Cd, Cr, Cu, Ni, Pb, Sn, Zn) in used water. Heavy metals in used water from aircraft and buildings are not recorded.

The frequency of analysis of metals in used water is determined in compliance with the regulatory requirements for each site: the limited amount of annual analysis and the variability of the results (linked to the level of activity at the time the samples are taken) partly explains the significant variation in metal content between one year and another.

Furthermore, the significant change between 2007 and 2008 is explained by the improvement in the quality of information obtained, notably thanks to the implementation of additional measurement points.

Environmental indicators for the Group

Air France-KLM air operations

Environmental indicators		Unit
Consumption		
Consumption of raw materials: fuel ✓✓		000 tons
Emissions		
Greenhouse gas emissions	CO_2 ✓✓	000 tons
Emissions of substances contributing to acidification and eutrophication	NO_X	000 tons
	Of which low altitude (< 3,000 ft) ✓	000 tons
	SO_2 ✓	000 tons
	Of which low altitude (< 3,000 ft)	000 tons
In-flight fuel jettison	Occurences of fuel jettison ✓	Number
	Fuel jettisoned ✓	tons
Other emissions	HC	000 tons
	Of which low altitude (< 3,000 ft) ✓	000 tons
Noise impact		
Global noise energy indicator ✓ **		10^{12} kJ

Perimeter Air France group: all AF flights operated by Air France, BritAir, Régional and CityJet.
Perimeter KLM group: flights operated by KLM and KLM Cityhopper. Transavia is not included.
na: not available.
nc: not comparable (change in the calculation method).
✓ *Figures verified by KPMG for 2008 (moderate level of assurance).*
✓✓ *Figures verified by KPMG for 2008 (reasonable level of assurance)*
* *Air France only.*
** *All AF flights, except code share.*

	Air France/KLM Group				Air France Group				KLM Group			
	2006	2007	2008	2008/2007	2006	2007	2008	2008/2007	2006	2007	2008	2008/2007
	8,537	8,589	8,732	1.7%	5,479	5,504	5,511	0.1%	3,058	3,085	3,221	4.4%
	26,914	27,075	27,506	1.6%	17,260	17,336	17,360	0.1%	9,654	9,739	10,146	4.2%
	133.5	135.0	143.5	6.3%	91.2	91.6	93.6	2.1%	42.3	43.4	49.9	15.0%
	8.4	8.5	8.9	4.7%	6.2	6.4	6.5	1.5%	2.3	2.1	2.4	14.2%
	6.856	11.072	14.925	34.8%	4.202	9.549	10.108	5.8%	2.654	1.523	4.817	217.1%
	0.428	0.836	1.084	28.6%	0.268	0.747	0.794	5.3%	0.180	0.089	0.290	222.2%
	23	42	47	11.9%	23*	23*	32*	39.1%	na	19	15	-21.1%
	1,758	1,443	1,804	25.0%	1,100*	809*	1,184*	46.3%	658	634	620	-2.2%
	3.5	3.6	3.4	-5.5%	2.44	1.9	1.6	-15.7%	1.11	1.7	1.8	5.8%
	1.2	1.1	1.1	0.0%	0.9	0.8	0.8	0.0%	0.29	0.3	0.3	0.0%
	1.66	1.70	1.93	nc	1.35**	1.30**	1.27**	nc	0.31	0.40	0.66	nc

Air France-KLM ground operations

Environmental indicators			Unit
Consumption			
Water consumption ✓			000 m^3
Energy consumption	Electricity consumption ✓		MWh
	Energy consumption for heating/cooling	Super-heated, water ✓	MWh
		Iced, water ✓	MWh
		DFO ✓	MWh
		Gas ✓	MWh
Emissions			
Greenhouse gas emissions	CO_2 ✓		tons
Emissions of substances contributing to photochemical pollution	Emissions of volatile organic compounds ✓		tons
Emissions of substances contributing to acidification and eutrophication	NO_x ✓		tons
	SO_2 ✓		tons
Waste			
Waste production	Quantity of non-hazardous industrial waste ✓		tons
	Quantity of hazardous industrial waste ✓		tons
	% of hazardous industrial waste recycled ✓		%
Effluents			
Effluents contributing to acidification and eutrophication	Nitrogen compounds		kg
	Phosporus compounds		kg
Heavy metals	Heavy metals (Cr, Cd, Ni, Cu, Pb, Sn, Zn) ✓		kg

✓ Figures verified by KPMG for 2008 (moderate level of assurance).
** The perimeter has changed for Ground Emissions of Air France Group.*
Emissions due to power generators and cooking gas consumption are included..
na: not available.
nc: not comparable (change in the calculation method).
(1) Air France and its subsidiaries: Regional, Britair, Transavia.com France, Servair Group, Sodexi, CRMA.
(2) KLM and its subsidiaries: KLC, KES, KCS, KHS (Transavia is not included)
(3) This variation comes from an error on the gas consumption data noticed at a site in 2007. With the corrected data, the 2008/2007 variation is -3.6%.
(4) DFO consumption for power generators reported separately in 2007 and 2008.
(5) The data concerning effluents have been made more precise due to the introduction of new measurement points.
(6) Waste from the construction/demolition of buildings is not included in this indicator.
(7) This variation comes from an extension of Servair reporting scope to its catering activity in France outside the Paris basin and to its cabin cleaning activity outside Paris.
(a) Figures on a IATA year basis for Air France.
(b) Nitrates only.
(c) Phosphates only.
(d) Heavy metals taken into account: Cr, Cd, Cu, Ni, Pb.

Air France/KLM Group				Air France Group [1]				KLM Group [2]			
2006	2007	2008	2008/2007	2006	2007	2008	2008/2007	2006	2007	2008	2008/2007
1,054	1,074	1,145	6.6%	794	809	865	6.9%	260	265	281	6.0%
393,265	425,502	417,990	-1.8%	291,802	326,561	320,991	-1.7%	101,462	98,941	97,000	-2.0%
146,158	145,056	164,110	13.1%	146,158	145,056	164,110	13.1%	na	na	na	na
9,977	16,065	12,947	-19.4%	9,977	16,065	12,947	-19.4%	na	na	na	na
4,741	2,074	1,728	-16.7%	4,741	2,074 [4]	1,728 [4]	-16.7%	na	na	na	na
163,899	171,407	157,975	-7.8%	67,289	81,520	63,997	-21.5% [3]	96,610	89,887	93,979	4.6%
75,238	79,388	89,833	13.2%*	31,649	36,211	43,357	19.7%*	43,689	43,176	46,476	7.6%
187 [a]	123	142	15.4%	128	71	91.7	29.2%	59	52	50	-3.8%
178	784	890	13.5%*	na	521	610.5	17.2%*	178	263	279	6.1%
3	14	27	92.9%*	na	12.4	21.2	71.0%*	3	1.6	5.3	231.3%
42,316	69,176	61,054	-11.7%	25,382	50,720 [7]	43,237 [6]	-14.8%	16,934	18,455 [6]	17,817	-3.5%
5,465	5,520	6,084	10.2%	4,286	4,455	5,006	12.4%	1,178	1,065	1,078	1.2%
27%	54%	48%	-11.1%	24%	47%	40%	-14.9%	32%	84%	84%	0.0%
9,119 [b]	268	7,030	nc [5]	6,646	52	6,890	nc [5]	2,472	217	140	-35.5%
489 [c]	121	1,659	nc [5]	484	109	1,658	nc [5]	5	12.3	1.24	-89.9%
51 [d]	22	144	nc [5]	48	19	141	nc [5]	3.3	2.47	2.9	17.4%

One of the Statutory Auditors' Report on a selection of Environmental and Social Indicators of the Air France KLM Group for the Year ended December 31, 2008

In accordance with the assignment entrusted to us and in our capacity as statutory auditors of Air France-KLM S.A., we have performed certain review procedures which enable us to provide:

- a reasonable assurance on the indicator related to CO_2 emissions from the Air France-KLM Group flight operations during the year ended December 31, 2008. Such indicator is identified by the sign √√,
- a moderate assurance on the environmental and social indicators ("the data") selected by the Air France-KLM Group and identified by the sign √ for the year ended December 31, 2008.

Such data are disclosed in the table entitled "environmental and social information of Air France-KLM Group" both in the 2008-2009 Reference Document and in the 2008-2009 Corporate Social Responsibility Report.

The conclusions presented below relate solely to these data and not to the Corporate Social Responsibility Report taken as a whole.

The data have been prepared under the responsibility of the CSR Departments of Air France and KLM, in accordance with the internal environmental and social reporting protocols ("the protocols"), available at Air France-KLM headquarters.

It is our responsibility to express an opinion on these indicators, based on our review.

Nature and Scope of the Review

We conducted our review in compliance with the professional standards applicable in France.

We performed a review to provide the assurance that the selected data are free of material misstatement. The work performed on the data identified by the sign √ enables us to provide a moderate level of assurance. The work performed on the data identified by the sign √√ is more extensive and enables us to provide a reasonable level of assurance.

- We assessed the protocols relevancy, reliability, comprehensibility and completeness.
- We interviewed the persons in charge of the reporting process at the parent company level as well as at the selected entities[(1)] level.
- We carried out detailed test work at the selected entities. Such selected entities represent from 31 to 100 % of the consolidated environmental data and 83% of the Group total headcount for social indicators. For the selected entities, we ensured that the protocols were understood and implemented; based on a sample basis, we verified the calculations, performed consistency checks and reconciled the data with the supporting documentation.
- We audited the source data used in the calculation of CO_2 emissions from the Group's flight operations.
- We verified that the data used in the calculation of CO_2 emission from flight operations were properly derived from Air France and KLM information systems.
- We also verified, on a sample basis, the calculations and the combination of the data at Air France-KLM Group level.

When carrying out our procedures, we used the assistance of our Environment and Sustainable Development experts.

Comments

- Both environmental and social protocols of the Air France-KLM Group are prepared on a calendar year basis, consistently with the requirements for French companies to establish their social annual reports ("Bilans Sociaux") and their annual greenhouse gases national inventories as of December 31 of each year whilst the Group's financial information is prepared as of and for the year ended March 31 of each year.
- The Group used an automated reporting tool to collect and consolidate the social and environmental data of the Group, enhancing as such the reliability and the consistency of the data collected. The functionalities of the reporting tool should nevertheless be further developed, notably in relation to the consolidation phase.

*(1) **Environment:** Direction Générale Industrielle Air France (Roissy and Orly), Direction Générale de l'Exploitation Air France (Roissy and Orly), Air France Cargo Roissy, Direction du Siège Air France (Roissy, Vilgénis), Servair (Servair 1, Acna Roissy), KLM Schiphol **for ground operations.***
*Air France and its affiliates (CityJet, BritAir, Regional), KLM and KLM City Hopper **for flight operations**.*
***Social:** Air France in France, Servair S.A., KLM, Transavia.*

We have the following matters to report regarding the procedures related to reporting protocols for environmental data:

- Internal control procedures regarding the reported data should be implemented more stringently, particularly during the consolidation phase.
- Procedures to determine the reporting scope should be implemented more stringently in order to ensure that the reporting scope is updated prior to the reporting campaign.

We have the following matters to report regarding the procedures related to reporting protocols for social data:

- Due to different legal framework, certain social indicators for Air France and KLM are presented individually because their definition cannot be compared.
- Appropriate reporting tools and systems shall be implemented to improve the completeness of the data reported. For instance, safety and training indicators have not all been reported or have been reported by a limited number of entities.

Conclusion

Reasonable assurance

Based on the procedures carried out both at Air France and KLM headquarters, we consider that our test work on the calculation of the CO_2 emissions from flight operations of the Air France-KLM Group give a reasonable basis for the following opinion.

In our opinion, the data identified by the sign √√ has, in all material aspects, been prepared in accordance with the above-mentioned protocols.

Moderate assurance

Based on our review, we have nothing to report that causes us to believe that the environmental and social data identified by the sign √ have not, in all material aspects, been prepared in accordance with the above-mentioned protocols.

Paris La Défense, May 29, 2009

KPMG Audit

Department of KPMG S.A.

Jean-Paul Vellutini	Valérie Besson
Partner	*Partner*

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Risks and risk management

4.

Risk factors

Risks relating to the air transport industry

Risks linked to the cyclical and seasonal nature of the air transport industry

The air transport industry is seasonal, with demand weakest during the winter months. Consequently, the operating results for the first (April to September) and second halves (October to March) of the financial year are not comparable. Local, regional and international economic conditions can also have an impact on the Group's activities and, thus, its financial results. Periods of sluggish economic activity such as being experienced currently and crises are likely to affect demand for transportation, both for tourism and for business travel. Furthermore, during such periods, the Group may have to accept delivery of new aircraft or may be unable to sell unused aircraft under acceptable financial conditions.

Risks linked to changes in international, national or regional regulations and legislation

Air transport activities are subject to a high degree of regulation, notably with regard to traffic rights and operating standards (the most important of which relate to security, aircraft noise, airport access and the allocation of time slots). Additional laws and regulations and tax increases (aeronautical and airport) could lead to an increase in operating expenses or reduce the Group's revenues. The ability of carriers to operate international routes is liable to be affected by amendments to bi-lateral agreements between governments. As such, future laws or regulations could have a negative impact on the Group's activity.

Risks linked to terrorist attacks, the threat of attacks, geopolitical instability, epidemics and threats of epidemics

The terrorist attacks of September 11, 2001 in the United States had a major impact on the air transport sector. Airlines experienced falling revenues and rising costs principally due to a fall in demand and to higher insurance and security costs. Certain aircraft also saw their value drop. The SARS epidemic resulted in a sharp fall in air traffic and revenues generated in Asia. Any attack, threat of an attack, military action, epidemic or perception that an epidemic could occur (e.g. swine flu), could have a negative impact on the Group's passenger traffic.

Risk of loss of flight slots

Due to the saturation at major European airports, all air carriers must obtain flight slots, which are allocated in accordance with the terms and conditions defined in Regulation 95/93 issued by the EC Council of Ministers on January 18, 1993. Under this regulation, at least 80% of the flight slots held by air carriers must be used during the period for which they have been allocated. Unused slots will be lost by this carrier and transferred into a pool. The regulation does not provide for any exemptions for situations in which, due to a dramatic drop in traffic caused by exceptional events, air transport companies are required to reduce activity levels substantially and no longer use their flight slots at the required 80% level during the period in question. The European Commission did, however, decide to temporarily suspend Regulation 95/93 governing the loss of unused flight slots following September 11, the war in Iraq and the SARS epidemic. Lastly, on May 5, 2009, given the economic crisis, the European Parliament and the European Council of Ministers of Transport agreed to suspend the application of the airport slot utilisation provisions for the Summer 2009 season (with a possible extension to the Winter 2009-10 season), enabling the European airlines to retain their grandfather rights to such slots *(see also section 6 - Legislative and regulatory environment)*.

Environmental risks

The air transport industry is subject to numerous environmental regulations and laws relating, amongst other things, to aircraft noise and engine emissions, the use of dangerous substances and the treatment of waste products and contaminated sites. Over the last few years, the French, Dutch, European and US authorities have adopted various regulations, notably regarding noise pollution and the age of aircraft, introducing taxes on air transport companies and obligations for them to ensure the compliance of their operations.

In December 2006, the European Commission proposed to include air transportation in the Emissions Trading Scheme (EU ETS). The draft directive was adopted by the European Parliament in July 2008 and its application is planned as of January 2012. However, all the rules have yet to be defined for 2013 (2013-20 period known as post-Kyoto).

The principle of the European Emissions Trading Scheme is that each Member State is allocated an annual quota or allotment of CO_2 emission allowances. Each Member State then, in turn, allocates a specific quantity of emission allowances to each relevant company. At the end of each year, companies must return an amount of emission allowances that is equivalent to the tons of CO_2 they have emitted in that year. Depending on their emissions, they can also purchase or sell allowances (exchangeable quotas). Furthermore, they can earn credits for their greenhouse gas reduction efforts in developing countries through Clean Development Mechanisms (CDMs). For the aviation sector, the reference in terms of CO_2 emissions will be the average emissions produced by the industry as a whole between 2004 and 2006. The breakdown between operators will be based, pro-rata, on revenue-ton kilometers (RTK) produced in 2010.

The European directive applies to all European and non-European airlines flying into and out of Europe, which has raised numerous objections from non-European countries. The United Nations Climate Change Conference in Copenhagen at the end of 2009 could lead to a new approach for international aviation *(see also section 3 - Environmental data and the 2008-09 Corporate Social Responsibility report)*.

Risks linked to the oil price

The fuel bill is the second largest cost item for airlines. The volatility in the oil price thus represents a risk for the air transport industry. In effect, a sharp increase in the oil price, such as seen until the summer of 2008 when the oil price reached a record high, can have a negative impact on the profitability of airlines, particularly if the economic environment does not enable them to adjust their pricing strategies by introducing new fuel surcharges or if they are unable to implement effective hedging strategies. A rapid fall in the oil price such as witnessed in the autumn of 2008 can also have a negative impact on the profitability of airlines with a significant level of hedging, both in terms of volume and duration, in not enabling them to benefit from the fall in the oil price.

Lastly, for the European airlines, any appreciation in the dollar relative to the euro results in an increased fuel bill *(see also section 4 - Market risks and their management)*.

Risks linked to the Group's activity

Risks linked to commitments made by Air France to the European Commission

For the European Commission to authorize Air France's combination with KLM, Air France and KLM had to make a certain number of commitments, notably with regard to the possibility of making landing and takeoff slots available to rival airlines at certain airports. The implementation of these commitments is not expected to have a significant negative impact on the activities of Air France and KLM.

Risks linked to competition from other air and rail transport operators

The air transport industry is extremely competitive. The liberalization of the European market on April 1, 1997 and the resulting competition among carriers has led to a reduction in airfares and an increase in the number of competitors.

The *Open Skies* agreement between the European Commission and the United States has been in force since end-March 2008. European airlines are thus authorized to operate flights to the United States from any European airport. While this agreement could increase competition for Roissy-Charles de Gaulle and Schiphol, it has also enabled Air France and KLM to extend their networks and strengthen cooperation within the SkyTeam alliance.

On its short and medium-haul flights to and from France, the Netherlands and other European countries, the Group competes with alternative means of transportation. In particular, the high-speed TGV rail network in France competes directly with the Air France *Navette*, a shuttle service between Paris and the major French cities. Air France and KLM's flights to London are in direct competition with the Eurostar train service. An extension of high-speed rail networks in Europe is liable to have a negative impact on the Group's activity and financial results.

Air France and KLM also face competition from low-cost airlines. The percentage of routes on which Air France and KLM are in competition with these airlines has increased markedly over the past decade *(see also section 2 - Activity)*.

Risks linked to changes in commercial alliances

The maintenance and development of strategic relationships and alliances with partner airlines will be critical for the Group's activity. Air France and KLM are members of the SkyTeam alliance, which also comprises Aeroflot, Aeromexico, Alitalia, CSA Czech Airlines, China Southern, Continental (until October 2009), Delta and Korean Air as well as a number of associate airline members. The success of the alliance depends in part on the strategies pursued by the various partners, over which Air France and KLM have a limited level of control. The lack of development of an alliance or the decision by certain members not to fully participate in or to withdraw from the alliance could have a negative impact on the activity and financial position of the Group. However, Air France-KLM and Delta have joint-venture agreements with a ten-year duration on the North Atlantic *(see also section 2, pages 38 and 39)*.

In June 2006, the European Commission sent a Statement of Objections concerning the SkyTeam alliance. Air France and its partners responded to these objections in October 2006. In the event that the European Commission were to maintain its position, Air France and its partners could be required to make a number of concessions, notably in making slots available to competitor airlines at certain airports.

Risks linked to financing

Air France and KLM have been able to finance their capital requirements by securing loans against their aircraft, which represent attractive collateral for lenders. This may not be the case in the future. Any prolonged obstacle preventing the raising of capital would reduce the Group's borrowing ability and any difficulty in finding financing under acceptable conditions could have a negative impact on its activity and financial results.

Risks linked to labor disruptions and the negotiation of collective agreements

Personnel costs account for around 30% of the operating expenses of Air France-KLM. As such, the level of salaries has an impact on operating results. The profitability of the Group could be affected if it were unable to conclude collective labor agreements under satisfactory conditions. Any strike or cause for work to be stopped could have a negative impact on the Group's activity and financial results *(see also section 3 - Social data and the 2008-09 Corporate Social Responsibility report)*.

Risks linked to the use of third-party services

The Group's activities depend on services provided by third parties, such as air traffic controllers and public security officers. The Group also uses sub-contractors over which it does not have direct control. Any interruption in the activities of these third parties (as a result of a series of strikes or any increase in taxes or prices of the services concerned) could have a negative impact on the Group's activity and financial results.

Market risks and their management

Organization of the Air France-KLM group

The aim of Air France-KLM's risk management strategy is to reduce the Group's exposure to these risks so as to reduce earnings volatility. Market risk coordination and management is the responsibility of the Risk Management Committee (RMC) which comprises the Chief Executive Officer and the Chief Financial Officer of Air France and the President and Chief Financial Officer of KLM.

The RMC meets each quarter to review Group reporting of the risks relating to the fuel price, the principal currency exchange rates, interest rates and counterparties and to decide on the hedging to be implemented: targets for hedging ratios, the time periods for the respect of these targets and, potentially, the types of hedging instrument to be prioritized. The decisions taken by the RMC are formalized then implemented by the cash management and fuel purchasing departments within each company, in compliance with the procedures governing the delegation of powers. Each company centralizes the management of the risks of its subsidiaries.

Regular meetings are held between the fuel purchasing and cash management departments of the two companies in order to exchange information concerning matters such as hedging instruments used, strategies planned and counterparties. In order to implement the strategy most appropriate to each circumstance, any type of instrument may be used so long as it is qualifies as hedging within IFRS. Any exception to this rule must be approved by the Group's Senior Executive Vice President, Finance. As a general rule, trading and speculation is prohibited.

The cash management departments of each company circulate information daily on the level of cash and cash equivalents to their respective general managements. The level of Air France-KLM consolidated cash is communicated on a weekly basis to the Group's general management.

Every month, a detailed report including, amongst other information, interest rate and currency positions, the portfolio of hedging instruments, a summary of investments and financing by currency and the monitoring of risk by counterparty is transmitted to the general managements.

The policy on fuel hedging is the responsibility of the fuel purchasing departments which are also in charge of purchasing fuel for physical delivery at Air France. This is the responsibility of the financial services departments at KLM. The general managements receive a weekly fuel report, mainly covering the transactions carried out during the week, the valuation of all the positions, the percentages hedged as well as the breakdown of instruments and underlyings used, the average hedge levels and the resulting net prices. All this data covers the current and next four financial years. Furthermore, a weekly Air France-KLM group report (known as the GEC Report) consolidates the figures from the two companies relating to fuel hedging and carries out a budget update.

Market risk management

(see also note 33 to the consolidated financial statements)

Currency risk

Most of the Air France-KLM group's revenues are generated in euros. However, because of its international activities, the Group incurs a currency risk. The management of the currency risk for the subsidiaries of the two companies is centralized by each company.

The principal exposure relates to the US dollar followed, to a lesser extent, by sterling and the yen.

Since expenditure on items such as fuel, operating leases or components exceeds the amount of revenues in dollars, the Group is a net buyer of US dollars, which means that any significant appreciation in the dollar against the euro could result in a negative impact on the Group's activity and financial results. Conversely, Air France-KLM is a net seller of the yen and of sterling, the level of revenues in these currencies exceeding expenditure. As a result, any significant decline in these currencies against the euro could have a negative effect on the Group's financial results.

The management of the Group's exchange rate risk is effected on the basis of the forecast net exposure for each currency. Currencies which are highly correlated to the US dollar are aggregated with the US dollar exposure.

Operations

Given the very high degree of market volatility witnessed during the year, the Group has abandoned its systematic hedging strategy.

With regard to the US dollar, however, Air France and KLM have maintained a hedging policy designed to cover the net exposure over a rolling 12 months. In particularly favorable market conditions, the hedging period may be extended to several financial years.

For the other currencies, hedging levels depend on market conditions and the hedging may extend over several financial years if conditions are especially favorable.

2009-10 operating exposure *(In million of currencies at March 31, 2009)*	**US Dollar (USD)**	**Sterling (GBP)**	**Yen (JPY)**
Net position before management	(3,326)	501	58,414
Currency hedge	2 074	(115)	(27,840)
Net position after management	(1,252)	386	30,574

The maximum impact on income before tax of a 10% currency variation relative to the euro is shown in the following table.

(In € million)	**US Dollar ***	**Sterling**	**Yen**
10% increase relative to the euro	(86)	41	23
10% fall relative to the euro	388	(41)	(23)

* *These results cannot be extrapolated.*

Investment

Aircraft and spare parts are purchased in US dollars, meaning that the Group is exposed to a rise in the dollar relative to the euro in terms of its investment in flight equipment. The hedging strategy provides for the implementation of a graduated level of hedging between the date aircraft are ordered and their delivery.

The investments figuring in the table below reflect the contractual commitments at March 31, 2009, that are currently in the renegotiation process.

(In $ million)	**2009-10**	**2010-11**	**2011-12**
Investments	(2,012)	(1,911)	(1,363)
Currency hedge	1,189	793	312
Hedge ratio	59%	41%	23%

Exposure on the debt

The exchange rate risk on the debt is limited. At March 31, 2009, 88% of the Group's net debt, after taking into account derivative instruments, was euro-denominated, thereby significantly reducing the risk of currency fluctuations on the debt.

Despite this pro-active hedging strategy, not all currency risks are covered, notably in the event of a major fluctuation in currencies in which the debt is denominated. In this situation, the Group and its subsidiaries might encounter difficulties in managing currency risks, which could have a negative impact on the Group's financial results.

Interest rate risk

At both Air France and KLM, debt is generally contracted in floating-rate instruments in line with market practice. However, given the historically low level of interest rates, Air France and KLM have used swap strategies to convert a significant proportion of their floating-rate debt into fixed rates in order to reduce interest expenses and limit their volatility.

After swaps, the Air France-KLM group's net debt contracted at fixed rates represents 65% of the overall total.

Given this policy, at March 31, 2009, the Group had negative net exposure to interest rates, the cash being invested at floating rates exceeding the debt at floating rates. Air France-KLM is thus exposed to a fall in interest rates.

The average cost of the Group's debt after swaps stood at 3.92% at March 31, 2009 (4.53% at March 31, 2008).

Exposure to interest rates *(In € million at March 31, 2009)*	**One year***	**> 1 year****
Financial assets	4,174	491
Financial liabilities	1,535	4,350
Net exposure before hedging	2,639	(3,859)
Hedging	0	1,886
Net exposure after hedging	2,639	(1,973)

* *Fixed rate < 1 year + floating rate < 1 year.*

** *Floating rate > 1 year.*

Taking into account the position to be renewed at less than one year, the interest rate exposure is low, since any 1% variation in interest rates over twelve months would have an impact of €7 million.

Fuel price risk

Risks linked to the jet fuel price are hedged within the framework of a strategy defined by the RMC for the whole of the Air France-KLM group.

Until the sudden downturn in commodity prices during the autumn of 2008, the hedging strategy was based on three principles: a minimum hedge percentage per rolling twelve-month period over four years (65% for the first period, 45% for the second period, 25% for the third period and 5% for the fourth period); a minimum percentage in distillates (30%, of which 20% in jet fuel); and the use of hedge instruments compatible with IFRS 39. This hedging strategy proved highly effective in an environment characterized by a steadily rising oil price.

The fall in the oil price in the autumn of 2008 prompted the Air France-KLM group to gradually reduce its hedging program and suspend it altogether as of the last quarter of 2008. In parallel, the Group decided to unwind a portion of its positions in order to reduce its exposure linked to the fall in the oil price. These operations reduced the volumes hedged to one year of consumption compared with two years previously. The unwinding principally related to the 2009-10 and 2010-11 positions and was undertaken jointly by both Air France and KLM.

The financing of the unwinding of the transactions came either from the unwinding of contracts whose market value was positive, or in the case of loss-making contracts, from the unwinding of positive currency hedging contracts.

The Group is currently considering a new hedging strategy.

At March 31, 2009, Air France-KLM's fuel exposure, based on futures prices on March 27, 2009, was as follows:

(In $ million except average purchase price in $)	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Gross expenditure before hedging	5,490	6,532	7,158	7,489
Hedge percentage	44%	17%	20%	19%
Gain on hedging	(1,280)	(784)	(626)	(337)
Net expenditure	6,770	7,316	7,784	7,818
Average purchase price in Brent IPE equivalent	74	76	77	76

Counterparty risk

The Group has strengthened its rules for managing counterparty risk under the authority of the RMC which reviews, every quarter, the Group's counterparty portfolio and, if necessary, issues new guidelines.

The Group only deals with counterparties with a minimum rating of A or above (S&P). The commitments by counterparty are limited to 15% of the total hedging portfolio volume (fuel, currencies and interest rates) with a maximum variable amount based on the quality of the rating. The positions of both Air France and KLM are taken into account in the assessment of the overall exposure. A quarterly report is established and circulated to the members of the RMC. It is supplemented by real-time information in the event of any real risk of a rating downgrade for counterparties *(see also section 5 - note 33.1 to the consolidated financial statements)*.

Equity risk

Air France and KLM cash resources are not invested in the equity market (either directly or in the form of equity mutual funds).

However, at March 31, 2009, Air France-KLM directly or indirectly held a portfolio of shares issued by publicly traded companies worth a net €35.4 million. An overall fall of 1% would represent a risk of €0.3 million.

Liquidity risks

At March 31, 2009, following the application of an extension clause, Air France had a credit facility of €1.2 billion negotiated with an expanded pool of 19 banks, of which €85 million matures in April 2010, €10 million in April 2011 and €1.11 billion in April 2012. At March 31, 2009, the company had drawn down €500 million.

This credit facility is subject to Air France respecting the following financial covenants:

- net interest charges added to one third of operating lease payments must not represent more than one third of EBITDAR;
- non-current assets in the balance sheet, not pledged as collateral, must be at least equal to unsecured debts.

These ratios are calculated every six months and were respected at March 31, 2009.

KLM has a fully available €540 million credit facility maturing in July 2010, negotiated with a consortium of international banks. This credit facility is subject to KLM respecting covenants similar to those outlined above for Air France.

For its part, the Air France-KLM holding company put in place a ten-year financing facility of €250 million in October 2007, drawn down at March 31, 2009.

Overall, the Group believes that the conditions for access to the financial market for its two principal subsidiaries, Air France and KLM, cash resources of €4.3 billion at March 31, 2009 and the available credit facilities reflect prudent liquidity risk management.

Financing risks

The Air France group prioritizes long-term resources for its investment in financing new aircraft with conventional debt and, since 2008, Brazilian export credit for the aircraft of its subsidiary Régional.

It also diversified the sources of its principally bank funding through the securitization of flight equipment in July 2003 and the issuance of bonds convertible into new or existing shares, OCEANEs, in April 2005. Finally, in September 2006, Air France issued €550 million of euro-denominated bonds, with a 4.75% coupon, maturing on January 22, 2014. An additional €200 million was raised in April 2007, fully fungible with the first tranche.

To finance its aircraft, KLM is able to access the export credit system, which enables the company to take advantage of guarantees from the leading export credit agencies for financing Boeing aircraft in the US and Airbus aircraft in Europe. KLM has also concluded several financing deals in the banking market for the refinancing of existing aircraft.

In future years, the Group envisages that its two subsidiaries will remain responsible for their own financing strategies, enabling each to fully capitalize on the relationships they have built up with their partner banks. Moreover, this segmentation ensures that KLM can continue to take advantage of export credit financing facilities. This does not stop the two companies exchanging information on their financing strategies and the type of operations planned.

The current financial market conditions do not call into question the access to long-term financing for aircraft.

Investment risks

The cash resources of Air France, KLM and Air France-KLM are invested so as to maximize the return for a very low level of risk. Consequently, they are not invested in the mortgage loan market or the securitization market, nor in any structured product having been significantly affected by the financial crisis.

In order to take advantage of market opportunities linked to the widening in credit spreads, cash resources are mainly invested in certificates of deposit with high-rated banks, as well as in some money market mutual funds.

A portion of KLM's liquid assets is invested in foreign-currency AAA-rated bonds, in order to reduce the currency risk on the debt.

Insurance risks

Since December 1, 2004, Air France and KLM have pooled their airline risks on the insurance market in order to capitalize on the scale effect. There are no material risks within the Air France-KLM group that are not insured.

Insurance policies taken out by Air France

In connection with its air transport activities, Air France has taken out an airline insurance policy on behalf of itself and its French and European airline subsidiaries, covering damage to aircraft, liability in relation to passengers and general liability to third parties in connection with its activity.

In accordance with French legislation, this policy was taken out with Axa, a leading French underwriter and with co-insurers with international reputations.

The policy covers the civil liability of Air France for up to $2.2 billion as well as specific cover against terrorist acts for damage caused to third parties for up to $1 billion.

Additionally, Air France participates in the payment of claims for damage to its aircraft through a reinsurance company whose maximum liability is limited to $2.5 million annually.

Finally, within the framework of its risk management and financing policy designed to ensure its activities, employees and assets are better safeguarded, Air France has taken out a number of policies to insure its industrial sites, property portfolio and activities ancillary to air transportation, with different levels of cover depending on the guarantees available on the market and on the quantification of risks that can reasonably be anticipated.

Air France has also taken out a number of specific or local policies in order to comply with the regulations in force in the countries in which it has a representative office.

Insurance policies taken out by KLM

KLM has taken out an airline insurance policy to cover its operational risks and those of Kenya Airways Ltd to cover damage to aircraft, liability with respect to passengers and general third-party liability in connection with its activity. It covers KLM's civil liability for up to $2.2 billion and also includes specific cover against terrorist acts for damage caused to third parties for up to $1 billion.

In addition, KLM participates in the payment of claims for damage to its aircraft through a reinsurance company whose maximum liability is limited to $3.6 million annually.

Finally, within the framework of its risk management and financing policy designed to ensure its activities, employees and assets are better safeguarded, KLM has taken out a number of policies to insure its industrial sites, property portfolio and activities ancillary to air transportation, with different levels of cover depending on the guarantees available on the market and on the quantification of risks that can reasonably be anticipated.

Exceptional events and disputes

In connection with the normal exercise of their activities, the company and its subsidiaries are involved in disputes which either result in provisions being booked in the consolidated financial statements or information being included in the notes to the consolidated financial statements as to the possible liabilities *(see also section 5 - notes 29.2 and 29.3 to the consolidated financial statements)*.

Report of the Chairman of the Board of Directors on internal control

For the establishment of this report, the Chairman consulted the Directors of Internal Control and of Internal Audit and tasked the latter with obtaining all the information required for the aforementioned report from the different entities of the Air France-KLM group. This report was then commented on by the Audit Committee then approved by the Board of Directors.

I - Conditions for preparing and organizing the work of the Board of Directors

See Corporate Governance section – Board of Directors.

II – Modalities for shareholder participation in the General Shareholders' Meeting

Pursuant to Article 30 of the company's bylaws, the modalities for shareholder participation in General Shareholders' Meetings are those provided by the regulation in force.

III - Governance rules and principles and organization of the two companies in the Air France-KLM group

See Corporate Governance section – Group Executive Committee.

IV - The internal control procedures

Definition and goal of internal control

Air France-KLM uses the COSO (Committee Of Sponsoring Organisation of the Treadway Commission) standards to define the internal control for the Group and the two sub-Groups, Air France and KLM.

According to this standard, internal control is a system defined and implemented by the Group's general management, executives and employees, designed to provide a reasonable level of assurance that the following objectives are achieved:

- The performance and optimization of operations,
- The reliability of the accounting and financial information,
- The compliance with the laws and regulations in force.

The standards are based on the following principal components:

- The control environment
- The assessment of risks
- The control operations
- The information and communication
- The monitoring of internal control

The standards correspond to a specific set of actions, tasks, practices and controls for each of the company's functions.

One of the objectives of the internal control system is to prevent and control the risks linked to the company's activities, as well as the risks of error or fraud, notably in the areas of accounting, finance and revenue management.

As with any control system, it is unable to provide an absolute guarantee that such risks have been totally eliminated.

Risk analysis process

A strategic and operational risk analysis process has been carried out for the past two years, enabling the different divisions and principal subsidiaries on one hand, and the Group Executive Committee and the Audit Committee on the other, to monitor the principal risks and their evolution over time. The risk management procedures are based on a *bottom-up* approach starting in the various Air France and KLM divisions and the five main sub-subsidiaries. The risk sheets are submitted to Internal Audit, which is responsible for overseeing the consolidation process at Group level carried out by the Internal Control Coordinators designated by the different businesses, entities or subsidiaries. The risks faced by each Group entity are outlined in detail as are the action plans implemented within each entity to minimize and control them. Those responsible for managing the action plans are specifically named. The risks are also evaluated in terms of their occurrence and impact. The risk sheets of each of the entities concerned are commented on by Internal Audit during quarterly meetings so as to enable their prioritization in order to dispose of a consolidated vision of the principal risks.

The strategic risk sheet is established once a year after the Group Strategic Framework meeting, while the operational risk sheet is established quarterly. The risk sheets, together with the accompanying documentation detailing the new risks, the main developments and risks that have been removed, are the subject of a presentation to the Group Executive Committee, prior to their presentation to the Audit Committee.

The overall risk management procedure also serves as a basis for the reference document and for establishing the audit program.

Internal control network

An Internal Control division and a Group Internal Audit division have been operational since April 2005. Internal Control Coordinators have also been appointed in each Air France-KLM group entity considered to be significant by virtue of its impact on the Group's financial statements. There are eight employees working within the Internal Control divisions and there are 40 Internal Control Coordinators.

General internal control structure

The structure described below is a summary of the organization in place in each of the two sub-Groups as outlined in the Chairman's reports on internal control by Air France and KLM. At the request of the Air France-KLM holding company, KLM, a company subject to Dutch law, has established a report on internal control in accordance with the French Financial Security Law.

This organization takes into consideration the structure of the Group's two companies, characterized by the existence of three principal businesses (passenger transportation, cargo and maintenance), the subsidiaries of these companies representing only a minority percentage of activity and revenues. Due to the interdependence of each of the businesses, this organization involves numerous transverse processes (sale of space in the holds of passenger aircraft to the cargo business, maintenance services relating to the aircraft of the passenger and cargo activities, IT services, etc.)

• **The Board of Directors** is the corporate body that directs and oversees the management of the Group; to this end, the Board works with the Group Executive Committee to ensure the successful operation of the Air France-KLM group, supported by advice from the specialist committees mentioned in section I above *Conditions for preparing and organizing the work of the Board of Directors.*

• **The Group Executive Committee** is tasked with defining the joint strategic decisions on commercial, financial, technical and operational issues for the two companies; the organization and operations of the Committee are described in section II above.

• **The finance functions** are performed by each of the two companies within the framework of the organization that was in place at the time of the merger and they report to the Group Executive Committee.

In April 2005, a finance division was created within the holding company. This division is responsible for consolidation operations (accounting rules and principles and consolidation of Air France-KLM results), financial disclosure (management reporting, estimates, budgets, investment plans, medium-term plan), and financial communication (preparation of annual reports, quarterly announcements, press releases, relations with investors and market authorities).

• **Internal audit**

The management of a group such as Air France-KLM is based on the principle of a broad delegation of responsibilities. This principle of delegation necessarily implies stronger internal control functions in order to provide the Group's management with the reasonable assurance that this autonomy is being used correctly by each entity. Internal control is vital for effective governance, both at the Board of Directors level and at the level of the Group's various businesses.

In order to strengthen internal control, Air France-KLM has established an internal audit division which is characterized by its independence. The very presence of such a division is an impetus to effective risk management and internal control.

Internal audit is an independent function intended to improve the Group's various processes. It helps the Group to achieve its stated goals by providing a systematic and formal approach with which to evaluate and strengthen the effectiveness of the following processes: decision-making, risk management, internal control, and governance. The internal audit function objectively reviews the reliability of the overall internal control procedures implemented by the Group, as well as the controls implemented for the specific processes of each business.

Under the Group's governance rules, each company has retained its internal audit department; the coordination of internal audit at Group level has, nevertheless, been effective since the beginning of the 2005-06 financial year. The Group's Internal Audit Director has overall responsibility and provides the coordination, reporting directly to the Chief Executive Officer. Both internal control departments use identical methodologies (Group mapping, Group audit manual, etc.).

The internal audit function carries out audits at the level of the holding company, its subsidiaries (Air France and KLM) and its sub-subsidiaries. Audits are conducted in collaboration with the internal auditors of the two airlines.

There are 39 auditors (excluding management structure).

The Internal Audit division reports on its work to the Group Executive Committee and to the Audit Committee of Air France-KLM in a summary report presented quarterly.

In order to carry out its mission, internal audit, which operates within the framework of the internal audit charter established by the Audit Committee of the parent company Air France-KLM, either acts on its own initiative or intervenes at the request of the Group Executive Committee, the Audit Committee or the Board of Directors.

An annual program of missions is established and submitted to the Group Executive Committee and to the Audit Committee of the holding company for approval.

The different types of audit missions undertaken are:

- Operational audits to review the effectiveness of the Group's internal control procedures,
- Thematic audits dedicated to a theme common to several functions or entities or centered around the company's projects,
- Specific audit missions undertaken at the request of the general management or the heads of operational units to ascertain that internal control is properly implemented in the entities,
- ICT audits following the creation of a new IT audit team within internal audit,
- Consultancy missions.

Completed investigations are summarized in a report that presents the mission's conclusions and highlights its findings, including the risks with corresponding recommendations.

The audited entities then establish corrective action plans and a follow-up is conducted in the next few months.

The Internal Audit division of the Air France-KLM Group has been awarded professional certification by the IFACI. This body certified that, for the Group Internal Audit activities, all the procedures required to comply with the 2007 version of the Internal Audit Professional Practices Framework (PPF) and thus respect the international standards for Internal Audit have been implemented.

Prevention of ticketing fraud

The Internal Audit division includes a Fraud Prevention unit that acts to prevent risks relating to the fraudulent use of stolen, falsified or illegally paid tickets and improperly acquired Flying Blue miles.

Legal functions

The legal departments of both companies perform a consulting mission for their management and for decentralized organizations in legal matters, transport law, corporate law and insurance law.

They systematically draw up an inventory of the disputes in process in order to assess the corresponding provisions booked as liabilities.

In April 2005, a Legal Affairs division was created within the holding company.

Insurance functions

The insurance departments are responsible for identifying risk sectors of the Group that might impact the operations and financial results in order to reduce or transfer them either to insurers through insurance policies, particularly aviation policies, or to third parties under contractual mechanisms.

They also manage the claims and advise the Group's entities on reducing and controlling their risks.

An aviation insurance policy for the entire Air France-KLM Group was contracted at the end of 2004 covering civil liability, damage to aircraft and risks of war, which are the major financial and legal risks of any airline.

V – Standards

Organization of responsibilities

The organization of each company has been defined to ensure compliance with the principles of secure and effective operations. It specifically takes into account the regulatory requirements governing air transportation, notably with regard to air operations, ground operations, engineering and maintenance as well as catering and security.

The managers of the entities and subsidiaries concerned are required to apply these principles and organization at their level, and ensure that the organizational charts, job definitions and the procedures defined by business process are up to date. They must ensure their consistency and adequacy and that these are taken into account in the main information systems and appropriately integrated within the organization.

Charters and manuals

Air France, KLM and their respective subsidiaries have a social rights and ethics charter that enshrines their commitment to corporate social responsibility. This charter's corporate and ethical policy is based on respect for individuals at the professional, social and citizenship levels.

The Air France Group has also published a charter for the prevention of harassment in the workplace, which complies with French legislation and is part of a contractual approach through agreements signed for the benefit of employees. The legal purpose of this charter is to set forth the principles of prevention, define the actions, stress the legal and human responsibility of everyone and establish internal prevention procedures.

For its part, the KLM Group has published a code of conduct which should be applicable for the forthcoming financial year addressing, in particular, compliance with laws and regulations, conflicts of interest, confidentiality, the safeguarding of assets, environmental protection, corporate social responsibility and intellectual property.

KLM has also implemented a code of ethics intended for employees in the finance department.

Internal audit charter

The terms of the Air France-KLM Group's internal audit charter were determined by the Audit Committee of the Air France-KLM holding company in November 2005, then revised within the framework of the work carried out for Internal Audit certification.

The internal audit charter defines the mission, objectives and responsibilities of the Audit division and guarantees its independence as well as the conditions under which the division functions.

In accordance with the national and international professional code of ethics, it formalizes the position of audit within the business and defines its sphere of operation.

It also specifies the operating methods and the different phases of the missions carried out together with the summary reports on their execution.

Procurement quality manual

The *Common Working Platform* document of January 2007 serves as the basis for the organization of the joint Air France-KLM purchasing function (see Section VI *Procurement*).

The joint purchasing functions are currently updating their Quality reference framework comprising, notably, the purchasing Ethical Charter, which defines the rules of conduct for all employees when dealing with suppliers or service providers, and informs all those involved in the process of the limits that must not be exceeded.

The quality system

The Air France and KLM quality systems are based on the following principal external and internal standards:

External standards

Regulations: national regulations (based on European regulations) and applicable general laws, international standards (ICAO, IATA, etc.),

Passenger service: European commitments of the Association of European Airlines (AEA), service commitments of those involved in air transportation (airports)

Management and the environment: ISO series 9000 and 14000 standards and other standards relating to more specific application scopes (ISO 22000 for food safety, for example).

Internal standards

These represent the application of the external standards, adapted to the processes of each company.

Regulations: operating, maintenance and security manuals and the related general procedures, which are mostly subject to formal approval by the administrative authorities issuing the authorizations (DGAC, IVW-DL, FAA, etc.), Management systems: the QSE (Quality, Safety, Environment) manual of Air France or quality manual of KLM and related general procedures.

Passenger service: seven standards relating to services covering the entire passenger service chain form the basis of the Air France-KLM Group's ambition in terms of service quality.

VI – Summary information on the internal control procedures

Management procedures and processes

These procedures are based on the organization and structure of the Group's companies.

The following activities are common to the two Air France and KLM sub-groups:

- The passenger activity, covering all operations involved in the transportation of passengers, including the network, marketing, sales and production departments that provide the services required for air and ground operations,
- The cargo activity that conducts cargo marketing and operations,
- The engineering and maintenance activity responsible for maintenance and engineering operations for the airframes, components and engines,
- The leisure activity comprising the charter and low cost businesses of Transavia Holland and Transavia France.

Finally, the central support functions of Human Resources, Finance in the broad sense and Information Systems are specific to each of the companies.

Strategic decisions in the commercial, financial, technical and operational areas are coordinated by the Group Executive Committee, which is the principal governance body described in Section III above. This governance body is supported by divisions at the holding company level in the areas of finance, legal/administrative services for the Board of Directors, internal control/internal audit, relations with the European bodies and coordination of the SkyTeam alliance.

Air France and KLM respectively control 91 and 70 subsidiaries and sub-subsidiaries. Only five of the Air France subsidiaries and two KLM subsidiaries generate third-party revenues in excess of €100 million.

The companies Air France and KLM alone represent more than 88% of the Group's revenues and 76% of the total Group balance sheet.

The forward-looking management of the Air France-KLM Group is organized on the basis of the following three key procedures:

- The broad strategic orientations of the Air France-KLM Group are defined and prioritized within the context of a Group Strategic Framework (GSF) that brings together the senior executives of Air France and KLM at a fall seminar,
- The Medium Term target (MTT), which represents the expression of this vision, covers a three-year time horizon for each of the two companies and their respective subsidiaries in terms of growth, investment and the related human resources. The Medium Term Target must enable each business to prepare and submit their financial performance objectives within the framework of the orientations defined by the Group Strategic Framework in terms of the development of the business (growth, strategic priorities), operational targets (unit revenues, action plan for revenues and costs), investment and the related human resources.
  The action plans together with comprehensive economic figures are presented to the Group Executive Committee followed by discussion in February each year (new calendar as of the 2009-11 Medium Term Target) together with specifically-defined action plans for revenues and costs.
- The budgets for the IATA year, which include the first year of the MMT, are established by cost centers and consolidated at the level of each company, and then at the level of the Air France-KLM Group.

Financial procedures and processes and the year end

Finance process

- Investments are managed by each company in accordance with its own procedures. Major investments, particularly in aircraft, are submitted for approval to the Group Executive Committee (fleet, acquisitions, disposals, etc.).

- The hedging of risks:

The management of Air France–KLM market risks is overseen by the Risk Management Committee (RMC), which comprises the Chief Executive Officer and the Chief Financial Officer for Air France and the Chief Executive Officer and the Chief Financial Officer for KLM.

This committee meets at the beginning of each quarter and decides, after examining the Group report, on the hedges to be set up during the forthcoming quarters, with different durations depending on the markets: the hedging ratios to be achieved, the time period for meeting these targets and, potentially, the preferred type of hedging instrument.

These decisions are then implemented in each company by the Cash Management and Fuel Purchasing departments in compliance with the procedures for the delegation of powers.

Regular meetings are organized between the Fuel Purchasing departments of the two companies, as well as between the Cash Management departments, in order to exchange information on, for example, the hedging instruments, the strategies planned and the counterparties.

A summary of the cash positions of Air France, KLM and Air France-KLM is circulated weekly to the executive management.

The Air France and KLM cash positions are monitored daily and are the subject of a monthly report to the finance departments of the two Groups. These reports include interest rate and currency positions, the portfolio of hedging operations, a summary of investments and financing by currency and a capital rationing tracking statement by counterparty.

Fuel hedges are covered in a weekly report forwarded to the executive managements of Air France and KLM.

The hedge strategies aim to reduce the exposure of Air France-KLM and therefore to preserve budgeted margins. The instruments used are futures, swaps and options. The internal risk management procedures prohibit instruments characterized as trading instruments unless expressly authorized by the Chief Financial Officer of Air France or the Chief Financial Officer of KLM. Generally speaking, no trading or speculation is authorized.

Accounting and financial statements process

The consolidated financial statements of the Air France-KLM Group are prepared on the basis of the data provided by the finance departments of the Air France-KLM parent company and its subsidiaries.

The Group is principally comprised of the two operational sub-Groups, Air France and KLM, which prepare their own consolidated financial statements prior to their consolidation within the Air France-KLM financial statements.

The accounting information reported by the various departments of the company and subsidiaries must comply with the Group's accounting rules, methods and standards defined by the parent company, and the presentation of the financial statements must comply with the format circulated by the Group.

All companies within the Group refer to the Accounting Procedures Manual which is based on the international financial reporting standards governing the establishment of the financial statements of European listed companies for financial years starting January 1, 2005.

As part of their legal mission, the parent company's Statutory Auditors conduct a comprehensive review of the information reported by the principal consolidated entities. The consolidated and parent company financial statements are submitted to the management, then reviewed by the auditors (half-year and annual financial statements only) prior to their closing. They are then presented to the Audit Committee, which meets every quarter for the closure of the financial statements.

Revenue reporting process

This process is performed in each of the companies and makes it possible to communicate weekly revenue figures to management. Air France has also established a procedure known as the progressive revenue process that makes it possible to know the estimated amount of passenger revenues with only a two-day time lag for its own operations and those of franchisee subsidiary airlines.

In addition, departments for passenger and cargo activities in each company analyze the results by market and by route (unit revenues per passenger-kilometer, per available seat-kilometer, per revenue ton-kilometer etc.).

Management reporting process

The management control departments coordinate the reporting process and, at the beginning of month m+1, establish a management estimate based on the available information.

In liaison with the Group's principal divisions and subsidiaries, they then analyze the past month's economic performance and estimate the results for the coming months (forecast adjustment process) through to the end of the current financial year.

Once the accounting result for the month is known, they produce a monthly document (management report) that summarizes the monthly key business and financial data, both actual and for the coming months, in order to determine the outcome for the current financial year.

This monthly Group management report is presented to the Group Executive Committee.

In April 2005, a Group management reporting function was created.

Operational procedures and processes

Management of the quality system

Both the Air France (QSE management system manual) and KLM quality manuals outline all the general provisions of the quality system implemented in each of the two companies, i.e. the overall organization, management processes, and the procedures and resources required to implement quality management and meet customer expectations.

In each department of the two companies, a quality review takes stock of the operation of the quality management system and measures the performance of the main processes overseen by the management.

In addition to the regulatory approvals which enable each company to carry out its activities, progress is recognized in the achievement of certification from independent bodies, notably, for example:

- IOSA certification (IATA Operational Safety Audit) obtained in 2009 and valid through to 2011,
- ISO 9001 (2008 version) and QualiAF certification for management systems efficiency,
- ISO 14001 (2004 version) certification for the validation of environmental management systems.

Quality assurance
The control of the operational processes is based primarily on three supervision methods.

Internal monitoring: carried out by the quality assurance departments and based on:

- An audit program (covering, in particular, the areas of organization and management, flight operations, flight preparation, ground and freight handling, hazardous goods, engineering and maintenance),
- Regular monitoring of operations with incident analysis and routine use of debriefing,
- Pro-active prevention processes.

External monitoring: carried out by the civil aviation authorities (IVW-DL, DGAC, FAA, etc.) and specialized certification bodies, which takes the form of audits of the operating principles and of the specific internal monitoring system. Air France and KLM are also regularly audited by their customers and their partners.

Monitoring of partners

The monitoring of partners, whether they be sub-contractors or suppliers, is undertaken within the framework of the regulatory monitoring program approved by the Civil Aviation Authorities.

Code share partnerships are subject to additional IOSA certification performance requirements, the recognition by the profession of flight safety standards.

In terms of the control of the monitoring process, the supervision of the effective implementation of preventive/corrective actions resulting from this overall monitoring is ensured by the quality assurance departments, coordinated within each airline.

Support procedures and processes

Information systems
The control processes cover the information and telecommunication systems and are based on formalized procedures that have achieved ISO 9001 certification at Air France. At KLM, they are based on specific modeling of the information systems processes (Management Enterprise Architecture/MEA Babylon). These processes were reviewed within the framework of the Sarbanes-Oxley Act for the 2006-07 financial year, enabling their effectiveness to be further improved. For the financial year ended March 31, 2009, this review was carried out within the framework of the French Financial Security Law and the work on internal control decided by the Group after the deregistration with the SEC.

The mechanisms put in place aim to ensure:

- The reliability of the IT and telecommunications systems,
- Data integrity through appropriate resources, infrastructure and controls,
- The continuity of IT services and the availability of data on the production sites through a local contingency strategy, secure architecture and a security system covering external access points,
- The confidentiality of information based on national laws and the security of IT infrastructure through the establishment of secure, monitored and effective accesses.

The managements of the two companies ensure that the resources and expertise required by the IT systems to meet strategic objectives are developed.

Project management and software application development tools are also used, namely the Symphony method for Air France, and the Prince 2 (project management) and Stemband (development) methodologies at KLM.

The work carried out in connection with internal control projects and the ongoing project to gradually establish a coordinated and optimized organization lead to action plans designed to strengthen internal control, particularly as regards risks such as business continuity.

Finally, in 2005-06, Air France and KLM published the Security Information Manual (ISM –ISO 17799 standard), thus defining a common security policy for information systems.

Procurement

Launched in December 2007, the joint Air France-KLM Procurement division organization has been officially operational since September 1, 2008. It is headed by a *Group Chief Procurement Officer* from KLM (permanent member of the Group Executive Committee), seconded by an Air France Executive Vice President, Procurement and is structured around ten procurement teams. The procurement teams act in a transverse and coordinated manner for each of the Air France and KLM companies together, as required, for a number of the Group's airline subsidiaries. Their objective is to optimize the Group's external resources.

The activity of the Procurement function is aimed at supplying the entities with suitable products and services at the required time and at the best possible cost of ownership.

This is achieved by applying a procurement policy focused on the expertise of the buyers, with separate responsibilities (buyer, referrer, supplier), the establishment of contracts and the use of internet technologies.

The CPO Board, comprised of the Group Chief Procurement Officer and Air France's Executive Vice President, Procurement, manages the Procurement teams through regular meetings and presents the key performance indicators for combined procurement.

A Procurement coordination committee, comprised of the heads of procurement, meets every quarter to develop joint programs and share best practice.

VII – Summary of the evaluation of internal control relating to accounting and financial information

In addition to the need to comply with French internal control regulations as required by the French Financial Security Law (*Loi de Sécurité Financière*), the Air France-KLM Group also had to comply with the provisions of the US Sarbanes-Oxley Act until February 7, 2008. In order to satisfy the provisions of the Act's Article 404, which applied for the first time to Air France-KLM for the financial year ended March 31, 2007, a range of initiatives were launched in 2004 within the different Air France-KLM entities designed to generate the momentum to effectively mobilize those involved in internal control in order to achieve the three objectives of carrying out and optimizing operations, generating reliable accounting and financial information, and complying with the laws and regulations in force.

The internal control project designed to satisfy the requirements of the Sarbanes-Oxley Act was structured around the following key components: the annual evaluation of the Air France-KLM Group control environment, and a detailed evaluation of the controls carried out on accounting and financial information at significant process level.

Evaluation of the control environment

Each Group division or department has been evaluated on the basis of the five COSO components of its internal control using evaluation questionnaires corroborated by independent existence and effectiveness tests.

Air France and KLM have also established whistle blower procedures and formalized the anti-fraud program together with a procedure for identifying and testing the effectiveness of the control environment.

Similarly, overall control of the information systems has been the subject of formalized evaluation.

Detailed evaluation of key controls on financial and accounting information at significant process level

Based on an analysis of the significant entries in the consolidated financial statements and an assessment of risks, the Group has identified the significant companies and, within these entities, the processes that make a significant contribution to the establishment of the financial statements.

For each of these significant processes, process and key control documentation has been established, followed by existence and effectiveness testing.

At the time of the delisting from the New York Stock Exchange and its deregistration with the SEC (Securities and Exchange Commission) Air France-KLM's Group Executive Committee and Audit Committee decided to maintain high standards and to capitalize on the work already undertaken (in rationalizing this) to comply with the Sarbanes-Oxley Act, in order to enshrine its principles within the framework of the Group's day-to-day management.

The Group's different major divisions and subsidiaries had thus evaluated the effectiveness of internal control over financial information as at March 31, 2009.

The SOA approach being mainly orientated towards financial disclosure, the new internal control framework may be extended to other processes and activities within the framework of the transposition into French law of the 8th European directive and as a function of the decisions of the general management.

Jean-Cyril Spinetta

Chairman of the Air France-KLM Board of Directors

Statutory Auditors' report

prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Air France-KLM S.A.

Year ended March 31, 2009

To the Shareholders,

In our capacity as statutory auditors of Air France-KLM S.A., and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended March 31, 2009.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information; and
- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with French professional standards applicable in France.

Information on the internal control procedures relating to the preparation and processing of accounting and financial information

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other disclosure

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris La Défense and Neuilly, May 29, 2009

The Statutory Auditors

KPMG Audit		Deloitte & Associés
Département de KPMG S.A.		
Jean-Paul Vellutini	Valérie Besson	Dominique Jumaucourt
Partner	*Partner*	*Partner*

This is a free translation into English of a report carried in French and is provided solely for the convenience of English speaking readers.

This report should be read in conjunction with, and is construed in accordance with French law and the relevant professional auditing standards applicable in France.

Financial report 5.

Investments and financing

The Air France-KLM group's capital expenditure on tangible and intangible assets together with the acquisitions of subsidiaries and equity interests amounted to €2.38 billion at March 31, 2009 compared with €2.61 billion one year earlier, reflecting the reduction in the investment program implemented during the financial year. Operating cash flow of €0.8 billion and proceeds from the disposal of property, plant and equipment amounting to €141 million were insufficient to fund the totality of these investments. As a result, free cash flow stood at a negative €1.1 billion.

The Group's cash position amounted to €4.25 billion, including €430 million of investment securities immobilized for between 3 and 12 months and €352 million of AAA deposits. In addition, the Group has principal credit facilities of €1.99 billion subscribed by Air France, KLM and Air France-KLM, of which €750 million were mobilized during the financial year.

Shareholders' equity amounted to €5.68 billion after a negative impact of €1.5 billion relating to the fair value of hedging instruments versus a €1.82 billion positive impact at March 31, 2008. Net debt stood at €4.44 billion (€2.69 billion at March 31, 2008). The gearing ratio amounted to 0.78, and 0.62 excluding the valuation of hedging instruments against 0.27 and 0.33 at March 31, 2008 after restating shareholders' equity by €639 million for the application of the IFRIC 13 interpretation to the frequent flyer program in 2008-09.

Investments

(In € million)	**2008-09**	**2007-08**
Acquisition of intangible assets	(115)	(92)
Investment in flight equipment	(1,539)	(1,900)
Other property, plant and equipment	(389)	(348)
Acquisition of subsidiaries	(348)	(272)
Proceeds on disposals of subsidiaries and equity interests	16	84
Proceeds on disposals of property, plant and equipment and intangible assets	141	282
Net cash received from the WAM/Amadeus transaction	-	284
Dividends received	6	5
Net decrease (increase) in investments over 3 months to 1 year	(246)	349
Net cash used in investing activities	(2,474)	(1,608)

Investment in tangible and intangible assets amounted to €2.04 billion (€2.34 billion at March 31, 2008), of which €1.54 billion in flight equipment. The acquisition of aircraft (see section on the Fleet) and advance payments amounted to €1.38 billion while other investment in flight equipment also included the capitalization of overhaul costs in line with IAS 16 and the capitalization of certain aircraft spare parts. Ground investment amounted to €389 million and included various industrial facilities and equipment. Intangible investment, amounting to €115 million, related to the purchase of software and capitalized IT development.

Cash disbursed to pay for acquisitions of subsidiaries and equity interests amounted to €348 million (€272 million at March 31, 2008) and mainly related to the acquisition of a 25% shareholding in Alitalia-CAI for €330 million, the acquisition of the remaining 50% of Martinair and the acquisition of Air France-KLM's own shares.

Proceeds on disposals of subsidiaries and equity interests generated €16 million of cash, principally from the sale of Opodo and Reenton shares.

Proceeds on disposals of property, plant and equipment and intangible assets amounted to €141 million (€282 million at March 31, 2008) including €117 million on the sale of aircraft (principally one Boeing B747, one Boeing B777, three Boeing B737s and one Airbus A320).

The dividends received from unconsolidated subsidiaries amounted to €6 million compared with €5 million during the previous year.

Lastly, income on investments over periods of between 3 months and one year increased by €246 million compared with a €349 million reduction one year earlier.

Overall, cash flows used in investing activities showed a net disbursement of €2.47 billion versus €1.6 billion during the 2007-08 financial year.

Financing

(In € million)	**2008-09**	**2007-08**
Capital increase	-	597
Issuance of new debt	1,899	681
Reimbursement of debt	(312)	(414)
Reimbursement of debt on finance lease liabilities	(573)	(886)

The Group's debt principally serves to finance the investment in flight equipment. At March 31, 2009, 79% of long-term debt was guaranteed by pledged or mortgaged assets.

During the year, the Group issued €1.90 billion of new debt (€681 million in 2007-08) including €750 million of drawn-down credit facilities. In parallel, the Group repaid €312 million of borrowings (€414 million in 2007-08) and €573 million of debt relating to finance lease liabilities (€886 million in 2007-08).

Property, plant and equipment

Property, plant and equipment of the Air France-KLM group

Net book value *(In € million)*	2008-09	2007-08
Flight equipment	**12,125**	**12,280**
Other property, plant and equipment		
Land and buildings	1,343	1,281
Equipment and machinery	432	410
Assets in progress	237	221
Others	301	281
Total other property, plant and equipment	**2,313**	**2,193**

Information on flight equipment is given in the Fleet section of this document and orders for flight equipment are covered in note 35 of the notes to the consolidated financial statements. After the fleet, land and buildings is the second largest category of tangible assets for the Air France-KLM group and is the only item to be described in detail below.

The Air France-KLM group's land and buildings

The breakdown of surface area by business unit is as follows

Approximate surface area *(In m²)*	Air France group		KLM group		Air France-KLM group	
At March 31	2009	2008	2009	2008	2009	2008
Passenger	459,500	418,000	127,090	202,000	586,600	620,000
Cargo	320,030	339,000	97,385	93,000	417,400	432,000
Maintenance	649,960	653,000	240,745	179,000	890,700	832,000
Support	445,695	477,000	125,735	113,000	571,450	590,000
Total	**1,875,185**	**1,887,000**	**590,955**	**587,000**	**2,466,150**	**2,474,000**

Air France Group

Only the Air France buildings (85% of the property, plant and equipment of the Air France group) are the subject of commentary, of which 86% is situated in continental France.

The main changes were the coming into service of a 14,000 m² IT center, a 7,000 m² cargo terminal at Orly and the inclusion of the floor space (25,000 m²) for the Airbus A380 hangar. In parallel, the old Orly cargo terminal was demolished (30,000 m²) and a 15,000 m² maintenance hangar at Roissy-CDG was restituted.

KLM Group

The KLM group did not record any significant changes during the 2008-09 financial year, the main changes versus 2007-08 coming from reclassifications.

Financing

	Air France group	KLM group	Total
Fully owned	47%	86%	56%
Finance lease	6%	-	5%
Operating lease	47%	14%	39%
Total	**100%**	**100%**	**100%**

The minimum future payments on operating leases relating to buildings amounted to €1.44 billion at March 31, 2009 (see note 34.2 to the consolidated financial statements).

Most of the Air France group's facilities are based in airport zones where land availability is subject to occupancy agreements or long-term leases. Only 9% of the fully owned or finance leased premises belong to the real estate portfolio controlled by Air France.

Geographical breakdown of the sites

Sites	Approximate surface area *(In m²)*	Type of financing
Air France group		
Roissy-CDG airport	678,000	Ownership, finance lease, rental
Orly airport	405,000	Ownership, rental
Toulouse	71,000	Ownership, finance lease, rental
Vilgénis	47,000	Ownership
Le Bourget	41,000	Ownership, rental
Montreuil	23,000	Rental
Valbonne	17,000	Ownership
KLM group		
Schiphol airport	40,600	Operating lease
Schiphol Centrum	135,000	Ownership
Schiphol Oost	325,000	Ownership, operating lease
Schiphol Rijk	23,000	Ownership, operating lease
Schiphol Noord	22,000	Ownership
Amstelveen	29,000	Ownership
Others	16,000	Operating lease

Main rental contracts

Sites	Approximate surface area (In m^2)	Type of financing
Air France group		
Commercial head office, Montreuil	20,000	Commercial lease
Hangar H4 at CDG	35,000	Agreement
Hangar H8N6 at Orly	45,000	Agreement
KLM group		
Schiphol	37,500	Commercial lease

Assets in progress

The main construction projects in progress are an €8 million investment in a 3,000m^2 cargo terminal at CDG, €8 million in a 4,000m^2 extension to the simulator building, €13 million in a 7,000m^2 logistics building at Orly and €23 million in a 10,000m^2 building for engine maintenance.

The KLM group currently has no outstanding commitments to large-scale construction projects.

Comments on the financial statements

Consolidated results for the financial year to March 31, 2009

The Air France-KLM consolidation scope at March 31, 2009 principally reflected the entry of Alitalia-CAI in which Air France-KLM has a 25% shareholding, equity accounted as of March 31, 2009 and the full consolidation of the previously equity-accounted Martinair as of January 1, 2009, following the acquisition of an additional 50%.

The scope comprises 161 subsidiaries of which the two principal subsidiaries, Air France and KLM, represent 88% of revenues and 76% of the balance sheet. The other subsidiaries are mainly involved in air transportation (BritAir, Régional, CityJet, transavia.com and VLM since January 1, 2009), cargo (Martinair), maintenance, catering (Servair Group and KLM Catering Services) and aircraft financing. No subsidiary or sub-subsidiary presents specific risks of a nature likely to influence activity and the Group's financial situation.

This year, the Group decided to apply the IFRIC 13 accounting interpretation relating to frequent flyer programs. At March 31, 2008, this was reflected in a €9 million increase in revenues and operating income, and a €639 million reduction in shareholders' equity. The comparative financial figures below have been restated.

(In € million)	March 31, 2009	March 31, 2008 *	Change
Revenues	23,970	24,123	(0.6%)
Income/(loss) from current operations	(129)	1,414	NC
Income/(loss) from operating activities	(193)	1,281	NC
Net income/(loss) from continuing operations	(807)	775	NC
Net income/(loss), Group share	(814)	756	NC
Basic earnings/(loss) per share, Group *(In €)*	(2.76)	2.66	NC

* *After restatement for the application of the IFRIC 13 interpretation.*

Revenues

Revenues were slightly down (-0.6%) after a negative currency impact of 1.9% to €23.97 billion for production measured in EASK (equivalent available seat-kilometer) up by 3.6%. Unit revenue per equivalent available seat-kilometer was down by 4.0% and by 2.2% on a constant currency basis.

Operating expenses

Operating expenses increased by 6.1% to €24.1 billion. This increase was limited to 1.4% excluding fuel costs. Unit cost per EASK increased by 3.3% but was down by 0.8% on a constant fuel price and currency basis.

External expenses

At March 31, 2009, external expenses were up by 8.1% at €14.9 billion. On a constant fuel cost basis, they were down by 0.2%.

	Financial year to March 31		
(In € million)	**2009**	**2008**	**% change**
Aircraft fuel	5,703	4,572	24.7
Chartering costs	624	658	(5.2)
Aircraft operating lease costs	646	611	5.7
Landing fees and en route charges	1,793	1,755	2.2
Catering	483	470	2.8
Handling charges and other operating costs	1,353	1,331	1.7
Aircraft maintenance costs	1,123	1,038	8.2
Commercial and distribution costs	1,010	1,176	(14.1)
Other external charges	2,195	2,203	(0.4)
Total	**14,930**	**13,814**	**8.1**

The main changes were as follows:

Aircraft fuel

Fuel purchases amounted to €5.7 billion compared with €4.57 billion at March 31, 2008 (+24.7%), reflecting a 1% increase in volumes, a 27% increase in the fuel price after hedging and a positive currency impact of 3%.

Landing fees and en route charges

Landing fees and en route charges increased by 2.2% to €1.79 billion compared with €1.75 billion at March 31, 2008. These are charges paid by airlines for en route air navigation services (air traffic control) and airport approach. They also include airport taxes comprising landing and parking fees and passenger taxes. The rates are set by airports after consultation with users.

Catering

Catering costs which relate to services supplied on board the Group's aircraft and those of customers increased by 2.8% to €0.48 billion.

Handling charges and other operating costs

Handling charges cover aircraft handling on the ground, flight personnel layover expenses as well as any compensation paid to customers due to operating irregularities. The amounts are established subject to contract for aircraft handling, by regulation and commercial practice with regard to customer compensation and by labor agreements for cabin and flight crew layover expenses. Handling charges amounted to €1.35 billion, up by 1.7%.

Aircraft maintenance costs

These include the maintenance of aircraft and amounted to €1.1 billion, a rise of 8.2% at March 31, 2009.

Commercial and distribution costs

At €1 billion, commercial and distribution costs fell by 14.1% due to a reduction in sales commissions and a cut in advertising expenditure.

Other external charges

Other external expenses amounted to €2.19 billion at March 31, 2009, versus €2.2 billion at March 31, 2008, down by a modest 0.4%. They include, principally, rental charges, telecommunications costs, insurance and fees.

Salaries and related costs

Salaries and related costs rose by 4.3% to €7.32 billion for an average headcount of 106,933 (+2.2%) over the period.

Amortization, depreciation and provisions

Amortization, depreciation and provisions totaled €1.72 billion versus €1.62 billion at March 31, 2008.

Income/(loss) from current operations

The loss from current operations was €129 million versus income of €1.41 billion at March 31, 2008. The adjusted operating margin [1] was 0.4% (-6.3 points). The loss from current operations was €71 million lower than the €200 operating loss announced on March 26, 2009, thanks to a greater-than-expected reduction in operating costs during the fourth quarter. Based on operating costs of €5.5 billion in the fourth quarter, this improvement represents an additional reduction of 1.3%.

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

Year ended *(In € million)*	March 31, 2009		March 31, 2008 *	
	Revenues	Income/(loss) from current operations	Revenues	Income/(loss) from current operations
Passenger	18,832	(21)	19,165	1,300
Cargo	2,857	(207)	2,928	39
Maintenance	974	95	969	63
Others	1,307	4	1,061	12
Total	**23,970**	**(129)**	**24,123**	**1,414**

* *After restatement for the application of the IFRIC 13 interpretation.*

Income/(loss) from operating activities

The loss from operating activities amounted to €193 million after a mark-to-market adjustment in the value of aircraft in the disposal process amounting to €54 million. At March 31, 2008, income from operating activities was €1.28 billion, including, notably, the €284 million gain on the WAM transaction as well as a €530 million provision (€493 million after tax) booked by the Group on the basis of the current status of the ongoing European and US antitrust investigations into the cargo sector.

Net cost of financial debt

Net interest charges increased by 1% to €100 million versus €99 million at March 31, 2008.

Other financial income and charges

Other financial income and charges amounted to €911 million compared with €24 million at March 31, 2008.

The breakdown is as follows:

- Negative change in the fair value of financial assets and liabilities amounting to €715 million, essentially relating to the change in the value of instruments not qualified as hedging as well as the change in the ineffective portion of fuel hedges.
- Net currency losses of €179 million due to the settlement of debts and receivables in currencies for the un-hedged portion.
- €17 million in other charges, including €12 million of impairment on Alitalia shares, the company having been placed under extraordinary administration.

Net income/(loss) – Group share

The pre-tax loss of fully consolidated companies stood at €1.2 billion, giving rise to a tax credit of €439 million, i.e. an effective tax rate of 36.5%. It takes into account, notably, the recognition of a deferred tax asset relating to previous fiscal losses of €58 million in three subsidiaries, the conditions for recoverability now being in place.

Associates contributed a loss of €42 million at March 31, 2009 compared with income of €24 million at March 31, 2008, essentially comprising the negative contribution from Martinair until December 31, 2008, given its full consolidation as of January 1, 2009.

After the deduction of minority interests of €7 million, the net loss, Group share amounted to €814 million at March 31, 2009 versus income of €756 million in the year to March 31, 2008.

The contributions to the net result by quarter were, respectively, €168 million at June 30, 2008, €28 million at September 30, 2008, €(505) million at December 31, 2008 and €(505) million at March 31, 2009.

Basic earnings/(loss) per share, Group share, amounted to €(2.76) at March 31, 2009 versus €2.66 at March 31, 2008.

(1) Operating income adjusted for the portion of operating leases corresponding to financial costs (34%).

Financial position

The tangible and intangible investments of the Air France-KLM group amounted to €2.0 billion, compared with €2.3 billion at March 31, 2008. Operating cash flow amounted to €798 million after €225 million of cargo fines. The proceeds from asset disposals amounted to €141 million (€282 million at March 31, 2008). Free cash flow was thus negative at €1.1 billion.

The Group's cash position stood at €4.3 billion. In addition, the Group still has credit facilities of €1.99 billion, of which €750 million have been drawn down.

Net debt stood at €4.4 billion at March 31, 2009, up by €1.7 billion on the level at March 31, 2008.

Shareholders' equity amounted to €5.6 billion compared with €9.9 billion at March 31, 2008, having been impacted by a €3.3 billion negative change in the fair value of hedging instruments.

The gearing ratio thus stood at 0.78 at March 31, 2009 compared with 0.27 at March 31, 2008.

Air France-KLM parent company results

As a holding company, Air France-KLM has no operating activity.

Its activity comprises royalties paid by the two operating subsidiaries for use of the Air France-KLM logo, less financial communication expenses, statutory auditors' fees and expenses linked to the remuneration of company officers. The operating result thus amounted to a modest €5 million loss.

After dividends received of €95 million, net income stood at €63 million.

Performance ratios

Restated net income

The marked volatility in the oil price and the significant nature of non-recurrent operations has led the Group to restate the net result as follows:

(In € million)	March 31, 2009	March 31, 2008
Net income/(loss), Group share	(814)	756
Non-recurrent items	64	133
Non-cash portion of the change in fair value of hedging instruments	333	(64)
Tax impact	(186)	(47)
Non-current items in associates	25	12
Restated net income/(loss)	***(578)***	***790***

Adjusted operating margin

In accordance with generally accepted practice for analysing the air transport sector, operating leases are capitalized at 7 times for the capital employed and gearing ratio calculations. Consequently, operating income is adjusted by the portion of operating leases considered to be financial charges, i.e. 34% of operating leases, the percentage resulting from the capitalization rate of the operating leases. The result is an adjusted operating margin which, in stripping out the accounting impact of different methods of aircraft financing, makes it easier to compare the profitability of different airlines.

(In € million)	March 31, 2009	March 31, 2008 *
Operating income/(loss)	(129)	1,414
Portion of operating leases	220	208
Adjusted operating income	91	1,622
Revenues	23,970	24,123
Adjusted operating margin	0.4%	6.7%

* *After restatement for the application of the IFRIC 13 interpretation at March 31, 2009.*

Gearing ratio

The ratio expresses net debt as a percentage of shareholders' equity.

(In € million)	March 31, 2009	March 31, 2008
Current and non-current financial debt excluding accrued interest	9,137	7,748
Deposits on leased aircraft	(496)	(537)
Debt currency and hedging instruments	51	151
Gross financial debt	***8,692***	***7,362***
Cash and cash equivalents	3,748	4,381
Investments over three months	430	185
Triple A deposits	352	279
Bank current accounts	(282)	(172)
Cash	***4,248***	***4,673***
Net debt	***4,444***	***2,689***
Consolidated shareholders' equity	5,676	9,975 *
Net debt/consolidated shareholders' equity	***78%***	***27%***
Net debt/consolidated shareholders' equity excluding fair value of hedging instruments	***62%***	***33%***

* *After restatement for the application of the IFRIC 13 interpretation at March 31, 2009.*

Return on Capital Employed (ROCE)

Return on capital employed measures the return on invested capital by expressing adjusted operating income (after a normalized tax rate of 34.4%) as a percentage of capital employed.

It is calculated from the following aggregates to be found in the consolidated financial statements:

- capital employed: consolidated shareholders' equity net of the valuation of hedging instruments and the badwill linked to the KLM pension fund surplus (€928 million) recognized on the adoption of IFRS. Net debt and annual operating leases capitalized at seven times in accordance with the rule used by analysts following the air transport sector and the rating agencies are then added to this figure.
- adjusted operating income after taxation.

(In € million)	March 31, 2009	March 31, 2008 *
Shareholders' equity excluding the KLM pension fund surplus and derivatives	6,251	7,228
Net debt	4,444	2,689
Operating leases x7	4,522	4,277
Capital employed	***15,217***	***14,194***
Adjusted operating income after taxation	***62***	***1,071***
ROCE	***0.4%***	***7.5%***

* *After restatement for the application of the IFRIC 13 interpretation at March 31, 2009.*

Cost of capital

	March 31, 2009	March 31, 2008
Cost of shareholders' equity	12.4%	15.0%
Marginal cost of debt, post tax	4.0%	2.7%
Percentage of shareholders' equity/target debt		
♦ Shareholders' equity	35%	35%
♦ Debt	65%	65%
Weighted average cost of capital	***7%***	***7%***

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Consolidated financial statements

Year ended March 31, 2009

Consolidated income statement

Period from April 1 to March 31, *(In € million)*	**Notes**	**2009**	**2008 (adjusted)**
Sales	***5***	***23,970***	***24,123***
Other revenues		5	4
Revenues		***23,975***	***24,127***
External expenses	6	(14,930)	(13,814)
Salaries and related costs	7	(7,317)	(7,018)
Taxes other than income taxes		(250)	(250)
Amortization and depreciation	8	(1,604)	(1,606)
Provisions	8	(115)	(17)
Other income and expenses	9	112	(8)
Income from current operations		***(129)***	***1,414***
Sales of aircraft equipment	10	5	9
Negative goodwill	4	17	40
Other non-current income and expenses	10	(86)	(182)
Income from operating activities		***(193)***	***1,281***
Cost of financial debt		(368)	(387)
Income from cash and cash equivalents		268	288
Net cost of financial debt	***11***	***(100)***	***(99)***
Other financial income and expenses	11	(911)	(24)
Income before tax		***(1,204)***	***1,158***
Income taxes	12	439	(359)
Net income of consolidated companies		***(765)***	***799***
Share of profits (losses) of associates	20	(42)	(24)
Net income from continuing operations		***(807)***	***775***
Net income for the period		***(807)***	***775***
- Group		***(814)***	***756***
- Minority interests		***7***	***19***
Earnings per share – Group ***(In €)***	14.1		
♦ basic		(2.76)	2.66
♦ diluted		(2.76)	2.49

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

Consolidated balance sheet

Assets *(In € million)*	**Notes**	**March 31, 2009**	**March 31, 2008 (adjusted)**
Goodwill	15	400	377
Intangible assets	16	559	475
Flight equipment	18	12,125	12,280
Other property, plant and equipment	18	2,313	2,193
Investments in equity associates	20	446	177
Pension assets	21	2,499	2,245
Other financial assets *(including €740 million of deposits related to financial leases as of March 31, 2009 and €735 million as of March 31, 2008)*	22	938	956
Deferred tax assets	12.5	811	29
Other non-current assets	25	629	1,810
Total non-current assets		***20,720***	***20,542***
Assets held for sale	13	93	-
Other short-term financial assets *(including €538 million of deposits related to financial leases and investments between 3 months and 1 year as of March 31, 2009 and €266 million as of March 31, 2008)*	22	580	303
Inventories	23	527	507
Trade accounts receivable	24	2,038	2,569
Income tax receivables		2	3
Other current assets	25	1,065	2,385
Cash and cash equivalents	26	3,748	4,381
Total current assets		***8,053***	***10,148***
Total assets		**28,773**	**30,690**

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

Liabilities and equity *(In € million)*	**Notes**	**March 31, 2009**	**March 31, 2008 (adjusted)**
Issued capital	27.1	2,552	2,552
Additional paid-in capital	27.2	765	765
Treasury shares	27.3	(124)	(119)
Reserves and retained earnings	27.4	2,429	6,702
Equity attributable to equity holders of Air France-KLM		***5,622***	***9,900***
Minority interests		54	75
Total equity		***5,676***	***9,975***
Provisions and retirement benefits	29	1,334	1,439
Long-term debt	30	7,864	6,914
Deferred tax	12.5	339	1,416
Other non-current liabilities	32	2,170	819
Total non-current liabilities		***11,707***	***10,588***
Liability related to assets held for sale	13	7	-
Provisions	29	480	441
Current portion of long-term debt	30	1,353	905
Trade accounts payable		1,887	2,218
Deferred revenue on ticket sales	31	3,048	3,215
Current tax liabilities		11	25
Other current liabilities	32	4,322	3,151
Bank overdrafts	26	282	172
Total current liabilities		***11,390***	***10,127***
Total liabilities		**23,097**	**20,715**
Total liabilities and equity		**28,773**	**30,690**

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

Consolidated statement of changes in stockholders' equity

(In € million)	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Minority interests	Total equity
March 31, 2007	***279,365,707***	***2,375***	***539***	***(30)***	***5,415***	***8,299***	***113***	***8,412***
First application of IFRIC 13 interpretation (note 3.1)	-	-	-	-	(644)	(644)	(3)	(647)
March 31, 2007 (adjusted)	***279,365,707***	***2,375***	***539***	***(30)***	***4,771***	***7,655***	***110***	***7,765***
Fair value adjustment on available for sale securities	-	-	-	-	9	9	-	9
Gain/(loss) on cash flow hedges	-	-	-	-	1,260	1,260	13	1,273
Currency translation adjustment	-	-	-	-	8	8	(2)	6
Net income for the year	-	-	-	-	756	756	19	775
Total of income and expenses recognized	***-***	***-***	***-***	***-***	***2,033***	***2,033***	***30***	***2,063***
Stock based compensation (ESA) and stock option	-	-	-	-	32	32	-	32
Issuance of share capital	20,853,571	177	226	-	-	403	-	403
Dividends paid	-	-	-	-	(134)	(134)	(3)	(137)
Treasury shares (note 27.3)	-	-	-	(89)	-	(89)	-	(89)
Change in consolidation scope	-	-	-	-	-	-	(62)	(62)
March 31, 2008 (adjusted)	***300,219,278***	***2,552***	***765***	***(119)***	***6,702***	***9,900***	***75***	***9,975***
Fair value adjustment on available for sale securities	-	-	-	-	(13)	(13)	-	(13)
Gain/(loss) on cash flow hedges	-	-	-	-	(3,309)	(3,309)	(8)	(3,317)
Currency translation adjustment	-	-	-	-	6	6	1	7
Net income for the year	-	-	-	-	(814)	(814)	7	(807)
Total of income and expenses recognized	***-***	***-***	***-***	***-***	***(4,130)***	***(4,130)***	***-***	***(4,130)***

Consolidated statement of changes in stockholders' equity (continued)

(In € million)	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Minority interests	Total equity
Stock based compensation (ESA) and stock option	-	-	-	-	28	28	-	28
Dividends paid	-	-	-	-	(171)	(171)	(6)	(177)
Treasury shares (note 27.3)	-	-	-	(5)	-	(5)	-	(5)
Change in consolidation scope	-	-	-	-	-	-	(15)	(15)
March 31, 2009	***300,219,278***	***2,552***	***765***	***(124)***	***2,429***	***5,622***	***54***	***5,676***

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

Consolidated statement of recognized income and expenses recognized

(In € million)	March 31, 2009	March 31, 2008 (adjusted)
Fair value adjustment on available for sale securities		
Change in fair value recognized directly in equity	(13)	9
Change in fair value transferred to profit or loss	-	-
Cash flow hedges		
Effective portion of changes in fair value hedge recognized directly in equity	(3,623)	2,348
Change in fair value transferred to profit or loss	(1,180)	(534)
Currency translation adjustment	***6***	***8***
Tax on items recognized directly in or transferred from equity		
Income/(expense) recognized directly in equity	1,494	(554)
Income and expenses directly recognized in equity attributable to holders of Air France-KLM	***(3,316)***	***1,277***
Net income for the period – Group	(814)	756
Total of income and expenses recognized for the period – Group	**(4,130)**	**2,033**
Total of income and expenses recognized for the period – Minority interest	-	30
Total recognized income and expenses for the period	**(4,130)**	**2,063**

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

Consolidated statements of cash flows

Period from April 1 to March 31, *(In € million)*	**Notes**	**2009**	**2008 (adjusted)**
Net income for the period – Group		(814)	756
Minority interests		7	19
Amortization, depreciation and operating provisions	8	1,719	1,623
Financial provisions	11	14	17
Gain on disposals of tangible and intangible assets		(22)	(43)
Loss/(gain) on disposals of subsidiaries and associates		(13)	(46)
Gain on WAM (ex Amadeus GTD) transactions	10	-	(284)
Reversal of provision for cargo investigation		(225)	-
Derivatives – non-monetary result	11	333	(65)
Unrealized foreign exchange gains and losses, net		6	27
Negative goodwill	4	(17)	(40)
Share of (profits) losses of associates	20	42	24
Deferred taxes	12	(340)	262
Other non-monetary items		(188)	16
Subtotal		**502**	**2,266**
(Increase)/decrease in inventories		8	(70)
(Increase)/decrease in trade receivables		676	69
Increase/(decrease) in trade payables		(401)	118
Change in other receivables and payables		13	211
Net cash flow from operating activities		***798***	***2,594***
Acquisitions of subsidiaries and investments in associates, net of cash acquired	38	(348)	(272)
Purchase of property, plant and equipment and intangible assets	19	(2,043)	(2,340)
Proceeds on disposal of subsidiaries and investments in associates	38	16	84
Proceeds on WAM (ex Amadeus GTD) transactions	10	-	284
Proceeds on disposal of property, plant and equipment and intangible assets		141	282
Dividends received		6	5
Decrease (increase) in investments, net between 3 months and 1 year		(246)	349
Net cash used in investing activities		***(2,474)***	***(1,608)***
Increase in capital		1	597
Issuance of long-term debt		1,899	681
Repayments on long-term debt		(312)	(414)
Payment of debt resulting from finance lease liabilities		(573)	(886)
New loans		(58)	(53)
Repayments on loans		149	79

Period from April 1 to March 31, *(In € million)*	Notes	2009	2008 (adjusted)
Dividends paid		(177)	(137)
Decrease in equity		-	(10)
Net cash flow from financing activities		***929***	***(143)***
Effect of exchange rate on cash and cash equivalents and bank overdrafts		***4***	***2***
Change in cash and cash equivalents and bank overdrafts		***(743)***	***845***
Cash and cash equivalents and bank overdrafts at beginning of period	26	4,209	3,364
Cash and cash equivalents and bank overdrafts at end of period	26	3,466	4,209
Income tax (paid)/reimbursed (flow included in operating activities)		89	(96)
Interest paid (flow included in operating activities)		(372)	(410)
Interest received (flow included in operating activities)		224	288

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

Notes to the consolidated financial statements

Note 1 Business description

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

The Group is headquartered in France and is one of the largest airlines in the world. The Group's core business is passenger transportation. The Group's activities also include cargo, aeronautics maintenance and other air-transport related activities, including principally catering and charter services.

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

The Group's functional currency is the euro.

Note 2 Significant events of the year

On December 17, 2008, the European Commission approved the acquisition of 50% of Martinair by the company KLM which, after this operation, held 100% of the share capital. Martinair, for which the fair valuation of assets and liabilities is under way, has been fully consolidated since January 1, 2009. Until this date, it remained consolidated by the equity method in the Group's consolidated accounts.

On January 12, 2009, Air France-KLM and Alitalia Compagnia Aero Italiana Spa concluded an agreement to reinforce their strategic partnership cemented by Air France-KLM taking a minority holding in the Italian company. As of March 25, 2009, Air France-KLM subscribed to a reserved capital increase for €323 million. Following this operation, Air France-KLM holds 25% of the Alitalia paid-in capital. Alitalia shares are consolidated by the equity method in the Group consolidated financial statements starting March 31, 2009.

The impact of these two operations on the Group consolidated financial statements is detailed in section 4.

Note 3 Accounting policies

3.1. Accounting principles

Pursuant to the European Regulation 1606/2002 of July 19, 2002, the Group adopted International Financial Reporting Standards ("IFRS") as adopted by the European Commission ("EU") at the date of these consolidated financial statements drawing up.

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

The consolidated financial statements were approved by the Board of Directors on May 19, 2009.

The IASB issued in June 2007 a new text in relation with the treatment of loyalty programs (IFRIC 13).

This text is effective for annual periods beginning on or after January 1, 2009, with possible early application. For the Group, which decided to apply as of April 1, 2008, the main change regards the valuation methodology for miles granted to frequent flyers, which now uses the deferred revenue approach versus the former valuation according to the incremental cost method.

As with all new texts applied, the first time application was performed retrospectively and the impact, net of tax, on previous periods was booked in total equity as of April 1, 2007 (refer to "Statement of changes in equity").

The impact on financial statements issued as of March 31, 2008 is presented below:

Period ended March 31, 2008 *(In € million)*	**Issued**	**IFRIC 13 First Time Application**	**Adjusted**
Income statement impacts			
Sales	24,114	9	24,123
Income taxes	(358)	(1)	(359)
Balance sheet impacts			
Equity attributable to equity holders of Air France-KLM as of April 1, 2007	8,299	(644)	7,655
Net income – Group share	748	8	756
Other movements	1,489	-	1,489
Equity – Group share as of March 31, 2008	***10,536***	***(636)***	***9,900***
Minority interests	78	(3)	75
Total Equity as of March 31, 2008	**10,614**	**(639)**	**9,975**
Deferred tax liability	1,713	(297)	1,416
Deferred revenue on ticket sales	2,279	936	3,215

New standards, interpretations and amendments to existing standards, effective for periods beginning on or after April 1, 2009, were not adopted early by the Group for the preparation of these consolidated financial statements:

- the revision to standard IAS 1 "Presentation of financial statements", effective for periods beginning on or after January 1, 2009;
- the standard IFRS 8 "Operating Segments", effective for periods beginning on or after January 1, 2009. The Group does not expect any impact concerning application of IFRS 8;
- the revision to standard IAS 23 "Borrowing costs", effective for periods beginning on or after January 1, 2009;
- the revision to standard IFRS 3 "Business combinations", effective for periods beginning on or after July 1, 2009;
- the revision to standard IAS 27 "Consolidated and separate financial statements", effective for periods beginning on or after July 1, 2009;
- the interpretation IFRIC 15 "Agreements for the construction of real estate", effective for periods beginning on or after January 1, 2009;
- the interpretation IFRIC 16 "Hedges of a net investment in a foreign operation", effective for periods beginning on or after January 1, 2009.

The interpretation IFRIC 14 "IAS 19: The limit of a defined benefit asset, minimum funding requirements and their interaction", has been anticipated by the Group on or after March 31, 2008 (see note 3.17). The application of this interpretation, effective for periods on or after January 1, 2009 will not have any impact for the Group.

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

3.2. Use of estimates

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

- note 3.6 – Revenue recognition related to deferred revenue on ticket sales;
- notes 3.13 and 3.12 – Tangible and intangible assets;
- note 3.10 – Financial assets;
- note 3.21 – Deferred tax assets;
- note 3.7 – *Flying Blue* frequent flyer program;
- notes 3.17, 3.18 and 3.19 – Provisions.

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

Then, consolidated accounts of the year have been closed taken into account the current economical and financial crisis and are based on financial parameter available at the closing date. The immediate effects of the crisis have been taken into account, in particular the valuation of current assets and liabilities. Concerning the more long-term assets, i.e. the long-term assets, assumption has been taken that the crisis would have a limited duration.

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

3.3. Consolidation principles

3.3.1. Subsidiaries

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

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

3.3.2. Interest in associates and joint-ventures

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

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

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

The Group's share of losses of an associate that exceed the value of the Group's interest and net investment (long term receivables) in this entity are not accounted for, unless:

- the Group has incurred contractual obligations; or
- the Group has made payments on behalf of the associate.

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

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

3.3.3. Intragroup operations

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

Gains and losses realized on internal sales with associates and joint control entities are eliminated, to the extent of the Group's interest in the associate or joint control entity, only when they do not represent an impairment.

3.3.4. Closing date

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

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

3.4.1. Translation of foreign companies' financial statements

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

- with the exception of the equity for which historical prices are applied, balance sheet items are converted on the basis of the foreign currency rates in effect at the closing date;
- the income statement and the statement of cash flows are converted on the basis of the average foreign currency exchange rates for the period;
- the resulting translation adjustment is recorded in the "Translation adjustments" item included within equity.

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

3.4.2. Translation of foreign currency transactions

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

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

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

3.5. Business combinations

Business combinations are accounted for using the purchase method in accordance with IFRS 3. In accordance with this standard, all assets, liabilities assumed and contingent liabilities are at fair value measured at the acquisition date. The time period for adjustments to goodwill/negative goodwill is limited to 12 months from the date of acquisition.

Assets meeting the criteria of IFRS 5, as described in note 3.22, are recorded at the lower of their net book value and their fair value less costs to sell.

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

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

3.6. Sales

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

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

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

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

3.7. Loyalty programs

The two sub-groups Air France and KLM have a common frequent flyer program *Flying Blue*. This program allows members to acquire "miles" as they fly on Air France, KLM or with other partner companies. These miles entitle members to a variety of benefits such as free flights with the two companies.

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

The estimate takes into consideration the conditions of use of free tickets and other awards. The value of air miles is estimated based on the deferred revenue approach, based on its fair value. Until March 31, 2008, the Group used the discounted incremental cost of the passenger carried (e.g. catering ticket issue costs, etc.) and discounted cost of the miles used on participating partner companies.

The impact of change in accounting policies on the period's financial statements and on comparative figures is disclosed in note 3.1.

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

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

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

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

Such elements can be divided into three categories:

- elements that are both very infrequent and material, such as the recognition in the income statement of negative goodwill;
- elements that have been incurred for both periods presented and may recur in future periods but for which (i) amounts have varied from period to period, (ii) the Group believes that amounts to be incurred in future periods will continue to vary materially in amount and nature such as sales of aircraft equipment and disposals of other assets;
- elements that are by nature unpredictable and non-recurring, if they are material such as restructuring costs or gains/(losses) resulting from specific transactions. The Group considers that materiality must be assessed not only by comparing the amount concerned with the income (loss) from operating activities of the period, but also in terms of changes in the item from one period to the other.

3.9. Earnings per share

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

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

3.10. Financial instruments, valuation of financial assets and liabilities

3.10.1. Valuation of trade receivables and non-current financial assets

Trade receivables, loans and other non-current financial assets are considered to be assets issued by the Group and are recorded at fair value, then subsequently using the amortized cost method less impairment losses, if any. The purchases and sales of financial assets are accounted for as of the transaction date.

3.10.2. Investments in debt and equity securities

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

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

3.10.3. Derivative instruments

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

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

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

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

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

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

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

3.10.4. Convertible bonds

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

3.10.5. Financial assets, cash and cash equivalents

Financial assets at fair value through profit and loss

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

Cash and cash equivalents

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

3.10.6. Long-term debt

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

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

3.11. Goodwill

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

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

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

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

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

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

3.12. Intangible assets

Intangible assets are recorded at initial cost less accumulated amortization and any accumulated impairment losses.

Software development costs are capitalized and amortized over their useful lives. The Group has the necessary tools to enable the tracking by project of all the stages of development, and particularly the internal and external costs directly related to each project during its development phase.

Identifiable intangible assets acquired with a finite useful life are amortized over their useful life from the date they are available for use.

Identifiable intangible assets acquired with an indefinite useful life are not amortized but tested annually for impairment or whenever there is an indication that the intangible asset may be impaired. If necessary, an impairment as described in note 3.14 is recorded.

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

- software 1 to 5 years
- customer relationships 5 to 12 years

3.13. Property, plant and equipment

3.13.1. Principles applicable

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

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

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

3.13.2. Flight equipment

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

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

During the operating cycle, in developing fleet replacement plans, the Group reviews whether the amortizable base or the useful life should be adjusted and, if necessary, determines whether a residual value should be recognized.

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

Aircraft components that allow to insure the use of the fleet are recorded as fixed assets and are amortized on a straight-line basis on the estimated residual life time of the aircraft/engine type on the world market. The useful lives is 30 years as a maximum.

3.13.3. Other property, plant and equipment

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

♦ Buildings	20 to 50 years
♦ Fixtures and fittings	8 to 15 years
♦ Flight simulators	10 to 20 years
♦ Equipment and tooling	5 to 15 years

3.13.4. Leases

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

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

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

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

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

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

3.14. Impairment

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

When it is not possible to estimate the recoverable value for an individual asset, this asset is grouped together with other assets which form a cash generating unit (CGU).

Thus, the Group has determined that the lowest level at which assets shall be tested are the CGUs, which correspond to the Group's operating segments (see segment information).

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

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

3.15. Inventories

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

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

Inventories are valued on a weighted average basis.

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

3.16. Treasury shares

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

3.17. Employee Benefits

The Group's obligations in respect of defined benefit pension plans and termination indemnities on retirement are calculated, in accordance with IAS 19, using the projected units of credit method, factoring in the specific economic conditions in the various countries concerned.

The commitments are covered either by insurance or pension funds or by provisions recorded on the balance sheet as and when rights are acquired by employees.

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

Specific information related to the recognition of some pension plan assets

Pension plans in the Netherlands are generally subject to minimum funding requirements ("MFR") that can involve pension surplus recognition.

These pension surplus constituted by the KLM sub-group are recognized in the balance sheet according to the IFRIC 14 interpretation "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

3.18. Provisions for restitution of aircraft under operating leases

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

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

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

3.19. Other provisions

The Group recognizes a provision in the balance sheet when the Group has an existing legal or implicit obligation to a third party as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amounts recorded as provisions are discounted when the effect of the passage of time is material.

The effect of the time value of money is presented as a component of financial income.

Restructuring provisions are recognized once the Group has established a detailed and formal restructuring plan which has been announced to the parties concerned.

3.20. Equity and debt issuance costs

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

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

3.21. Deferred taxes

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

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

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

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

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

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

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

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

The Group determines on each closing date whether any assets or group of assets meet the above criteria and presents such assets, if any, as "non-current assets held for sale".

Any liabilities related to these assets are also presented on a separate line in liabilities on the balance sheet.

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

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

3.23. Share-based compensation

Pursuant to the transitional provisions of IFRS 2, only the share based plans awarded after November 7, 2002, for which the rights did not vest by April 1, 2004, were valued and recorded as salaries and related costs. The other plans are not valued and remain unrecognized. For the Group, the latter only affects the Shares-for-Salary Exchange realized in 1998.

Stock subscription or purchase option schemes are valued at the fair value on the date the plans are awarded.

The fair value of the stock option schemes is determined using the Black-Scholes model. This model takes into account the features of the plan (exercise price, exercise period) and the market data at the time they are granted (risk-free interest rate, market value of the share, volatility and expected dividends).

This fair value is estimated to be the fair value of the services rendered by the employees in consideration for the options received. It is recognized as salary cost with a corresponding increase to equity over the period for which the rights vest. The compensation cost is adjusted, if applicable, to take into account the number of options effectively vested.

Note 4 Changes in the scope of consolidation

4.1. Acquisitions

Year ended March 31, 2009

Alitalia Compagnia Aero Italiana Spa

On January 12, 2009, Air France-KLM and Alitalia Compagnia Aero Italiana Spa (“Alitalia”) concluded an agreement to reinforce their strategic partnership. This partnership was realized by Air France-KLM taking a minority holding in the Italian company. On March 25, 2009, Air France-KLM subscribed to a reserved capital increase for €323 million. After this operation, Air France-KLM holds 25% of the Alitalia share capital. Alitalia shares have been consolidated by the equity method in the Group consolidated accounts as of March 31, 2009.

Alitalia, consistent with IFRS 3, has been recorded according to the acquisition method.

Acquisition price

Additional costs directly linked to the acquisition of Alitalia have been included in the acquisition price. They mainly correspond to fees paid for accounting, legal, banking and valuation missions.

The Alitalia acquisition price breaks down as follows:

(In € million)	Compensation
Subscription to the reserved capital increase	323
Costs linked to the transaction	7
Total acquisition price	**330**

According to the methodology applicable at the date of inclusion in the scope of an entity, the Group has a 12-month period to value the assets and liabilities of Alitalia. As consequence, the acquisition value has not been allocated between investments inequity associates and a potential goodwill.

Martinair

Martinair company is a Dutch entity operating mainly in cargo business.

On December 17, 2008, the Group bought a further 50% of the airline Martinair, in addition to its existing 50% holding. Consequently, until December 31, 2008, Martinair was consolidated by the equity method. Starting January 1, 2009, it has been fully consolidated in the Group financial accounts.

The acquisition price for the additional 50% amounted to €10 million. This amount is almost equal to the acquired net asset.

Martinair’s contribution to revenues and results over a three-month period (from January to March 2009) amounted, respectively to €170 million and €(20) million.

KLM

During the second quarter of the year ended March 2009, the Group acquired an additional 0.35% of the share capital of KLM. After this acquisition, Air France-KLM held 99.10% of the common shares representing 49% of KLM voting rights. This operation involved negative goodwill amounting to €16 million that has been directly recognized as an operating profit on the line “negative goodwill”.

Based on the Air France-KLM ownership not only of voting shares but also of a financial interest, and the mode of functioning of the Group’s Executive Committee, Air France-KLM has the power to decide the Group’s financial and operational strategies and, therefore, controls KLM. KLM is thus fully consolidated in Air France-KLM’s consolidated financial statements.

Year ended March 31, 2008

KLM

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

VLM Airlines

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

The VLM Airlines' contribution to revenues and results over a one-month period (March 2008) is not significant.

4.2. Disposals

No significant disposal of subsidiaries occurred during the year ended March 31, 2009.

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

Note 5 Information by activity and geographical area

The Group's primary reporting format is business segmentation.

The results, assets and liabilities of the business segments are those that are either directly attributable or that can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments mainly correspond, as far as the income statement is concerned, to the current operating income and, as far as the balance sheet is concerned, to intangible assets, flight equipment and other property, plant and equipment, the share in equity affiliates, some account receivables, deferred revenue on ticket sales and a portion of provisions and retirement benefits.

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

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

The Group's secondary reporting format is geographical segmentation, based on origin of sales.

Only segment revenue is allocated by geographical sales area.

The carrying amount of segment assets by geographical location and the costs incurred to acquire segment assets are not presented, since most of the Group's assets (flight equipment) cannot be allocated to a geographical area.

Business segments

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

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

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

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

Geographical segments

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

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

5.1. Information by business segment

Assets allocated by business segment comprise goodwill, intangible and tangible assets, investments in equity associates and account receivables.

Liabilities allocated by business segment comprise provision for restitution of aircraft, provision for pensions, other provisions when they can be allocated, and deferred revenue on ticket sales.

Year ended March 31, 2009

(In € million)	Passenger	Cargo	Maintenance	Other	Non-allocated	Total
Total sales	19,762	2,874	2,896	1,950	-	27,482
Intersegment sales	(930)	(17)	(1,922)	(643)	-	(3,512)
External sales	***18,832***	***2,857***	***974***	***1,307***	***-***	***23,970***
Income from current operations	(21)	(207)	95	4	-	(129)
Income from operating activities	(21)	(207)	95	4	(64)	(193)
Share of profits (losses) of associates	-	-	-	-	(42)	(42)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(1,011)	(1,011)
Income taxes	-	-	-	-	439	439
Net income from continuing operations	***(21)***	***(207)***	***95***	***4***	***(678)***	***(807)***
Depreciation and amortization for the period	(1,062)	(109)	(259)	(174)	-	(1,604)
Other non-monetary items	(133)	6	-	(51)	(80)	(258)
Total assets	**13,742**	**1,313**	**2,546**	**5,160**	**6,012**	**28,773**
Segment liabilities	5,171	200	611	893	6,723	13,598
Financial debt, bank overdraft and equity	-	-	-	-	15,175	15,175
Total liabilities and equity	**5,171**	**200**	**611**	**893**	**21,898**	**28,773**
Purchase of property, plant and equipment and intangible assets	***1,522***	***135***	***229***	***157***	***-***	***2,043***

Non-allocated assets amounting to €6.0 billion are mainly financial assets held by the Group, comprising marketable securities of €3.4 billion, deferred tax of €0.8 billion, cash of €0.3 billion and derivatives of €1.0 billion.

Non-allocated liabilities amounting to €6.7 billion, mainly comprise a part of provisions and retirement benefits of €1.1 billion, tax and employee-related liabilities of €1.4 billion and derivatives of €3.7 billion.

Financial debts, bank overdraft and equity are not allocated.

Year ended March 31, 2008 (adjusted)

(In € million)	Passenger	Cargo	Maintenance	Other	Non-allocated	Total (adjusted)
Total sales	20,004	2,945	2,859	1,694	-	27,502
Intersegment sales	(839)	(17)	(1,890)	(633)	-	(3,379)
External sales	***19,165***	***2,928***	***969***	***1,061***	***-***	***24,123***
Income from current operations	1,300	39	63	12	-	1,414
Income from operating activities	1,300	39	63	12	(133)	1,281
Share of profits (losses) of associates	-	-	-	-	(24)	(24)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(123)	(123)
Income taxes	-	-	-	-	(359)	(359)
Net income from continuing operations	***1,300***	***39***	***63***	***12***	***(639)***	***775***
Depreciation and amortization for the period	(1,094)	(112)	(226)	(174)	-	(1,606)
Other non-monetary items	42	(18)	17	(161)	(530)	(650)
Total assets	**14,752**	**1,142**	**2,344**	**2,136**	**10,316**	**30,690**
Segment liabilities	4,495	96	383	587	7,193	12,754
Financial debt, bank overdraft and equity	-	-	-	-	17,936	17,936
Total liabilities and equity	**4,495**	**96**	**383**	**587**	**25,129**	**30,690**
Purchase of property, plant and equipment and intangible assets	***1,800***	***117***	***238***	***185***	***-***	***2,340***

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

Non-allocated liabilities amounting to €7.2 billion, mainly comprise trade payables of €2.2 billion, tax and employee-related liabilities of €1.4 billion, deferred tax of €1.4 billion and derivatives of €1.7 billion.

Financial debts, bank overdraft and equity are not allocated.

5.2. Information by geographical area

Sales by geographical area

Year ended March 31, 2009

(In € million)	Europe, North Africa	Caribbean, French Guiana, Indian Ocean	Africa-Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	12,272	371	1,147	2,708	1,439	17,937
Other passenger sales	692	29	39	52	83	895
Total passenger	***12,964***	***400***	***1,186***	***2,760***	***1,522***	***18,832***
Scheduled cargo	1,258	32	186	409	789	2,674
Other cargo sales	105	4	8	35	31	183
Total cargo	***1,363***	***36***	***194***	***444***	***820***	***2,857***
Maintenance	961	-	-	-	13	974
Others	1,263	23	21	-	-	1,307
Total	**16,551**	**459**	**1,401**	**3,204**	**2,355**	**23,970**

Year ended March 31, 2008 (adjusted)

(In € million)	Europe, North Africa	Caribbean, French Guiana, Indian Ocean	Africa-Middle East	Americas, Polynesia	Asia, New Caledonia	Adjustment	Total (adjusted)
Scheduled passenger	12,489	368	1,117	2,807	1,405	9	18,195
Other passenger sales	729	55	35	54	97	-	970
Total passenger	***13,218***	***423***	***1,152***	***2,861***	***1,502***	***9***	***19,165***
Scheduled cargo	1,231	36	206	363	903	-	2,739
Other cargo sales	122	4	8	25	30	-	189
Total cargo	***1,353***	***40***	***214***	***388***	***933***	***-***	***2,928***
Maintenance	959	-	-	-	10	-	969
Others	1,027	23	11	-	-	-	1,061
Total	**16,557**	**486**	**1,377**	**3,249**	**2,445**	**9**	**24,123**

Traffic sales by geographical area of destination

Year ended March 31, 2009

(In € million)	Europe, North Africa	Caribbean, French Guiana, Indian Ocean	Africa-Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	6,983	1,282	2,618	4,191	2,863	17,937
Scheduled cargo	117	183	415	843	1,116	2,674
Total	**7,100**	**1,465**	**3,033**	**5,034**	**3,979**	**20,611**

Year ended March 31, 2008 (adjusted)

(In € million)	Europe, North Africa	Caribbean, French Guiana, Indian Ocean	Africa-Middle East	Americas, Polynesia	Asia, New Caledonia	Adjustment	Total
Scheduled passenger	7,220	1,255	2,527	4,222	2,962	9	18,195
Scheduled cargo	67	190	382	849	1,251	-	2,739
Total	**7,287**	**1,445**	**2,909**	**5,071**	**4,213**	**9**	**20,934**

Note 6 External expenses

Year ended March 31, *(In € million)*	2009	2008
Aircraft fuel	5,703	4,572
Chartering costs	624	658
Aircraft operating lease costs	646	611
Landing fees and en route charges	1,793	1,755
Catering	483	470
Handling charges and other operating costs	1,353	1,331
Aircraft maintenance costs	1,123	1,038
Commercial and distribution costs	1,010	1,176
Other external expenses	2,195	2,203
Total	**14,930**	**13,814**
Excluding aircraft fuel	*9,227*	*9,242*

Note 7 Salaries and number of employees

Salaries and related costs

Year ended March 31, *(In € million)*	2009	2008
Wages and salaries	5,421	5,151
Net periodic pension cost	143	106
Social contributions	1,743	1,647
Expenses related to share-based compensation	30	30
Other expenses	(20)	84
Total	**7,317**	**7,018**

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

Average number of employees

Year ended March 31,	2009	2008
Flight deck crew	8,720	8,259
Cabin crew	22,903	21,605
Ground staff	75,310	74,795
Total	**106,933**	**104,659**

Note 8 Amortization, depreciation and provisions

Year ended March 31, *(In € million)*	2009	2008
Amortization and depreciation		
Intangible assets	47	44
Flight equipment	1,277	1,295
Other property, plant and equipment	280	267
	1,604	**1,606**
Provisions		
Inventories	2	4
Trade receivables	25	(1)
Risks and contingencies	88	14
	115	**17**
Total	**1,719**	**1,623**

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

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

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

Note 9 Other income and expenses

Year ended March 31, *(In € million)*	2009	2008
Joint operation of routes	(31)	(3)
Operations-related currency hedges	103	(24)
Other	40	19
Total	**112**	**(8)**

Note 10 Other non-current income and expenses

Year ended March 31, *(In € million)*	2009	2008
Sales of aircraft equipment	***5***	***9***
Gain on WAM (ex Amadeus GTD) transactions	-	284
Provision for cargo investigation	-	(530)
Restructuring costs	(14)	2
Disposal of subsidiaries and affiliates	13	46
Compensation on slot swaps	14	22
Loss on aircraft held for sale	(54)	-
Other	(45)	(6)
Other non-current income and expenses	***(86)***	***(182)***

Gain on WAM (ex Amadeus GTD) transactions

At March 31, 2008, the €284 million gain on the WAM (ex Amadeus GTD) transaction corresponds to a €202 million reimbursement of the share capital, a €76 million reimbursement of shareholders' loan and a €6 million interest payment. The shares and the loan had been recognized at a value of nil in the Group reinvestment transaction within the LBO operation initiated in July 2005.

Provision for cargo investigation

Please refer to note 29.2.

Restructuring costs

During the last quarter of the year 2008-09, Martinair implemented a voluntary leave plan, in the context of a fleet reduction.

The provision recorded supports the voluntary retirement of the concerned Martinair staff. These retirements will occur over the year 2009-10. It is recorded on the balance sheet in "other creditors – current".

Disposal of subsidiaries and affiliates

No significant disposal of subsidiaries or affiliates occurred during the year ended March 31, 2009.

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

Loss on aircraft held for sale

As of March 31, 2009, this line comprises the impacts of depreciation to fair value of aircraft held for sale for €(54) million (refer to note 13).

Other

As of March 31, 2009, this line comprises the impact of the change in French law concerning pension for €(17) million.

As of March 31, 2008, this line mainly comprises the costs relating to the review of Alitalia's financial situation. This review not having resulted in the acquisition of Alitalia, the costs were recorded in the income statement.

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

Year ended March 31, *(In € million)*	2009	2008
Income from marketable securities	106	113
Other financial income	162	175
Financial income	***268***	***288***
Loan interest	(236)	(225)
Lease interest	(143)	(187)
Capitalized interest	58	46
Other financial expenses	(47)	(21)
Cost of financial debt	***(368)***	***(387)***
Net cost of financial debt	***(100)***	***(99)***
Foreign exchange gains (losses), net	(179)	(71)
Change in fair value of financial assets and liabilities	(715)	65
Net (charge) release to provisions	(14)	(17)
Other	(3)	(1)
Other financial income and expenses	***(911)***	***(24)***
Total	**(1,011)**	**(123)**

The interest rate used in the calculation of capitalized interest is 4.85% for the year ended March 31, 2009 and 4.82% for the year ended March 31, 2008.

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

The change in fair value of financial assets and liabilities recorded as of March 31, 2009 comes mainly from the variation in the ineffective portion of fuel and foreign currency exchange derivatives for €(333) million, as well as from the change in value of derivative instruments no more qualified to hedge accounting for €(382) million.

As of March 31, 2008, the change in fair value of financial assets and liabilities corresponds mainly to the ineffective portion of the variation of the fair value of hedge derivatives.

As of March 31, 2009, the net charge to provisions includes an impairment on the shares in the former Alitalia amounting to €12 million, the latter having filed for bankruptcy protection. This additional provision takes the total write-down to 100% of the shares owned.

As of March 31, 2008, the net charge to provisions included an unrealized loss on shares in the former Alitalia amounting to €13 million, as a result of the significant fall in the stock price during this period.

Note 12 Income taxes

12.1. Income tax charge

Current and deferred income taxes are detailed as follows:

Year ended March 31, *(In € million)*	2009	2008 (adjusted)
Current tax (expense)/income	***99***	***(97)***
(Charge)/income for the year	99	(97)
Deferred tax income/(expense) from continuing operations	***340***	***(262)***
Change in temporary differences	13	(222)
Change in tax rates	-	-
(Use)/recognition of tax loss carryforwards	327	(39)
IFRIC 13 adjustment	-	(1)
Income tax (expense)/income from continuing operations	**439**	**(359)**

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

During the year ended March 31, 2009, the Group recognized a deferred tax asset amounting to €327 million given the realized profits previously and perspectives of recoverability.

12.2. Deferred tax recorded directly in equity

Year ended March 31, *(In € million)*	2009	2008 (adjusted)
Cash flow hedge	1,494	(554)
IFRIC 13 adjustment	-	296
Total	**1,494**	**(258)**

12.3. Effective tax rate

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

Year ended March 31, *(In € million)*	2009		2008 (adjusted)	
Income before tax		***(1,204)***		***1,158***
Theoretical tax calculated with the standard tax rate in France	34.43%	(414)	34.43%	398
Differences in French/foreign tax rates		26		(43)
Negative goodwill		(4)		(10)
Non-deductible expenses		14		143
Non-taxable income		(2)		(85)
Impact of tax loss carryforwards		(58)		(6)
TSDI settlement		-		(31)
IFRIC 13 adjustment		-		(1)
Other		(1)		(6)
Income tax expenses	**36.50%**	**(439)**	**31.0%**	**359**

The tax rates applicable in France and in the Netherlands were set at respectively 34.43% and 25.5% unchanged since last fiscal year.

12.4. Unrecognized deferred tax assets (basis)

Year ended March 31, *(In € million)*	2009	2008
Temporary differences	85	106
Tax losses	294	294
Total	**379**	**400**

As of March 31, 2009, unrecognized deferred tax assets mainly represent a part of tax losses carry forward of Air France group subsidiaries, as well as, tax losses carry forwards in certain subsidiaries in the United Kingdom.

In France, tax losses can be carried forward for an unlimited period. In Netherlands, tax losses can be carried forward until their 9th birthday.

12.5. Deferred tax recorded on the balance sheet

(In € million)	April 1, 2008 (adjusted)	Amounts recorded in income	Amounts recorded in equity	Business combination	Currency translation adjustment	Reclassi-fication	March 31, 2009
Intangible assets	102	13	-	2	-	-	117
Flight equipment	873	56	(119)	(9)	-	11	812
Other property, plant and equipment	169	12	-	(1)	(2)	-	178
Investments in equity associates	-	-	-	-	-	-	-
Other non-current financial assets	98	(161)	-	-	-	-	(63)
Pension assets	562	61	-	-	-	-	623
Other non-current assets	416	71	(204)	-	-	(55)	228
Other short term financial assets	(5)	2	-	-	-	-	(3)
Other current assets	542	(76)	(557)	-	-	25	(66)
Provisions and retirement benefits – non-current	88	(32)	-	(2)	-	-	54
Long-term debt	(414)	1	(16)	-	-	22	(407)
Other non-current liabilities	(325)	73	(500)	-	-	22	(730)
Provisions – current	(15)	11	-	-	-	-	(4)
Deferred revenue on ticket sales	(225)	16	-	-	-	-	(209)
Short term portion of long-term debt	(52)	17	-	-	-	-	(35)
Other current liabilities	(92)	48	(117)	-	-	(20)	(181)
Others	(78)	(125)	19	-	2	(5)	(187)
Deferred tax corresponding to fiscal losses	(257)	(327)	-	(18)	3	-	(599)
Deferred tax (Asset)/Liability	**1,387**	**(340)**	**(1,494)**	**(28)**	**3**	**-**	**(472)**

(In € million)	April 1, 2007	Amounts recorded in income	Amounts recorded in equity	Adjustment	Reclassi-fication	March 31, 2008 (adjusted)
Intangible assets	89	13	-	-	-	102
Flight equipment	616	151	108	-	(2)	873
Other property, plant and equipment	137	32	-	-	-	169
Investments in equity associates	-	-	-	-	-	-
Other non-current financial assets	(100)	198	-	-	-	98
Pension assets	529	37	-	-	(4)	562
Other non-current assets	161	(161)	379	-	37	416
Other short term financial assets	(3)	(2)	-	-	-	(5)
Other current assets	128	3	424	-	(13)	542
Provisions and retirement benefits – non-current	62	28	-	-	(2)	88
Long-term debt	(377)	(30)	(7)	-	-	(414)
Other non-current liabilities	(27)	(13)	(285)	-	-	(325)
Provisions – current	(43)	28	-	-	-	(15)
Deferred revenue on ticket sales	-	1	-	(226)	-	(225)
Short term portion of long-term debt	(23)	(29)	-	-	-	(52)
Other current liabilities	(36)	(13)	(56)	-	13	(92)
Others	(16)	(20)	(5)	-	(37)	(78)
Deferred tax corresponding to fiscal losses	(232)	39	-	(72)	8	(257)
Deferred tax (Asset)/Liability	**865**	**262**	**558**	**(298)**	**-**	**1,387**

Note 13 Assets held for sale and liabilities related to assets held for sale

During the year 2008-09, in the world financial crisis context and with the fall in the traffic, the Group decided to ground 7 aircraft, 6 being held for sale and one being operated under operating lease.

The fair values of these 6 aircraft amount to €93 million and were reclassified on the balance sheet as "assets held for sale".

The provision for future rentals of the operating leased aircraft was reclassified as "liabilities related to assets held for sale" for a €7 million.

The impact on the profit and loss statement recorded in "other non-current income and expense" (note 10) amounts to €(54) million. It mainly comprises a complementary depreciation for €(47) million, and the provision for future rents for €(7) million.

Note 14 Earnings per share

14.1. Income for the period – Group share per share

Reconciliation of income used to calculate earnings per share

Year ended March 31, *(In € million)*	**2009**	**2008 (adjusted)**
Income for the period – Group share	***(814)***	***756***
Dividends to be paid to priority shares	-	-
Income for the period – Group share *(used to calculate basic earnings per share)*	***(814)***	***756***
Impact of potential ordinary shares:		
♦ interest paid on convertible bonds (net of tax)	-	11
Income for the period – Group share *(used to calculate diluted earnings per share)*	***(814)***	***767***

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

Year ended March 31,	2009	2008
Weighted average number of:		
♦ ordinary shares issued	300,219,278	287,730,391
♦ treasury stock held regarding stock option plan	(1,727,705)	(1,648,899)
♦ treasury stock held in stock buyback plan	(812,635)	(232,110)
♦ other treasury stock	(2,968,679)	(1,173,801)
Number of shares *(used to calculate basic earnings per share)*	***294,710,259***	***284,675,581***
Weighted average number of ordinary shares:		
♦ Conversion of convertible bonds	-	22,609,143
♦ Conversion of warrants	-	-
♦ Exercise of stock options	-	481,656
Number of potential ordinary shares	***-***	***23,090,799***
Number of ordinary and potential ordinary shares *(used to calculate diluted earnings per share)*	***294,710,259***	***307,766,380***

14.2. Non-dilutive instruments

As of March 31, 2009

According to the Air France-KLM share average value evolution during the year 2008-09, non-dilutive instruments correspond to all stock options plan described in note 28 and also to the OCEANE described in note 30.

As of March 31, 2008

Non-dilutive instruments corresponded to 417,850 stock options (after forfeited), described in note 28, for an average exercise price of €34.21.

14.3. Instruments issued after the closing date

No instruments were issued after the closing date.

Note 15 Goodwill

Detail of consolidated goodwill

Year ended March 31, *(In € million)*	2009			2008		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
UTA	112	-	112	112	-	112
Régional	60	-	60	60	-	60
BritAir	18	-	18	18	-	18
CityJet	11	-	11	11	-	11
VLM	168	-	168	166	-	166
Aeromaintenance Group	21	-	21	-	-	-
Others	10	-	10	10	-	10
Total	**400**	**-**	**400**	**377**	**-**	**377**

All the goodwill concerns mainly the 'Passenger ' business.

Movement in net book value of goodwill

Year ended March 31 *(In € million)*	2009	2008
Opening balance	***377***	***204***
Acquisitions	15	167
Reclassification	8	6
Disposals	-	-
Closing balance	**400**	**377**

During the year ended March 31, 2009, the Group has acquired additional shares of Aeromaintenance Group which was previously held. The percentage increases from 39.47% to 81.79% as of March 31, 2009. Aeromaintenance Group was consolidated by equity in Group consolidated accounts until March 31, 2009. The historical goodwill, amounting to €8 million, has been transferred from "Investments in equity associates" to "goodwill" and the goodwill on acquisition of new parts recorded for €13 million.

During the year ended March 31, 2008, the Group acquired 100% of the company VLM (see note 4) involving the recognition of a definitive goodwill amounting to €168 million.

Note 16 Intangible assets

(In € million)	**Trademarks and slots**	**Customer relationships**	**Other intangible assets**	**Total**
GROSS VALUE				
Amount as of March 31, 2007	***308***	***107***	***261***	***676***
Additions	1	-	90	91
Change in scope	-	-	3	3
Disposals	-	-	(12)	(12)
Transfer	-	-	1	1
Amount as of March 31, 2008	***309***	***107***	***343***	***759***
Additions	-	-	115	115
Change in scope	7	-	13	20
Disposals	-	-	(2)	(2)
Transfer	-	-	1	1
Amount as of March 31, 2009	***316***	***107***	***470***	***893***
DEPRECIATION				
Amount as of March 31, 2007	***-***	***(47)***	***(205)***	***(252)***
Charge to depreciation	-	(17)	(27)	(44)
Releases on disposal	-	-	12	12
Transfer	-	-	-	-
Amount as of March 31, 2008	***-***	***(64)***	***(220)***	***(284)***
Charge to depreciation	-	(17)	(30)	(47)
Releases on disposal	-	-	-	-
Transfer	-	-	(3)	(3)
Amount as of March 31, 2009	***-***	***(81)***	***(253)***	***(334)***
Net value				
As of March 31, 2008	309	43	123	475
As of March 31, 2009	316	26	217	559

Amounts in “change in scope” during the year 2008-09 correspond to the inclusion in the scope of Martinair (see note 4). The Martinair brand has been acquired by the Group as part of the acquisition of Martinair.

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

Note 17 Impairment

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

As of March 31, 2009, the net book value of the "passenger" business includes €369 million relating to goodwill and €350 million relating to intangible assets with indefinite useful lives.

The recoverable value of the passenger CGU, the Group's main CGU, which corresponds to its value in use, has been determined using:

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

The discount rate used remains at 7% for the years ended March 31, 2009 and 2008. It corresponds to the weighted average cost of the Group's capital.

At the date of testing, an increase of one point of the discount rate or a decrease of one point of growth rate would have no impact on the recoverable value.

In another hand, for the determination of the CGU and according to the definition of assets by component, the Group has made a reclassification to the passenger business of the belies of passenger-business aircraft allocated to the cargo business as operational leases.

No impact on the test of assets value has been generated by this reclassification.

Note 18 Tangible assets

(In € million)	Owned aircraft	Leased aircraft	Assets in progress	Other	Total	Land and buildings	Equipment and machinery	Assets in progress	Other	Total	Total
					Flight equipment					Other tangible assets	
GROSS VALUE											
Amounts as of March 31, 2007	***7,972***	***4,435***	***1,170***	***1,716***	***15,293***	***2,172***	***933***	***145***	***831***	***4,081***	***19,374***
Additions	492	28	1,210	211	1,941	92	105	205	82	484	2,425
Disposals	(493)	(43)	-	(280)	(816)	(53)	(25)	(1)	(71)	(150)	(966)
Changes in consolidation scope	12	-	-	15	27	-	1	2	4	7	34
Fair value hedge	-	-	335	-	335	-	-	-	-	-	335
Transfer	975	(112)	(901)	(24)	(62)	63	24	(130)	35	(8)	(70)
Currency translation adjustment	(12)	(21)	-	(1)	(34)	-	(4)	-	(3)	(7)	(41)
Amounts as of March 31, 2008	***8,946***	***4,287***	***1,814***	***1,637***	***16,684***	***2,274***	***1,034***	***221***	***878***	***4,407***	***21,091***
Additions	253	6	1,127	224	1,610	142	64	114	69	389	1,999
Disposals	(278)	(12)	(5)	(184)	(479)	(17)	(28)	-	(38)	(83)	(562)
Changes in consolidation scope	235	-	-	-	235	19	3	14	1	37	272
Fair value hedge	-	-	(473)	-	(473)	-	1	-	-	1	(472)
Transfer	1,691	(161)	(1,108)	177	599	38	43	(114)	37	4	603
Assets held for sale	(139)	-	-	-	(139)	-	-	-	-	-	(139)
Currency translation adjustment	(18)	(5)	-	-	(23)	-	-	2	(3)	(1)	(24)
Amounts as of March 31, 2009	***10,690***	***4,115***	***1,355***	***1,854***	***18,014***	***2,456***	***1,117***	***237***	***944***	***4,754***	***22,768***
DEPRECIATION											
Amounts as of March 31, 2007	***(2,091)***	***(908)***	***-***	***(743)***	***(3,742)***	***(909)***	***(572)***	***-***	***(593)***	***(2,074)***	***(5,816)***
Charge to depreciation	(801)	(281)	-	(213)	(1,295)	(119)	(76)	-	(72)	(267)	(1,562)
Releases on disposal	267	40	-	284	591	36	22	-	69	127	718
Changes in consolidation scope	(3)	-	-	(10)	(13)	-	(1)	-	(2)	(3)	(16)
Transfer	71	(19)	-	(24)	28	(1)	1	-	-	-	28
Currency translation adjustment	9	17	-	1	27	-	2	-	1	3	30

(In € million)	Flight equipment					Other tangible assets					
	Owned aircraft	Leased aircraft	Assets in progress	Other	Total	Land and buildings	Equipment and machinery	Assets in progress	Other	Total	Total
Amounts as of March 31, 2008	***(2,548)***	***(1,151)***	***-***	***(705)***	***(4,404)***	***(993)***	***(624)***	***-***	***(597)***	***(2,214)***	***(6,618)***
Charge to depreciation	(872)	(250)	-	(205)	(1,327)	(123)	(83)	-	(74)	(280)	(1,607)
Releases on disposal	177	16	-	184	377	16	27	-	36	79	456
Changes in consolidation scope	-		-	-	-	-	7	-	-	7	7
Transfer	(922)	359	-	(41)	(604)	(13)	(12)	-	(9)	(34)	(638)
Assets held for sale	49	-	-	-	49	-	-	-	-	-	49
Currency translation adjustment	16	4	-	-	20	-	-	-	1	1	21
Amounts as of March 31, 2009	***(4,100)***	***(1,022)***	***-***	***(767)***	***(5,889)***	***(1,113)***	***(685)***	***-***	***(643)***	***(2,441)***	***(8,330)***
Net value											
As of March 31, 2008	6,398	3,136	1,814	932	12,280	1,281	410	221	281	2,193	14,473
As of March 31, 2009	6,590	3,093	1,355	1,087	12,125	1,343	432	237	301	2,313	14,438

Note 36 details the amount of pledged tangible assets.

Commitments to property purchases are detailed in notes 35 and 36.

The net book value of tangible assets financed under capital lease amounted to €3,399 million as of March 31, 2009 against €3,417 million as of March 31, 2008.

As of March 31, 2009, the Group has recorded an additional amortization amounting to €(47) million in “Other non-current income and expenses” (see note 13).

Note 19 Capital expenditure

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

Year ended March 31, *(In € million)*	2009	2008
Acquisition of tangible assets	1,999	2,290
Acquisition of intangible assets	114	91
Accounts payable on acquisitions and capitalized interest	(70)	(41)
Total	**2,043**	**2,340**

Note 20 Equity affiliates

Movements over the period

The table below presents the movement in equity affiliates:

(In € million)	WAM Acquisition (Amadeus GTD)	Alpha Plc	Martinair	Kenya Airways	Alitalia	Other	Total
Value of share in investment as of March 31, 2007	**-**	***30***	***84***	***60***	**-**	***54***	***228***
Share in net income of equity affiliates	-	(1)	(33)	8	-	2	(24)
Distributions	-	-	-	(2)	-	(1)	(3)
Change in consolidation scope	-	(29)	-	-	-	(4)	(33)
Transfers and reclassifications	-	-	-	-	-	-	-
Other variations	-	-	9	-	-	6	15
Currency translation adjustment	-	-	-	(4)	-	(2)	(6)
Carrying value of share in investment as of March 31, 2008	**-**	**-**	***60***	***62***	**-**	***55***	***177***
Share in net income of equity affiliates	-	-	(48)	5	-	1	(42)
Distributions	-	-	-	-	-	(2)	(2)
Change in consolidation scope (note 4)	-	-	(12)	-	330	(3)	315
Other variations	-	-	-	-	-	5	5
Currency translation adjustment	-	-	-	(7)	-	-	(7)
Carrying value of share in investment as of March 31, 2009	**-**	**-**	**-**	***60***	***330***	***56***	***446***
Market value for listed companies				22			

As of March 31, 2009, the ownership structure of WAM Acquisition was as follows: 22.09% Air France, 11.05% Iberia, 11.05% Lufthansa, 50.39% Amadelux Investments and 5.42% management.

On December 17, 2008, KLM bought a further 50% of the company Martinair, increasing its holding to 100% of the share capital. Thus, until December 31, 2008, Martinair was consolidated by the equity method. Starting January 1, 2009, it has been fully consolidated in the Group financial accounts.

KLM holds 26% of the capital of Kenya Airways.

On March 25, 2009, Air France-KLM subscribed to a reserved capital increase of the company Alitalia. Following this operation, Air France-KLM holds 25% of the Alitalia share capital. Alitalia shares have been consolidated by the equity method in the Group consolidated accounts as of March 31, 2009. Alitalia's other shareholders are 16 Italian entrepreneurs.

The share of profits (losses) of associates includes, notably, the negative contribution from Martinair amounting to €48 million. This corresponds mainly to the loss on fuel derivatives recorded before the acquisition of shares by the Group. It also comprises a new provision for risk concerning the European Commission inquiry into an alleged conspiracy to fix the price of air shipping services.

As of March 31, 2008, the ownership structure of WAM Acquisition was as follows: 22.08% Air France, 11.04% Iberia, 11.04% Lufthansa, 50.34% Amadelux Investments and 5.50% management.

On June 8, 2007, the Group sold its shares in Alpha Plc, previously held at 26%.

The KLM and P&O Nedlloyd groups each owned 50% of the capital of Martinair.

KLM held 26% of the capital of Kenya Airways.

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

Simplified financial statements of the main equity affiliates

The equity affiliates as of March 31, 2009 mainly concern the following companies, in which the Group has a significant influence:

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

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

♦ **Alitalia**
Alitalia Compagnia Aero Italiana Spa comprises the passenger business of the former Alitalia and the assets acquired with the acquisition of Air One. This company started trading on January 12, 2009 and will serve 73 destinations.

The financial information for the principal equity affiliates for the years ended March 31, 2009 and 2008 (excluding consolidation adjustments) is presented below.

(In € million)	**WAM Acquisition (Amadeus GTD)**	**Martinair**	**Kenya Airways**	**Alitalia***
	12/31/2007	**12/31/2007**	**03/31/2007**	
% holding as of March 31, 2008	22.1%	50.0%	25.7%	
Operating revenues	2,986	951	646	
Operating income	468	(61)	85	
Net income/loss	202	(69)	45	
Stockholders' equity as of March 31, 2008	(635)	242	235	
Total assets	**5,528**	**642**	**839**	
Total liabilities and stockholders' equity	**5,528**	**642**	**839**	
	12/31/2008		**03/31/2008**	**12/31/2008**
% holding as of March 31, 2009	22.1%		25.7%	25%
Operating revenues	2,938		553	ND*
Operating income	557		61	ND*
Net income/loss	184		35	ND*
Stockholders' equity as of March 31, 2009	(539)		235	ND*
Total assets	**5,513**		**760**	**ND***
Total liabilities and stockholders' equity	**5,513**		**760**	**ND***

* *Because Alitalia shares have been acquired on March 25, 2009 and the entity has started its activity on January 12, 2009, no financial condensed information is available at the date of the publication of these financial statements.*

Other information

The share of WAM Acquisition's result that has not been recorded in the Group's consolidated financial statements amounts to €41 million for the year ended March 31, 2009 (€45 million for the year ended March 31, 2008). Given the negative net equity after neutralization of the sum reinvested by the Air France-KLM group, its contribution to the consolidated financial statements is nil.

Note 21 Pension assets

Year ended March 31, *(In € million)*	2009	2008
Opening balance	***2,245***	***2,097***
Net periodic pension (cost)/income for the period	(10)	7
Contributions paid to the funds	255	142
Reclassification	4	
Currency translation adjustment	5	(1)
Closing balance	***2,499***	***2,245***

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

Note 22 Other financial assets

Year ended March 31, *(In € million)*	2009		2008	
	Current	Non-current	Current	Non-current
Financial assets available for sale				
Shares	-	46	-	78
Assets at fair value through profit and loss				
Marketable securities	432	-	185	-
Loans and receivables				
Loans and receivables	121	947	91	934
Miscellaneous financial assets	29	-	27	-
Gross value	***582***	***993***	***303***	***1,012***
Impairment at opening	**-**	***(56)***	**-**	***(54)***
New impairment charge	(2)	-	-	(4)
Use of provision	-	1	-	2
Impairment at closing	***(2)***	***(55)***	**-**	***(56)***
Total	**580**	**938**	**303**	**956**

Financial assets available for sale

(In € million)	Fair Value	% interest	Stockholder's equity	Net income	Stock price *(in €)*	Closing date
As of March 31, 2009						
Club Med*	4	2.00%	494	2	9.05	October 2008
Voyages Fram	9	8.71%	ND	ND	NA	December 2008
Others	33					
Total	**46**					
As of March 31, 2008						
Alitalia*	13	2.00%	726	(211)	0.48	December 2007
Club Med*	13	2.00%	490	(8)	33.95	October 2007
Opodo	-	5.60%	(33)	(55)	NA	December 2006
Voyages Fram	9	8.71%	121	7	NA	December 2007
Others	43					
Total	**78**					

* *Listed company.*

Assets at fair value through profit and loss

It mainly comprises shares in mutual funds that do not meet the "cash equivalents" definition.

Loans and receivables

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

Note 23 Inventory and work in progress

Year ended March 31 *(In € million)*	2009	2008
Aeronautical spare parts	552	499
Other supplies	135	175
Production work in progress	6	5
Gross value	***693***	***679***
Opening valuation allowance	***(172)***	***(102)***
Charge to allowance	(10)	(12)
Use of allowance	12	8
Releases of allowance no longer required	-	-
Reclassification	4	(66)
Closing valuation allowance	***(166)***	***(172)***
Net value of inventory	***527***	***507***

Note 24 Trade accounts receivable

Year ended March 31, *(In € million)*	2009	2008
Airlines	473	579
Other clients:		
♦ Passenger	1,005	1,318
♦ Cargo	269	374
♦ Maintenance	296	301
♦ Other	81	78
Gross value	***2,124***	***2,650***
Opening valuation allowance	***(81)***	***(91)***
Charge to allowance	(31)	(17)
Use of allowance	18	25
Reclassification	8	2
Closing valuation allowance	***(86)***	***(81)***
Net value	***2,038***	***2,569***

Note 25 Other assets

Year ended March 31, *(In € million)*	2009		2008	
	Current	Non-current	Current	Non-current
Suppliers with debit balances	51	-	71	-
French State receivable	113	-	93	-
Derivative instruments	398	626	1,575	1,807
Prepayments	233	2	185	1
Other debtors	276	1	465	2
Gross value	***1,071***	***629***	***2,389***	***1,810***
Opening valuation allowance	***(4)***	***-***	***(7)***	***-***
Charge to allowance	(2)	-	-	-
Use of allowance	-	-	-	-
Release of allowance no longer required	-	-	1	-
Reclassification	-	-	2	-
Closing valuation allowance	***(6)***	***-***	***(4)***	***-***
Net realizable value of other assets	***1,065***	***629***	***2,385***	***1,810***

Note 26 Cash, cash equivalents and bank overdrafts

Year ended March 31, *(In € million)*	2009	2008
Negotiable debt securities (assets at fair value through profit and loss)	48	49
Mutual funds (SICAV) (assets at fair value through profit and loss)	2,635	3,059
Bank deposits (assets at fair value through profit and loss)	735	943
Cash in hand	330	330
Total cash and cash equivalents	***3,748***	***4,381***
Bank overdrafts	(282)	(172)
Cash, cash equivalents and bank overdrafts	***3,466***	***4,209***

Note 27 Equity attributable to equity holders of Air France-KLM SA

27.1. Issued capital

As of March 31, 2009, the issued capital of Air France-KLM comprised 300,219,278 fully paid-up shares. Each share is entitled to one vote. The nominal value of each share amounts to €8.50.

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

As of March 31, *(In number of shares)*	2009	2008
At the beginning of the period	***300,219,278***	***279,365,707***
Issuance of shares for BASA exercise	-	20,853,046
Issuance of shares for OCEANE conversion	-	525
At the end of the period	***300,219,278***	***300,219,278***
Of which: - number of shares issued and paid	*300,219,278*	*300,219,278*
- number of shares issued and not paid	-	-

The shares comprising the issued capital of Air France-KLM are subject to nor restriction nor priority for dividend distribution and reimbursement of the issued capital.

Authorized stock

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

Breakdown of share capital and voting rights

The breakdown of share capital and voting rights is as follows:

	% of capital		*% of voting rights*	
Year ended March 31,	**2009**	**2008**	**2009**	**2008**
French State	16%	16%	16%	16%
Employees and former employees	12%	11%	12%	11%
Treasury shares	2%	2%	-	-
Other	70%	71%	72%	73%
Total	**100%**	**100%**	**100%**	**100%**

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

Other securities giving access to common stock

Equity warrants (BASA)

Following the Exchange Offer of KLM's shares in April 2004, 45,093,299 Equity Warrants for new or existing shares (*Bons d'Acquisition et/ou de Souscription d'Actions*, BASA) were issued. Three BASAs gave to the holder the right to purchase and/or subscribe to 2.066 new or existing shares of Air France-KLM stock, with a par value of €8.50, at an exercise price of €20 per Air France-KLM share. BASA holders had the option, at any time during a 24-month period beginning November 2005, to obtain new or existing shares, at the Group's discretion, upon exercise of the BASAs.

Between April 1 and November 6, 2007, the date of the end of the program, 30,280,575 BASAs were exercised, leading to the issuance of 20,853,046 shares.

The total number of BASAs exercised during the exchange period was 44,783,922, corresponding to 99.3% of the total number of BASAs issued.

OCEANE

Please refer to note 30.2.

27.2. Additional paid-in capital

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

Year ended March 31, *(In € million)*	**2009**	**2008**
Equity part of hybrid instruments	46	46
Other paid-in capital	719	719
Total	**765**	**765**

27.3. Treasury shares

	Treasury shares	
	(Number)	*(In € million)*
March 31, 2007	***2,061,339***	***(30)***
Change in the period	3,271,102	(89)
March 31, 2008	***5,332,441***	***(119)***
Change in the period	557,020	(5)
March 31, 2009	***5,889,461***	***(124)***

As of March 31, 2009, the Group held 1,667,488 shares of its own stock within the framework of stock option programs of KLM. The Group also held 1,140,000 shares of its own stock within the framework of a liquidity agreement approved by the Shareholders' Meeting of July 12, 2007. Finally, the Group held 3,081,973 shares of its own stock without any affectation. All these treasury shares are classified as a reduction of equity.

27.4. Reserves and retained earnings

Year ended March 31, *(In € million)*	**2009**	**2008 (adjusted)**
Legal reserve	67	57
Distributable reserve	1,005	988
Derivatives and available for sale securities reserves	(1,503)	1,819
Other reserves	3,674	3,082
Net income (loss) – Group share	(814)	756
Total	**2,429**	**6,702**

As of March 31, 2009, the legal reserve of €67 million represents 3% of Air France-KLM's issued capital. French company law requires that a limited company (*société anonyme*) allocates 5% of its unconsolidated statutory net result each year to this legal reserve until it reaches 10% of the Group's issued capital. The amount allocated to this legal reserve is deducted from the distributable income for the current year.

This restriction on the payment of dividends also applies to each of the French subsidiaries on an individual statutory basis.

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

Note 28 Share based compensation

28.1. Outstanding share-based compensation plans

Plans	Grant date	Number of shares granted	Start date for option exercise	Date of expiry	Exercise price *(In €)*	Number of options exercised as of 03/31/2009
Stock-option plans						
KLM	06/26/2003	355,379	06/30/2004	06/30/2008	6.48	355,379
KLM	06/25/2004	463,884	06/30/2004	06/25/2009	13.19	149,858
KLM	07/26/2005	390,609	07/31/2005	07/16/2010	13.11	3,500
KLM	07/26/2006	411,105	07/31/2006	07/26/2011	17.83	-
KLM	07/27/2007	428,850	07/31/2007	07/25/2012	34.21	-

➤ Other plans

Plans	Grant date	Number of shares granted	Date of expiry	Exercise price *(In €)*	Number of shares exercised as of 03/31/2009
Air France - ESA 1998 pilots	05/01/1999	15,023,251	05/31/1999	14.00	15,023,251
Air France - KLM – ESA 2003	02/01/2005	12,612,671	02/21/2005	14.00	12,612,671

28.2. Changes in options

	Average exercise price *(In €)*	Number of options
Options outstanding as of March 31, 2007	**14.87**	**1,985,930**
Of which: options exercisable at March 31, 2007	***14.87***	***1,985,930***
Options forfeited during the period	19.02	(59,722)
Options exercised during the period	15.06	(806,500)
Options granted during the period	34.21	428,850
Options outstanding as of March 31, 2008	**19.96**	**1,548,558**
Of which: options exercisable at March 31, 2008	***19.96***	***1,548,558***
Options forfeited during the period	19.60	(36,812)
Options exercised during the period	9.59	(46,060)
Options granted during the period	-	-
Options outstanding as of March 31, 2009	**20.30**	**1,465,686**
Of which: options exercisable at March 31, 2009	***20.30***	***1,465,686***

28.3. Outstanding options by range of exercise prices

Range of exercise prices per share	Number of options	Weighted average remaining life *(years)*	Weighted average exercise price per share *(In €)*
From 10 to 15 euros per share	663,971	0.83	13.15
From 15 to 20 euros per share	391,199	2.32	17.83
From 20 to 35 euros per share	410,516	3.34	34.21
Total	**1,465,486**	**1.93**	**20.30**

28.4. Plans description

KLM stock-option plans

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

Stock-option plans granted by KLM between 2003 and 2004 had a vesting period of three years. The vesting conditions of the options granted by KLM on July 2007, 2006 and 2005 are such that one third of the options vest at grant date with a further one third after one and two years, respectively. Vesting is conditional on KLM achieving predetermined non-market performance criteria.

Air France pilots 1998 Shares-for-salary exchange

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

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

Air France 2003 Shares-for-salary exchange

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

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

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

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

KLM SARs plan

During the period ending March 31, 2009, Share Appreciation Rights (SARs) have been granted by KLM. SARs correspond to plans founded on shares and paid in cash. The number of SARs granted on July 1, 2008 amounts to 153,080. During the year 2008-09, no SARs have been exercised and 1,200 were forfeited.

The vesting conditions of the SARs granted by KLM on July 1, 2008 are such that one third of the options vest at grant date, with a further one third after one and two years, respectively. Vesting is conditional on KLM achieving predetermined non-market performance criteria.

The fair value of the services provided under the SARs plan have been determined according to the market value of the Air France-KLM share at March 31, 2009, €6.7, and amounts to €1 million.

28.5. Salary expenses related to share-based compensation

Year ended March 31, *(In € million)*	Note	2009	2008
ESA 2003		(26)	(28)
Stock option plan		(4)	(2)
Salary expense	**7**	**(30)**	**(30)**

Note 29 Provisions and retirement benefits

(In € million)	Retirement benefits note 29.1	Restitution of aircraft	Restructuring	Litigation	Others	Total
Amount as of March 31, 2007	***990***	***374***	***39***	***92***	***117***	***1,612***
Of which: non-current	*990*	*221*	*32*	*32*	*112*	*1,387*
current	*-*	*153*	*7*	*60*	*5*	*225*
New provision	111	140	-	528	60	839
Use of provision	(352)	(108)	(30)	(9)	(54)	(553)
Reversal of unnecessary provisions	-	-	-	(3)	(2)	(5)
Currency translation adjustment	(12)	(6)	-	-	(3)	(21)
Change in scope	3	1	-	-	4	8
Discount impact	-	1	-	-	-	1
Reclassification	-	-	(1)	-	-	(1)
Amount as of March 31, 2008	***740***	***402***	***8***	***608***	***122***	***1,880***
Of which: non-current	*740*	*273*	*-*	*310*	*116*	*1,439*
current	*-*	*129*	*8*	*298*	*6*	*441*
New provision	150	215	5	21	25	416
Use of provision	(110)	(120)	(3)	(248)	(38)	(519)
Reversal of unnecessary provisions	-	-	-	(1)	-	(1)
Currency translation adjustment	15	5	-	-	2	22
Change in scope	-	48	-	52	4	104
Discount impact	-	-	-	-	-	-
Reclassification	4	(9)	-	(73)	(10)	(88)
Amount as of March 31, 2009	***799***	***541***	***10***	***359***	***105***	***1,814***
Of which: non-current	*799*	*368*	*-*	*67*	*100*	*1,334*
current	*-*	*173*	*10*	*292*	*5*	*480*

Movements in provisions for retirement benefits which have an impact on the income statement are recorded in "salaries and related costs".

As of March 31, 2009, impact of change of French law on pension has been recorded in "Other non-current income and expenses" (see note 10).

Movements in provisions for restructuring which have an impact on the income statement are recorded in "other non-current income and expenses" when the plans concerned have a material impact.

Movements in provisions for restitution of aircraft which have an impact on the income statement are recorded in "provisions" except for discount impact which is recorded in "other financial income and expenses".

Movements in provisions for litigation and in provisions for other risks and charges which have an impact on the income statement are recorded, depending on their nature, in the different lines of the income statement.

29.1. Retirement benefits

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

Pension fund surplus

For a certain number of pension obligations, the Group funds pension funds.

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

Actuarial assumptions used

Actuarial valuations of the Group's benefit obligation were computed as of March 31, 2009 and 2008. These calculations include:

- assumptions on staff turnover, life expectancy and salary inflation;
- a retirement age of 55 to 65 depending on localization and the applicable laws;
- discount rates used to determine the actuarial present value of the projected benefit obligations. The discount rates for each geographical area are determined according to the duration of each plan and applying the average of the main indices published. They are as follows:

Year ended March 31,	2009	2008
Euro zone	Between 4.5% and 5.5%	Between 4.75% and 5.5%
United Kingdom	6.7%	6.5%
USA-Canada	Between 5.75% and 7.18%	Between 5.0% and 6.45%
Other countries	Between 1.4% and 17%	Between 1.7% and 19.5%

The sensitivity of the annual cost and the obligation to variations in the discount rate is as follows:

(In € million)	Sensitivity of the assumptions for the year ended March 31, 2009	Sensitivity of the assumptions for the year ended March 31, 2008
0.25% increase in the discount rate		
Impact on the cost	(32)	(28)
Impact on the obligation	(386)	(383)
0.25% decrease in the discount rate		
Impact on the cost	38	24
Impact on the obligation	386	383

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

Year ended March 31,	2009	2008
Euro zone	Between 4.0% and 7.0%	Between 4.0% and 6.75%
United Kingdom	Between 5.9% and 6.7%	Between 4.9% and 6.8%
USA-Canada	Between 5.7% and 7.0%	Between 5.5% and 7.0%
Other countries	Between 4.0% and 9.48%	Between 4.0% and 10.0%

The expected average long-term rates of return for plan assets have been determined based on the expected long-term rates of return of the different asset classes: equities, bonds, real estate or other, weighted according to the asset allocation strategy in these schemes.

- Assumption on increase in healthcare costs:

Year ended March 31,	2009	2008
USA-Canada	Between 9.5% and 10.0%	Between 9.5% and 11.0%

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

(In € million)	Sensitivity of the assumptions for the year ended March 31, 2009	Sensitivity of the assumptions for the year ended March 31, 2008
1% increase in healthcare costs		
Impact on the cost	-	1
Impact on the obligation	4	4
1% decrease in healthcare costs		
Impact on the cost	-	(1)
Impact on the obligation	(4)	(4)

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

	Pension benefits		Other benefits	
Year ended March 31,	2009	2008	2009	2008
Discount rate	5.54%	5.53%	6.97%	5.92%
Salary inflation rate	2.65%	2.65%	-	-
Expected long-term rate of return on plan assets	6.20%	5.80%	-	-

Changes in benefit obligations

The following chart details the reconciliation between the benefits obligation and plan assets of the Group and the amounts recorded in the financial statements for the years ended March 31, 2009 and 2008.

(In € million)	Pension benefits		Other benefits	
	2008-09	2007-08	2008-09	2007-08
Benefit obligation at beginning of year	***10,873***	***11,582***	***36***	***54***
Service cost	307	359	-	1
Interest cost	606	529	2	2
Employees' contribution	38	34	-	-
Plan amendments	15	90	-	-
Change of scope	-	3	-	-
Settlements/curtailments	(9)	(6)	-	(11)
Benefits paid	(487)	(473)	(2)	(3)
Actuarial loss/(gain)	(253)	(1,167)	(5)	(1)
Currency translation adjustment	(30)	(78)	4	(6)
Benefit obligation at end of year	***11,060***	***10,873***	***35***	***36***
Including benefit obligation resulting from schemes totally or partly financed	*10,891*	*10,716*	-	-
Including not-financed benefit obligation	*169*	*157*	*35*	*36*
Fair value of plan assets				
at beginning of year	13,176	13,404	-	-
Actual return on plan assets	(2,027)	(208)	-	-
Employers' contributions	350	476	-	-
Employees' contributions	38	34	-	-
Change of scope	-	-	-	-
Settlements/curtailments	-	-	-	-
Benefits paid	(474)	(458)	-	-
Currency translation adjustment	(32)	(72)	-	-
Fair value of plan assets at end of year	***11,031***	***13,176***	**-**	**-**
Net amount in balance sheet				
Funded status	(29)	2,303	(35)	(36)
Unrecognized prior service cost	242	262	-	-
Unrecognized actuarial (gains)/losses	1,524	(1,028)	(2)	4
Prepaid (accrued) pension cost	***1,737***	***1,537***	***(37)***	***(32)***
Amounts recorded in the balance sheet*:				
Pension asset (note 21)	2,499	2,245	-	-
Provision for retirement benefits	(762)	(708)	(37)	(32)
Net amount recognized	***1,737***	***1,537***	***(37)***	***(32)***

(In € million)	Pension benefits		Other benefits	
	2008-09	**2007-08**	**2008-09**	**2007-08**
Net periodic cost:				
Service cost	307	359	-	1
Interest cost	606	529	2	2
Expected return on plan assets	(762)	(781)	-	-
Settlement/curtailment	(10)	(2)	-	(11)
Amortization of prior service cost	36	17	-	-
Amortization of unrecognized actuarial (gain) loss	(19)	(10)	-	-
Other	-	-	-	-
Net periodic cost	***158***	***112***	***2***	***(8)***

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

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

(In € million)	Benefit obligation	Fair value of plan assets	Funded status	Experience adjustments on Benefit obligation	Experience adjustments on Plan asset
As of March 31, 2007	11,636	13,404	1,768	230	207
As of March 31, 2008	10,909	13,176	2,267	(95)	(989)
As of March 31, 2009	11,095	11,031	(64)	(133)	(2,788)

Asset allocation

The weighted average allocation of funds invested in Group pension plans as of March 31, 2009 and 2008 is as follows:

Year ended March 31,	Funds invested	
	2009	**2008**
Equities	34%	38%
Bonds	55%	49%
Real estate	9%	11%
Insurer assets	1%	1%
Short term investments	1%	1%
Other	-	-
Total	**100%**	**100%**

Expected cash outflows

The table below shows the expected cash outflows on pensions and other post-employment benefits, as of March 31, 2009, over the next ten years:

(In € million)	**Pensions and similar benefits**
Estimated contribution to be paid in 2009-10	***356***
Estimated benefit payments:	
2010	503
2011	480
2012	510
2013	509
2014	518
2015-19	2,946

29.2. Other provisions

Provision for litigation with third parties

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

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

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

Litigations concerning anti-trust laws

a) Investigation of the Competition Authorities into the airfreight business

Air France and KLM are involved, since February 2006, with twenty-five other airlines in anti-trust investigations conducted by the competition authorities of a number of countries about possible agreements and for concerted practices between undertakings in air shipping services.

In July 2008, Air France and KLM concluded a Plea Agreement ending the anti-trust procedure in the United States, against the payment of a USD 350 million fine (USD 210 million for Air France and USD 140 million for KLM), corresponding to €221 million.

During the second Semester of the 2008-09 period, Air France and KLM concluded agreements ending anti-trust procedures in Canada and Australia. The agreement in Australia entailed the payment over the same period of a 6 million Australian dollars fine, i.e. €3.6 million (3 million Australian dollars for Air France and 3 million Australian dollars for KLM). The agreement in Canada entails the payment of a 9 million Canadian dollars fine, i.e. €5.7 million, which was provisioned as of March 31, 2009 (4 million Canadian dollars for Air France and 5 million Canadian dollars for KLM).

The procedure with EU is still under way as of March 31, 2009. A decision is expected in the second half of the 2009 calendar year. The provision recorded in the books as of March 31, 2009 to face the risk of the two companies to be condemned by the EU Commission still represent the best estimation of the risk supported as of March 31, 2009.

Finally, the Competition Authorities do not allege that the holding company Air France-KLM would have taken part in illicit practices. Nevertheless, as the mother company of the Group, Air France-KLM is considered by the EU Commission as jointly and severally responsible for illicit practices for which Air France and KLM would be responsible.

Procedures in Switzerland, Brazil, South Korea and South Africa are also still under way as of the closing date. They do not give rise to the constitution of provisions, as the Group is not able at this stage of procedures to determine the risks supported, which as regards the concerned sales, are not individually significant.

Martinair, a subsidiary wholly owned by KLM since January 1, 2009 is also involved the investigation of competition authorities in USA, Europe, Canada, Australia and South Africa.

Martinair concluded a Plea Agreement in the USA for USD 42 million (i.e. €28.4 million) in June 2008 and partially paid for USD 4.7 million as well as an agreement in Australia for 5 million Australian dollars in February 2009 (i.e. €2.5 million). Other procedures under way in Europe and Canada gave rise to the booking of provisions for €24.2 million.

Regarding South Africa, Martinair did not book any provision, as the amount of possible incurred penalty is not deemed significant.

The amount recorded in Air France and KLM as of March 31, 2009 regarding investigations from competition authorities of the concerned states in the airfreight business amounts to €316 million, including related costs.

b) Investigation of the European Commission into the passenger business between Europe and Japan

Air France and KLM, as other airlines, were subject, on March 11, 2008, to a down-raid and professional documents were seized within the framework of an European Commission investigation into possible agreements or concerted practices between undertakings in the air transportation business between the States concerned by the EEC agreement and Japan.

As of February 13, 2009, Air France and KLM answered a questionnaire from the Commission recalling the context of air political relationships between France and the Netherlands on one side, and Japan on the other side. These relationships are regulated by bilateral agreements that indicate that fares must be approved by the civil aviation regulators of the two States after agreement between the air carriers named in these agreements.

As March 31, 2009, this procedure is still under way and the Group is unable to predict the outcome of these investigations by the European Commission.

c) Civil actions relating to airfreight business

As of March 31, 2009, over 140 purported class action lawsuits had been filed in the USA against air freight operators including Air France, KLM, Martinair and other cargo carriers.

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

Most of these actions have been transferred and pooled before the US District Court of the Eastern District of NewYork. The Group intends to defend these cases. As the other cargo carriers, in July 2007 Air France, KLM and Martinair filed a motion to dismiss the claims of plaintiffs.

As of September 26, 2008, the Judge recommended the District Judge to decide to dismiss the plaintiffs, but to allow them to file new requests based on the breach of anti-trust federal laws ("dismissal without prejudice"). On the contrary, if this recommendation should be adopted, the plaintiffs that had based their demands on the breach of European competition rights and/or anti-trust law adopted individually by each of the states of the United States would not be allowed to file new requests to the Court ("dismissal without prejudice").

The District Judge should give his opinion during 2009.

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

d) Civil actions relating to air passenger business

As of September 30, 2008, two purported class action lawsuits had been filed in the USA against air passenger operators including Air France, KLM and Air France-KLM, respectively in Philadelphia and in New-York. The plaintiffs allege that the defendants engaged in a conspiracy to fix the price of air fares or surcharges on relationships between Europe and Japan and transatlantic relationships.

Air France, KLM and Air France-KLM intend to defend these cases, which they judge illegitimate. At this stage, Air France and KLM filed a motion to dismiss the claims of plaintiffs. The Air France-KLM group is unable to predict the outcome of these procedures which are only at a preliminary stage.

Other provisions

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

29.3. Contingent liabilities

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

a) Pretory

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

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

b) KLM minority shareholders

The *Dutch association Vereniging van Effectenbezitters* (VEB) together with an individual KLM shareholder have served Air France-KLM (in its capacity of priority shareholder) and KLM with a claim that KLM be ordered to acknowledge entitlement of minority shareholders of KLM to a higher dividend over the fiscal year 2007-08 and pay the same, claiming that the dividend that was declared is unfair and not equitable and that the special rights of minority shareholders have not been observed. Proceedings have been brought before the Amsterdam court and are in a first stage only. It is yet too early to assess the outcome.

To Air France-KLM's knowledge, there is no other litigation, arbitration or exceptional fact that could have or have had in the recent past a material impact on the financial position, the profitability or patrimony of the Group.

Other than the points indicated in notes 29.2 and 29.3, to the Group's knowledge, there is no other litigation, arbitration or other threatened or pending disputes that could have or has had, for a period covering at least the last twelve months, a material impact on the financial position or the profitability of the issuer and/or the Group.

Note 30 Financial debt

Year ended March 31, *(In € million)*	2009	2008
Non-current financial debt		
Perpetual subordinated loan stock in Yen	228	190
Perpetual subordinated loan stock in Swiss francs	277	267
OCEANE (convertible bonds)	393	389
Bonds	750	750
Capital lease obligations (non-current portion)	3,381	3,441
Other long-term debt (non-current portion)	2,835	1,877
Total	**7,864**	**6,914**
Current financial debt		
Capital lease obligations (current portion)	512	524
Other short-term debt (current portion)	761	310
Accrued interest	80	71
Total	**1,353**	**905**

30.1. Perpetual subordinated loan stock

30.1.1. Perpetual subordinated loan stock in Yen

The perpetual subordinated loan stock in Yen was issued by KLM in 1999 for a total amount of 30 billion Yen, i.e. €228 million as of March 31, 2009.

The perpetual subordinated loan stock in Yen is subject to the payment of a coupon considered to be fixed-rate (5.065% on a 10 billion Yen portion, and 4.53% on a 20 billion Yen portion) after swaps.

The debt is perpetual and reimbursable at nominal value at the Group's discretion; the reimbursement date is expected to be August 28, 2019. The reimbursement does not involve a premium. A premium would be due if the debt were to be reimbursed in a currency other than the yen. The borrower would also have to reimburse the issuer for all reasonable legal fees.

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

30.1.2. Perpetual subordinated loan stock in Swiss francs

The perpetual subordinated loan stock in Swiss francs was issued by KLM in two tranches in 1985 and 1986 for a total original amount of 500 million Swiss francs. The subordinated loan amounts to 420 million Swiss francs, i.e. €277 million as of March 31, 2009.

The loan is reimbursable at any time by the Group at nominal value.

This loan is subject to the payment of a coupon considered to be fixed-rate (5¾% on a 270 million Swiss francs portion and 2⅞% on a 150 million Swiss francs portion) for the years ended March 31, 2009 and 2008.

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

30.2. OCEANE (Convertible bonds)

On April 22, 2005, the company Air France, a subsidiary of the Air France-KLM group, issued convertible bonds maturing in 15 years. The conversion option allows for conversion and/or exchange at any time into new or existing Air France-KLM shares (OCEANE). 21,951,219 bonds were issued for a total amount of €450 million. Each bond has a nominal value of €20.50. As of March 31, 2009, the conversion ratio is 1.03 Air France-KLM shares for one bond.

The maturity date for this convertible bond is April 1, 2020. Bonds holders may ask for reimbursement as of April 1, 2012 and April 1, 2016. Air France holds a call option triggering early cash reimbursement which can be exercised starting April 1, 2010 under certain conditions prompting OCEANE holders to convert into Air France-KLM shares. The annual coupon is 2.75% payable in arrears at the end of each period ended April 1.

The conversion period of these bonds runs from June 1, 2005 to March 23, 2020.

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

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

30.3. Bonds

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

- amount: €750 million;
- coupon: 4.75%;
- maturity date: January 22, 2014.

30.4. Capital lease commitments

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

As of March 31, *(In € million)*	**2009**	**2008**
Aircraft		
Future minimum lease payments – due dates		
N+1	609	635
N+2	587	572
N+3	597	539
N+4	366	545
N+5	425	302
Over 5 years	1,644	1,708
Total	**4,228**	**4,301**
Including: Principal	*3,534*	*3,588*
Interest	*694*	*713*

As of March 31, *(In € million)*	2009	2008
Buildings		
Future minimum lease payments – Due dates		
N+1	33	36
N+2	33	34
N+3	33	33
N+4	32	33
N+5	30	30
Over 5 years	132	156
Total	**293**	**322**
Including: Principal	*217*	*242*
Interest	*76*	*80*
Other property, plant and equipment		
Future minimum lease payments – Due dates		
N+1	27	32
N+2	14	14
N+3	14	14
N+4	14	14
N+5	14	14
Over 5 years	191	182
Total	**274**	**270**
Including: Principal	*142*	*135*
Interest	*132*	*135*

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

30.5. Other long-term debt

Other long-term debt breaks down as follows:

Year ended March 31, *(In € million)*	2009	2008
Flight equipment securitization	312	339
Reservation of ownership clause and mortgage debt	1,170	963
Other long term debt	2,114	885
Total	**3,596**	**2,187**

Flight equipment securitization

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

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

- a senior A1 floating rate tranche of €98 million initially with a final maturity of July 20, 2013. As of March 31, 2009, this tranche's book value amounted to €48 million, compared with €59 million as of March 31, 2008;
- a senior A2 fixed rate (4.575%) non-amortized tranche of €194 million with a final maturity of July 20, 2013;
- a mezzanine floating rate B tranche of €143 million with a final maturity of July 20, 2013. As of March 31, 2009, this tranche's book value amounted to €70 million, compared with €86 million as of March 31, 2008;

Reservation of ownership clause and mortgage debt

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

30.6. Maturity analysis

The maturities of financial debts break down as follows:

Year ended March 31, *(In € million)*	**2009**	**2008**
Maturities in		
N+1	1,657	1,249
N+2	1,326	949
N+3	1,050	921
N+4	1,381	908
N+5	1,778	1,190
Over 5 years	3,781	4,500
Total	**10,973**	**9,717**
Including: Principal	*9,217*	*7,819*
Interest	*1,756*	*1,898*

As of March 31, 2009, expected financial costs amount to €305 million for 2009-10, €968 million for the periods from 2010-11 until 2013-14, and €483 million thereafter.

30.7. Currency analysis

The breakdown of financial debt by currency after impact of derivative instruments is as follows:

Year ended March 31, *(In € million)*	**2009**	**2008**
Euro	7,953	6,969
US dollar	851	699
Swiss franc	278	264
Pound Sterling	152	50
Other	(17)	(163)
Total	**9,217**	**7,819**

The "Other" line mainly comprises the fair value of a "cross currency swap" hedging perpetual loans in JPY and CHF.

30.8. Credit lines

The Group had credit lines amounting to €2,006 million as of March 31, 2009. The three main credit lines, undrawn as of March 31, 2009, amounted respectively, to €1,200 million, €540 million and to €250 million. €790 million mature in 2010 and €1,200 million mature in 2012.

On October 17, 2008, Air France drew down €500 million, with a 6-month maturity, of the €1.2 billion credit facility. The maturity of this credit line has been 6-months extended as of April 17, 2009. Entity Air France-KLM drew down €250 million on March 24, 2009.

Note 31 Deferred revenue on ticket sales

"Deferred revenue on ticket sales" that amounts to €3,048 million includes €915 million corresponding to the *Flying Blue* debt (see note 3.1).

Note 32 Other liabilities

Year ended March 31, *(In € million)*	**2009**		**2008**	
	Current	**Non-current**	**Current**	**Non-current**
Tax liabilities	497	-	405	-
Employee-related liabilities	925	-	1,014	-
Non-current assets' payables	231	-	202	-
Financial derivatives	1,673	2,001	984	667
Deferred income	47	-	66	-
Other	949	169	480	152
Total	**4,322**	**2,170**	**3,151**	**819**

The "other" debts as of March 31, 2009 include an amount of €167 million corresponding to the lose early terminated fuel hedges. According to the rule IAS 39, this amount will be recycled in the income statement when the hedged item (future fuel purchase) will affect the income statement.

Note 33 Financial instruments

33.1. Risks management

Market risk management

Market risk coordination and management is the responsibility of the Risk Management Committee (RMC) which comprises the Chief Executive Officer and the Chief Financial Officer of Air France, the Chief Executive Officer and the Chief Financial Officer of KLM. The RMC meets each quarter to review Group reporting of the risks relating to the fuel price, the principal currency exchange rates and interest rates, and to decide on the hedging to be implemented: targets for hedging ratios, the time periods for the respect of these targets and, potentially, the preferred types of hedging instrument. The aim is to reduce the exposure of Air France-KLM and, thus, to preserve budgeted margins. The decisions taken by the RMC are implemented by the treasury and fuel purchasing departments within each company, in compliance with the procedures governing the delegation of powers. In-house procedures governing risk management prohibit trading or speculation.

Regular meetings are held between the fuel purchasing and treasury departments of both companies in order to exchange information concerning matters such as hedging instruments used, strategies planned and counterparties.

The cash management departments of each company circulate information on the level of cash and cash equivalents to their respective executive managements on a daily basis. Every month, a detailed report including, amongst other information, interest rate and currency positions, the portfolio of hedging instruments, a summary of investments and financing by currency and the monitoring of risk by counterparty is transmitted to the executive managements. The instruments used are swaps and options.

The policy on fuel hedging is the responsibility of the fuel purchasing departments which are also in charge of purchasing fuel for physical delivery. Counterparty quality is verified by the financial departments. A weekly report is supplied to the executive managements. This mainly covers the transactions carried out during the week, the valuation of all positions, the hedge percentages as well as the breakdown of instruments and the underlyings used, average hedge levels and the resulting net prices, as well as commentary market. All these data cover the current year and next four financial years. Furthermore, a weekly Air France-KLM group report (known as the GEC Report) consolidates the figures from the two companies relating to fuel hedging. The instruments used are swaps and options.

Currency risk

Most of the Group's revenues are generated in euros. However, because of its international activities, the Group incurs a foreign exchange risk. The principal exposure is to the US dollar, and then, to a lesser extent, to pound sterling and the Japanese yen. Thus, any changes in the exchange rates for these currencies relative to the euro may have an impact on the Group's financial results.

With regard to the US dollar, since expenditures such as fuel, operating lease or component costs exceed the level of revenue, the Group is a net buyer. This means that any significant appreciation in the dollar against the euro could result in a negative impact on the Group's activity and financial results.

Conversely, Air France-KLM is a net seller of the yen and of sterling, the level of revenues in these currencies exceeding expenditure. As a result, any significant decline in these currencies relative to the euro could have a negative effect on the Group's activity and financial results.

In order to reduce their currency exposure, the Group has adopted hedging strategies.

For the US dollar, both companies hedge progressively their net exposure over a rolling 12 months. In particularly favourable market conditions, the hedging period may be extended to several financial years.

For the other currencies, hedging levels depend on market conditions and may reach 70% of the exposure for the current year and, in certain cases, the next few financial years if conditions are very favourable.

Aircraft are purchased in US dollars, meaning that the Group is highly exposed to a rise in the dollar against the euro for its aeronautics investments. The hedging policy plans the progressive and systematic implementation of hedging between the date of the aircraft order and their delivery date.

The exchange rate risk on the Group's financial debt is limited. At March 31, 2009, 88% of the Group's gross debt, after taking into account derivative instruments, was issued in or converted into euros, thereby sharply reducing the risk of currency fluctuations on the debt.

Despite this active hedging policy, not all exchange rate risks are covered, notably in the event of a major currency fluctuation. The Group and its subsidiaries might then encounter difficulties in managing currency risks, which could have a negative impact on the Group's business and financial results.

Interest rate risk

At both Air France and KLM, most financial debt is contracted in floating-rate instruments in line with market practice. However, given the historically low level of interest rates, Air France and KLM have used swap strategies to convert a significant proportion of their floating-rate debt into fixed rates. After swaps, the Air France-KLM group's gross debt contracted at fixed rates represents 65% of the overall total.

Given this policy, the Group has negative net exposure to interest rates, the cash invested at variable rates exceeding the debt at floating rates. Air France-KLM is thus exposed to a fall in interest rates.

Fuel price risk

Risks linked to the jet fuel price are hedged within the framework of a hedging strategy for the whole of the Air France-KLM group. This strategy has been suspended in November 2008: no new position, termination of positions already subscribed in order to reduce significatively the risk of decrease and to benefit from the level of the current market. Nevertheless, this strategy was based until this date on the following principles:

Minimum hedge percentage

- quarter underway: 65% of the volumes consumed;
- quarter 1 to quarter 4: 65% of the volumes consumed;
- quarter 5 to quarter 8: 45% of the volumes consumed;
- quarter 9 to quarter 12: 25% of the volumes consumed;
- quarter 13 to quarter 16: 5% of the volumes consumed.

Underlyings

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

Instruments

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

The hedging strategy used previously is under modification; it will be of course approved by the RMC.

The main evolution expected will be to reduce the horizon (24 months in place of 48), to have volumes globally protected to less than one year of consumption (in place of 2 currently), finally to use only option structures that open a large potential to the decrease.

Investment risks

Given the current financial market crisis, the cash resources of Air France, KLM and Air France-KLM are currently invested in short term, primarily money market mutual funds and certificates rated A1 or P1. A portion of KLM's liquid assets is invested in foreign-currency AAA-rated bonds, in order to reduce the currency risk on the debt.

Counterparty risk management

Transactions which can lead to counterparty risk for the Group are as follows:

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

As at March 31, 2009, the Group identified the following exposure to counterparty risk:

LT Rating (Standards & Poors)	Total exposure *(In € million)*
AAA	352
AA	25
AA-	6
A+	644
A	246
Total	**1,273**

At March 31, 2009, the exposure is mainly constituted by the fair market value of the short term marketable securities.

At March 31, 2008 the Group did not identify any significant counterparty risk.

33.2. Derivative instruments

➤ Year ended March 31, 2009

Book value (In € million)	Assets		Liabilities	
	Non-current	Current	Non-current	Current
Currency exchange risk (operating and financial operations)				
Fair value hedge	62	24	13	33
Cash flow hedge	36	70	34	62
Fair value through profit and loss	-	8	1	2
Interest rate risk (operating and financial operations)				
Cash flow hedge	-	-	57	2
Fair value hedge	13	-	34	2
Fair value through profit and loss	-	-	13	-
Commodities risk				
Fair value hedge	-	-	-	-
Cash flow hedge	515	296	1,837	1,350
Fair value through profit and loss	-	-	12	222
Total	**626**	**398**	**2,001**	**1,673**

➤ Year ended March 31, 2008

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

Exposure to interest rate risk

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

➤ Year ended March 31, 2009

(In € million)	Nominal	Maturity below 1 year	Maturity between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging								
Interest rate swaps	2,672	358	274	348	291	257	1,144	(59)
Operations qualified as fair value hedging								
Interest rate swaps	528	123	176	119	54	27	29	(23)
Operations qualified as fair value through profit and loss	***160***	***29***	***-***	***-***	***29***	***-***	***102***	***(13)***
TOTAL	**3,360**	**510**	**450**	**467**	**374**	**284**	**1,275**	**(95)**

➤ Year ended March 31, 2008

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

These instruments have different purposes:

- hedging fair value risk relating to fixed-rate financial debt:
  In contracting a fixed-rate debt, the Group is exposed to an opportunity risk if the rate decreases. Given the current level of market rates compared with the fixed contractual rates on part of its debt, the Group entered into a number of fixed to floating-rate swaps;
- hedging of cash-flow risk relating to floating-rate financial debt:
  The Group has sought to fix the rate of certain floating-rate loans and has thus entered into a number of floating to fixed-rate swaps.

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

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

Year ended March 31, *(In € million)*	2009				2008			
	Before hedging		After hedging		Before hedging		After hedging	
	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed-rate financial assets and liabilities								
Fixed-rate financial assets	***2,800***	***3.9%***	***2,800***	***3.9%***	***1,918***	***4.8%***	***1,918***	***4.8%***
Perpetual subordinated loans	505	4.9%	507	4.8%	457	5.5%	500	4.6%
OCEANE (convertible bond)	393	2.8%	393	4.2%	389	2.8%	389	4.2%
Bonds	750	4.8%	750	4.8%	750	4.7%	750	4.7%
Other financial debts	2,126	5.5%	4,292	4.4%	2,317	6.3%	4,198	4.6%
Fixed-rate financial liabilities	***3,774***	***5.0%***	***5,942***	***4.4%***	***3,913***	***5.5%***	***5,837***	***4.6%***
Floating-rate financial assets and liabilities								
Floating-rate financial assets	***2,466***	***4.3%***	***2,466***	***4.3%***	***3,722***	***5.3%***	***3,722***	***5.3%***
Other financial debts	5,443	4.4%	3,275	4.4%	3,906	4.7%	1,982	4.9%
Bank overdraft	282	-	282	-	172	-	172	-
Floating-rate financial liabilities	***5,725***	***4.4%***	***3,557***	***4.4%***	***4,078***	***4.7%***	***2,154***	***4.9%***

Exposure to exchange rate risk

Current operations

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

Acquisition of flight equipment

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

Long-term debt and capital leases

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

Nominal amounts of forward currency hedges and swaps are shown below, based on the nature of the hedging instrument.

➤ Year ended March 31, 2009

(In € million)		Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
				1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Exchange risk (cash flow hedging of operating flows)		***1,643***	***1,159***	***288***	***153***	***20***	***11***	***12***	***10***
Exchange rate options									
US Dollar		74	47	27	-	-	-	-	2
Yen		220	122	64	34	-	-	-	(20)
Other currencies		*102*	*90*	*12*	-	-	-	-	*5*
Forward purchases									
US Dollar		323	179	68	41	12	11	12	5
Forward sales									
US Dollar		143	109	34	-	-	-	-	(16)
Yen		207	74	79	54	-	-	-	(4)
Pound sterling		225	225	-	-	-	-	-	21
Norwegian Krone		111	111	-	-	-	-	-	5
Swiss franc		49	49	-	-	-	-	-	-
Other currencies		110	110	-	-	-	-	-	7
Others									
US Dollar		40	4	4	24	8	-	-	7
Yen		39	39	-	-	-	-	-	(2)
Exchange risk (fair value hedging of flight equipment acquisition)		***2,070***	***960***	***658***	***178***	***51***	***8***	***215***	***40***
Forward purchases									
US Dollar		1,972	922	626	150	51	8	215	33
Exchange rate options	*US Dollar*	*98*	*38*	*32*	*28*	-	-	-	*7*
Exchange risk (trading)		***204***	***204***	**-**	**-**	**-**	**-**	**-**	***5***
Forward purchases	*US Dollar*	*130*	*130*	-	-	-	-	-	*3*
Exchange rate options	*US Dollar*	*51*	*51*	-	-	-	-	-	*3*
Other	*US Dollar*	*23*	*23*	-	-	-	-	-	*(1)*
Total		**3,917**	**2,323**	**946**	**331**	**71**	**19**	**227**	**55**

➤ Year ended March 31, 2008

(In € million)		Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
				1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Exchange risk (cash flow hedging of operating flows)		***3,856***	***1,900***	***1,004***	***714***	***71***	***19***	***148***	***(219)***
Exchange rate options									
US Dollar		2,207	1,003	653	551	-	-	-	(197)
Yen		180	90	71	19	-	-	-	(1)
Forward purchases									
US Dollar		658	259	196	120	51	11	21	(56)
Forward sales									
US Dollar		59	26	33	-	-	-	-	8
Yen		123	54	48	21	-	-	-	1
Pound sterling		132	132	-	-	-	-	-	8
Norwegian Krone		129	129	-	-	-	-	-	1
Swiss franc		56	56	-	-	-	-	-	(1)
Other currencies		139	139	-	-	-	-	-	2
Others									
US Dollar		173	12	3	3	20	8	127	16
Exchange risk (fair value hedging of flight equipment acquisition)		***4,478***	***1,319***	***1,337***	***847***	***662***	***133***	***180***	***(458)***
Forward purchases									
US Dollar		4,313	1,271	1,276	816	637	133	180	(453)
Exchange rate options	*US Dollar*	*94*	*2*	*36*	*31*	*25*	-	-	*(4)*
Exchange risk (trading)									
Forward purchases	*US Dollar*	*71*	*46*	*25*	-	-	-	-	*(1)*
Total		**8,334**	**3,219**	**2,341**	**1,561**	**733**	**152**	**328**	**(677)**

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

Commodity risk linked to fuel prices

In the normal course of its business, the Group conducts transactions on petroleum product markets in order to effectively manage the risks related to its purchases of fuel.

The nominal amounts of the Group's commitments on the crude and refined oil markets are shown below:

➤ Year ended March 31, 2009

(In € million)	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Commodity risk (cash flow hedging operating flows)	***6,214***	***2,548***	***1,329***	***1,480***	***857***	**-**	**-**	***(2,376)***
Swap	106	103	3	-	-	-	-	(33)
Options	6,108	2,445	1,326	1,480	857	-	-	(2,343)
Commodity risk (trading)	***232***	***203***	***29***	**-**	**-**	**-**	**-**	***(234)***
Swap	105	105	-	-	-	-	-	(76)
Options	127	98	29	-	-	-	-	(158)
Total	**6,446**	**2,751**	**1,358**	**1,480**	**857**	**-**	**-**	**(2,610)**

➤ Year ended March 31, 2008

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

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

33.3. Market value of financial instruments

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

- market values cannot take into consideration the effect of subsequent fluctuations in interest or exchange rates;
- estimated amounts as of March 31, 2009 and 2008 are not indicative of gains and/or losses arising upon maturity or in the event of cancellation of a financial instrument.

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

The methods used are as follows:

- *cash, trade receivables, other receivables, short-term bank facilities, trade payables and other payables:*
  The Group believes that, due to their short-term nature, net book value can be deemed a reasonable approximation of market value;
- *marketable securities, investments and other securities:*
  The market value of securities is determined based mainly on the market price or the prices available on other similar securities. Where no comparable exists, the Group uses their book value, which is deemed a reasonable approximation of market value in this instance;
- *borrowings, other financial debts and loans:*
  Floating-rate loans and financial debts are recorded at net book value.
  The market value of fixed-rate loans and financial debts is determined based on discounted future cash flows at market interest rates for instruments with similar features;
- *off balance-sheet instruments:*
  The market value of off-balance-sheet instruments corresponds to the amounts payable or receivable were the positions to be closed out as of March 31, 2009 and 2008 calculated using the year-end market rate.

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

(In € million)	March 31, 2009		March 31, 2008	
	Net book value	Estimated market value	Net book value	Estimated market value
Financial assets				
Financial assets available for sale				
Shares	46	46	78	78
Assets at fair value through profit and loss				
Marketable securities	432	432	185	185
Loans and receivables				
Loans				
♦ Fixed-rate	353	392	294	319
♦ Floating-rate	99	98	85	84
Interest rate derivative instruments				
♦ Interest rate swaps	13	13	116	116
Exchange rate derivative instruments				
♦ Exchange rate options	52	52	2	2
♦ Forward currency contracts	142	142	92	92
♦ Currency swaps	6	6	20	20
Commodity derivative instruments				
♦ Petroleum swaps and options	811	811	3,152	3,152
Trade accounts receivables	2,038	2,038	2,569	2,569
Other assets (except derivatives instruments)	676	676	817	817
Cash and cash equivalents				
Cash equivalents	3,418	3,418	4,051	4,051
Cash in hand	330	330	330	330
Financial liabilities				
Debt measured at amortized cost				
Bonds*				
♦ Fixed-rate	1,143	1,037	1,139	1,063
Perpetual subordinated loans	505	507	457	417
Other borrowings and financial debt				
♦ Fixed-rate	2,090	2,034	2,318	2,226
♦ Variable-rate	5,479	5,377	3,905	3,905
Derivatives				
Interest rate derivative instruments				
♦ Interest rate swaps	108	108	170	170
Exchange derivative instruments				
♦ Exchange rate options	55	55	203	203
♦ Forward currency contracts	87	87	572	572
♦ Currency swaps	3	3	16	16
Commodity derivative instruments				
♦ Petroleum swaps and options	3,421	3,421	690	690
Other debt				
Trade accounts payable	1,887	1,887	2,218	2,218
Deferred revenue on ticket sales	3,048	3,048	2,279	2,279
Other liabilities (except derivatives instruments)	2,818	2,818	2,319	2,319

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

OCEANE: The market value of €410 million, was determined based on the bond's market price as of March 31, 2009. This market value includes the fair value of the debt component (amount of €393 million in the financial statements as of March 31, 2009) as well as the fair value of the conversion option recorded in equity for €57 million.

Bond issued in September 2006 and April 2007: the characteristics of this bond are described in note 30.3. The market value is €684 million.

33.4. Sensitivity

The sensitivity is only calculated on the valuation of derivatives at the closing date of each period presented.

Fuel hedge sensitivity

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

	March 31, 2009		March 31, 2008	
(In € million)	Increase of USD 10 per barrel of Brent	Decrease of USD 10 per barrel of Brent	Increase of USD 10 per barrel of Brent	Decrease of USD 10 per barrel of Brent
Income before tax	(147)	25	43	(46)
Gains/(losses) taken to equity	746	(626)	888	(921)

Currency hedge sensitivity

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

	Monetary assets		Monetary liabilities	
(In € million)	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
US dollar	537	528	1,248	919
Pound sterling	17	26	5	49
Yen	2	4	239	202
Swiss franc	2	10	279	271
Canadian dollar	7	3	2	2

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

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

At March 31	US dollar		Pound sterling		Yen	
(In € million)	2009	2008	2009	2008	2009	2008
Income before tax	(31)	49	3	5	(22)	4
Gains/(losses) taken to equity	18	(28)	(21)	7	(28)	(17)

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

At March 31 (In € million)	US dollar		Pound sterling		Yen	
	2009	2008	2009	2008	2009	2008
Income before tax	33	(105)	(3)	(5)	19	15
Gains/(losses) taken to equity	(3)	68	20	(9)	26	13

Interest rate sensitivity

The Group is exposed to the risk of interest rate variation. The variation of 100 basic points in interest rates would have an impact on the net result of €7 million on the financial gains and losses for the year ending March 31, 2009 against €25 million for the year ending March 31, 2008.

Note 34 Lease commitments

34.1. Capital leases

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

34.2. Operating leases

The minimum future payments on operating leases are as follows:

Year ended March 31, (In € million)	Minimum lease payments	
	2009	2008
Flight equipment		
Due dates		
N + 1	775	630
N + 2	686	589
N + 3	517	483
N + 4	447	356
N + 5	369	281
Over 5 years	1,152	433
Total	**3,946**	**2,772**
Buildings		
Due dates		
N + 1	217	227
N + 2	218	226
N + 3	216	224
N + 4	218	225
N + 5	220	228
Over 5 years	349	657
Total	**1,438**	**1,787**

The expense relating to operating leases for flight equipment amounted to €646 million for the year ended March 31, 2009 and to €611 million for the year ended March 31, 2008.

The Group may sub-lease flight equipment and buildings. The revenue generated by this activity is not significant for the Group.

Note 35 Flight equipment orders

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

Year ended March 31, *(In € million)*	2009	2008
N+1	1,441	999
N+2	1,473	1,292
N+3	1,128	945
N+4	456	706
N+5	-	133
> 5 years	-	-
Total	**4,498**	**4,075**

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

The number of aircraft on firm order as of March 31, 2009 decreased by 3 units compared with March 31, 2008 to 102 units. The number of options was decreased by 5 units over the same period to 58 aircraft. These movements can be explained by:

- the delivery of 22 aircraft over the period;
- new orders: 5 firm orders and 9 options;
- the conversion of 14 options into firm orders.

Long-haul fleet

Passenger

The Group took delivery of 2 Boeing B777s. Concerning this aircraft type, the Group placed a firm order for 3 units, converted one option into firm orders.

As of March 31, 2009, the Group's backlog for the long-haul fleet comprised firm orders for 12 Airbus A380s, 22 Boeing B777s. It also comprised options: 2 Airbus A380s, 2 Airbus A330s and 12 Boeing B777s.

Cargo

The Group took delivery of 2 Boeing B777F.

As of March 31, 2009, the Group's backlog for the long-haul cargo fleet comprised 6 Boeing B777Fs (3 firm order and 3 options).

Medium-haul fleet

The Group took delivery of 4 Boeing B737s, one Airbus A320 and one Airbus A321. It has converted a firm order A320 on A321.

As of March 31, 2009, the Group's backlog comprised firm orders 10 Airbus A320s, 6 Airbus A321s and 16 Boeing B737s. The Group also has options: 10 Airbus A320s and 11 Boeing B737s.

Regional fleet

The Group took delivery of 3 Embraer 170, 5 Embraer 190, 4 AVRO RJ85. It converted 6 options on Canadair CRJ1000 and 7 options on Embraer 190. It placed an firm order with 2 AVRO RJ85 and option with 9 Embraer 170.

As of March 31, 2009, the Group's backlog comprised 16 Embraer 170 (including 10 options), 19 Embraer 190 (including 6 options) and 16 CRJ1000 (including 2 options).

The Group's commitments concern the following aircraft:

Aircraft type		To be delivered in	N+1	N+2	N+3	N+4	N+5	Beyond N+5
A320	***As of March 31, 2009***	***Firm orders***	***-***	***1***	***9***	***-***	***-***	***-***
		Options	***-***	***-***	***-***	***8***	***2***	***-***
	As of March 31, 2008	Firm orders	1	1	2	8	-	-
		Options	-	-	-	-	8	2
A321	***As of March 31, 2009***	***Firm orders***	***1***	***2***	***3***	***-***	***-***	***-***
		Options	***-***	***-***	***-***	***-***	***-***	***-***
	As of March 31, 2008	Firm orders	1	-	2	3	-	-
		Options	-	-	-	-	-	-
A330	***As of March 31, 2009***	***Firm orders***	***-***	***-***	***-***	***-***	***-***	***-***
		Options	***-***	***-***	***1***	***1***	***-***	***-***
	As of March 31, 2008	Firm orders	-	-	-	-	-	-
		Options	-	-	-	2	-	-
A380	***As of March 31, 2009***	***Firm orders***	***3***	***4***	***3***	***2***	***-***	***-***
		Options	***-***	***-***	***1***	***1***	***-***	***-***
	As of March 31, 2008	Firm orders	-	5	3	3	1	-
		Options	-	-	-	1	1	-
B737	***As of March 31, 2009***	***Firm orders***	***3***	***7***	***4***	***2***	***-***	***-***
		Options	***-***	***-***	***1***	***3***	***4***	***3***
	As of March 31, 2008	Firm orders	4	3	7	4	2	-
		Options	-	-	-	1	3	7
B777	***As of March 31, 2009***	***Firm orders***	***6***	***6***	***6***	***4***	***-***	***-***
		Options	***-***	***-***	***4***	***6***	***2***	***-***
	As of March 31, 2008	Firm orders	5	5	5	4	1	-
		Options	-	-	-	4	8	1
B777F	***As of March 31, 2009***	***Firm orders***	***2***	***1***	***-***	***-***	***-***	***-***
		Options	***-***	***-***	***-***	***1***	***2***	***-***
	As of March 31, 2008	Firm orders	3	2	-	-	-	-
		Options	-	-	2	1	-	-
Embraer 170	***As of March 31, 2009***	***Firm orders***	***4***	***2***	***-***	***-***	***-***	***-***
		Options	***-***	***2***	***7***	***1***	***-***	***-***
	As of March 31, 2008	Firm orders	3	4	2	-	-	-
		Options	-	-	1	-	-	-
Embraer 190	***As of March 31, 2009***	***Firm orders***	***8***	***5***	***-***	***-***	***-***	***-***
		Options	***-***	***1***	***3***	***2***	***-***	***-***
	As of March 31, 2008	Firm orders	5	6	-	-	-	-
		Options	-	-	5	8	-	-
AVRO RJ85	***As of March 31, 2009***	***Firm orders***	***-***	***-***	***-***	***-***	***-***	***-***
		Options	***-***	***-***	***-***	***-***	***-***	***-***
	As of March 31, 2008	Firm orders	2	-	-	-	-	-
		Options	-	-	-	-	-	-
CRJ 1000	***As of March 31, 2009***	***Firm orders***	***2***	***4***	***4***	***4***	***-***	***-***
		Options	***-***	***2***	***-***	***-***	***-***	***-***
	As of March 31, 2008	Firm orders	-	1	4	3	-	-
		Options	-	-	-	-	-	8

Note 36 Other commitments

36.1. Commitments made

Year ended March 31, *(In € million)*	2009	2008
Call on investment securities	1	1
Put on investment securities	(2)	(5)
Warranties, sureties and guarantees	92	113
Mortgaged or secured assets	5,546	5,398
Other purchase commitments	229	159

The restrictions and pledges as of March 31, 2009 were as follows:

(In € million)	Starting date of pledge	End of pledge	Amount pledged	NBV of balance sheet entry concerned	Corresponding %
Intangible assets	-	-	-	559	-
Tangible assets	December 1999	March 2021	5,645	14,438	39%
Other financial assets	September 1986	November 2019	848	1,518	56%
Total			**6,493**	**16,515**	**39%**

36.2. Commitments received

Year ended March 31, *(In € million)*	2009	2008
Warranties, sureties and guarantees	219	302
Other	-	2

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

Note 37 Related parties

37.1. Transactions with the principal executives

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

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

Year ended March 31, *(In € million)*	**2009**	**2008**
Short term benefits	2.4	4.7
Post employment benefits	7.9	7.5
Total	**10.3**	**12.2**

Fees paid during the year ended March 31, 2009, but concerning attendance at Board meetings for the year ended March 31, 2008, amounted to €0.6 million.

37.2. Transactions with other related parties

The total amounts of transactions with related parties for the financial years ended March 31, 2009 and 2008 are as follows:

Year ended March 31, *(In € million)*	**2009**	**2008**
Assets		
Net trade accounts receivable	111	105
Other current assets	2	5
Other non-current assets	17	21
Total	**130**	**131**
Liabilities		
Trade accounts payable	119	104
Other current liabilities	44	43
Other long-term liabilities	53	56
Total	**216**	**203**

Year ended March 31, *(In € million)*	**2009**	**2008**
Net sales	144	310
Landing fees and other rents	(609)	(584)
Other selling expenses	(125)	(255)
Passenger service	(131)	(61)
Other	(46)	238
Total	**(767)**	**(352)**

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

Aéroport De Paris (ADP)

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

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

Total expenses incurred by the Group in connection with the above mentioned arrangements amounted to €648 million and €548 million for the periods ended March 31, 2009 and 2008.

Defense Ministry

Air France-KLM has entered into contracts with the French Defense Ministry to maintain certain aircraft of the French Air Force. The net revenue derived from such arrangements amounted to €63 million for the year ended March 31, 2009 and €116 million for the year ended March 31, 2008.

DGAC

The civil aviation regulator is the French State service organization, which manages security and safety in French air space. As a result, the DGAC charges fees to Air France-KLM for the use of installations and services amounting to €123 million for the year ended March 31, 2009 and €98 million for the year ended March 31, 2008.

Transactions with equity affiliates

During the financial year, Air France-KLM executed transactions with equity affiliates. The principal transaction concerned WAM Acquisition (ex Amadeus GTD). For the year ended March 31, 2009, total transactions with WAM Acquisition amounted to a gain of €101 million (compared with €72 million for the year ended March 31, 2008) and a charge of €199 million (compared with €228 million for the year ended March 31, 2008).

The Group also conducted business with Martinair, with revenues until December 31, 2008 amounting to €12 million for the year ended March 31, 2009 and €32 million for the year ended March 31, 2008. Moreover, the Group contracted Martinair's services whose total cost until December 31, 2008 amounted to €13 million for the year ended March 31, 2009 and €28 million for the year ended March 31, 2008.

Note 38 Cash flow statement

38.1. Acquisition of subsidiaries and investments

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

Year ended March 31, *(In € million)*	**2009**	**2008**
Cash disbursement for acquisitions	(376)	(294)
Cash from acquired subsidiaries	28	22
Net cash disbursement	**(348)**	**(272)**

Year ended March 31, 2009

The cash disbursement relating to acquisitions corresponds mainly to the purchase of 25% of the Alitalia shares for €330 million and 50% Martinair shares for €10 million.

Year ended March 31, 2008

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

38.2. Disposal of subsidiaries

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

Year ended March 31, *(In € million)*	2009	2008
Proceeds from disposals	17	84
Cash of disposed subsidiaries	(1)	-
Net proceeds from disposals	**16**	**84**

Year ended March 31, 2009

Net proceeds from disposals mainly correspond to the sale of Reenton for a total amount of €4 million and Opodo for €5 million.

Year ended March 31, 2008

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

38.3. Non-cash transactions

During the year ended March 31, 2009, there were no significant non-cash transactions.

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

Note 39 Fees of statutory auditors

As of March 31, *(In € million)*	KPMG			
	2009		2008	
	Amount	%	Amount	%
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	4.3	98%	4.3	97%
Air France-KLM SA	*0.8*		*0.8*	
Consolidated subsidiaries	*3.5*		*3.5*	
Other accessory services and other audit services	-	-	-	-
Sub-total	**4.3**	**98%**	**4.3**	**97%**
Other services				
Legal, tax and corporate	0.1	2%	0.2	3%
Information technology	-	-	-	-
Internal audit	-	-	-	-
Others	-	-	-	-
Total Air France-KLM	**4.4**	**100%**	**4.5**	**100%**

As of March 31, *(In € million)*	Deloitte & Associés 2009 Amount	%	2008 Amount	%
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	4.0	98%	3.8	100%
Air France-KLM SA	*0.7*		*0.7*	
Consolidated subsidiaries	*3.3*		*3.1*	
Other accessory services and other audit services	-	-	-	-
Sub-total	**4.0**	**98%**	**3.8**	**100%**
Other services				
Legal, tax and corporate	0.1	2%	-	-
Information technology	-	-	-	-
Internal audit	-	-	-	-
Others	-	-	-	-
Total Air France-KLM	**4.1**	**100%**	**3.8**	**100%**

Note 40 Subsequent events

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

Note 41 Consolidation scope as of March 31, 2009

The scope includes 161 fully consolidated entities and 26 equity affiliates

41.1. Consolidated entities

Entity	Segment	% interest	% control
Air France SA	Multisegment	100	100
KLM N.V.	Multisegment	99	49
MARTINAIR	Multisegment	99	49
AEROLIS	Passenger	50	50
Air France SERVICES LTD	Passenger	100	100
AIR France GROUND HANDLING INDIA PVT LTD	Passenger	51	51
BLUE LINK (EX FREQUENCE PLUS SERVICES)	Passenger	100	100
BRITAIR	Passenger	100	100
CITYJET	Passenger	100	100
CYGNIFIC (UK) LIMITED	Passenger	99	49
CYGNIFIC B.V.	Passenger	99	49
IAS ASIA INCORPORATED	Passenger	99	49
IASA INCORPORATED	Passenger	99	49
ICARE	Passenger	100	100
INTERNATIONAL AIRLINE SERVICES EUROPE LIMITED	Passenger	99	49
INTERNATIONAL AIRLINE SERVICES LIMITED	Passenger	99	49
INTERNATIONAL AIRLINE SERVICES OFFSHORE LIMITED	Passenger	99	49
INTERNATIONAL MARINE AIRLINE SERVICES LIMITED	Passenger	99	49
INTERNATIONAL MARINE AIRLINE SERVICES LIMITED LIABILITY COMPANY	Passenger	99	49
KLM CITYHOPPER B.V.	Passenger	99	49
KLM CITYHOPPER UK LTD	Passenger	99	49
KLM GROUND SERVICES LIMITED	Passenger	99	49
KLM LUCHTVAARTSCHOOL B.V.	Passenger	99	49
LYON MAINTENANCE	Passenger	100	100
RÉGIONAL COMPAGNIE AÉRIENNE EUROPEENNE	Passenger	100	100
SOCIÉTÉ D'EXPLOITATION AÉRONAUTIQUE	Passenger	100	100
STICHTING STUDENTENHUISVESTING VLIEGVELD EELDE	Passenger	99	49
TEAMTRACKERS SA	Passenger	100	100
TEAMTRACKERS SRO	Passenger	100	100
VLM AIRLINES N.V.	Passenger	100	100
BLUE CROWN B.V.	Cargo	99	49
MEXICO CARGO HANDLING	Cargo	100	100
ROAD FEEDER MANAGEMENT B.V.	Cargo	99	49
SODEXI	Cargo	75	75
AIR FRANCE INDUSTRIE US	Maintenance	100	100

Entity	Segment	% interest	% control
CRMA	Maintenance	100	100
EUROPEAN PNEUMATIC COMPONENT OVERHAUL AND REPAIR (EPCOR) B.V.	Maintenance	99	49
KLM UK ENGINEERING LIMITED	Maintenance	99	49
AEROMAINTENANCE GROUP	Maintenance	82	82
TURBINE SUPPORT INTERNATIONAL LLC	Maintenance	60	60
ABIDJAN CATERING	Other	69	70
ACNA	Other	98	100
ACSAIR	Other	50	51
AEROFORM	Other	98	100
AFRIQUE CATERING	Other	50	51
AIDA	Other	77	77
AIR CHEF	Other	49	50
Air France FINANCE	Other	100	100
Air France FINANCE IRELAND	Other	100	100
Air France PARTNAIRS LEASING NV	Other	45	45
AIR UK (Jersey) LIMITED	Other	99	49
AIR UK LEASING LIMITED	Other	99	49
AIRCRAFT MAINTENANCE AMSTERDAM B.V.	Other	99	49
AIRGO B.V.	Other	99	49
AIRPORT MEDICAL SERVICES B.V.	Other	79	49
AIRPORT MEDICAL SERVICES C.V.	Other	79	49
ALL AFRICA AIRWAYS	Other	80	80
AMA HOLDING B.V.	Other	99	49
AMSTERDAM SCHIPOL PIJPLEIDING BEHEER B.V.	Other	59	49
AMSTERDAM SCHIPOL PIJPLEIDING B.V.	Other	59	49
AMSTERDAM SCHIPOL PIJPLEIDING C.V.	Other	72	49
AQUILA INVEST B.V.	Other	99	49
BASE HANDLING	Other	98	100
BLUE YONDER II B.V.	Other	99	49
BLUE YONDER IX B.V.	Other	99	49
BLUE YONDER X B.V.	Other	99	49
BLUE YONDER XI B.V.	Other	99	49
BLUE YONDER XII B.V.	Other	99	49
BLUE YONDER XIII B.V.	Other	99	49
BLUE YONDER XIV B.V.	Other	99	49
BLUE YONDER 15	Other	99	49

Entity	Segment	% interest	% control
BRUNEAU PEGORIER	Other	98	100
CARI	Other	98	100
CATERING FDF	Other	98	100
CATERING PTP	Other	98	100
CELL K16 INSURANCE COMPANY	Other	99	0
CENTRE DE PRODUCTION ALIMENTAIRE	Other	98	100
CULIN'AIR PARIS	Other	98	100
DAKAR CATERING	Other	49	50
ETS EQUIPMENT TECHNO SERVICES	Other	99	49
EUROPEAN CATERING SERVICES	Other	98	100
GIE JEAN BART	Other	10	10
GIE SERVCENTER	Other	98	100
GIE SURCOUF	Other	100	100
HANDICAIR	Other	98	100
HEESWIJK HOLDING B.V.	Other	99	49
JET CHEF	Other	98	100
KES AIRPORT EQUIPMENT FUELLING B.V.	Other	99	49
KES AIRPORT EQUIPMENT LEASING B.V.	Other	99	49
KLEUR INVEST B.V.	Other	99	49
KLM AIRLINE CHARTER B.V.	Other	99	49
KLM CATERING SERVICES SCHIPOL B.V.	Other	99	49
KLM EQUIPMENT SERVICES B.V.	Other	99	49
KLM FINANCIAL SERVICES B.V.	Other	99	49
KLM FLIGHT CREW SERVICES GMBH	Other	99	49
KLM HEALTH SERVICES B.V.	Other	99	49
KLM INTERNATIONAL CHARTER B.V.	Other	99	49
KLM INTERNATIONAL FINANCE COMPANY B.V.	Other	99	49
KLM OLIEMAATSCHAPPIJ B.V.	Other	99	49
KLM UK HOLDINGS LIMITED	Other	99	49
KLM UK LIMITED	Other	99	49
KROONDUIF B.V.	Other	99	49
LYON AIR TRAITEUR	Other	98	100
MALI CATERING	Other	70	99
MANAGEMENT MAATSCHAPPIJ B.V.	Other	99	49
MARTINIQUE CATERING	Other	91	93
MAURITANIE CATERING	Other	25	51

Entity	Segment	% interest	% control
O'FIONNAGAIN HOLDING COMPANY LIMITED	Other	100	100
ORION-STAETE B.V.	Other	99	49
ORLY AIR TRAITEUR	Other	98	100
OUAGADOUGOU CATERING SERVICES	Other	98	100
PASSERELLE	Other	98	100
PASSERELLE CDG	Other	64	66
PELICAN	Other	100	100
PHK FREIGHT SERVICES B.V.	Other	99	49
PMAIR	Other	50	51
PRESTAIR	Other	98	100
PYRHELIO-STAETE B.V.	Other	99	49
QUASAR-STAETE B.V.	Other	99	49
RIGEL-STAETE B.V.	Other	99	49
ROSC LIMITED	Other	99	49
SAVEUR DU CIEL	Other	98	100
SENCA	Other	30	60
SERVAIR (Cie d'exploitation des services auxiliaires aériens)	Other	98	98
SERVAIR SATS	Other	50	51
SERVANTAGE	Other	98	100
SERVCLEANING	Other	98	100
SERVLING	Other	98	100
SESAL	Other	54	55
SKYCHEF	Other	54	55
SKYLOGISTIC	Other	98	100
SOCIÉTÉ D'INVESTISSEMENT AÉROPORTUAIRE	Other	98	100
SOGRI	Other	95	97
SORI	Other	49	50
SPECIAL MEALS CATERING	Other	98	100
SPICA-STAETE B.V.	Other	99	49
STICHTING GARANTIEFONDS KLM LUCHTVAARTSCHOOL	Other	99	49
SYSTAIR	Other	98	100
TAKEOFF 1 LIMITED	Other	100	100
TAKEOFF 2 LIMITED	Other	100	100
TAKEOFF 3 LIMITED	Other	100	100
TAKEOFF 4 LIMITED	Other	100	100
TAKEOFF 5 LIMITED	Other	100	100

Entity	Segment	% interest	% control
TAKEOFF 6 LIMITED	Other	100	100
TAKEOFF 7 LIMITED	Other	100	100
TAKEOFF 8 LIMITED	Other	100	100
TAKEOFF 9 LIMITED	Other	100	100
TAKEOFF 10 LIMITED	Other	100	100
TAKEOFF 11 LIMITED	Other	100	100
TAKEOFF 12 LIMITED	Other	100	100
TAKEOFF 13 LIMITED	Other	100	100
TAKEOFF 14 LIMITED	Other	100	100
TAKEOFF 15 LIMITED	Other	100	100
TAKEOFF 16 LIMITED	Other	100	100
TOULOUSE AIR TRAITEUR	Other	98	100
TRANSAVIA AIRLINES B.V.	Other	99	49
TRANSAVIA AIRLINES C.V.	Other	99	49
TRANSAVIA France	Other	99	100
TRAVEL INDUSTRY SYSTEMS B.V.	Other	99	49
UILEAG HOLDING COMPANY LIMITED	Other	100	100
WEBLOK B.V.	Other	99	49

41.2. Equity affiliates

Entity	Segment	% interest	% control
ALITALIA	Passenger	25	25
FINANCIÈRE LMP	Passenger	20	20
HEATHROW CARGO HANDLING	Cargo	50	50
CSC INDIA	Cargo	49	50
SPAIRLINERS	Maintenance	50	50
BAAN TARA DEVELOPMENT LTD	Other	99	49
BAAN TARA HOLDING LTD	Other	99	49
DOUAL'AIR	Other	25	25
FLYING FOOD CATERING	Other	48	49
FLYING FOOD MIAMI	Other	48	49
FLYING FOOD SAN FRANCISCO	Other	43	44
FLYING FOOD SERVICES	Other	48	49
GUANGHOU NANLAND CATERING COMPANY	Other	24	25
INTERNATIONAL AEROSPACE MANAGEMENT COMPANY S.C.R.L.	Other	20	20
KENYA AIRWAYS LIMITED	Other	26	26
LOGAIR	Other	49	50
LOME CATERING SA	Other	17	35
MACAU CATERING SERVICES	Other	17	34
NEWREST SERVAIR UK LTD	Other	39	40
PAVILLON D'OC TRAITEUR	Other	34	35
PRIORIS	Other	33	34
SCHIPOL LOGISTICS PARK CV	Other	52	49
SEREP	Other	38	39
SERVAIR EUREST	Other	34	35
TERMINAL ONE GROUPE ASSOCIATION	Other	25	25
WAM	Other	22	22

Statutory auditors' report on the consolidated financial statements

Year ended March 31, 2009

To the Shareholders,

In accordance with our appointment as statutory auditors by your Annual General Meetings, we hereby report to you, for the year ended March 31, 2009, on:

- the audit of the accompanying consolidated financial statements of Air France-KLM;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, by audit sampling and other selective testing procedures, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that the evidence we have gathered in order to form our opinion is sufficient and appropriate.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position of the Group as of March 31, 2009 and the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

Without qualifying the above opinion, we draw your attention to Note 3.1 to the consolidated financial statements which describes the change in accounting policy relating to the first-time application of IFRIC 13 related to the accounting treatment of Frequent Flyer Programs effective April 1st, 2008.

2. Justification of assessments

The accounting estimates used to prepare the consolidated financial statements as of March 31, 2009 were made in a context of high volatility of the markets and difficulty to gain a clear picture of the economic outlook. These conditions are described in Note 3.2 to the consolidated financial statements. It is in this context that in accordance with the requirements of Article L. 823-9 of the French commercial code, we made our own assessments that we bring to your attention:

- Note 3.1 to the consolidated financial statements describes the change in accounting policy made during the current financial year relating to the application of IFRIC 13 concerning the accounting treatment of Frequent Flyer Programs. In accordance with this interpretation, comparative figures related to the financial year ended March 31, 2008 that are reported in the consolidated financial statements were adjusted in order to take into account retrospectively the impact of the application of this new interpretation. Consequently, comparative figures differ from those reported in the consolidated financial statements published last year. As part of our assessment of the accounting policy applied by the Company, we examined the adjustment due to this change in accounting policy to the consolidated financial statements as of March 31, 2008 and the related information disclosed in Note 3.1 to the consolidated financial statements.
- Notes 3.2 and 3.14 to the consolidated financial statements describe the estimates and assumptions that Air France-KLM's management was required to make regarding the impairment tests of tangible assets. We have examined the data and assumptions on which these impairment tests were based as well as the procedures for implementing impairment tests, as described in the notes.
- Air France-KLM's management is required to make estimates and assumptions relating to the recognition of revenue arising from issued but unused tickets and its Frequent Flyer Program, in accordance with the terms and conditions described in Notes 3.2, 3.6 and 3.7 to the consolidated financial statements. Our procedures consisted in analyzing the data used, assessing the assumptions made and reviewing the calculations performed.
- Notes 3.17 and 29.1 specify the accounting policies for employee benefits. These benefits and obligations were evaluated by external actuaries. Our procedures consisted in examining the data used, assessing the assumptions made and verifying that the information included in Note 29.1 to the consolidated financial statements was appropriate. In addition, Note 3.17 to the consolidated financial statements outlines the accounting policies applied for the recognition of the pension fund surplus. We verified that this accounting treatment was appropriate.
- Note 29.2 to the consolidated financial statements describes the anti-trust litigations to which the Company is exposed and the amount of the related provision accounted for. Our procedures consisted in analyzing the method used to determine these provisions, examining the data used and the assumptions made, based on information available to date, and verifying that the information as disclosed in Note 29.2 was appropriate.

These assessments were thus made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the expression of the opinion given in the first part of this report.

3. Specific procedures

We have also reviewed the information given in the Group's management report as required by law. We have no comment to report as to its fair presentation nor its consistency with the consolidated financial statements.

Paris La Défense and Neuilly, May 29, 2009
The Statutory Auditors

KPMG Audit
Department de KPMG S.A.

Jean-Paul Vellutini
Partner

Valérie Besson
Partner

Deloitte & Associés

Dominique Jumaucourt
Partner

This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditors' report, whether qualified or not, explanatory paragraphs separate from and presented below the audit opinion discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. Such report, together with the statutory auditors' report addressing financial reporting in management's report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.

Statutory financial statements

Year ending March 31, 2009

Income statement

Period from April 1 to March 31 *(In € million)*	**Notes**	**2009**	**2008**
Other income	2	20	20
Total operating income		***20***	***20***
External expenses	3	(20)	(18)
Taxes and related payments		(1)	(1)
Salaries and related costs		(3)	(3)
Other expenses		(1)	(1)
Total operating expenses		***(25)***	***(23)***
Income from current operations		***(5)***	***(3)***
Financial income		120	243
Financial expenses		(56)	(39)
Net financial income	***4***	***64***	***204***
Earnings before tax and extraordinary items		***59***	***201***
Non-recurring income		3	
Non-recurring expenses		(6)	(8)
Extraordinary income (loss)	***5***	***(3)***	***(8)***
Income tax	6	7	5
Net earnings		**63**	**198**

Balance sheet

Assets *(In € million)*	**Notes**	**March 31, 2009**	**March 31, 2008**
Long-term investments	7	4,221	3,943
Fixed assets		***4,221***	***3,943***
Trade receivables	10	12	12
Miscellaneous receivables	10	14	56
Marketable securities	8	427	629
Prepaid expenses		1	1
Current assets		***454***	***698***
Total Assets		**4,675**	**4,641**

Liabilities & equity *(In € million)*	**Notes**	**March 31, 2009**	**March 31, 2008**
Capital	9.1	2,552	2,552
Additional paid-in capital		719	719
Legal reserve		67	57
Reserves		1,005	989
Income for the year		63	198
Shareholders' equity	***9.2***	***4,406***	***4,515***
Financial debt		250	
Accounts payable:		15	27
including trade payables and related accounts		*13*	*25*
other accounts payable		*2*	*2*
Miscellaneous debts		4	99
Liabilities	***10***	***269***	***126***
Total Liabilities & equity		**4,675**	**4,641**

Notes

The information hereafter constitutes the notes to the financial statements for the year ended March 31, 2009.

It is an integral part of the financial statements.

The financial period covered 12 months from April 1, 2008 to March 31, 2009.

Air France-KLM is listed in France and in the Netherlands.

Air-France-KLM establishes consolidated financial statements.

1. Accounting policies and procedures

Generally accepted accounting policies were applied, consistent with the prudence principle and in accordance with the legal and regulatory provisions applicable in France and the basic assumptions in order to provide a true and faithful representation of the company:

- going concern;
- consistent accounting methods from year to year;
- independence of financial periods;

and in accordance with the general rules for establishing and presenting annual financial statements.

The basic method used to value items recorded in the financial statements is the historical cost method.

Main methods used

Long-term investments

Companies' equity investments are presented on the balance sheet at their acquisition cost net of impairment, if any. A provision for impairment is constituted as soon as the fair value is below the acquisition value. The fair value of securities corresponds to the value in use for the Company. It is determined by taking into account the share of shareholders' equity, the outlook for profitability and the stock market values that can be used as a reference.

Transfer taxes, fees or commissions and legal fees related to the acquisition of securities are expensed, according to the option offered by the regulations.

Treasury shares are not allocated to employees or to a capital decrease and are shown at the lower of their acquisition cost and fair value. The fair value is determined based on the last month average market price at the end of the financial year.

Accounts receivable

Accounts receivable are valued at their nominal value. They are valued on a case-by-case basis and a provision is set up as required based on the assessed risks.

Marketable securities

Marketable securities are shown on the balance sheet at the lower of their acquisition cost and their market value. In the case of listed shares, this market value is determined based on the market price at the end of the financial year.

Treasury shares invested as part of a liquidity agreement are valued at the lower of their acquisition price and fair value. The fair value is determined based on the last month average market price at the end of the financial year.

Foreign currency transactions

Current expense and income transactions in foreign currencies are recognised at the average exchange rate for each month concerned.

Accounts payable and receivable in foreign currencies are valued at the exchange rate in effect at March 31, 2009.

Unrealised losses and gains are recognised as assets and liabilities on the balance sheet. Provisions are established for unrealised losses, except for the following cases:

- transactions where the currency and the term contribute to a global positive exchange position; and
- exchange hedging contracts involving the payment of future investment deliveries.

Debts

Debts are valued at their nominal amount.

Dividends received

Dividends are recognised as earnings when they are approved by the companies' competent bodies (i.e.; the Board of Directors or the General Shareholders' Meeting depending on the local regulations).

2. Other income

This primarily involves royalties of €17 million paid by Air France and KLM at March 31, 2009 to use the "Air France-KLM" brand.

3. External expenses

Period from April 1 to March 31, *(In € million)*	2009	2008
Lawyers & advisors fees[(1)]	7	2
Statutory auditor fees	1	1
Insurance	2	2
Subcontracting re-invoiced by Air France and KLM	5	8
Financial communication expenses	4	4
Other (less than €1 million)	1	1
Total	**20**	**18**

(1) Including acquisition costs of Compagnia Aerea Italiana Shares (see note 7.2).

4. Financial income

This section groups interest paid or received, exchange losses and gains, and allocations and write-backs of financial provisions. It breaks down as follows:

Period from April 1, to March 31, *(In € million)*	2009	2008
Interests on current account	(3)	(4)
including related companies	*(1)*	*(4)*
Financial income from equity investments[(1)]	95	221
including related companies	*95*	*221*
Other financial income[(2)]	25	22
including related companies	*7*	*7*
Allocations to provisions[(3)]	(52)	(35)
Deficit on treasury shares sale	(1)	
Total	**64**	**204**

(1) For the financial year ended March 31, 2009, this amount includes €28 million of dividends paid by KLM, (€23 million at March 31, 2008) and €67 million of dividends paid by Air France (€198 million at March 31, 2008).

(2) For financial year ended March 31, 2009, this amount includes €13 million revenues generated from the investment in mutual funds and deposit certificates, vs €15 million at March 31, 2008.

(3) Allocation to provisions of €12 million for Alitalia shares and of €40 million for treasury shares at March 31, 2009 vs. €13 million and €22 million at March 31, 2008.

5. Extraordinary income

Extraordinary income at March 31, 2009 amounted to €(3) million for the expenses on survey of possible acquisitions (lawyers and advisors fees).

The sale of a part of Alitalia shares generates no net income after reversal of the relevant provisions (see note 7.2).

6. Income tax

Air France-KLM has benefited from the tax consolidation scheme since April 1, 2002. The consolidation scope, where Air France-KLM is the parent company, primarily includes Air France-KLM, Air France, regional French companies and, since January 1, 2005, Servair and its subsidiaries.

The tax consolidation agreement is based on the so-called neutrality method and places each member company of the tax group in the situation that it would have been in without consolidation.

The tax consolidation group benefits from tax losses that can be infinitely carried forward.

The subsidiaries that are beneficiaries of the tax consolidation scope paid Air France-KLM a tax consolidation bonus of €7 million for the financial year ended March 31, 2009.

7. Long-term investments

7.1. Gross value

Gross value *(In € million)*	Beginning of year	Acquisitions Capital increases	Transfers or sales	End of year
Equity investments	3,919	326	3	4,242
Other long-term investments	75		-	75
Total	**3,994**	**326**	**3**	**4,317**

7.2. Equity investments

Companies *(In € million)*	Gross value at beginning of year	Acquisitions	Sales	Gross value at end of year
Air France	3,060	-	-	3,060
KLM	814	3(1)	-	817
Alitalia	45	-	3	42
Compagnia Aerea Italiana SpA		323(2)		323
Total	**3,919**	**326**	**3**	**4,242**

(1) During the financial year Air France-KLM increased by 0.35% its participation in KLM share capital, arising to 99.1%.

(2) On March 25, 2009 Air France-KLM subscribed to Compagnia Aerea Italiana capital increase. Compagnia Aerea Italiana took over some of the assets of former Alitalia (including part of the fleet, trade mark). Air France-KLM owns 25% of Compagnia Aerea Italiana.

The former Alitalia shares are no longer listed. Furthermore this company being in the liquidation process, the shares have been fully depreciated.

Companies *(In € million)*	Provisions at beginning of year	Allocations	Write-backs	Provisions at end of year
Alitalia	32	12	2	42
Impairment	***32***	***12***	***2***	***42***
Net Value	**3,887**			**4,200**

7.3. Other financial investments

(In € million)	Gross value at beginning of year	Acquisitions	Sales	Gross value at end of year
Treasury shares	75	-	-	75
	Provision at beginning of year	**Allocation**	**Write-backs**	**Provision at beginning of year**
Impairment on treasury shares	20	34	-	54
Net Value	**55**	34	-	**21**

8. Marketable securities

	March 31, 2009		March 31, 2008	
(In € million)	Net carrying amount	Market value	Net Carrying amount	Market value
Treasury shares invested as part of the liquidity agreement subscribed with a bank	8	8	12	12
Mutual funds & deposit certificates	415	415	609	609
Money market fund[(1)]	4	4	8	8
Total	**427**	**427**	**629**	**629**

(1) Cash invested as part of a liquidity agreement, subscribed with a bank.

9. Shareholders' equity

9.1. Distribution of share capital and voting rights

	% of capital		*% of voting rights*	
At March 31,	**2009**	**2008**	**2009**	**2008**
French government	16%	16%	16%	16%
Employees and former employees[(1)]	12%	11%	12%	11%
Shares held by the Group	2%	2%	-	-
Public	70%	71%	72%	73%
Total	**100%**	**100%**	**100%**	**100%**

(1) Personnel and former employees identified in the fund or by a Sicovam code.

On March 31, 2009 the share capital distributed above is fully paid-up and comprised of 300,219,278 shares with a nominal value of €8.50. Each share confers one voting right.

In April 2005, Air France issued a 15 years – €450 million “*Obligation à Option de Conversion et/ou d’Echange en actions Air France-KLM Nouvelles ou Existantes*” (OCEANE). During the financial year, no OCEANE were converted. During former financial year 510 OCEANE were converted into 525 shares.

9.2. Statement of changes in shareholders’ equity

Source of movements *(In € million)*	**Capital**	**Additional paid-in capital**	**Reserves**	**Earnings for the year**	**Shareholders’ equity**
At March 31, 2007	***2,375***	***492***	***1,023***	***157***	***4,047***
Allocation of earnings			23	(23)	-
Dividends distributed				(134)	(134)
Conversion of BASAs	177	227			404
Earnings for the period				198	198
At March 31, 2008	***2,552***	***719***	***1,046***	***198***	***4,515***
Allocation of earnings	-	-	26	(26)	-
Dividends distributed	-	-		(172)	(172)
Earnings for the period	-	-	-	63	63
At March 31, 2009	**2,552**	**719**	**1,072**	**63**	**4,406**

10. Maturity of accounts receivable and accounts payable

At March 31, 2009 *(In € million)* **Accounts receivable**	**Gross amount**	**Up to one year**	**More than one year**	**Related companies**
Current assets				
Trade receivables and related accounts	12	12	-	12
Miscellaneous receivables (including tax receivables)	14	14		11
Total	**26**	**26**	**-**	**23**

Accounts payable *(In € million)*	**Gross amount**	**Up to one year**	**More than one year**	**Related companies**
Financial debt[(1)]	250		250	
Trade payables and related accounts	13	13	-	1
Taxes and social contributions due	2	2	-	-
Miscellaneous payables	4	4	-	3
Total	**269**	**19**	**250**	**4**

(1) The credit line subscribed with a bank in October 2007 for €250 million has been fully drawn to subscribe to Compagnia Aerea Italiana SpA capital increase. Maturity of the credit line is June 2010.

11. Commitments

KLM shares

During the business combination of the Air France and KLM groups, the Dutch government undertook to reduce its stake in KLM proportionally to any reduction by the French government of its stake in Air France-KLM's capital. To this end, the Dutch government will sell its cumulative A preferred shares to Air France-KLM or to a Dutch foundation in the name of and on behalf of Air France-KLM, if the transfer occurs during the first three years following the business combination.

In the latter case, the foundation will issue, to the benefit of Air France-KLM, share certificates corresponding to the cumulative A preferred shares transferred to the foundation. These share certificates will confer to Air France-KLM all of the economic rights attached to the said shares, the voting rights attached to the said shares being exercised by the foundation until Air France exchanges the share certificates against the said shares.

At the end of the initial three-year period, Air France-KM had the option to exchange the share certificates against the cumulative A preferred shares, which it could hold directly. As Air France-KLM decided in 2007 to maintain SAK I and SAK II foundations, Air France-KLM did not carry out this exchange.

Moreover, the Dutch government has the right to sell to Air France-KLM at any time as many cumulative A preferred shares as it wants.

After the sale of 5,103,885 shares to Air France-KLM in April 2005 for €11.6 million, the acquisition price of the 3,708,615 cumulative A preferred shares still held by the Dutch government amounts to €8.4 million (for a unit price of €2.27 per cumulative A preferred share, which has to be paid pro rata during any sale or transfer under the conditions above).

Other

Since January 2009, Air France-KLM guaranties Société Air France commitments towards Aéroport de Paris regarding civil leases.

The guaranty has an absolute limitation of €18 million.

12. List of subsidiaries and equity investments

(In € million) Companies or groups of companies	Capital	Shareholders' equity other than capital after earnings	Share of capital held	Carrying amount of shares held: Gross	Carrying amount of shares held: Net	Loans & advances granted and not reim-bursed	Amount of security and gua-rantees given	Revenues (excl. tax) for last financial year	Net profit or loss for last financial year	Dividends cashed during the past financial year
Detailed information about each investment whose gross value exceeds €15 million										
1. Subsidiaries (held at more than 50%)										
Société Air France (France)(1)	1,901	1,836	100%	3,060	3,060	-	-	14,509	(1,029)	67
KLM (Netherlands)(1)	94	2,005	99.1%	817	817	-	-	8,182	(193)	28
2. Equity investments (held at less than 50%)										
Alitalia (Italy)(2)			1,86%	42	0	-	-			-
Compagnia Aerea Italiana SpA(3)			25%	323	323	-	-			-

(1) Statutory financial statements at March 31, 2009.
(2) In process of liquidation.
(3) First fiscal year financial statements are unavailable.

13. Estimated value of the portfolio

(In € million)	Amount at beginning of year gross carrying amount	net carrying amount	estimated value	Amount at end of year gross carrying amount	net carrying amount	estimated value
Portfolio fractions valued						
Alitalia						
based on the net equity at 06/30/2007	45	13	14	42	0	0
based on the market price at 03/31/2008	-	-	13	-	-	-
Air France						
at cost	3,060	3,060	-	3,060	3,060	-
based on the company's net equity at 03/31/2009	-	-	4,489	-	-	3,737
KLM						
at cost	814	814	-	817	817	-
based on the company's net equity at 03/31/2009	-	-	3,828	-	-	2,080
Compagnia Aerea Italiana SpA[1]						
at cost	-	-	-	323	323	-

(1) Because Compagnia Aerea Italiana shares have been acquired on March 25, 2009 and the entity has started its activity on January 12, 2009, no financial condensed information is available at the date of the publication of these financial statements.

14. Items concerning related companies

(In € million)	Amount
Trade receivables & related accounts	12
including Air France	*11*
KLM	*1*
Miscellaneous receivables	11
including Air France	*6*
CRMA	*1*
CPA	*1*
Other	*3*
Trade payables and related accounts	1
Miscellaneous payables	3
including Bruneau Pegorier	*2*
Other	*1*

15. Litigation

a) Investigation of the Competition Authorities into the airfreight business

Air France and KLM are involved, since February 2006, with twenty-five other airlines in anti-trust investigations conducted by the competition authorities of a number of countries about possible agreements and for concerted practices between undertakings in air shipping services.

In July 2008, Air France and KLM concluded a Plea Agreement ending the anti-trust procedure in the United States, against the payment of a USD 350 million fine (USD 210 million for Air France and USD 140 million for KLM), corresponding to €221 million

During the second Semester of the 2008/09 period, Air France and KLM concluded agreements ending anti-trust procedures in Canada and Australia. The agreement in Australia entailed the payment over the same period of a 6 million Australian dollars fine, i.e. €3,6 million (3 million Australian dollars for Air France and 3 million Australian dollars for KLM). The agreement in Canada entails the payment of a 9 million Canadian dollars fine, i.e. €5.7 million, which was provisioned as of March 31, 2009 (4 million Canadian dollars for Air France and 5 million Canadian dollars for KLM).

The procedure with EU is still under way as of March 31 2009. A decision is expected in the second half of the 2009 calendar year. The provision recorded in the books as of March 31, 2008 to face the risk of the two companies to be condemned by the EU Commission still represent the best estimation of the risk supported as of March 31, 2009.

Finally, the Competition Authorities do not allege that the holding company Air France-KLM would have taken part in illicit practices. Nevertheless, as the mother company of the Group, Air France-KLM is considered by the EU Commission as jointly and severally responsible for illicit practices for which Air France and KLM would be responsible.

Procedures in Switzerland, Brazil, South Korea and South Africa are also still under way as of the closing date. They do not give rise to the constitution of provisions, as the Group is not able at this stage of procedures to determine the risks supported, which as regards the concerned sales, are not individually significant.

Martinair, a subsidiary wholly owned by KLM since January 1, 2009 is also involved the investigation of competition authorities in USA, Europe, Canada, Australia and South Africa.

Martinair concluded a Plea Agreement in the USA for USD 42 million (i.e. €28.4 million) in June 2008 and partially paid for USD 4.7 million as well as an agreement in Australia for 5 million Australian dollars in February 2009 (i.e. €2.5 million). Other procedures under way in Europe and Canada gave rise to the booking of provisions for €24.2 million. Regarding South Africa, Martinair did not book any provision, as the amount of possible incurred penalty is not deemed significant.

The amount recorded in Air France and KLM as of March 31, 2009 regarding investigations from competition authorities of the concerned states in airfreight business amounts to €316 million including related costs.

b) Investigation of the European Commission into the passenger business between Europe and Japan

Air France and KLM, as other airlines, were subject, on March 11, 2008, to a down-raid and professional documents were seized within the framework of an European Commission investigation into possible agreements or concerted practices between undertakings in the air transportation business between the States concerned by the EEC agreement and Japan.

As of February 13, 2009, Air France and KLM answered a questionnaire from the Commission recalling the context of aeronautical relationships between France and the Netherlands on one side, and Japan on the other side. These relationships are regulated by bilateral agreements that indicate that fares must be approved by the civil aviation regulators of the two States after agreement between the air carriers named in these agreements.

As March 31, 2009, this procedure is still under way and the Group is unable to predict the outcome of these investigations by the European Commission.

c) Civil actions relating to airfreight business

As of March 31, 2009, over 140 purported class action lawsuits had been filed in the USA against air freight operators including Air France, KLM, Martinair and other cargo carriers.

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

Most of these actions have been transferred and pooled before the US District Court of the Eastern District of New York. The Group intends to defend these cases. As the other cargo carriers, in July 2007 Air France, KLM and Martinair filed a motion to dismiss the claims of plaintiffs.

As of September 26, 2008, the Judge recommended the District Judge to decide to dismiss the plaintiffs, but to allow them to file new requests based on the breach of anti-trust federal laws ("dismissal without prejudice"). On the contrary, if this recommendation should be adopted, the plaintiffs that had based their demands on the breach of European competition rights and/or anti-trust law adopted individually by each of the states of the United States would not be allowed to file new requests to the Court ("dismissal without prejudice").

The District Judge should give his opinion during 2009.

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

d) Civil actions relating to air passenger business

As of September 30, 2008, two purported class action lawsuits had been filed in the USA against air passenger operators including Air France, KLM and Air France-KLM, respectively in Philadelphia and in New York. The plaintiffs allege that the defendants engaged in a conspiracy to fix the price of air fares or surcharges on relationships between Europe and Japan and transatlantic relationships.

Air France, KLM and Air France-KLM intend to defend these cases, which they judge illegitimate. At this stage, Air France and KLM filed a motion to dismiss the claims of plaintiffs. The Air France-KLM group is unable to predict the outcome of these procedures which are only at a preliminary stage.

Other litigation

KLM minority shareholders

The Dutch association Vereniging van Effectenbezitters (VEB) together with an individual KLM shareholder have served Air France-KLM (in its capacity of priority shareholder) and KLM with a claim that KLM be ordered to acknowledge entitlement of minority shareholders of KLM to a higher dividend over the fiscal year 2007-08 and pay the same, claiming that the dividend that was declared is unfair and not equitable and that the special rights of minority shareholders have not been observed. Proceedings have been brought before the Amsterdam court and are in a first stage only. It is yet too early to assess the outcome.

To Air France-KLM's knowledge, there is no other litigation, arbitration or exceptional fact that could have or have had in the recent past a material impact on the financial position, the profitability or patrimony of the Group.

16. Remuneration of corporate executives

Remuneration of corporate executives for the period amounts to €2.7 million.

17. Subsequent events

None.

Five-year financial summary

Year ended March 31	2009	2008	2007	2006	2005
1. Share capital at year end					
Share capital *(In €)*	2,551,863,863	2,551,863,863	2,374,608,509.5	2,289,759,903	2,289,759,903
Number of ordinary shares outstanding	300,219,278	300,219,278	279,365,707	269,383,518	269,383,518
Number of shares with a priority dividend	-	-	-	-	-
Maximum number of shares that may be created:					
- By bond conversion	22,609,143	22,609,143	22,609,756	21,951,219	-
- By exercise of subscription rights	-	-	21,064,433	30,060,411	30,062,199
2. Transactions and results for the year *(In € thousand)*					
Sales	-	-	-	-	-
Net income/(loss) before income tax, employee profit-sharing net depreciation, amortization and provisions	105,885	228,076	158,721	(4,031)	(30,307)
Income tax	(6,767)	(5,496)	(4,465)	(997)	(3,426)
Employee profit-sharing for the year	-	-	-	-	-
Net income/(loss) after income tax, employee profit-sharing, net depreciation, amortization and provisions	62,639	198,183	157,744	(1,506)	(33,359)
Distributed net income	-	171,835	134,095	80,783	40,407
3. Per share data *(In €)*					
Net income/(loss) after income tax and employee profit-sharing but before net depreciation, amortization and provisions	0.37	0.78	0.58	0.02	(0.1)
Net income/(loss) after income tax, employee profit-sharing, net depreciation, amortization and provisions	0.21	0.66	0.56	(0.01)	(0.12)
Dividend per share	-	0.58	0.48	0.30	0.15
4. Employees					
Average number of employees during the year					
Total payroll costs					
Employee welfare contributions and similar charges (Social Security, employee organizations, etc.)					

Statutory auditors' report on the annual financial statements

Year ended March 31, 2009

To the Shareholders,

In accordance with our appointment as statutory auditors by your Annual General Meetings, we hereby report to you, for the year ended March 31, 2009, on:

- the audit of the accompanying financial statements of Air France-KLM S.A.;
- the justification of our assessments;
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, by audit sampling and other selective testing procedures, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that the evidence we have gathered in order to form our opinion is sufficient and appropriate.

In our opinion, the financial statements give a true and fair view of the assets, liabilities and the financial position of the Company as of March 31, 2009 and of the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

2. Justification of assessments

The accounting estimates used to prepare the financial statements as of March 31, 2009 were made in a context of high volatility of the markets and difficulty to gain a clear picture of the economic outlook. It is in this context that in accordance with the requirements of Article L. 823-9 of the French commercial code, we made our own assessments that we bring to your attention:

- Note 1 to the financial statements outlines the accounting rules and methods relating to the recognition and measurement of long-term investments. As part of our assessment of the Company's accounting policies, we verified the appropriateness of the aforementioned accounting methods and the information provided in Notes 7 and 13 of the financial statements and satisfied ourselves as to their correct application.
- Note 15 to the financial statements describes the nature of the anti-trust litigations to which Air France-KLM is exposed. Our work consisted in verifying that the information disclosed in Note 15 was appropriate.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and therefore contributed to the expression of the opinion in the first part of this report.

3. Specific procedures and information

We have also performed the specific verifications required by law, in accordance with professional standards applicable in France.

We have no comments to report as to:

- the fair presentation and consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information in the management report of the Board of Directors relating to remunerations and benefits granted to the relevant directors and commitments given to them in connection with, or after, their appointment, termination or change in function.

In accordance with French law, we have verified that the management report of the Board of Directors contains the appropriate information relating to the acquisition of shares and controlling interests and the identity of shareholders in terms of capital and voting rights.

Paris La Défense and Neuilly, May 29, 2009
The Statutory Auditors

KPMG Audit
Department de KPMG S.A.

Jean-Paul Vellutini
Partner

Valérie Besson
Partner

Deloitte & Associés

Dominique Jumaucourt
Partner

This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditors' report, whether qualified or not, explanatory paragraphs separate from and presented below the audit opinion discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. Such report, together with the statutory auditors' report addressing financial reporting in management's report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.

Statutory auditors' report on regulated agreements and commitments

Year ended March 31, 2009

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby present to you our report on regulated agreements and commitments.

Agreements and commitments authorized during the current year

In accordance with Article L. 225-40 of the French Commercial Code, we have been advised of agreements and commitments which have been previously authorized by your Board of Directors.

The terms of our engagement do not require us to identify such agreements and commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

We conducted our work in accordance with the professional standards applicable in France. These standards require that we perform the procedures deemed necessary so as to verify that the information provided to us is in agreement with the underlying documentation from which it was extracted.

Commitment relating to the pension plan of the Chief Executive Officer of Air France-KLM

- Person concerned:
  Pierre-Henri Gourgeon, Chief Executive Officer of Air France.
- Nature, purpose, terms and conditions:
  In its deliberation of January 15, 2004, your Board of Directors approved a separate collective pension scheme for Air France principal executives, including executive officers. This pension scheme aims to guarantee these executives, once they fulfill the particular conditions for eligibility (notably 7 years' service with Air France), an annual pension benefit of between 35% and 40% of their average annual remuneration during the last three years of employment, with the amount capped, on any assumption, at 40% of average remuneration during the last three years.

On November 19, 2008, in an express decision taken in application of the "Breton" law of July 26, 2005, your Board of Directors confirmed that Mr. Pierre-Henri Gourgeon, in his new capacity as Chief Executive Officer as of January 1, 2009, would benefit from this defined benefit pension scheme under the same terms and conditions as the other beneficiary executives.

Agreements and commitments authorized during previous years and having continuing effect during the year

In addition, pursuant to the French Commercial Code, we have been advised that the following agreements and commitments authorized in previous years have had continuing effect during the fiscal year.

Agreement between Air France-KLM and Société Air France (Aéroports de Paris guarantee)

- Nature, purpose, terms and conditions:
  On November 21, 2007, your Board of Directors authorized an agreement under which Société Air France agreed to compensate Air France-KLM for guaranteeing rental payments granted by the latter to Aéroports de Paris for the benefit of Société Air France.

On November 19, 2008, your Board of Directors renewed the authorization of this agreement. Air France-KLM subsequently concluded an agreement with Aéroports de Paris dated January 20, 2009, under which Air France-KLM guarantees certain obligations of Société Air France.

No amounts were invoiced for fiscal year 2008-09 with respect to this agreement.

Agreement entered into by Air France-KLM and Société Air France with respect to the issuance by Air France of bonds convertible and/or exchangeable for new or existing Air France-KLM shares

- Nature, purpose, terms and conditions:
  Air France-KLM and its subsidiary Société Air France entered into an agreement for the purpose of organizing the financial and legal relations between the two companies with respect to the issuance by Air France of bonds convertible and/or exchangeable for new or existing Air France-KLM shares.

The terms of this agreement stipulate:

- the remuneration paid by Société Air France to Air France-KLM in consideration for the option granted to bondholders to request the conversion of their bonds into Air France-KLM shares;
- should this option be exercised by a bondholder, the conditions in which Air France-KLM shall hand over new or existing shares (or a combination of both), and deliver to the centralizing agent the corresponding number of shares;
- the terms and conditions covering the payment by Société Air France to Air France-KLM of the amount corresponding to the value of the bonds that are to be converted or exchanged.

This agreement was authorized by your Board of Directors on April 13, 2005.

During fiscal year 2008-09, your Company collected €6,494,568.66 with respect to this agreement.

Trademark licensing agreement between Air France-KLM and Société Air France

- Nature, purpose, terms and conditions:
  Air France-KLM and its subsidiary Société Air France entered into a licensing agreement for the "Air France-KLM" trademark.

This agreement was authorized by your Board of Directors on September 1, 2005.

During fiscal year 2008-09, your Company collected €11,450,632 with respect to this agreement.

Agreement relating to a portion of the remuneration paid to executive officers invoiced to Société Air France by Air France-KLM

- Nature, purpose, terms and conditions:
  The remuneration of Air France-KLM executive officers is invoiced to Société Air France based on the percentage of activity devoted to Société Air France.

This agreement was authorized by your Board of Directors on November 23, 2004. On November 19, 2008, your Board of Directors renewed the authorization to invoice Société Air France for the remuneration paid to executive officers with a view to the separation of the Chairman and Chief Executive Officer functions as of January 1, 2009.

During fiscal year 2008-09, your Company collected €1,919,227.82 with respect to this agreement.

Service agreement between Air France-KLM and Société Air France

- Nature, purpose, terms and conditions:
  Air France-KLM and its subsidiary Société Air France entered into an agreement for the purpose of defining the conditions under which Air France will provide, at the request of Air France-KLM, technical and administrative support services to Air France-KLM. These accounting, administrative, legal and IT related services are invoiced at cost. They include a portion of the obligation relating to the supplementary collective pension scheme for the Chief Executive Officer based on the percentage of activity devoted to Air France-KLM, in accordance with your Board of Directors' decision on November 19, 2008.

This agreement was authorized by your Board of Directors on September 15, 2004.

During fiscal year 2008-09, your Company received invoices for an amount of €3,001,734 with respect to this agreement.

Cash agreement between Air France-KLM and Société Air France

- Nature, purpose, terms and conditions:
  Air France-KLM and its subsidiary Société Air France entered into an agreement in order to provide Air France-KLM with a credit line. This cash agreement bears interest at EONIA + 60 points.

This agreement was authorized by your Board of Directors on September 15, 2004. As of March 31, 2009, the amount payable by Air France-KLM to Société Air France in respect of this cash agreement totaled €0.

During fiscal year 2008-09, your Company recorded €1,284,827.15 of interest expenses with respect to this agreement.

Domiciliation agreement between Air France-KLM and Société Air France

- Nature, purpose, terms and conditions:
  Air France-KLM and its subsidiary Société Air France entered into an agreement for the domiciliation and use of the premises of the Air France-KLM registered office.

This agreement was authorized by your Board of Directors on September 15, 2004.

During fiscal year 2008-09, your Company was invoiced €259,327 with respect to this agreement.

Paris La Défense and Neuilly, May 29, 2009
The Statutory Auditors

KPMG Audit
Department de KPMG S.A.

Jean-Paul Vellutini
Partner

Valérie Besson
Partner

Deloitte & Associés

Dominique Jumaucourt
Partner

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Other information 6.

History

Two companies born on the same day

October 7, 1919

KLM, Koninklijke Luchtvaartmaatschappij, is founded, Royal Dutch Airline for the Netherlands and its colonies.

October 7, 1933

Air France is born from the combination of five French airlines (Air Union, Air Orient, Société Générale de Transport Aérien (SGTA), CIDNA and Aéropostale).

Air France and KLM jointly operate the Amsterdam-Rotterdam-Paris route within the framework of a commercial agreement.

1934

First KLM trans-Atlantic flight from Amsterdam to Curaçao in a Fokker F-XVIII Snip.

Air transportation and the two companies take off

1945-46

Air France is nationalized.

KLM flights, interrupted by the war, resume service.

Introduction of scheduled flights to New York in DC-4s, from Paris with Air France and from Amsterdam with KLM. At this time, the flight takes nearly 24 hours.

Air France and KLM are equipped with Constellations and engage in mutual assistance.

1958

Air France and KLM inaugurate the polar route, flying from Paris and Amsterdam to Tokyo via the North Pole.

1959-60

Arrival of the jet era: Air France brings the first Caravelles and Boeing 707s into service, reducing the duration of the Paris-New York flight to eight hours. KLM brings its first Douglas DC-8 aircraft into service.

1961

Air France bases its operations and maintenance at Orly Sud.

1967

First KLM flight takes off from the new Schiphol airport.

1970-71

The Boeing 747 is first used on long-haul routes by Air France in 1970 and by KLM in 1971.

1974-1982

Air France operations move, in 1974, to the new Terminal 1 at Roissy-Charles de Gaulle, then to CDG 2 in 1982.

1976

Concorde is brought into service, first on the Paris-Rio, Paris-Caracas and Paris-Washington routes then, in 1977, on Paris-New York, connecting the two cities in 3 hours 45 minutes.

Development of the two majors

1989

Conclusion of an alliance, the first in the history of air transportation, between KLM and the US company Northwest Airlines.

1990

Air France acquires UTA (Union des Transports Aériens), founded in 1963.

1991

KLM founds a regional company, KLM Cityhopper, by merging NLM Cityhopper and Netherlines and increases its shareholding in transavia from 40% to 80%.

1992

Air France and UTA merge, giving Air France a 72% stake in Air Inter after combining its own interest in that company with that of UTA.

KLM establishes the first European medium-haul/long-haul transfer platform at Schiphol airport.

First *Open Sky* agreement between the Netherlands and the United States.

1993

All KLM and Northwest Airlines flights between Europe and the United States are operated by a joint venture.

1996

Air Inter becomes Air France Europe.

Establishment of Air France's medium-haul/long-haul transfer platform at Roissy-Charles de Gaulle.

1997

Air France Europe is merged with Air France.

1999

Air France is listed for trading on the Monthly Settlement Market of the Paris Stock Exchange for the first time on February 22, 1999.

2000

Air France, Aeromexico, Delta Airlines and Korean Air found the SkyTeam and SkyTeam Cargo alliances.

Creation of the Air France regional division following the acquisition of Régional Airlines, Flandre Air, Proteus, BritAir and CityJet.

2001

Open Sky agreement signed between France and the United States.

Alitalia and CSA Czech Airlines join SkyTeam.

2002

SkyTeam is the only alliance in the world to benefit from antitrust immunity on its trans-Atlantic and trans-Pacific flights.

Creation of Air France-KLM, the leading European air transport group

2003

September 30: Air France and KLM announce their intention to merge through a public exchange offer.

2004

April 5: Air France launches its public exchange offer for KLM shares.

May 5: Air France-KLM shares are listed for trading on the Euronext Paris and Amsterdam markets as well as on the New York Stock Exchange.

May 6: Privatization of Air France, due to the transfer of the majority of its shares to the private sector with the dilution of the French State's shareholding.

September 15: Finalization of the Group's organizational structure with the creation of the Air France-KLM holding company, regrouping the two airline subsidiaries, Air France and KLM.

KLM and its US partners Northwest Airlines and Continental join the SkyTeam alliance.

December 9: The French State reduces its shareholding from 44% to 23% by selling shares in the market.

2005-06

The French State reduces its shareholding in Air France-KLM from 23% to 18.6% by selling shares within the framework of the share offer reserved to Air France employees.

First-time adoption of IFRS.

Air France issues 21,951,219 convertible bonds (OCEANEs), convertible at any time into Air France-KLM shares, raising €450 million.

2006-07

Creation of the solidarity tax paid on departure from French airports.

An attempted terrorist attack at Heathrow airport leads to the introduction of new security measures for flights departing from European hubs.

Signature of the *Open Skies* agreement between Europe and the United States to come into force in March 2008.

2007-08

Air France-KLM enters the CAC 40.

Successful launch of the leisure subsidiary, Transavia France, operating out of Paris Orly.

Emergence of the subprime crisis in the United States. The increasing severity of the crisis leads to a crisis of confidence in the banking sector and turbulence in the financial markets.

The warrants for new or existing shares (BASAs) issued at the time of the share exchange offer for KLM and arriving at maturity are converted, leading to the creation of 19.6 million new shares. In total, 99.3% of the warrants are converted, raising a total of €597 million.

Having unveiled its offer for Alitalia in December 2007, Air France-KLM notes the breakdown of negotiations in April 2008.

General Information

Corporate name

Air France-KLM

Registered office

2, rue Robert-Esnault-Pelterie, 75007 Paris

Mailing address

45, rue de Paris, 95747 Roissy-CDG Cedex

Tel: +33 1 41 56 78 00

Legal status

French public company (*Société Anonyme*) with a Board of Directors

Legislation

French law.
Air France-KLM is governed by the French Commercial Code and the provisions of the Civil Aviation Code as amended by the law of April 9, 2003, relating to air transport companies and notably Air France. The law of April 9, 2003 introduced a provision in the Civil Aviation Code designed to safeguard the nationality of air transport companies whose shares are listed for trading on a regulated market.

Incorporation and expiry dates

Incorporated on: April 23, 1947.
Due to expire on: July 3, 2045 barring early liquidation or extension.

Corporate purpose (Article 2 of the bylaws)

The primary purpose of Air France-KLM is to hold direct or indirect interests in the capital of air transport companies and, more generally, in any companies in France or elsewhere whose purpose is related to the air transport business.

Trade register

Paris Trade and Company Register: 552 043 002
APE Code: 6420Z

Consultation of legal documents

Air France-KLM legal and corporate documents may be consulted at 45, rue de Paris, 95747 Roissy-CDG Cedex, or on request by calling the following toll-free number in France 0 800 320 310 or +33 1 41 56 88 85 from outside France or from the French overseas territories and dominions.

Financial year

The financial year runs from April 1 to March 31 of the following year.

Appropriation of income

After approving the financial statements and taking due note of the income available for distribution, the shareholders vote in the General Shareholders' Meeting on the total or partial distribution of such income (with, in the latter case, the appropriation of the undistributed balance to one or more reserve accounts), or the appropriation of all distributable income to one or more reserve accounts.

Relations between Air France-KLM and its subsidiaries

Air France-KLM and its subsidiaries Air France and KLM have signed agreements whose aim is to define the conditions under which Air France and KLM will provide technical and administrative support services to Air France-KLM. These accounting, administrative, legal and IT services are invoiced at cost price and were approved by previous Shareholders' Meetings (*See also section 5 – Statutory Auditors' special report on regulated agreements and commitments*).

Information relating to the share capital

Share capital

At March 31, 2009, the share capital of Air France-KLM comprised 300,219,278 fully paid-up shares with a nominal value of €8.50, held in registered or bearer form according to shareholder preference.

Each share has one voting right attached and there are no specific rights attached to the shares. There are no securities not representing the share capital.

Changes in the share capital over the last three financial years

Financial year ended	Total capital (in €)	Number of shares
March 31, 2007	2,374,608,510	279,365,707
March 31, 2008	2,551,863,863	300,219,278
March 31, 2009	2,551,863,863	300,219,278

The change in the capital between March 2007 and March 2008 corresponds with the exercise at maturity of 30,280,575 warrants for new or existing shares (BASAs) issued at the time of the share exchange offer for KLM giving rise to the creation of 20,853,046 shares and the conversion of 597 convertible bonds into Air France-KLM shares, of which 510 gave rise to the creation of 525 shares. No convertible bonds were converted during the 2008-09 financial year.

Authorizations to increase the capital

The Extraordinary Shareholders' Meeting of July 12, 2007 authorized the Board of Directors, for a period of 26 months from the date of the Meeting, to issue shares and/or other securities giving immediate or future rights to Air France-KLM's capital. The total amount of capital increases is capped at €500 million in nominal with the exception of capital increases reserved for members of an employee savings scheme and capital increases by capitalization of reserves and/or premiums.

Nature of the operation	Maximum amount of issues	Balance available at March 31, 2009
Capital increase via the issue of shares or other securities giving rights to the capital with preferential subscription rights or without preferential subscription rights	€500 million in nominal	€500 million in nominal
Capital increase to remunerate contributions in kind constituted of rights to the capital or securities giving rights to the capital of another company	10% of the share capital	10% of the share capital
Capital increase through capitalization of reserves and/or premiums	€500 million in nominal	€500 million in nominal
Capital increase reserved for members of an employee savings scheme	3% of the capital at the time of the issue	3% of the capital at the time of the issue
Issue of bonds and other related securities giving rights to the capital	€1 billion	€1 billion

The Shareholders' Meeting of July 9, 2009 will vote on the following authorizations:

Nature of the operation (submitted to the Shareholders' Meeting of July 9, 2009)	Maximum amount of issuance
Capital increase via the issue of shares or other securities giving rights to the capital with preferential subscription rights or without preferential subscription rights	€500 million in nominal
Capital increase through capitalization of reserves and/or premiums	€500 million in nominal
Capital increase to remunerate contributions in kind constituted of rights to the capital or securities giving rights to the capital of another company	10% of the share capital
Capital increase reserved for members of an employee savings scheme	3% of the capital at the time of the issue
Issues of bonds or other related securities giving rights to the capital with preferential subscription rights	€1 billion
Issues of bonds or other related securities giving rights to the capital without preferential subscription rights	€1 billion

Securities conferring entitlement to shares

Bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANEs)

In April 2005, Air France issued 21,951,219 bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANEs), with a 15-year maturity, for a total amount of €450 million. These bonds have a nominal unit value of €20.50 and mature on April 1, 2020. The annual coupon is 2.75% paid annually in arrears on April 1. The conversion period for these bonds runs from June 1, 2005 to March 23, 2020.

Further to the payment of dividends from the *other reserves* account in respect of the financial year ended March 31, 2006, and in order to maintain the rights of bond holders, an adjustment was made pursuant to the stipulations of the OCEANE 2.75% 2005-20 issue contract. The allocation ratio for holders of bonds convertible and/or exchangeable into Air France-KLM new or existing shares was thus changed to 1.03 share for each 2.75% 2005-20 bond.

At March 31, 2008, 597 bonds had been converted, thus reducing the number of outstanding convertible bonds to 21,950,622.

At March 31, 2009, no bonds had been converted or exchanged into shares.

Authorization to buy back Air France-KLM's own shares

The Combined Ordinary and Extraordinary Shareholders' Meeting of July 10, 2008, authorized the Board of Directors, for a period of 18 months, to trade in the company's own shares with a maximum purchase price of €60. Pursuant to the delegation attributed to it by the Shareholders' Meeting, the Board of Directors set the minimum sale price at €8.50.

Air France-KLM is authorized to acquire up to 10% of its capital. The objectives of the buyback program are to stimulate trading activity in the secondary market or stock liquidity within the framework of the liquidity agreement signed with Rothschild & Cie Banque, the delivery of these shares to satisfy rights attached to securities, the allocation or sale of shares to the Group's employees or senior executives and, finally, the retention and future allocation of these shares in an exchange or in payment for an acquisition. Pursuant to this authorization, at March 31, 2009, Air France-KLM held 4,107,792 shares of which 1,140,000 within the framework of the liquidity agreement. Since July 11, 2008, 757,500 shares have been purchased at an average price of €11.82 and 472,500 shares sold at an average price of €16.56. During the 2008-09 financial year, pursuant to this program and the program authorized by the Shareholders' Meeting of July 12, 2007, 1,400,500 shares were purchased at an average price of €14.62 and 950,500 shares sold at an average price of €18.77.

At March 31, 2009, the Group held 5,889,461 shares as treasury stock including 1,667,488 shares held by KLM in respect of its various stock option plans. This represents 2% of the capital with a net book value of €28.3 million.

Transactions realized between April 1, 2008 and March 31, 2009 by purpose

	Liquidity agreement	Stock destined to pay for an acquisition	Total
Number of shares at April 1, 2008	***690,000***	***2,967,792***	***3,657,792***
Shares purchased			
Number of shares	1,400,500	-	1,400,500
Average purchase price ***(In €)***	14.62	-	14.62
Use			
Number of shares	950,500	-	950,500
Average sale price ***(In €)***	18.77	-	18.77
Number of shares at March 31, 2009	***1,140,000***	***2,967,792***	***4,107,792***

Shareholder structure

Breakdown of the share capital and voting rights

The change in the Air France-KLM shareholder structure since March 31, 2007 is linked to the creation of 20.9 million shares in 2007-08 in exchange for the exercise of the warrants issued at the time of the business combination with KLM, and the creation of 525 shares in exchange for the conversion of 597 convertible bonds.

	% of share capital			% of voting rights		
Financial year ended	**March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2009**	**March 31, 2008**	**March 31, 2007**
Number of shares and voting rights	***300,219,278***	***300,219,278***	***279,365,707***	***294,329,817***	***294,886,837***	***277,292,894***
French State	15.7	15.7	17.9	16.0	15.9	18.0
Employees	12.0	11.2	11.3	12.3	11.4	11.4
Treasury stock	2.0	1.8	0.7	-	-	-
Others	70.3	71.3	70.1	71.7	72.7	70.6

Shareholder analysis

Pursuant to the obligation for air transport companies to monitor and control their shareholders, Air France-KLM has implemented a procedure for their identification. This operation has been carried out every quarter since the French State's shareholding was reduced in December 2004.

The TPI (identifiable bearer shares) analysis as at March 31, 2009, was carried out on the basis of the following thresholds: intermediaries holding a minimum of 220,000 shares and shareholders holding a minimum of 100 shares. Including the registered shares, the holders of 97% of the capital were identified and 117,027 shareholders listed including 96,978 individual shareholders.

Based on the TPI analysis of March 31, 2009, restated pursuant to Article 14 of the bylaws which defines French residence, Air France-KLM is more than 50% held by French shareholders and, consequently, the conditions for the exercise of Air France's traffic rights are met. The conditions for the exercise of KLM's traffic rights are also met, the majority of the company's voting rights being held by foundations subject to Dutch law.

At March 31, 2009, Air France-KLM was 65% owned by French interests (70% at March 31, 2008) and more than 75% by European institutions, unchanged on March 31, 2008. The principal European countries are the United Kingdom (4.8%), the Netherlands (2.4%), Norway (2.3%), Germany (1.5%) and Switzerland (1.1%). North American institutions held 17.1% of the share capital (13% at March 31, 2008) of which 10.3 million in ADR form.

Shareholders' pacts

Air France-KLM is not aware of the existence of any shareholder pact or agreement whose implementation could lead to a change of control.

Legal and statutory investment thresholds

Pursuant to Article L.233-7 of the French Commercial Code, Article 13 of the Air France-KLM bylaws stipulates that any private individual or corporate body, acting alone or in concert, acquiring directly or indirectly at least 0.5% of Air France-KLM's capital or voting rights or any multiple thereof, must notify Air France-KLM by registered mail with acknowledgement of receipt within 15 days of the date on which the threshold is exceeded.

Notice must be given under the same conditions each time a further 0.5% of the capital and voting rights is acquired up to 50%. These obligations are applicable when these thresholds are crossed in any direction.

The aforementioned obligations under the bylaws do not replace the legal obligation to inform Air France-KLM and the French securities regulator, the *Autorité des Marchés Financiers* or AMF, within five trading days if the capital and voting right thresholds stipulated by law are exceeded.

Furthermore, if the 10% and 20% capital and voting right thresholds are exceeded, the shareholder must notify Air France-KLM and the AMF of its intentions for the next 12 months within 15 days. This notification is subject to the conditions and sanctions set forth in Article L.233-14 of the Commercial Code.

In addition, in the event of failure to comply with this notification obligation and at the request of one or more shareholders holding at least 0.5% of the capital or voting rights, the shares exceeding the reporting thresholds will be stripped of their voting rights at all Shareholders' Meetings for a period of two years following compliance with notification procedures.

Furthermore, any shareholder acquiring more than 2% of Air France-KLM's voting rights is required to transfer these securities to registered form within 15 days of the date on which the threshold is exceeded (Extraordinary Shareholders' Meeting of September 25, 1998).

Based on the declarations received as of March 31, 2009, the following shareholders hold at least 0.5% of Air France-KLM's share capital.

Shareholders	Number of shares	% of share capital
BNP Paribas	3,069,759	1.02
Crédit Agricole Asset Management	7,579,547	2.52
Capital Research & Mgt	15,265,416	5.08
CNP	1,509,466	0.50
DNCA Finance	4,405,476	1.47
Donald Smith & Co	6,883,567	2.29
Compagnie d'investissement de Paris	2,649,720	0.88
Federal Finance	3,769,728	1.26
Fonds de prévoyance des retraites	1,643,198	0.55
Fintecna	4,395,618	1.46
Natixis	7,482,294	2.49
Edmond de Rothschild AM	6,144,103	2.05
UBS Londres	2,134,326	0.71

Identification of shareholders and statutory provisions concerning shareholders

Identification of holders of bearer shares

The Shareholders' Meeting of September 25, 1998 authorized Air France-KLM to make use of the legal provisions concerning the identification of holders of securities conferring immediate or future entitlements to vote at Shareholders' Meetings. Pursuant to the new Articles L.360-1 to L.360-4 of the Civil Aviation Code, as amended by the French law of April 9, 2003, listed French air transport companies are authorized to include a provision in their bylaws allowing them to monitor and control their shareholders and to require certain shareholders to sell all or part of their interests in the event of a risk relating to their nationality. This is because, over time, changes in the shareholder structure of an air transport company whose shares are listed for trading on a regulated market could jeopardize its operating license as an EU air transport carrier, the retention thereof being conditional on EU interests holding a majority of the shares and maintaining effective control, or the traffic rights held by the company as a French air transport company, pursuant to bilateral international agreements concluded between France and other States outside the European Union.

Identification and monitoring of shareholders

Articles 9 and following of the Air France-KLM bylaws set the conditions under which the Board of Directors can or must decide either to reduce the 2% threshold (the current threshold) above which shares must be held in registered form to 10,000 shares, or to require all shares in Air France-KLM to be held in registered form. However, when the 40% share capital or voting right threshold has been passed by non-French shareholders, the Board of Directors must decide to reduce this 2% threshold to 10,000 shares.

When Air France-KLM has published a notice informing the shareholders and the public that non-French shareholders own, directly or indirectly, 45% of Air France-KLM's capital or voting rights, the Board of Directors must decide to make it mandatory for all Air France-KLM shares to be held in registered form.

Article 10 of the Air France-KLM bylaws specifies the information that must be provided to Air France-KLM by shareholders, whether they be private individuals or corporate bodies, subject to the obligation to hold their shares in registered form. This information includes the nationality of the shareholder. Article 11 of the bylaws specifies the conditions under which the Board of Directors may exercise its right to approve new shareholders.

Formal notice to sell and mandatory sale of shares

Article 15 of the Air France-KLM bylaws stipulates the information that Air France-KLM must publish and circulate to inform the public that over 45% of the capital or voting rights is held by shareholders who are not of French nationality. Based on this threshold, Air France-KLM will be entitled to launch procedures requiring the sale of shares in order to safeguard its nationality. Articles 15 and 16, respectively, concern formal notices to sell and the mandatory sale of shares held in breach of regulations pursuant to the Civil Aviation Code. The terms for setting the sale price (market price) are foreseen by this same code.

Information on trading in the stock

Air France-KLM is listed for trading on the Paris and Amsterdam Stock Markets (Euronext Paris and Amsterdam) under the ISIN code FR0000031122. It is a CAC 40 component.

On February 7, 2008, Air France-KLM was delisted from the NYSE and trading in its American Depositary Receipt program transferred to the OTC Market (OTCQX) under the ticker AFLYY.

The Reuters code for the stock is AIRF.PA or AIRF.AS and the Bloomberg code AF PA.

In April 2005, Air France launched an issue of bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANEs) with a fifteen-year maturity amounting to €450 million. These bonds have a nominal unit value of €20.50 and are convertible at any time at the discretion of the holder. Their ISIN securities code is FR0010185975 and they are quoted only on Euronext Paris.

Transactions in Air France-KLM shares over the last 18 months

Since the volumes of shares traded on the Euronext Amsterdam market are not significant, specific information on them is not provided.

Euronext Paris Shares	Trading days	Average price *(In €)*	Trading range *(In €)* High	Trading range *(In €)* Low	Volume	Amount *(In € million)*
2007						
October	23	27.09	29.25	24.59	65,341,500	1,772.6
November	22	23.97	26.44	22.01	75,135,445	1,807.6
December	19	23.96	26.00	22.67	46,099,900	1,114.8
2008						
January	22	20.32	24.61	16.61	81,419,934	1,635.6
February	21	18.45	20.20	17.65	52,576,898	973.1
March	19	16.73	18.22	15.20	60,044,054	1,008.3
April	22	19.030	20.060	17.840	55,685,163	1,059.2
May	21	18.930	21.150	16.060	66,289,523	1,205.8
June	21	16.200	17.990	14.970	70,926,841	1,155.3
July	23	15.260	17.100	12.870	96,807,653	1,456.9
August	21	16.873	18.540	15.540	57,389,497	974.4
September	22	16.720	18.310	15.000	71,237,786	1,201.6
October	23	13.178	16.150	10.270	81,706,578	1,076.5
November	20	10.636	12.940	9.010	47,546,318	503.0
December	21	9.669	10.250	9.170	37,885,404	370.9
2009						
January	21	8.737	10.245	6.906	57,553,153	490.1
February	20	7.675	8.450	6.915	48,518,720	372.3
March	22	6.922	7.516	6.215	58,635,344	408.0

Source: Euronext.

OCEANE 2.75%	Trading days	Average price *(In €)*	Trading range *(In €)* High	Low	Volume
2007					
October	23	-	-	-	-
November	22	-	-	-	-
December	19	30.50	30.50	30.50	50
2008					
January	22	-	-	-	-
February	21	-	-	-	-
March	19	27.95	27.95	27.95	50
April	22	-	-	-	-
May	21	22.823	23.850	21.810	206
June	21	21.250	21.300	21.250	457
July	23	20.000	20.000	20.000	117
August	21	23.613	24.500	23.100	329
September	22	18.720	18.720	18.720	215
October	23	17.723	19.450	16.800	1,432
November	20	17.500	18.000	16.900	35,626
December	21	18.450	19.250	17.550	12,704
2009					
January	21	19.815	20.980	18.150	5,137
February	20	18.688	18.940	18.500	4,759
March	22	19.363	19.600	18.700	256

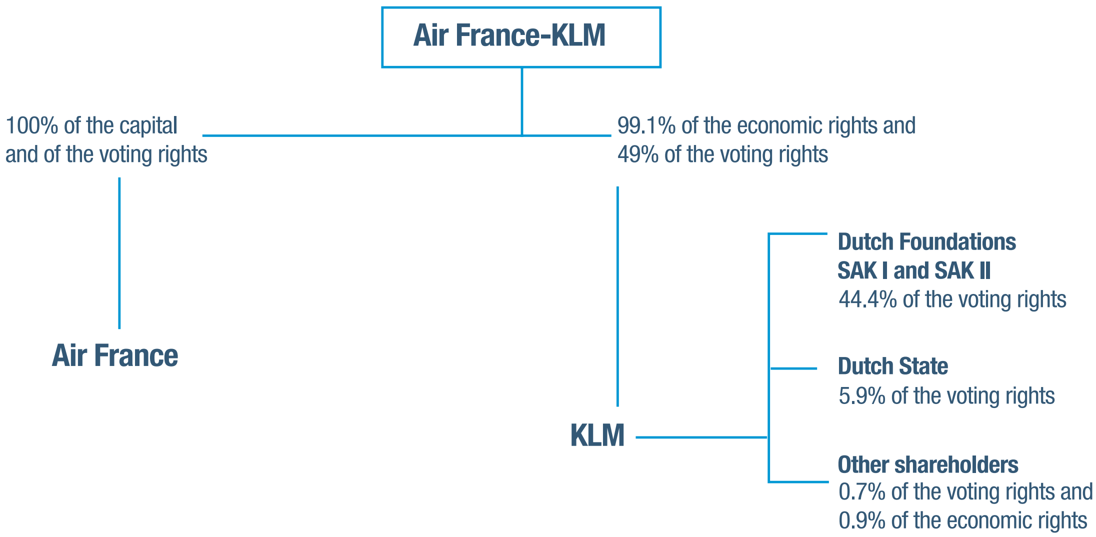
Source: Chronobourse/GL Trade.

Information on the agreements concluded in connection with the business combination between Air France and KLM

In connection with the agreements concluded between Air France [(1)] and KLM for the creation of the Air France-KLM group[(1)], various agreements were concluded with KLM's existing shareholders on the date on which the global agreement between Air France and KLM was signed.

Agreements relating to the KLM shareholding structure

During the financial year, Air France-KLM purchased 167,453 KLM shares from minority shareholders which, pursuant to the agreements, were then transferred to the SAK I foundation. Following these transactions, Air France-KLM holds 99.1% of the economic rights and 49% of the voting rights, the Dutch foundations 44.4% of the voting rights and the minorities 0.9% of the economic rights and 0.7% of the voting rights of KLM.



KLM set up two Dutch foundations, SAK I and SAK II, to handle the administration of KLM shares transferred as part of the business combination operations together with the KLM shares acquired by Air France-KLM. SAK I and SAK II are each managed by Boards of Directors comprised of three members. One member is appointed by Air France, one by KLM and the third, acting as Chairman, is appointed by the first two. The majority of the members of the Boards of Directors of each of the foundations, including the Chairman, must be Dutch nationals and reside in the Netherlands. Board decisions are taken unanimously. In return for the shares transferred to SAK I and SAK II, Air France-KLM received share certificates enabling it to benefit from all the economic rights associated with the underlying shares. SAK I and SAK II, however, retain the voting rights attached to these shares. These voting rights are exercised by the SAK I and SAK II Boards of Directors in accordance with the corporate governance principles defined in the agreements for the combination between KLM and Air France, in the best interests of KLM, Air France-KLM and its shareholders.

Initially established for a three-year period, further to an agreement of April 2, 2007 between Air France-KLM and KLM, the two foundations SAK I and SAK II were maintained for an unspecified period with the same purpose. However, this agreement stipulates that Air France-KLM may, at any time after May 6, 2007, end this administered shareholding structure for the KLM shares held by SAK I and SAK II and proceed to consolidate the economic rights and voting rights on the shares.

(1) Air France-KLM with reference to the holding company in September 2004 and Air France when it concerns the company.

Agreements with the Dutch State

In order to allow the combination to go ahead and safeguard KLM's traffic rights, Air France and KLM concluded the following agreements with the Dutch State.

Agreement for the acquisition of cumulative preference A shares held by the Dutch State

On October 16, 2003, Air France, KLM and the Dutch State signed an agreement under which the Dutch State will scale down its interest in KLM in proportion to any reduction by the French State of its stake in Air France-KLM. As such, the Dutch State will sell its cumulative preferential A shares to Air France-KLM or to SAK I in the name and for the account of Air France-KLM as long as this foundation is maintained. In the second case, SAK I will issue share certificates for Air France-KLM corresponding to the cumulative preferential A shares transferred to SAK I. These share certificates confer to Air France-KLM the sole economic right attached to these shares, i.e. a right to a reduced dividend, the corresponding voting rights being exercised by SAK I until the share certificates have been exchanged by Air France-KLM against the said shares.

In March 2005, pursuant to the agreement, 5,103,885 cumulative preference A shares were sold by the Dutch State to SAK I for the account of Air France-KLM, which received, in return, SAK I share certificates.

At the end of the initial three-year period, Air France-KLM had the right to exchange the share certificates for the cumulative preferential A shares, and hold the shares directly. Having decided, in 2007, to maintain the SAK I and SAK II foundations, Air France-KLM did not proceed with such an exchange.

The Dutch State also benefits from the right to sell as many cumulative preferential A shares as it wishes to Air France-KLM at any time.

Amendments made to the Dutch State's option and the related agreements

Since 1994, the Dutch State has benefited from an option to subscribe for preferential KLM B shares, enabling it to increase its stake to 50.1% of the capital and voting rights of KLM irrespective of the amount of capital issued by KLM when the said option is exercised. The sole economic right to these shares is a right to a reduced dividend.

If the Dutch State considers it necessary and reasonable, it may exercise its option in future, after consultation with KLM, if another country were to limit KLM's scheduled airline operations with the said country because it considers that a significant percentage of KLM's capital is no longer held by Dutch shareholders or that the effective control of KLM is no longer exercised by Dutch nationals. This option is based on the Chicago Convention and bilateral air service agreements according to which KLM's right to operate air transport services on international lines generally depends on the obligation for a majority or a significant percentage of the capital to be held by Dutch or other European nationals and for the effective control of KLM to be exercised by Dutch or European nationals.

Air France, KLM and the Dutch State signed an agreement on October 16, 2003 to amend certain terms of the existing option for the Dutch State. In accordance with the amended terms of the option, the Dutch State may exercise its option if another country, representing a key market served by KLM, provides written notice that it intends to limit or terminate KLM's scheduled airline operations with the said country because it considers that a significant percentage of KLM's capital is no longer held by Dutch shareholders or that the effective control of KLM is no longer exercised by Dutch nationals.

The Dutch State's amended option was initially set for a period of three years from May 5, 2004, and is renewable on three occasions by the Dutch State for periods of twelve months on each occasion. After renewals in 2007 and 2008, the option was again renewed for a twelve-month period dating from May 5, 2009. It will become null and void in May 2010.

The agreement with the Dutch State also stipulates that the parties will discuss upstream and in good faith the need to exercise the amended option for the Dutch State and the corresponding schedule, although such discussions will not necessarily represent a prior authorization right for Air France. After exercising the option, the Dutch State will be required to inform Air France, at least every six months, of the status of discussions with the countries contesting KLM's traffic rights. The amended option also provides that the Dutch State will exercise the voting rights associated with the preferential B shares acquired as a result of this option being exercised, in accordance with the best interests of KLM, Air France-KLM and its shareholders and pursuant to the corporate governance guidelines indicated in the global agreement.

If after exercising the amended option, the Dutch State establishes that KLM's key markets are no longer threatened, KLM will be required to buy back the preferential B shares with a view to cancelling them, at a price equal to the amount paid at the time of the issue of the preferential B shares, increased to factor in the amount of any dividends accrued but not yet paid. Such a buyback operation will not affect the Dutch State's option, which will remain in force as stipulated.

Assurances applicable until May 5, 2012

Assurances given to the Dutch State

On October 16, 2003, Air France and KLM gave the Dutch State the following assurances with a view to maintaining the quality of KLM's network at Schiphol airport which, according to the Dutch State, is of public interest, while at the same time taking into account the interests of the Air France-KLM group and its shareholders.

Air France and KLM will continue to be air transport companies and will maintain their operational activities in France and the Netherlands respectively. Air France and KLM will keep their air transport and operating licenses, and will continue to fulfill all of the conditions required for the maintenance of these licenses.

In cooperation with the competent Civil Aviation Authorities, Air France and KLM will both make every effort to keep all the authorizations and respective rights granted by the said authorities that are required to operate international lines.

To this end, if an economic decision to shut a service down were likely to result in the partial loss of these authorizations, all the parties concerned will make every effort to safeguard the authorizations and rights concerned without compromising the underlying economic decision.

Air France and KLM confirmed that passenger traffic on flights departing from Roissy-CDG and Schiphol and the potential for growth in this traffic are vital to the success of the Air France-KLM group, which will operate a multi-hub system in Europe based on these two airports.

Air France and KLM agreed that the cargo activities at the Roissy-CDG and Schiphol hubs and the potential for growth in this business are vital to the success of the Air France-KLM group. Air France and KLM agreed that the potential for synergies identified with regard to the cargo business will open up development opportunities for the Air France-KLM group at Schiphol and Roissy-CDG.

Assurances applicable until May 5, 2009

The assurances given to the Dutch State and to KLM, applicable until May 5, 2009, became null and void as of May 6, 2009.

Assurances given to the Dutch State

Subject to any measures for adaptations required in the event of a crisis, the passenger traffic at Roissy-CDG will not be developed in such a way that it is significantly detrimental to the existing portfolio of key destinations operated by KLM out of Schiphol, provided that the said destinations maintain their economic interest for the Air France-KLM group. Similarly, passenger traffic at Schiphol will not be developed in such a way that it is significantly detrimental to the current portfolio of key Air France destinations operated out of Roissy-CDG.

The Air France-KLM group will be able to transfer up to five key KLM destinations, which will become destinations operated by Air France out of Roissy-CDG, insofar as the transfer of these lines is accompanied by the symmetrical transfer of five Air France destinations that will then be operated by KLM out of Schiphol.

Subject to any measures for adaptations required in the event of a crisis, the Air France-KLM group's cargo activity at Roissy-CDG will not be developed in such a way that it is significantly detrimental to KLM's global cargo activity at Schiphol. Similarly, the Air France-KLM group's cargo activity at Schiphol will not be developed in such a way that it is significantly detrimental to Air France's global cargo activity operated out of Roissy-CDG.

In return for these assurances, the Dutch State undertook to take the importance of KLM's activities at Schiphol into consideration when defining its civil aviation policy. Furthermore, the Dutch State agreed to:

- maintain the existing portfolio of traffic rights granted to KLM, other than those that have not been used by KLM over a cumulative period of twelve months;
- continue to review any future request submitted by KLM for the allocation of new traffic rights on a fair and non-discriminatory basis.

Any action or decision to be taken while the assurances given to KLM are still in force that could result in a change in these assurances, including amongst other things a change in the articles of association of the Dutch foundation, *Fondation des Assurances KLM*, in that it would affect the assurances given to the Dutch State, is subject to the prior agreement of the Dutch State.

Assurances given to KLM

In order to safeguard the long-term interests of each of the parties as well as the interests of the Air France-KLM group and its shareholders, Air France has given KLM the following assurances:

- Air France and KLM recognize the importance of human resources and the need to develop and maintain centers of excellence within the Air France-KLM group. They agree that promotions will be based on merit and skills with no discrimination. Similarly, any restructuring operations will be carried out in accordance with the principle of non-discrimination;
- Air France and KLM confirm that passenger traffic on flights departing from Roissy-CDG and Schiphol and the potential for growth in this traffic are vital to the success of the Air France-KLM group, which will operate a multi-hub system in Europe based on these two airports;
- in setting up a combined integrated network, Air France and KLM intend to optimize the current portfolio of Air France and KLM destinations to the benefit of the Air France-KLM group, while seeking to maintain and ensure the long-term development of lines operated by the two companies for flights to or from Roissy-CDG and Schiphol.

The balanced nature of this long-term development will be determined on the basis of the following factors:

- a common economic strategy and, for the development of business plans for the two airlines, a common objective of overall profitability and financial solidity;
- the suitability of business plans for the development of traffic flows;
- a reasonable division of new opportunities between the two networks, in line with natural traffic flows and the economic conditions applicable to each of the two hubs;
- subject to the aforementioned criteria, the development of one hub must not be detrimental to the other hub, its existing portfolio of key destinations and its potential development. A transfer of destinations from one hub to another will not be authorized unless this option is of obvious interest and significance for the combined operational entities or it is offset by the symmetrical transfer of another destination.

Air France and KLM agreed not to operate flights from the two hubs to any long-haul destination served until now by only one of the companies from its hub, subject to certain conditions. Air France and KLM will continue to use their respective codes: “AF” and “KL”.

On lines between the Netherlands and France, Air France and KLM will optimize the use of their fleet, crews and ground services in order to reduce costs by eliminating non-use of aircraft at night and optimizing schedules and capacities. Air France and its subsidiaries will serve the hubs at Roissy-CDG, Clermont-Ferrand and Lyons. KLM and KLM Cityhopper will serve the Schiphol hub, operating no fewer than 50% of the frequencies.

Air France and KLM agreed that the cargo activity and its potential for growth out of Roissy-CDG and Schiphol are vital to the success of their cooperation. They agreed to ensure the balanced development of capacity at each hub including, if economically justified, investment in cargo planes or aircraft conversions in order to maintain the capacity and development of the cargo destinations, and investments to develop the capacity of cargo infrastructures for the hubs. The Air France-KLM group’s business plan aims to maintain the long-term development of each hub.

The fair nature of this long-term development will be determined on the following basis:

- a common economic strategy and, for the development of business plans for the two companies, a common objective of overall profitability and financial solidity;
- the suitability of such business plans for the development of the air cargo transport market;
- the development of one hub will not be detrimental to the cargo activity at the other hub, subject to all the measures for adaptations required in the event of a crisis.

Air France and KLM agreed to draw up a cargo agreement, which will not impede the potential integration of Martinair into the Air France-KLM group if this is beneficial for the two parties and strengthens the position of Schiphol. Air France will not block the project, subject to a review of the lines operated by the two airlines and a comparison of the benefits, synergies and risks involved, including the securing of acceptable conditions enabling the transaction to be approved by the Dutch and European authorities.

Air France and KLM agreed that the business combination should lead to an increase in the portfolio of products offered by the Air France-KLM group in terms of engineering and maintenance services.

Air France and KLM agreed that, for commercial and heritage reasons, the identity of each party should be preserved.

Air France and KLM agreed to continue using, for as long as they believe it to be necessary, their brands and logos, of which they recognize the value and heritage, until such time as the Air France-KLM group has acquired an equivalent or higher level of recognition; and Air France and KLM will make every effort to retain the term *Royal* for KLM.

Mechanism to ensure compliance with the assurances given

Air France and KLM set up a Dutch foundation, the *Fondation des Assurances KLM*, in order to facilitate the formation of binding advices on the interpretation of the assurances given to the Dutch State and KLM. The *Fondation des Assurances KLM* comprises two committees, which issue binding advices if any decisions taken by the KLM Supervisory Board, KLM Management Board or Air France Board of Directors appear to contravene the assurances given to the Dutch State or KLM. The Foundation des Assurances KLM was established for a period of eight years through to May 6, 2012, subject to a possible contravention of the assurances not having been referred to one of the committees on this date. In this case, the *Fondation des Assurances KLM* will only be liquidated after having given its opinion on the alleged contravention.

When giving its opinions, the *Fondation des Assurances KLM* must act in the best interests of KLM, the Air France-KLM group and its shareholders. The Foundation is managed by a Board of four independent directors:

- one appointed by Air France;
- one appointed by KLM;
- one appointed by the Dutch State;
- one appointed by the other three directors.

The director appointed by Air France has double voting rights with regard to the appointment of the fourth director.

Notices relating to a possible contravention of the assurances given to the Dutch State will be issued by a committee comprised of the director appointed by Air France, the director appointed by the Dutch State and the director appointed by the other directors.

Notices relating to a possible contravention of the assurances given to KLM will be issued by a second committee comprising the director appointed by Air France, the director appointed by KLM and the director appointed by the other directors. The submission of a case to the Foundation's relevant committee relating to a decision taken by the KLM Supervisory Board, the KLM Management Board or the Air France Board of Directors may be made by either the Dutch State with regard to the assurances given to it, or by several members of the KLM Supervisory Board acting together with regard to the assurances given to KLM.

If the relevant committee of the *Fondation des Assurances KLM* issues a mandatory notice indicating that the decision submitted to it contravenes the assurances given, the KLM Supervisory Board, the KLM Management Board or the Air France Board of Directors will be required to cancel or amend its decision as soon as possible and cancel the effects of any actions taken in connection with the said decision, in accordance with the notice issued. The two committees will take their decisions based on a majority of votes.

At March 31, 2009, no cases had been submitted to the Foundation's committees.

Information relating to the agreements concluded with Alitalia–Compagnia Aerea Italiana (Alitalia-CAI)

Alitalia–Compagnia Aerea Italiana (Alitalia-CAI) is a new legal entity incorporated under Italian law established by some twenty Italian corporate bodies and individual shareholders, to acquire part of the aviation activities of Alitalia Linee Aeree Italiane (Alitalia-LAI), a company in legal liquidation since September 2008.

In December 2008, Alitalia-CAI acquired, from the liquidator, a portion of Alitalia-LAI's airline and non-airline assets and recruited some of this company's workforce. In addition, at the end of December 2008, Alitalia-CAI acquired the airline Air One, the number two operator in the Italian domestic market.

Pursuant to a series of agreements concluded on January 12, 2009, within the framework of a reserved capital increase at Alitalia-CAI, Air France-KLM acquired a 25% shareholding in this company in return for an investment of €323 million, a sum which was paid in full on March 25, 2009 after the fulfilment of the conditions precedent.

In addition to the investment agreement, four additional agreements were concluded between Air France-KLM and Alitalia-CAI:

- an industrial and commercial agreement known as the *Partnership Agreement*;
- an agreement relating to Alitalia-CAI's membership of the SkyTeam alliance;
- an agreement relating to the change in Alitalia-CAI's bylaws notably in terms of governance and shareholders' rights;
- a call option agreement in addition to the aforementioned changes in the bylaws.

Partnership agreement

Under the terms of this eight-year agreement, Air France-KLM and Alitalia-CAI agreed to maximize the synergies that they have identified in the different areas, particularly in terms of cooperation on the routes between France and Italy, the feeding of their respective hubs, intercontinental routes, frequent flyer programs and sales and distribution.

In order to ensure the full effectiveness of the agreement, the companies have established governance bodies and appointed a Partnership Manager to be responsible for preparing the annual or multi-year actions plans, establishing the monthly reports and, more generally, for monitoring the implementation of the decisions taken by the governance bodies.

The first Partnership Manager, who is a senior executive of Air France-KLM, was appointed in January 2009 for a three-year period, renewable once, and is based in Italy.

Alitalia-CAI is entitled to terminate the partnership agreement if the total synergies realized at the end of three IATA years, i.e. March 31, 2012, after an evaluation carried out if necessary by a college of three expert appraisers, is less than half the minimum total synergies anticipated by the parties over the same three-year period.

Agreement covering the change in the Alitalia-CAI bylaws

Governance

Air France-KLM is represented by three Board directors on the Alitalia-CAI Board of Directors out of a total of 19 members. After January 12, 2012, Air France-KLM representation on the Board of Directors will be proportional to its shareholding.

In addition, Air France-KLM is represented by two out of a total of nine members of the Alitalia-CAI Executive Committee, the body to which the Board of Directors has delegated part of its powers in line with Italian law.

Ordinary shares and B shares

Air France-KLM holds B shares which carry the same economic and voting rights as the ordinary shares held by the Italian shareholders. Furthermore, the B shares give their holders a number of specific rights, notably in terms of representation on the Board of Directors and a right to withdraw from the company.

Pre-emption right

The bylaws provide for a four-year lock-up period for the shares. Until January 12, 2013, holders of the ordinary shares may not sell their shares to third-parties nor to Air France-KLM.

Between January 13, 2013 and October 28, 2013, the sale of the ordinary shares and the B shares is authorized between shareholders or to a third-party, but only on condition that the other shareholders have not exercised their pre-emption rights and, in the event of a sale to a third party, prior approval has been given by the Board of Directors. After October 28, 2013, the shares may be sold with a pre-emption right for all shareholders.

Withdrawal right and redemption of the B shares

Air France-KLM benefits from a withdrawal right from Alitalia-CAI particularly if, on its own initiative, Alitalia-CAI terminates the partnership agreement. Symmetrically, Alitalia-CAI is entitled to redeem the B shares held by Air France-KLM, particularly were the level of synergies anticipated within the framework of the partnership agreement not to be achieved at the end of three years.

Mandatory tender offer

If a shareholder reaches more than 50% of the Alitalia-CAI share capital, the other shareholders have a put option at a market price to be established by an expert appraiser and payable in cash.

However, this put option is not exercisable in the event that one shareholder, holding less than 50% of the share capital, were to launch a purchase offer (in shares or in cash) open to all shareholders. In this case, the offer must be accepted by at least 51% of the Alitalia-CAI shareholders each owning more than two million shares and holding, in aggregate, at least 51% of the company's shares.

The initiator of the offer may decide not to proceed with the offer if the percentage of the shares tendered does not amount to at least 67% of the total number of shares, including the shares already held by the initiator.

Voting in the Shareholders' Meeting

It is stipulated in the bylaws that, for the adoption of the most important resolutions, an 80% majority is required.

Legislative and regulatory environment for the air transport industry

Commercial air transport is governed by eight freedoms, national and supranational legislation, and various international conventions that each State undertakes to apply in its air space after ratification.

Freedoms

Under a bilateral treaty, an air carrier has freedoms that allow it to operate in the air space and the territory of a State other than its State of origin. These eight freedoms are as follows:

- 1st freedom – A carrier that leaves from its State of origin has the right to overfly the air space of a foreign State;
- 2nd freedom – A carrier that leaves from its State of origin has the right to make a technical layover without unloading or loading passengers in a foreign State. This freedom is the “transit right”;
- 3rd freedom – A carrier that leaves from its State of origin has the right to unload passengers from its State of origin in a foreign State;
- 4th freedom – A carrier that leaves from a foreign State has the right to load passengers in this foreign State and unload them in its State of origin;
- 5th freedom – A carrier that leaves from its State of origin has the right to unload and load passengers in two successive foreign States;
- 6th freedom – A carrier that leaves from a foreign State has the right to load passengers in that State and unload them in its State of origin, then in another foreign State;
- 7th freedom – A carrier that leaves from a foreign State has the right to load passengers in that State to unload them in another foreign State, without going through its State of origin;
- 8th freedom – A carrier that leaves from its State of origin has the right to load passengers in a foreign State, to unload them in another city in this same foreign State.

European legislation

Single European airspace

Within the European Union, these eight freedoms have been supplemented, since April 1, 1997, by common legislation that creates a homogenous regulatory situation for all European carriers. All European airlines may freely operate and, in particular, perform cabotage operations within a single European airspace. Furthermore, any resident of an EU Member State may now hold a stake in the shares of any EU-registered airline, without limit, provided that the shareholder is not acting as a front for a beneficial owner who is not a citizen of an EU Member State. This framework eliminates the need for bilateral agreements between EU Member States and does not prevent them from participating in the ICAO, nor does it conflict with the principles and regulations of the Chicago Convention.

Single airspace between Europe and the United States

On March 22, the European Union Council of Ministers unanimously approved the air transport agreement established on March 2, 2007 between European and US negotiators. This agreement, which introduces a broad degree of liberalization in air services between the European Union and the United States, offering numerous commercial opportunities to US and EU carriers, was signed on April 30, 2007 at the summit between the European Union and the United States. It came into force on March 30, 2008. The agreement replaces the so-called *Open Skies* bilateral agreements, signed by the majority of EU Member States with the United States, certain provisions of which the European Court of Justice had deemed contrary to Community law. The authorized agreement thus constitutes the recognition by the EU’s major aviation partner of the concept of an EU airline.

A second phase of negotiations was opened in May 2008 to cover, notably, a new liberalization of access to the market, the definition of a new policy in terms of ownership and control of the US carriers, issues relating to the environment as well as limitations which could exist in terms of access to airport infrastructure.

At the end of an 18-month period the two parties are expected to review the progress made and, if no agreement is forthcoming after an additional period of 10 months, each party may, having given notice of 12 months, call into question all or part of the rights acquired during the first phase. A possible application of these provisions is thus not possible before November 1, 2010 at the earliest.

Passenger rights

Passenger rights in the European Union are defined by regulations, established in 2005, which apply to all flights, both scheduled and unscheduled, departing from an airport located in a Member State of the European Union. The regulations establish common rules for compensation and assistance upon refusal or substantial delay in embarkation, flight cancellation or class downgrading.

If a flight is overbooked, air carriers are encouraged to develop policies based on calling for volunteers to take a different flight. If this policy does not prevent boarding refusals, the passengers affected receive compensation, calculated based on the final destination mileage zone and the delay in terms of the initial arrival time, amounting to between €250 and €600. In addition, if a flight is delayed for at least five hours, passengers may request the reimbursement of their ticket (including for the legs of the trip already completed) if no replacement solution is possible or if they believe that their trip has become pointless.

If a flight is cancelled, the air carrier's obligations are based on their ability to adequately inform their passengers. The earlier the passenger is informed, the fewer the constraints for the carrier. If these obligations are not met, the passenger may claim compensation varying from €250 to €600, on the basis of the final destination mileage zone and the time period in which he or she was rescheduled.

Furthermore, a passenger who is seated in a class lower than the reservation class benefits from a partial reimbursement of the trip in question equal to 30%, 50% or 75% based on the destination mileage zone. Note that the US authorities have just adopted new rules increasing passenger rights in this area, which came into force on May 19, 2008, doubling the compensation to between $400 and $800.

International conventions

In addition to the eight freedoms and legislation, three main treaties establish the legal and regulatory framework governing commercial air transportation: the Montreal Convention, the Chicago Convention and the Rome Convention.

The Montreal Convention (1999)

The Montreal Convention of May 1999, signed to date by 86 States, aims to provide better protection for victims suffering damages. This convention entered into force on June 28, 2004. It is based on several fundamental provisions, notably the principle of the unlimited liability of air transport companies in the event of physical injury with the implementation of a two-tier system:

- a first tier that sets an objective liability for the air transport company of up to 100,000 Special Drawing Rights (SDR);
- a second tier, based on a presumption of fault for the air transport company, for which the airline may be exempt if it proves that it or its agents or officials have not been negligent in any way or that the damages are exclusively a result of the acts of a third party.

Furthermore, with regard to compensation, the rule relating to the regional authority of courts has been extended.

The Chicago Convention (1944)

The Convention relating to international civil aviation, known as the Chicago Convention, sets out the legal, regulatory and technical rules governing commercial aviation and its Member State signatories are required to implement a common legal framework governing their domestic airspace and their relations with one another.

Signed in December 1944, the Chicago Convention established the International Civil Aviation Organization (ICAO) as the instrument of cooperation between the 190 signatory States in all areas of civil aviation.

The Rome Convention (1952)

The Rome Convention, signed in 1952, covers damages caused to third parties on the ground by foreign aircraft. This convention has not been ratified by France, the Netherlands or the United States. The ICAO's legal commission is currently involved in a major initiative to redraft the wording which would facilitate its ratification in making a distinction between everyday risk and terrorist risk.

Other legal aspects of Air France-KLM's activities

Allocation of slots

Access to the main international airports is regulated by the allocation of time slots. This regulation concerns most European (London, Paris, Frankfurt, Milan, Madrid, Amsterdam, etc.) and Asian (Bangkok, Tokyo, Hong Kong, Singapore, etc.) airports. In the United States, with the exception of John F. Kennedy Airport (New York) and O'Hare Airport (Chicago), access to airports is controlled by other regulations based on the assignment of boarding gates.

For airports within the European Union, each Member State with coordinated airports under its responsibility, and after consulting the airlines that regularly use the airports concerned, their representative organisations and the airport authorities, designates an individual or an entity to be responsible for the allocation of slots and the monitoring of their use. Such individuals or entities must have specialized knowledge in the area of coordinating aircraft routes for air transport companies.

Slots are allotted twice a year by the designated airport coordinator, at the same time as the airline flight schedules for the relevant IATA season.

The allocation procedure is as follows:

- airlines file their slot applications with the coordinator five months prior to the beginning of each season;
- the coordinator first allocates slots to airlines that already had slots the previous season (known as *grandfather* rights) for past operations;
- once the slots have been allocated, the coordinator gives all the interested parties certain details about the slots requested: slots subject to grandfather rights and slots allocated, with a breakdown by airline and ranking in chronological order for all carriers, as well as information on which slots are on hold and which may still be available;
- a pool is created that includes, for each coordination period, all the available slots, whether they are newly created, unused, abandoned by a carrier or have become available for any other reason;
- the coordinator allocates half of the pooled slots to newcomers and the other half to long-standing operators in proportion to the slots allocated previously; any remaining slots are also allocated based on the same procedure.

An allocated slot that is not used is reclaimed and re-allocated to another airline. Since slots are first allocated to existing long-standing operators, and given the expansion plans of most airlines, requests for new slots are rarely satisfied at saturated airports.

At the end of this preliminary allocation (pre-coordination) process, a conference attended by virtually all airport coordinators and airlines is organized in order to enable the airlines to:

- simultaneously coordinate the slots they are allocated on different airports so that when they operate flights between two coordinated airports they are granted compatible slots by each of them; and
- exchange slots among themselves in the event that the slots originally allocated by the airport coordinators are unsatisfactory.

The grandfather rights of long-standing users give established airlines a decisive commercial competitive edge over other airlines on saturated airports because they already enjoy the best slots in their principal airports in terms of both quality and quantity.

Glossary

Air transport glossary

AEA

Association of European Airlines. Created in 1952, notably by Air France and KLM, the AEA represents the interests of its members within the European Union institutions, the European Civil Aviation Conference and other organizations and associations.

Available seat-kilometers (ASK)

Total number of seats available for the transportation of passengers multiplied by the number of kilometres traveled.

Available ton-kilometers (ATK)

Total number of tons available for the transportation of cargo, multiplied by the number of kilometres traveled.

Coordinated airport

Airport where a coordinator has been appointed to allocate landing and take off slots according to rules established in advance. All large European Union airports are coordinated.

Biometry

Technique allowing the identity of an individual to be verified, while crossing a national border for example, through the automatic recognition of certain pre-recorded physical characteristics.

Cabotage

Airline cabotage is the carriage of air traffic that originates and terminates within the boundaries of a given country by an air carrier of another country.

Capacity

Capacity is measured in available seat-kilometers.

Catering

In-flight catering involves the planning and preparation of meals and the assembly of meal trays destined to be served on board an aircraft.

Code share

In accordance with a code share agreement, two partner airlines offer services on the same aircraft, each under their own brand, their own IATA code and their own flight number. Code sharing may take two forms. In the first case, the two airlines purchase and sell seats to and from each other at an agreed price. The airline which has purchased the seats then markets them under its brand and at its fares. In the second case, under the system known as *free flow*, the two airlines are allowed to sell all the seats on the flights involved. Each airline retains the revenues generated on the flight it operates and remunerates the other airline for the number of seats the latter has sold on its aircraft.

Combi

Aircraft whose main deck is equipped for the transportation of both passengers and cargo. The freight is stored at the back of the aircraft and is accessed by a specially-fitted cargo door.

DGAC

Direction Générale de l'Aviation Civile. Under the authority of the French Ministry of Transport, the DGAC is in charge of the security of air transport and of air space in France.

DGTL

Directoraat-Generaal Transport en Luchtvaart. Under the authority of the Dutch Ministry of Traffic and Public Works, the DGTL is in charge of the security of air transport and of air space in the Netherlands.

E-services

Range of ground services offered by Air France and KLM to their passengers, based on new information technologies. E-services notably enable passengers to check in using self-service kiosks or via the airlines' websites as well as the use of electronic tickets.

EASA

European Aviation Safety Agency. EASA develops safety and environmental protection expertise in civil aviation in order to assist the European institutions to establish legislation and implement measures regarding aircraft security, organizations and associated staff.

Electronic ticketing

All the journey information for one or several passengers which, instead of being printed, is recorded in an airline's IT database, once the reservation has been made and paid for. An electronic or e-ticket replaces the traditional paper ticket.

Equivalent available seat-kilometer (EASK)

Measure of production after conversion of cargo tons into equivalent available seats.

Equivalent revenue passenger-kilometers (ERPK)

Overall measure of traffic after conversion of cargo tons into equivalent revenue passenger-kilometers.

Fare combinability

System which, on destinations served by both Air France and KLM, enables customers to choose between a journey with an onward flight connection at KLM's Schiphol hub and a journey with an onward flight connection at Air France's Roissy-Charles de Gaulle hub. With fare combinability, customers benefit from more frequencies via one or other of the hubs, for both the inbound and outbound trips. The fare is based on two half return tickets.

Fuel hedging

Financial mechanism aimed at protecting Air France-KLM from the risk of a rise in the fuel price. Involves purchasing a fixed quantity of fuel on a certain date and at a pre-determined price. Two financial products, options and swaps, are used in this type of mechanism.

FAA

Federal Aviation Administration. Body responsible for civil aviation security in the United States.

Handling

Preparation of the aircraft, involving loading and unloading, as well as the associated logistics such as management and storage of hotel products.

High contribution

Fare classes corresponding to business or first class.

Hub

Term used for a transfer platform where departures and arrivals are scheduled to minimize transit times. Air France-KLM disposes of two of the four major European hubs: Roissy-Charles de Gaulle and Amsterdam-Schiphol. The Air France and KLM hubs are organized into successive waves for arrivals and departures each day in order to increase the transfer opportunities for customers.

IATA

International Air Transport Association. Created in 1945, IATA establishes regulations for the air transport industry and provides its members with a framework for the coordination and proper implementation of tariffs, together with commercial and financial support services.

IATA year

Financial year for many airlines, including Air France-KLM, which runs from April 1 to March 31 the following year. This system makes it possible to track changes in activity more effectively based on the *seasons* defined by IATA, i.e. a summer season and a winter season.

ICAO

The International Civil Aviation Organisation, a UN Specialized Agency, promotes the safe, secure and sustainable development of civil aviation world-wide. It establishes the standards and regulations required to ensure the safety, security, efficiency and continuity of aviation operations as well as the protection of the environment.

Joint-venture

Joint company with two partners, often held equally with 50% each. This type of shareholder structure notably allows the implementation of technological or industrial alliances in order to undertake specific projects common to both partner companies.

Load factor

Revenue passenger-kilometers (RPK) divided by available seat-kilometers (ASK). In the cargo activity this is revenue ton-kilometers (RTK) divided by available ton-kilometers (ATK).

Multi-hub

System linking several hubs, allowing customers to access the networks developed from each hub, thus multiplying the round-trip offer to and from world-wide destinations.

Over-reservation or over-booking

Over-reservation or over-booking consists of accepting more bookings than seats available. Practiced by all airline companies and permitted by European legislation, this allows many passengers per year to find a seat on board aircraft by freeing up additional seats. Airlines usually have a passenger compensation policy.

Point-to-point traffic

Traffic between two airports, excluding all passengers prolonging their trip with a connecting flight.

Revenue management

Technique designed to optimize revenue on flights, by constantly seeking a better balance between the load factor and the fares offered.

Revenue per passenger per kilometer

Unit revenue for one paying passenger carried over one kilometer.

Revenue per ton per kilometer

Unit revenue for one ton of cargo carried over one kilometer.

Revenue passenger-kilometer (RPK)

Total number of paying passengers carried multiplied by the number of kilometers traveled.

Revenue ton-kilometer (RTK)

Total number of tons of paid cargo multiplied by the number of kilometers that this cargo is carried.

Safety and security

Airline safety includes all the measures implemented by air transport professionals aimed at ensuring the reliable operating and maintenance of aircraft.

Airline security involves all the measures taken by air transport professionals to prevent any illicit or malicious act. Air transport is particularly exposed to terrorist acts due to the considerable media impact offered by such activity. Airline security notably includes luggage screening and the questioning of passengers.

Summer season

Defined by IATA as the period running from the last Saturday in March to the last Saturday in October. The summer season corresponds to a schedule of summer flights over a period of seven months.

Self-service check-in kiosk

Self-service check-in kiosks, available in airport departure halls, allow passengers to check in and print their own boarding cards, without having to go to a check-in counter.

Segment

Section of a flight between two destinations. The number of passengers is calculated by segment carried.

Slot

A slot represents clearance given for a carrier to land at or take off from an airport at a specified time and date.

Sub-fleet

All the aircraft of the same type, with identical technical and commercial characteristics (engines, cabin configuration, etc.).

Ton-kilometers transported

Total number of tons transported multiplied by the number of kilometer covered.

Traffic

Traffic is measured in revenue passenger-kilometers.

Unit revenue

In the passenger business, corresponds to the revenue for one available seat or for one paying passenger transported over one kilometer. In the cargo business, corresponds to the revenue for one available ton or one ton transported over one kilometer.

Winter season

Defined by IATA as the period running from the first Sunday following the last Saturday in October to the Friday before the last Saturday in March. The winter season corresponds to a schedule of winter flights over five months.

Financial Glossary

Adjusted operating margin

The adjusted operating margin is the percentage of revenues represented by operating income adjusted for the portion of operating leases considered as financial charges.

ADR

American Depositary Receipt. ADRs are negotiable certificates representing a specific number of shares with a nominal value in dollars. The Air France-KLM level 1 ADR program is traded on the OTCQX Market.

BASA (Bons d'acquisition et/ou de souscription d'actions)

Equity warrants. An equity warrant gives the right to subscribe to one or several shares at a price fixed in advance for a pre-determined period.

Earnings per share

Earnings per share corresponds to net income divided by the number of shares.

SSE

Shares-for-Salary Exchange. In connection with the French State's sale of Air France-KLM shares, employees were offered shares in exchange for a salary reduction over a six-year period.

Gearing ratio

The gearing ratio reflects the respective proportions of Group net debt and stockholders' equity at a given time. This ratio gives a measure of the company's financial independence: the lower it is, the greater the company's room for manoeuvre.

IFRS

International Financial Reporting Standards. International accounting standards used by European Union listed companies to establish their consolidated financial statements. Adopted on January 1, 2005, they allow investors to compare European companies more easily.

ISIN

International Securities Identification Number. Attributed to securities listed for trading on the Euronext market.

Market capitalization

The market capitalization corresponds to the share price multiplied by the number of shares comprising the company's capital.

Net income, Group share

Corresponds to net income, minus the share reverting to the minority shareholders in fully consolidated subsidiaries.

OCEANE

Bonds convertible into new or existing shares.

OPE

Offre Publique d'Échange. A public exchange offer (PEO) is an offer to purchase shares in a target company in exchange for shares in the company initiating the offer.

Operating income

Operating income is the amount remaining after operating expenses (external expenses, payroll costs, amortization and provisions) have been deducted from revenues. It shows what the company earns from its principal activity before the impact of financial and exceptional items.

ORS

Offre Réservée aux Salariés or offer reserved for employees. Within the context of privatizations, the State sells a tranche of shares to employees of the company at preferential conditions.

Return on capital employed (ROCE)

A measure of the returns that a company is making from its capital employed and thus of its profitability.

Revenues

Revenues corresponds to the total sales generated by the Air France-KLM group in its three core activities (passenger, cargo, maintenance) and in its ancillary activities. The revenues from airline operations are recognized on realization of the transportation, net of any potential discounts granted. Consequently, when passenger and cargo tickets are issued, they are recorded in balance sheet liabilities under deferred revenue on ticket sales.

Share capital

Corresponds to the total contributions either financial or in kind made by the shareholders either at the time the company is created or during capital increases. It is equal to the number of shares multiplied by the nominal value of the share.

Stockholders' equity

Stockholders' equity represents the capital contributed by the shareholders to establish the company or subsequently, or left at the disposal of the company as income not distributed in the form of dividends. Corresponds to total balance sheet assets, net of total debt.

TPI

Titre au Porteur Identifiable or identifiable bearer shares. TPI analysis enables a company to identify its shareholders holding stock in bearer form.

US GAAP

Generally Accepted Accounting Principles in the United States. Accounting standards generally adopted in the United States.

Warrant

A warrant gives the right to purchase or sell a share at a fixed exercise price within a pre-determined time period. Warrants are created by financial institutions who ensure their distribution and trading.

Information and control

Person responsible for the reference document and for the annual financial report

Pierre-Henri Gourgeon, Chief Executive Officer.

Declaration by the person responsible for the reference document

I hereby declare that, to the best of my knowledge and having taken all reasonable precautions to this effect, the information contained in this reference document reflects reality and that nothing has been omitted that would be likely to change the significance thereof.

I further declare that, to the best of my knowledge, the financial statements have been established in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the company and of all the companies within the consolidation scope, and that the information contained in the management report on pages 6 to 23, 28 to 58, 62 to 67 and 70 to 79, and pages 82 to 85, 90 to 97, 113 to 119 and 227 to 230 includes a fair review of the development of the business, results and financial position of the company and of all the companies in the consolidation scope, together with a description of the principal risks and uncertainties that they face.

I have obtained an end-of-engagement letter from the statutory auditors in which they confirm having verified the information regarding the financial position and the financial statements contained herein and having reviewed the entire reference document.

The consolidated financial statements for the financial year ended March 31, 2009, established under IFRS as adopted by the European Union, and included in this reference document on pages 121 to 205, are the subject of a report from the statutory auditors figuring on pages 206 and 207.

Without calling into question the opinion they expressed on the financial statements, the statutory auditors, in their report on the consolidated financial statements for the year ended March 31, 2009, draw the reader's attention to the change in accounting method following the first application, as of April 1, 2008, of the IFRIC 13 interpretation regarding the treatment of frequent flyer programs. The parent company financial statements for the year ended March 31, 2009 included in this reference document on pages 208 to 218 are the subject of the statutory auditors' report figuring on page 220.

The historic financial information for the 2007-08 and 2006-07 financial years, incorporated by reference in this reference document, is the subject of reports by the statutory auditors figuring on pages 192 and 205 of the 2007-08 reference document filed with the *Autorité des Marchés Financiers* on June 13, 2008 under the registration number D.08-489 and on pages 189 and 203 to 204 of the 2006-07 reference document filed with the *Autorité des Marchés Financiers* on June 22, 2007 under the registration number D.07-0627.

Pierre-Henri Gourgeon
Chief Executive Officer

Statutory auditors

Incumbent statutory auditors

Deloitte et Associés
185, avenue Charles-de-Gaulle – 92200 Neuilly-sur-Seine
represented by Dominique Jumaucourt
Starting date of first mandate: September 25, 1998
Renewed for six years at the
Shareholders' Meeting of September 15, 2004.

KPMG Audit
A division of KPMG SA
1, cours Valmy – 92923 Paris-La Défense
represented by Valérie Besson and Jean-Paul Vellutini
Starting date of first mandate: September 25, 2002
Renewed for six years at the Shareholders' Meeting of July 10, 2008.

Deputy statutory auditors

B.E.A.S.
7/9, Villa Houssaye – 92200 Neuilly-sur-Seine
represented by Alain Pons
Starting date of first mandate: September 25, 1998
Renewed for six years
at the Shareholders' Meeting of September 15, 2004.

Denis Marangé
1, cours Valmy – 92923 Paris-La Défense
Starting date of first mandate: July 10, 2008
Appointed for six years at the Shareholders' Meeting of July 10, 2008.

Person responsible for financial information

Dominique Barbarin
Financial communication department
Tel: +33 1 41 56 88 60

Documents available to the public

Amongst the documents available on the company's website (www.airfranceklm-finance.com) are, notably:

- the 2008-09, 2007-08, 2006-07, 2005-06 and 2004-05 reference documents filed with the *Autorité des Marchés Financiers;*
- the financial press releases (traffic, quarterly, half-year and annual results);
- the offering memoranda;
- the financial presentations;
- the company bylaws.

Tables of concordance for the reference document

In order to assist readers of this reference document, the following table provides the page references of the main headings required by European Commission Regulation (EC) No. 809/2004 ("the regulation") of April 29, 2004.

No.	Information based on Annex 1 of the Regulation	Page
1.	***Persons responsible***	***p. 248***
2.	***Statutory auditors***	***p. 248 and p. 249***
3.	***Selected financial information***	
3.1.	Historical information	p. 2 and p. 3, p. 121 to 127 and p. 252
3.2.	Financial information for interim periods	not applicable
4.	***Risk factors***	***p. 90 to 106***
5.	***Information about the issuer***	
5.1.	History and development of the issuer – general information	p. 224 to 226
5.2.	Principal investments	p. 33 and p. 34, p. 51 and p. 52, p. 108 and p. 109 and p. 193 and p. 194
6.	***Business overview***	
6.1.	Principal activities	p. 35 to p. 50
6.2.	Principal markets	p. 40 and p. 41, p. 44, p. 138 to 142
6.3.	Exceptional factors	p. 29 and p. 34
6.4.	Extent to which the issuer is dependent on patents or licenses, contracts or new manufacturing processes	not applicable
6.5.	Basis for any statements made by the issuer regarding its competitive position	p. 29 to 31
7.	***Organizational structure***	
7.1.	Brief description	p. 234
7.2.	List of significant subsidiaries	p. 200 to 204, p. 215
8.	***Property, plant and equipment***	
8.1.	Material tangible fixed assets	p. 51 to 58, p. 110 to 112, p. 156 and 158, and p. 193 and p. 194
8.2.	Environmental issues that may affect the issuer's utilization of the tangible fixed assets	p. 76 and 87 and p. 90 and p. 91
9.	***Operating and financial review***	
9.1.	Financial situation	p. 121 to 205
9.2.	Operating results	p. 115 and p. 117
10.	***Cash and capital resources***	
10.1.	Issuer's capital resources	p. 164 to 166 and p. 227 to 231
10.2.	Sources and amounts of cash flows	p. 108 and p. 109 and p. 126 and p. 127
10.3.	Borrowing conditions and funding structure	p. 3, p. 18 and p. 176 to 180
10.4.	Restrictions on the use of capital resources	not applicable
10.5.	Anticipated sources of funds	not applicable

No.	Information based on Annex 1 of the Regulation	Page
22.	***Material contracts***	***not applicable***
23.	***Third party information and statements by experts and declarations of interest***	***not applicable***
24.	***Documents on display***	***p. 25 and p. 249***
25.	***Information on holdings***	***p. 159 and 160, p. 215, p. 234 to p. 240***

Information included by reference

Pursuant to Article 28 (EC) No. 809/2004, the following information is included by reference in this reference document:

2007-08 financial year

The reference document for the 2007-08 financial year was filed with the *Autorité des Marchés Financiers* on June 13, 2008 under the registration number D.08-489. The consolidated financial statements are presented on pages 100 to 191 and the statutory auditors' certification on page 192. The full parent company financial statements can be found on pages 193 to 204 and the statutory auditors' certification on page 205.

The key figures are presented on pages 2 and 3. The management report figures on pages 6 to 19, pages 24 to 50, 54 to 61 and 66 to 73, pages 76 to 82, 97 to 99 and 213 to 216.

2006-07 financial year

The reference document for the 2006-07 financial year was filed with the *Autorité des Marchés Financiers* on June 22, 2007 under the registration number D.07-0627. The consolidated financial statements are presented on pages 89 to 188 and the statutory auditors' certification on page 189. The full parent company financial statements can be found on pages 191 to 202 and the statutory auditors' certification on pages 203 and 204.

The key figures are presented on pages 2 and 3. The management report figures on pages 6 to 20, 26 to 43, 45 to 59 and pages 61 to 68, 80 to 83 and 213 to 216.

Table of concordance for the annual financial report

This reference document contains all the elements of the financial report as referred to in Articles L.451-1-2 of the Monetary and Financial Code and required by Article 222-3 of the AMF's General Regulation. The table below resumes the elements of the financial report.

Elements required	Pages of the reference document
The annual statutory financial statements	p. 208 to 218
The Group's consolidated financial statements	p. 121 to 205
Management Report	p. 6 to 23, p. 28 to 58, p. 62 to 67, p. 70 to 79, p. 82 to 85, p. 90 to 97, p. 113 to 119 and p. 227 to 230
Declaration by the person responsible for the annual financial report	p. 248
Statutory auditors' report on the statutory financial statements	p. 220
Statutory auditors' report on the consolidated financial statements	p. 206 and p. 207
Statutory auditors' fees	p. 198 and p. 199
Report of the Chairman of the Board of Directors on internal control	p. 98 to 105
Statutory auditors' report, prepared in accordance with Article L.225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of Air France-KLM S.A.	p. 106

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