

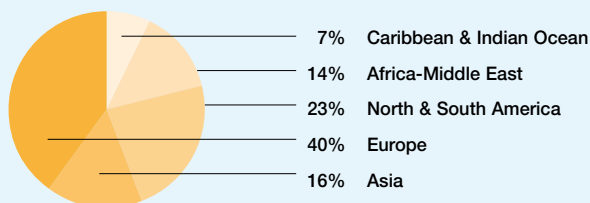
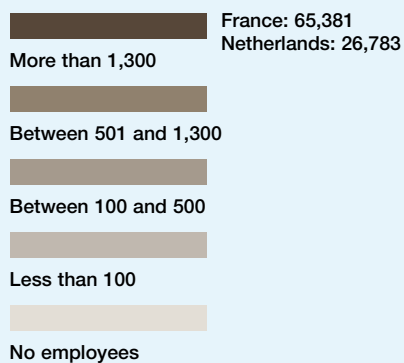


104,659
Employees (FTE)

607
Aircraft in operation

258
Destinations in 106 countries

Breakdown of employees
by country (in number of FTE , 2007-08)



Breakdown of passenger revenue by
destination, 2007-08

The information in this report relates to the 2007-08 financial year, started on 1 April, 2007 and ended on 31 March, 2008.

Where information relates to a different time frame, this is explicitly stated.

74.8

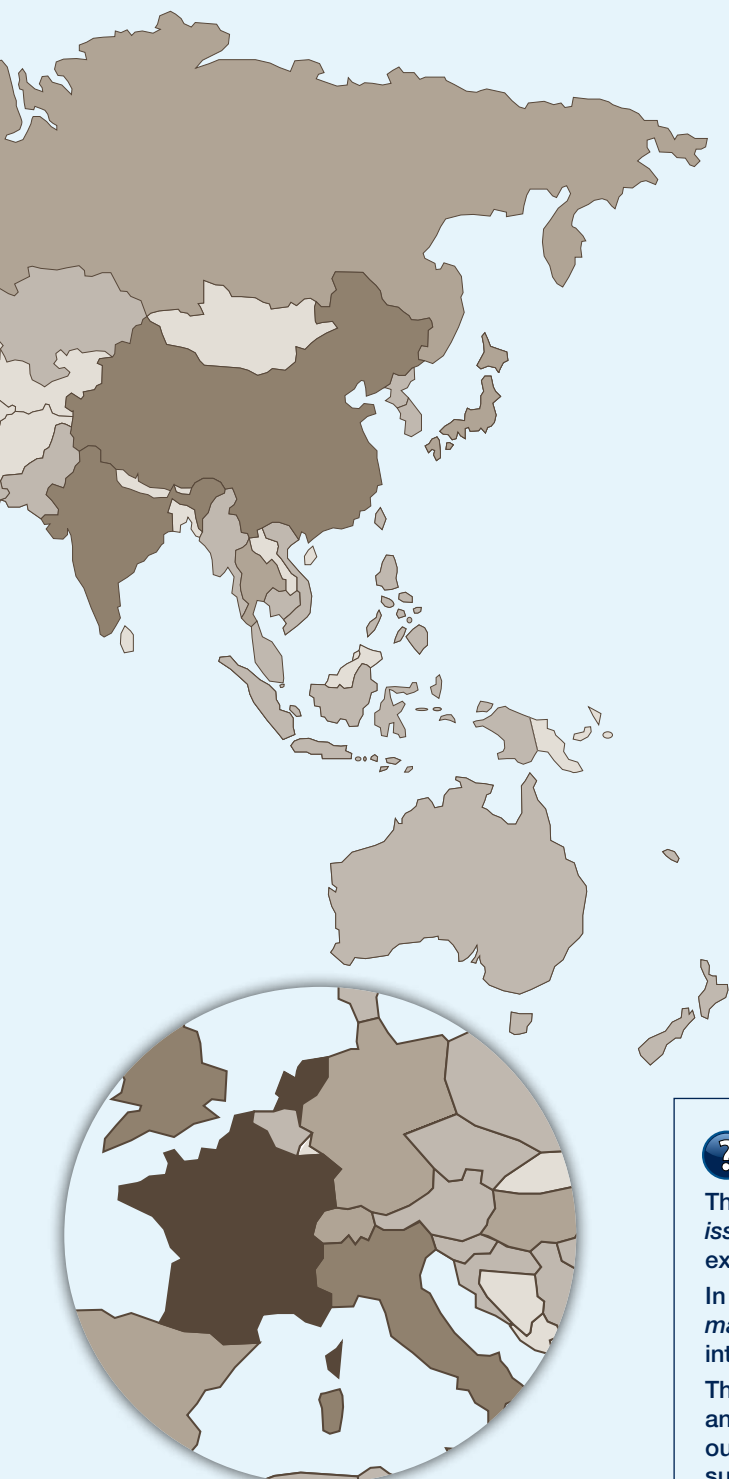
Million passengers

80.8%

Load factor

1.5

Million tons cargo



88% employees located in
France and Netherlands

Summary

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How to read the report

This report consists of four sections.

The first section is dedicated to *Understanding our business and issues*. It discusses the dynamics in the air transport industry and explains the Air France–KLM group profile.

In the second section we demonstrate our *CSR approach, management and organization* followed by a description of our interaction with stakeholders.

The third part is divided into five subsections in which we discuss and address our *key issues*. Lastly we present information on our relationship with our shareholders, corporate governance, suppliers' involvement, public affairs, non-financial ratings, performance indicators, reporting methodology and external auditors' assessment.

Taking a responsible stand in increasingly uncertain times



Faced with soaring oil prices, international economic instability, and signs of waning demand, air transport has entered a period of great uncertainty. Our Group can count on its strategic assets, the quality of its fuel hedging and its resolute policy of cost control to meet this challenging period of turbulence and low visibility. It has further integrated its organization, setting up a Group Executive Committee to take all strategy decisions, leading to more efficient governance; and combining essential functions, such as network design, sales and purchasing, each under single management.

Sustainable development, in all of its inseparable economic, social and environmental facets, is at the heart of our group's strategy. Air France and KLM support the United Nations Global Compact principles and have adopted a joint policy that each of our two airlines implements individually through their own procedures, using all their resources. The key issues involved in the policy include combating climate change and reducing environmental impact, not only in the air but also on the ground; building sustainable customer relations by means of continual dialogue; and contributing to local economic development, both directly through our activities and indirectly through our capacity to create jobs and foster skills. You will find many illustrations of all key issues in this report. For now, let us focus on two vital points: social policy and climate change.

In spite of the uncertain economic climate, Air France-KLM will continue to maintain a high level of social benefits for our personnel. This is one of the objectives of the Social Rights and Ethics Charter signed in February 2008 by the two airlines and their European subsidiaries. The aim is to foster employability through human resource management, guaranteeing the stability of jobs.

At the same time, Air France-KLM believes that it is important for air transport to assume its responsibilities for climate change. In 2007, we adopted an ambitious Climate Plan that sets out a positive agenda for action, one aim being to bring air transport into the European Emissions Trading Scheme. But this integration must be progressive and efficient, establishing fair terms for all carriers, to avoid diverting traffic to non-European airlines and airports and so distorting competition and simply “offshoring” CO₂ emissions with no positive impact on climate change.

However, we do not intend to wait until this scheme is implemented. We are already committed to accelerating the modernization of our fleet by investing 2 billion euros a year for the next three years. We are also committed to giving strong support for research into energy efficiency, to helping our customers to offset CO₂ emissions generated by their flights, to carrying out environmental protection programs, and to mobilizing all our resources to reduce emissions also on the ground.

By having improved our consistency and our ability to decide, to act quickly and innovate, we are better equipped to face tomorrow’s challenges. To maintain our leading position at a time when some airlines are disappearing, others are consolidating, and new competitors with global ambitions are building powerful fleets. And to achieve sustainable development, balancing profitable growth with the fight against climate change.

In spite of the uncertainties, our group intends to stay on course and fulfil our ambition of setting standards for corporate social responsibility in the airline industry and keep supporting the United Nations Global Compact principles.



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



Peter Hartman
President and Chief Executive Officer,
KLM

“We must achieve sustainable development by balancing profitable growth with the fight against climate change”

Understanding our business and issues



Challenging dynamics in the air transport industry

The global air transport environment

After six consecutive years of losses, 2007 marked the worldwide air transport sector's return to profit, by a small operating margin of 3.4%. However, this return to profitability could be very short-lived.

IATA has significantly scaled down its previous forecast industry profit for 2008 to a loss of 2.3 billion dollars (hypothesis of oil price: US\$ 107 per barrel).

The current high oil price and the slowdown of the US and European economies are seriously affecting the air transport industry. Although fuel price levels are hard to predict, they are set to remain high in the medium term. To face this period of uncertainty, airlines have to look at hedging of fuel costs, relying on their modern fleet, and finding the financial capacity to invest in new aircraft.

Meanwhile, the air transport industry is undergoing large-scale deregulation. The new Open Skies Agreement between the United States and Europe, which took effect in March 2008, is a major step forward. It associates traffic rights with an economic area and not an individual country. The consolidation of the air transport

sector is still very fragmented with the first five players representing just 27% of market share. But it is gaining momentum.

Sustained demand

In an increasingly global society, the demand for mobility is also increasing. Air transport is a key factor in a country's economy. Over the last 20 years, air transport has grown twice as quickly as gross domestic product (GDP). In 2008, the rapid development of emerging countries is stimulating growth in Latin America, the Middle East and Asia. This will compensate for the slowdown in the US economy. As for the future, IATA forecasts an increase in global capacity of around 5% per year by 2011.

A key contribution to the economy

Air transport carries over 2 billion passengers annually. Tons of cargo shipped by air each year represent 35% of the total value of export trade in manufactured goods.

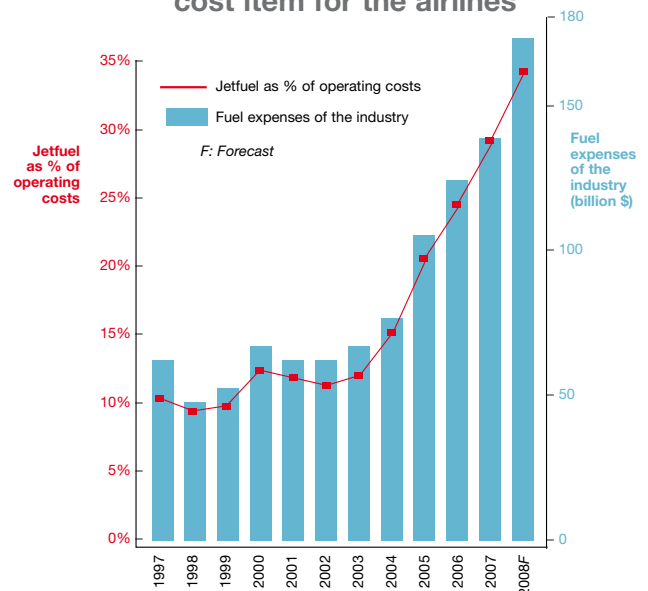
By connecting people, businesses and goods around the world, air transport makes an essential contribution to global economic activity. Both directly and as a promoter of growth in other industries.

It also provides significant social benefits by facilitating greater communication between different parts of the world and by providing better access to remote areas. It assists a country's integration into the global economy.

Well-functioning, cost-efficient hubs are essential for good connectivity for the regions of Europe. This ensures that local businesses can benefit from the globalization of markets.

Aviation generates 38 million jobs worldwide. Throughout Europe, air transport is a vital contributor to a country's employment. Air France, for example, is the number one private employer in the Ile de France region surrounding Paris.

Fuel is the largest operating cost item for the airlines



Source: IATA financial forecast, May 2008

Increasing pressure

Growth in European low-cost carriers has been strong for some years and Middle Eastern carriers are planning considerable expansion: Gulf carriers plan 20% seat growth per year for the next three years.

This represents stiff competition for European airlines on traffic between Europe and Asia or Australia.

Development limited by infrastructure

Europe is experiencing air traffic congestion, leading to significant delays, increased costs and CO₂ emissions. This is partly a result of the fragmentation of airspace and of the air traffic control process. There is considerable room for improvement.

For 10 million flights a year, it is estimated that the actual route flown is 5% longer than ideal. For some routes, such as Amsterdam-Zürich, it is even 20%. The annual cost of fragmented European skies is estimated at 3.4 billion euros.

The development of a Single European

Sky will abolish borders in the air between European nations. In this context, the SESAR project has been launched by the European Commission, together with other initiatives (e.g., FAB), see page 21.

A sector subject to heavier taxation

Air transport is subject to strict regulation, mainly regarding security, safety and infrastructure. The sector is also subject to high charges, among them airport or navigation charges, plus dedicated fees to finance security. Moreover, air transport is the only means of transport to finance soundproofing measures, as it does in numerous European countries.

Climate change awareness

General awareness of the reality of climate change continued to increase in 2007. This was coupled with local environmental constraints that have always affected air transport activities. Air transport accounts for between 2 and 3% of all man-made CO₂

emissions. In Europe, its relative contribution will increase due to growth in traffic and the expected reduction of emissions in other industries. In the past 40 years, the sector has made considerable progress, reducing CO₂ emissions per passenger by more than 70%.

Fair and pragmatic ETS conditions

The European Commission plans to integrate air transport into the European ETS (2012). This will create targets for the reduction of CO₂ emissions, meaning also an additional financial burden for companies.

Air France-KLM supports such a system, considering it as the most effective solution for reducing emissions at global level. However, there are risks associated with this plan. Fair conditions need to be ensured.

Regulatory constraints limited to one region can create real competitive distortion and divert traffic to other hubs not subject to the same regulations, without any effect on the reduction of global CO₂ emissions.

No.1

in terms of revenue with a group revenue of 24.1 billion euros in 2007-08

No. 2

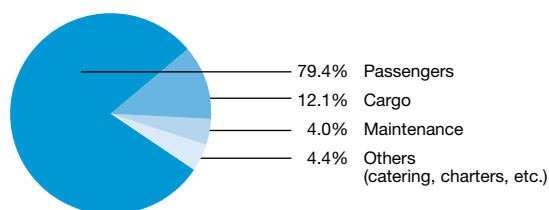
in terms of air traffic with 74.8 million passengers in 2007-08

4.7%

Yearly growth in long-haul traffic by 2008-10

Breakdown of turnover by business

(Air France-KLM 2007-08)



One group, two airlines, three businesses

From the very beginning the air transport industry has been innovative and thereby stimulated new solutions for complicated challenges. In today's modern world the demand for sustainable solutions is ever increasing. Air France and KLM address the issues with focused energy, while keeping a watchful eye on societal trends.

A global air transport leader

Air France-KLM comprises a holding company which controls two airlines, Air France and KLM, each of which retains its own separate identity and brands.

The group is the world's largest air transport group in terms of revenue, second largest in terms of air traffic (in passenger-km) and cargo (ton freight-km), and third largest in terms of maintenance revenue.

Three businesses

Passengers

Passenger transport is the largest of the group's three core businesses, generating around 80% of its revenues (as of 31 March 2008), with 74.8 million passengers carried.

Cargo

Cargo was the first fully-integrated commercial activity at Air France-KLM in 2005. Client

companies now have a single point of entry, and a full, simplified offering with flights departing from both hubs and benefiting from both networks. Air France-KLM Cargo ranks first worldwide among air freight carriers (excluding integrators).

Maintenance

The combination of Air France Industries and KLM Engineering & Maintenance allows the group to offer a comprehensive range of aircraft maintenance and overhaul services with complementary areas of specialization. Maintaining the two fleets accounts for two-thirds of the group's maintenance operations, further supplemented by maintenance repair and overall (MRO) operations for 150 third-party airlines.

The group's strengths

Against a backdrop of increased liberalization which serves to intensify competition, the profitable growth strategy plays to the group's strengths.

A modern fleet, the group's chief asset

Guaranteeing energy and economic efficiency and greater safety levels, the group's aircraft fleet is its chief asset when it comes to meeting the challenges of sustainable development.

The dual Roissy-Schiphol hub and a balanced network

The Air France and KLM route networks complement each other extremely well. The dual hub concept is central to group strategy and is designed to make the most of this.

Air France and KLM fleet in operation as of 31 March, 2008

| | Air France | | | KLM | | |
|--|---------------------|---|--------------------------------|---------------------|---------------------------------------|--------------------------------|
| | Average age (years) | Aircraft type | Number of aircraft (total 412) | Average age (years) | Aircraft type | Number of aircraft (total 195) |
| Short/Medium-haul | 9.9 | A318, A319, A320, A321 | 148 | 12.4 | 737-300 /-400 /-800 /-900 | 50 |
| Long-haul | 7.2 | A330-200, A340-300, 747-400, 777-200/-300 | 97 | 8.9 | 747-400, 777-200/-300, MD11, A330-200 | 59 |
| Cargo | 8.9 | 747-400 | 10 | 4.7 | 747-400 | 3 |
| Regional fleet AF: Brit Air, Régional, City Jet KL: KLM Cityhopper | 10.2 | Fokker, Embraer, Bombardier | 134 | 15.2 | F100, F70, F50 | 55 |
| Other fleet AF: Transavia France and VLM KL: Transavia.com | 15.2 | F50, 737-800 | 23 | 6.6 | B737-700/-800 | 28 |

Each airline has a stronger presence than the other in certain parts of the world, which is why many destinations are served by just one. Common destinations are limited to 80. Serving 114 long-haul destinations, Air France-KLM offers connectivity to most of the world and has the most extensive network of all its leading European competitors, including British Airways (71 destinations) and Lufthansa-Swiss (85 destinations). Each market has a different sensitivity to the economic and international climate. This balanced network helps spread economic and geopolitical risk, making the group less sensitive to negative external influences and ensuring it is not dependent on any single market. Air France and KLM are active members of SkyTeam, a highly integrated alliance of eleven airlines from Europe, the Americas, and Asia. SkyTeam has a market share of 21% (in passenger-km), making it the world's second-largest alliance with more than 16,400 daily flights and 841 destinations.

The benefits of the dual brand strategy

Air France and KLM took an original approach to the merger, choosing to retain the two brands while developing a unified strategy. Air France and KLM each enjoy strong brand identities and are extremely complementary. The merger has helped improve each airline's offering. The dual brand strategy makes it possible to benefit from the customer relationship with each brand while offering passengers the benefits of the merger: a common frequent flyer program, Flying Blue, and fare combinability, allowing customers to combine outbound and inbound flights on either airline, and access to a vast network with many flight frequencies. All these benefits underpin the successful merger of Air France and KLM.

Enhanced competitiveness thanks to cost control

To maintain its competitiveness, the group launched "Challenge 10", designed to save 1.4 billion euros by

2009-10, through a 3% cut in unit costs.

The plan is four-pronged:

- process optimization and productivity gains;
- fleet modernization, which will generate fuel and maintenance cost savings;
- purchasing, and optimizing group synergies;
- external distribution costs.

The development of high growth areas

The group's ambition is to seize growth opportunities in countries driving global economic growth, mainly Brazil, Russia, India and China. In the years ahead, the Air France-KLM group plans to grow by 4.7% per year in terms of available seat-km on its long-haul network. On short- and medium-haul routes, competition from low-cost airlines and high-speed rail services is forcing network carriers to adapt. The group has adjusted its European offering and intends to ensure growth by increasing aircraft size. With the deregulation of air transport, the group is also strengthening its connections throughout Europe, notably in London, which is by far Europe's largest air transport market towards the United States, with the help of the joint ventures of Air France with Delta and KLM with Northwest and with an increased presence at London City Airport.

Our CSR approach



CSR management and organization

Corporate social responsibility is not new to Air France-KLM. Both airlines have a long-standing commitment to protecting the environment, promoting ethical behavior and supporting communities. Now, our successful merger, the scale of our group and our market position are motivating us to even greater ambitions.

To live up to this, we further integrate corporate social responsibility into our business policies and our business practices. This ensures that CSR is embedded in every layer of our organization, that it fosters cooperation, transparency and engenders commitment.

Historic commitment, joint ambition, specific action plans

Air France-KLM has defined its commitment to sustainable development in its Corporate Social Responsibility Statement, signed in July 2006 by the CEOs of both airlines.

This commitment has been further reinforced by the adoption in March 2007 of a Group-wide Climate Action Plan and the signing in February 2008 of a Social Rights and Ethics Charter in the framework of the European Works Council. Each airline manages its action plans stemming from these joint policies separately, allowing

for legal and cultural differences and specific local circumstances.

Air France-KLM on CSR

Air France-KLM's approach has evolved to integrate CSR into all areas, at all group levels, in all businesses, and for all issues.

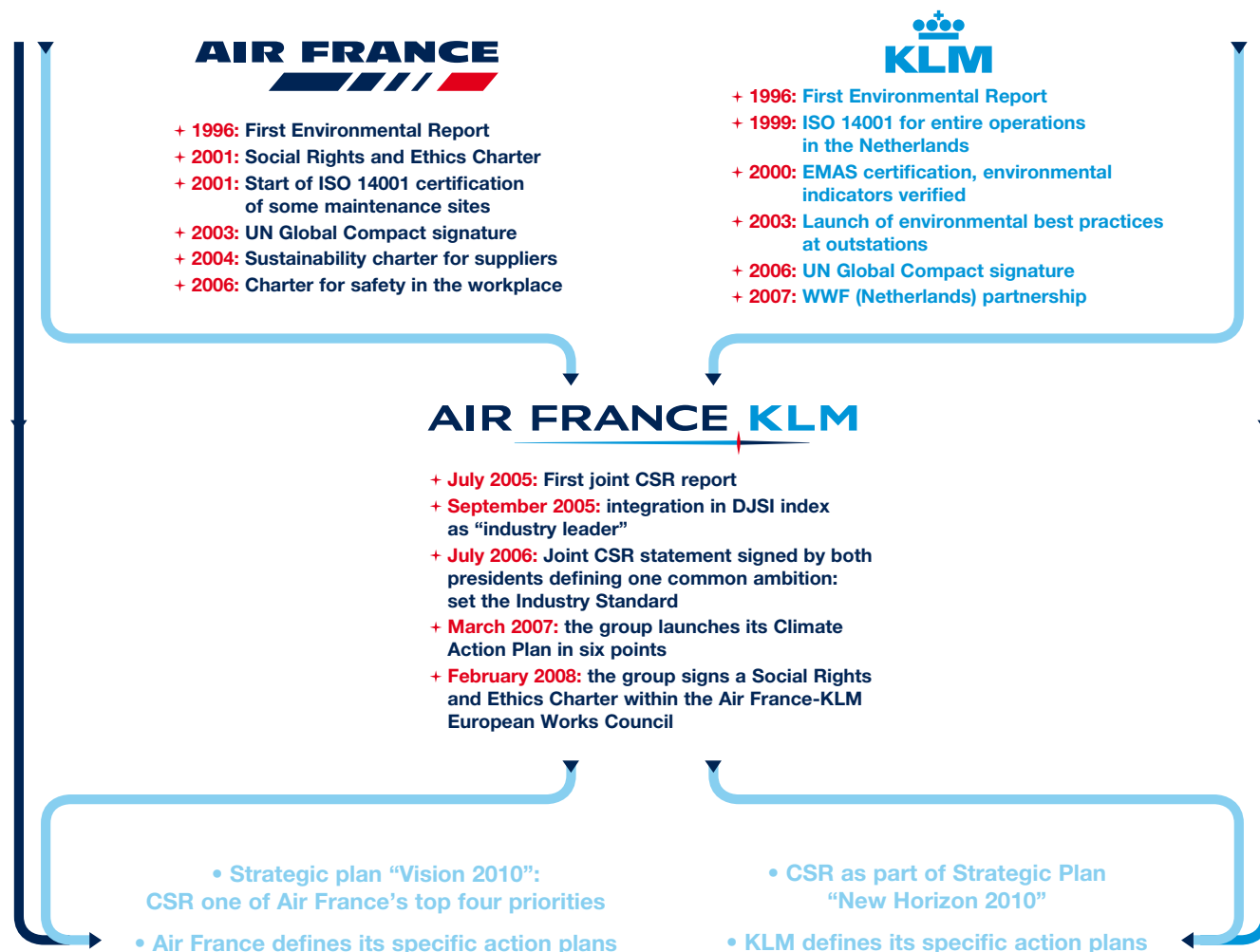
"Set the example in Corporate Social Responsibility and Sustainable Development" is one of the four priorities set out in Air France's "Vision

2010" program, equipped with local action plans for all departments. KLM integrates CSR into its "New Horizon" strategy program, and applies and implements its CSR objectives in action plans in all businesses and operations.

Continue CSR integration in all businesses at both airlines

In 2008, each airline drew up its own action plan for key issues with

The historic commitments of both companies, joint ambition and specific action plans



the operational staff and managers concerned. The various departments manage implementation and maintain responsibility for the objectives with the backing of corporate CSR departments.

In selected areas Air France and KLM pursue company-specific policies, such as human resources or environmental risk management. Each airline also has its own management system for dealing with environmental

and workplace safety issues. For example, the Air France QSE (Quality, Safety and Environment) management system will gain ISO 14001 and 9001 certifications for a number of sites and processes this year. At KLM (fully ISO 14001 in operations since 1999), the environmental management system is verified by external audits in connection with ISO 14001 certification and EMAS registration for all Dutch facilities.



How to read this report

Joint commitments and specific action plans

In this report each of the group's five key CSR issues start with an outline of the joint commitments and the specific action plans of each airline.

This is followed by explanatory texts, supported by hard data such as indicators and key figures.

The summary tables on pages 52 and 53 show the CSR indicators as required by the French New Regulation of Economics law.

CSR departments: co-steering, coordinating, following up

Air France's Quality, Environment and CSR department draws up and promotes Corporate Social Responsibility policy, contributes to its implementation by assisting the departments, and coordinates company-wide regulatory requirements (application of French NRE law) for Air France-KLM. It defines environmental policy and measures and plans the impact of flight operations (noise pollution, air quality and climate change). It ensures compliance with aviation regulations and the safety management

system and is responsible for the Quality-Safety-Environment management system.

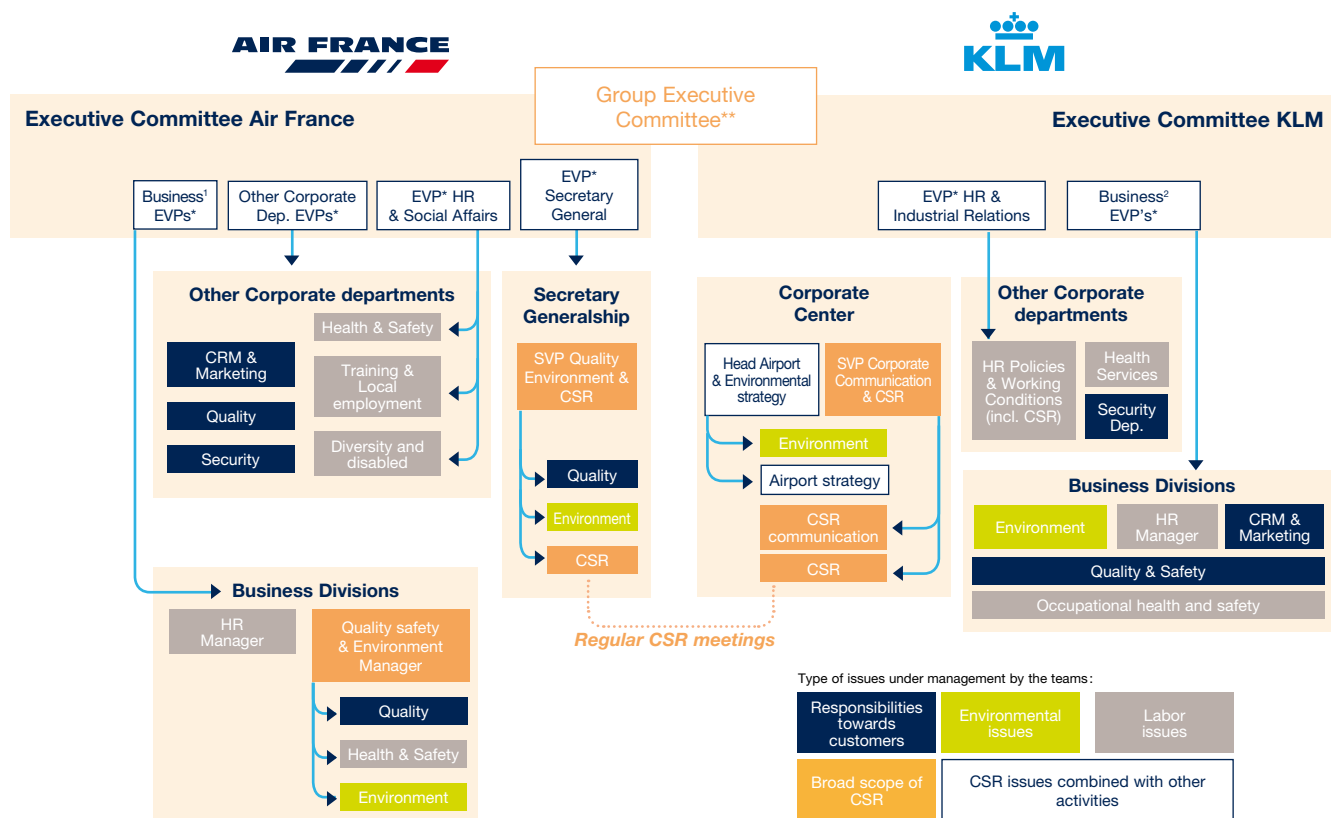
KLM's CSR department is tasked with stimulating CSR performance in all businesses and operational sectors by proposing procedures, setting targets, and tracking key indicators. Once a year, it sets out its vision of upcoming CSR issues to be dealt with through its cooperation with external experts and stakeholders in the annual CSR program. It is also responsible for

ensuring cohesion between KLM's CSR policies and the principles of the UN Global Compact.

Improving the management and monitoring of CSR objectives

Performance indicators have been developed at group or airline level for key issues. By monitoring these, group or departmental performance can be measured. By analyzing changes, we can identify areas for improvement and update action plans.

Air France and KLM CSR organization in 2007-08



* EVP stands for Executive vice president

** GEC focuses on group related topics such as strategy, finance, IT, purchasing and fleet for all businesses

1 For Air France: businesses in this chart are commercial, cargo and maintenance, ground and flight operations and IT.

2 For KLM: businesses are passenger (including commercial, ground services, inflight services, OCC & flight operations) cargo and E&M.

Interacting with Stakeholders

Integrating stakeholder expectations

Being attentive to stakeholder concerns is a key component of the group's corporate social responsibility strategy. Air France-KLM has been paying close attention to customers, employees, local residents, experts, local authorities and representatives of civil society to learn more about their expectations.

The group is now adding new tools to aid the dialogue. These include, in 2007-08, the creation of a quarterly newsletter for communities located close to Air France operations "Le Courrier: Air France partner of Paris area". The climate action partnership

signed between KLM and WWF (Netherlands), the organization of roundtable discussions and a peer review with large corporations in the Netherlands on accountability and readability of CSR reports are other examples of these new tools.

Revenue distribution

The group's economic results benefit not only shareholders but also other stakeholders such as employees, suppliers, public authorities and local communities. The chart below provides a snapshot of the group's revenue distribution to its various stakeholders.

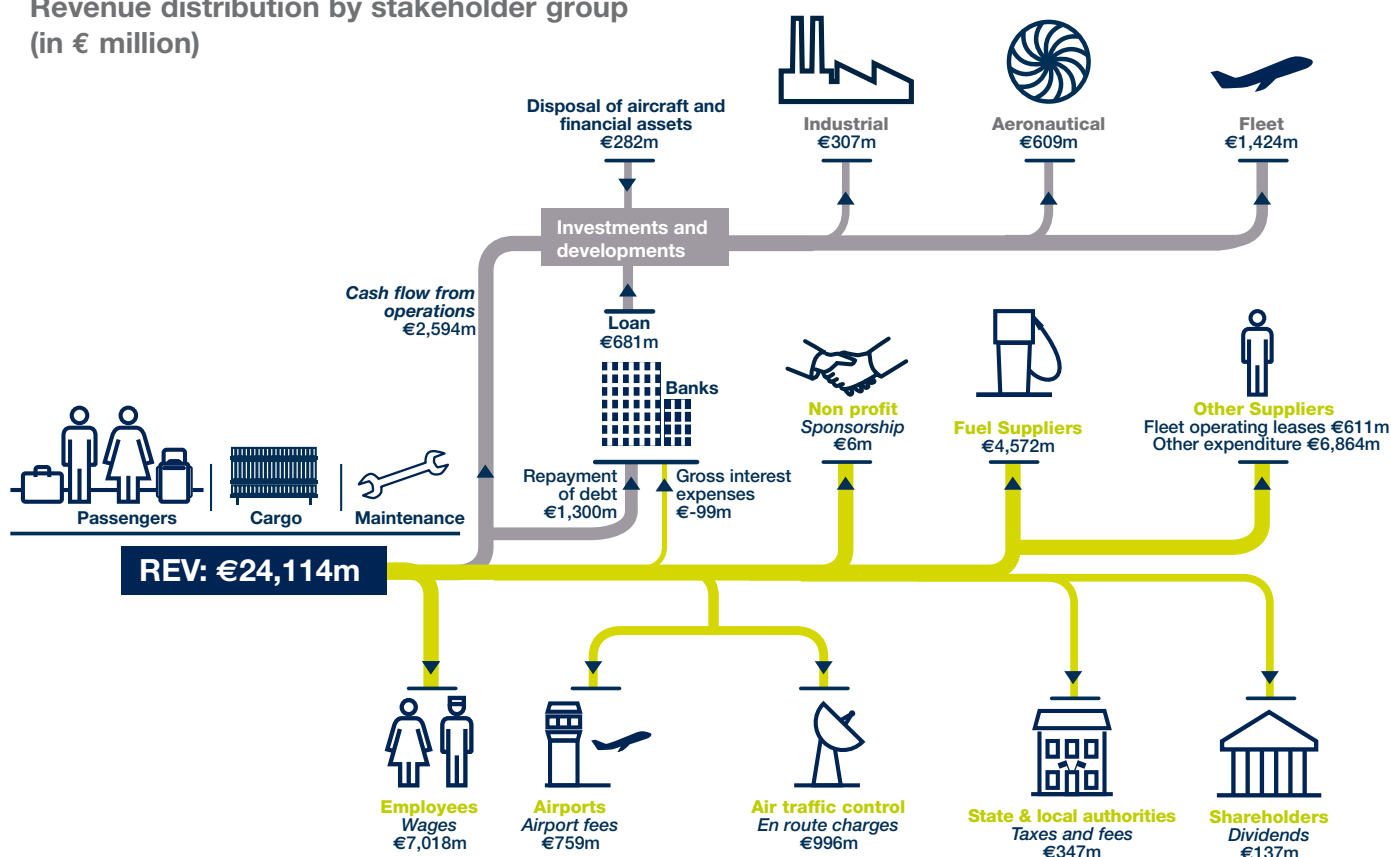
How to read this report

Interaction with stakeholders

The subsections of the five key CSR issues each end with an overview of the stakeholders relevant to the issue, as well as the communication channels open to them and the results obtained.

An opinion column is offered to one of the stakeholders in which they express their views on the group's performance and results.

Revenue distribution by stakeholder group (in € million)



Addressing key issues

Our five sustainability key issues

The identification process of key issues draws its inspiration from the Materiality test described in the Global Reporting Initiative guidelines. It is based on an analysis of the main regulatory trends and an identification of stakeholder expectations reflected in non-financial rating agency questionnaires. All these issues are addressed in further detail in the appropriate chapters of this report.



Combating climate change (pages 16 to 21)

Air France-KLM's contribution to climate change is due mainly to greenhouse gas emissions generated by its aircraft engines. Air France-KLM has accepted and anticipated its responsibilities in respect of this planetary issue and is strengthening its efforts to curb its impact on climate change, notably through its "Climate Action Plan" and its modern fleet, which is continuously being renewed. It is mobilizing all its departments in its efforts to minimize its carbon footprint by improving operational procedures ², renewing ramp vehicles and equipment with electric ones ³, and reducing energy consumption on its premises. Air France and KLM have publicly committed to cut CO₂ emissions.

Reducing our environmental impact (pages 22 to 27)

The main direct environmental impact of our activities comes from the emissions and noise generated by our aircraft and, to a lesser degree, waste liquids, gas, and solids generated by ground operations. At local level, the major impact stems from noise pollution ⁴ and NO_x emissions ⁵ which affect air quality. Inflight operations also generate waste, which is treated back on the ground. The group's maintenance and other ground-based activities also consume energy and water resources while generating waste ⁶, emissions and water discharge, with the attendant risks of groundwater pollution ⁷. The main indirect impact includes airport land use, the environmental footprint of suppliers, ⁸ and aircraft at their end-of-life cycle.

Building sustainable customer relationships (pages 28 to 33)

Flight safety ⁹ and security ¹⁰ constitute a basic requirement for customers and are strictly regulated. Passenger satisfaction also depends on several factors on board ¹¹ and on the ground ¹². This varies from booking to arrival, including transparent prices and quality of service, a wide network, punctuality, minimizing mislaid baggage, adequate management of overbooking, addressing special needs, innovations that save passenger time, and handling complaints ¹³ when difficulties arise.

Promoting a responsible human resources policy (pages 34 to 39) ¹⁴

Against the backdrop of the recent combination, tough competition and tight margins, the main labor relations issues for the group are to develop employability and staff mobility, primarily through training and proactive social dialogue. Other major issues for the group involve promoting non-discrimination, diversity, and equal opportunities, and safeguarding health and safety in the workplace.

Contributing to development (pages 40 to 45)

Air transport has social implications at airport, regional and global level. Around airports and at regional level, the group has a direct economic impact resulting from the jobs it generates ¹⁵ and the activity of its sub-contractors and suppliers. Both airlines stimulate economic activity ¹⁶ in the regions surrounding airports and, in particular, around their hubs, especially by recruiting staff locally, supporting local businesses, and participating in a variety of partnerships and initiatives involving local youth. The territorial ties between the two airlines call for constructive dialogue with residents and local authorities. ¹⁷ At global level, the group can support the activity of NGOs ¹⁸ and humanitarian programs by providing them with the benefits of its transport capacity and international presence.





Combating climate change

Worldwide, air transport generates 2-3% of global man-made CO₂ emissions⁽¹⁾, a factor in global warming. Growing demand and the absence of any alternative energy source in the short or medium term, mean that this figure is likely to rise. Because climate change is a crucial phenomenon for the future of the planet, Air France-KLM considers that the airline industry should take its share of the responsibility. The group has accordingly set out an ambitious program with a resolute, pragmatic approach in a number of convergent areas that should guarantee its effectiveness towards reducing greenhouse gas emissions.

Joint commitments, specific action plans

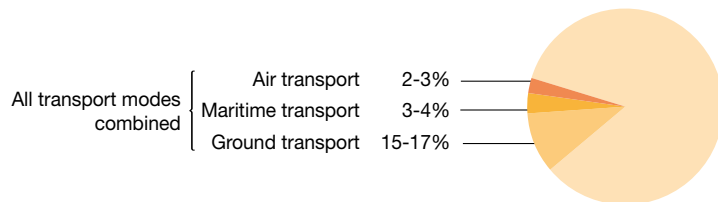
Combating Climate Change is the stated aim of our Climate Action Plan:

1. We support the Kyoto Protocol and the principle of pragmatic, realistic inclusion of the air transport industry in the EU Emissions Trading Scheme (see table page 18).
2. We continue to renew our aircraft fleet and support aviation research into improving energy efficiency and reducing CO₂ emissions. We actively engage with our aircraft manufacturers.
3. We provide our customers with information and a CO₂ calculator that uses real operational data, and offer them opportunities for carbon compensation.
4. We support NGO environmental protection programs.
5. We promote research programs for renewable energy sources.
6. We motivate the entire Air France-KLM group to follow on through environmental protection plans notably to reduce emissions generated by our ground operations.

| Specific action plans | Schedule | 2007-08 Achievements | |
|--|----------------------------|---|------------|
| Reduce our absolute CO ₂ emissions in France by 13% between 2005 and 2012 (20% on flights to French overseas possessions and 5% on domestic flights). | 2005-2012 | 7 B777-300s have gone into service since June 2006 on flights to French overseas possessions; new fuel action plan launched in April 2008. | Air France |
| Increase the energy efficiency of our air operations by nearly 7% to 3.7 liters/100 passenger-km by 2012 (including local subsidiaries). | 2012 | Fleet renewal program (see page 20). | |
| Provide passengers with a CO ₂ emissions calculator, together with a carbon compensation offer. | 2007-08 | The CO ₂ calculator, online since July 2007, uses real operating data on a route-by-route basis. Carbon compensation offer via the NGO, GoodPlanet, on the Air France website since October 2007. | |
| Promote the replacement of ramp vehicles and equipment with electrically-powered vehicles and equipment. Target: 60% of the fleet to run on electricity by 2020. | 2020 | 34% of Air France vehicles were electrically powered on 31 March, 2008. | |
| Improve fuel efficiency of our flight operations by 1% yearly. | 3% in 2012 and 17% in 2020 | Fleet renewal program (see page 19). Installation of winglets on all 737-300/400s | KLM |
| CO ₂ -neutral growth: commitment to reduce absolute global growth of CO ₂ emissions from our operations to 2007 levels. | 2007-2012 | Next to operational measures CO2ZERO, KLM Carbon compensation program launched, investments only in Gold Standard projects. Start of partnership with WWF Netherlands in September 2007. | |
| All electricity for ground operations from sustainable sources. | 2009 | Launch plan of approach as part of Climate Action Plan. | |
| Support innovative research programs. | Ongoing | Start of a program with Technical University (TU) Delft on sustainable aircraft. Agreement to participate in AIRE (Atlantic Interoperability initiative to Reduce Emissions) to optimize routes between the EU and the United States | |

Share of air transport in global, man-made CO₂ emissions

Source: IPCC reports



The air transport sector's carbon footprint

The air transport sector is responsible for 2-3% of global CO₂ emissions¹. On a larger scale, air transport sector's CO₂ emissions currently account for 1.6%² of global emissions of the six greenhouse gases listed in the Kyoto Protocol across all sectors, or one-eighth of the transport sector's total greenhouse gas emissions³. Due to traffic growth, this is likely to grow and could rise to 2.5% by 2050², not counting the effects of other emissions (see Focus on...).

Political and regulatory context

Under the terms of the Kyoto Protocol, the ICAO was asked to submit proposals concerning international air transport and climate change. Its proposals will be available in June 2009. The ICAO currently

considers that a worldwide emissions trading system would be the best economic measure which would enable the air transport sector to contribute to an effective reduction in global CO₂ emissions. In Europe, the draft Directive aimed at including the air transport sector in the emissions trading system launched in 2005 for fixed sources (EU-ETS) will be finalized in 2008. In France⁴, as part of the "Grenelle de l'Environnement" (Environmental Roundtable), Air France signed the Air Transport Sector Commitment Agreement with the French state in January 2008 (see Focus on, page 18). The Dutch government will introduce a ticket tax for passengers flying from the Netherlands by July 2008, costing 11.25 euros per passenger for most flights in Europe and 45 euros elsewhere. Its purpose is to amass 350 million euros per year to finance state expenditures. As the main user of Schiphol, KLM opposes the tax as it does not support any environmental goal and runs counter to the European single market reality.

Understanding...

Aviation's non-carbon impact on climate change

Aircraft generate CO₂ emissions, nitrogen oxides (NO_x), water vapor, and soot. At this time, the scientific community knows relatively little about the global impact of these emissions on climate change and no consensus has been reached among IPCC experts.

Focus on...

Air France commitments and initiatives

The Air France group signed the Air Transport Sector Commitment Agreement as part of the "Grenelle de l'Environnement", committing to pursue a fleet modernization plan and to reduce CO₂ emissions. This will call for an annual investment of 2 billion euros in the years ahead aiming to achieve several reduction targets for its absolute emissions and an improvement in its energy efficiency of around 7% by 2012 (3.7 liters/passenger/100km). Air France works with NGOs on immediate plans to fight climate change. It has committed to support a 5 million euro, 3-year program to avert deforestation in Madagascar together with Good Planet. Carried out locally by WWF Madagascar, it aims at slowing down the rate of loss of rain forests, with a potential carbon capture of 60-70 million tons.

Focus on...

KLM's CO₂ – neutral growth commitment

KLM has set a target for carbon-neutral growth in the years ahead by reducing emissions and compensating for what is left. The beneficiaries of the amounts paid in compensation will be selected under a partnership with the Dutch wing of the Worldwide Fund for Nature (WWF Netherlands). With "CO2ZERO", KLM is offering its customers a chance to play an active part in the compensation program with Gold Standard certificates. It is the world's first in-house compensation program.

¹ IPCC Fourth Assessment Report / technical summary (<http://www.ipcc.ch/pdf/assessment-report/ar4/wg3/ar4-wg3-ts.pdf> p.49), 2007 And GIEC-AIE 2005.
² Stern review chapter 15 (http://www.Hm-treasury.Gov.Uk/media/4/5/chapter_15_carbon_pricing_and_emissions_markets_in_practice.pdf, box 15.6), 2006
³ Stern review chapter 7 (http://www.Hm-treasury.Gov.Uk/media/3/2/chapter_7_projecting_the_growth_of_greenhouse-gas_emissions.pdf, box 7.1), 2006
⁴ Domestic air transport accounts for 0.9% of all French CO₂ emissions, split 50/50 between domestic flights and flights to France's overseas possessions.

Under clear conditions, KLM is prepared to sign up to the “Sustainability Agreement” between the Dutch government and Dutch businesses, which spells out the ways and means to achieve high Dutch ambitions for the reduction in CO₂ emissions by 2020 in accordance with European objectives.

Air France-KLM's position on the EU ETS

The Air France-KLM group has always supported the principle of emissions trading schemes, supplementing its initiatives

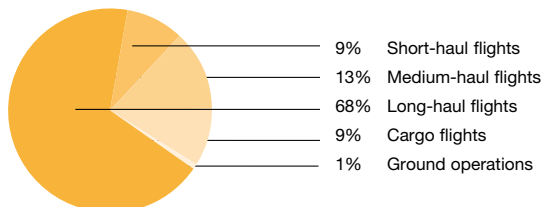
to minimize its own emissions. However, the new situation following the latest surge in oil prices and the clear signs of global economic slowdown ought to prompt the EU authorities to reconsider a program which, if it were carried out under the currently planned conditions, would undermine the competitiveness of the European airline industry and hence its global leadership in the fight against climate change.

Air France-KLM's position on the EU ETS

| Criterion | Air France-KLM's position |
|--|---|
| International extension of the EU ETS to non-EU countries | International extension limited to European airlines only would entail intolerable competitive distortions. The system can only be extended if it is accepted by non-EU states. This is an issue that must be dealt with in the framework of international negotiations and a multilateral approach. An agreement limited to Europe would create major risks that traffic and the related direct emissions would simply shift to non-European hubs (named carbon leakage) |
| Auctioning carbon allowances | The allowances must be freely allocated. To cover administrative costs of the scheme, only a small proportion of those could be auctioned. If not, this would impose additional costs on airlines, without any environmental benefit. It is an additional reason for non-EU countries to challenge the program and refuse to allow the EU to impose its ETS on them. The market must be opened to allow airlines to buy permits from other industrial sectors. |
| Radiative forcing (non-CO ₂ emissions multiplying factor) | Should not be taken into account as the scientific community has not so far reached consensus about the non carbon effects. At present, no other sector takes radiative forcing into account in its regulatory systems. |
| Reduction targets set for airlines | Must be set equitably in relation to other industrial sectors and the principles must strive for equal level playing fields. The reference base should account for the efforts already achieved. |
| Revision clause | A revision clause is necessary to take changes in the international and economic environment of air transport into account. |

Breakdown of Air France and KLM CO₂ Emissions

(including subsidiaries)



Air France-KLM group carbon footprint

At Air France-KLM, long-haul (including cargo) flights (about 20% of our flights) account for 77% of all our CO₂ emissions.

For these long-distance journeys, where there is no alternative to passenger air transport, consumption per passenger amounts to 3.3 liters of jetfuel per 100 km.

Short-haul flights account for 9% of our CO₂ emissions. They generate more emissions per

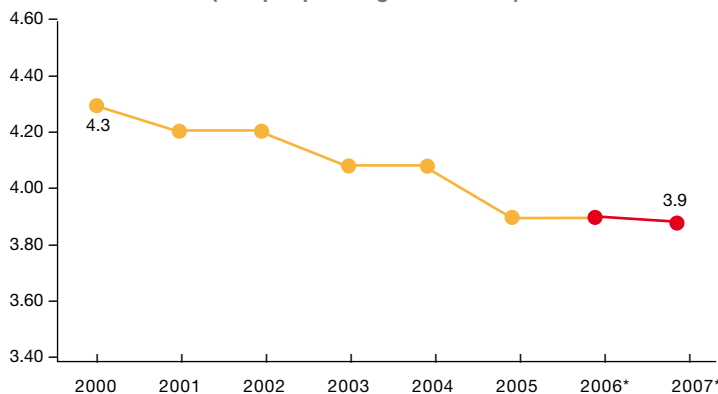
passenger kilometer, but contribute to overall airline efficiency by carrying passengers to our Paris-CDG and Amsterdam Schiphol hubs. These may be compared with a carpool system in which many smaller traffic flows converge from all over Europe and then travel to more distant destinations using bigger aircraft with higher seat

occupancy rates and hence with a lower environmental impact per passenger.

7.8

years is the average age
of Air-France and KLM
long-haul fleets

Air France-KLM fuel efficiency
(liter per passenger-kilometer)



*Air France subsidiaries included

Initiatives to reduce CO₂ emissions

The most effective response: fleet modernization

Air France-KLM resolutely pursues an ongoing policy to replace and upgrade its fleet. As a result, it has one of the youngest, most advanced fleets in Europe.

In May 2007, Air France announced a 5 billion euro plan until 2012 to replace all its Boeing 747s with Boeing 777-300ER aircraft, and its first A320s with 30 latest-generation A320s and A321s. Air France has also increased its order for A380s to twelve aircraft. The first one is scheduled to begin service in late summer 2009. Between 1998 and 2008, 61% of investment in new long haul aircraft went on fleet renewal (equal seat capacity) and 39% on developing Air France passenger operations (increasing seat capacity).

Improving energy efficiency during flight

Air France and KLM are working to improve fleet energy efficiency and minimize their CO₂ emissions by:

- **Optimizing operational procedures:** Aircraft taxiing on arrival will shut down one or two engines; auxiliary power units (APU) will be replaced by ground power units (GPU); continuous approach to be tested, etc.
- **Optimizing routes:** Participation in task forces and programs to optimize routes and airspace in conjunction with air traffic control departments. The Single European Sky and SESAR (Single European Sky ATM Research) will modernize and harmonize the European Air Traffic Management System and should reduce CO₂ emissions by 10% per flight. Air France and KLM have actively participated in SESAR since 2005 and will support its further development. For details, see page 21.

Understanding...

In-flight fuel dumping in the event of air turn back

This refers to the jettisoning of a certain quantity of jet fuel to lighten the aircraft before landing. Fuel dumping is a rare event that affects a very small number of long-haul flights only, when the aircraft is forced to return to gate shortly after take off. It is carried out in conjunction with air traffic control under strict conditions as to altitude and location.

In 2007, 1,440 tons of fuel were dumped during 42 flights.

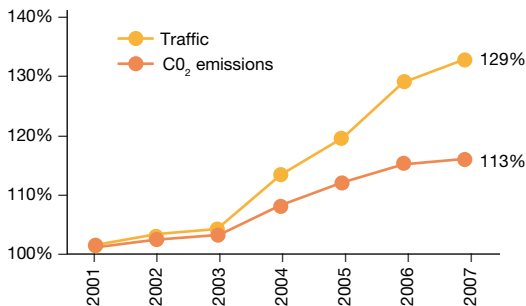
Focus on...

Our impact on biodiversity

The airline sector's greatest impact on biodiversity is linked to its impact on climate change. Other direct impacts are relatively small because of the limited use of ground area. The indirect impact of air transport on biodiversity resulting from tourism and economic growth is more substantial. Air France-KLM wishes to reduce its adverse impact by several means. It donates money to nature conservation organizations, promotes biodiversity awareness among its customers, and takes the impact of its partners such as airports or suppliers into account.

KLM started the "Destination Nature" program and is a sponsor of the "Plant the Future" campaign which aims to plant 120,000 indigenous trees to restore deforestation in Kenya's Ngong Hills. They are a source of revenue and a key component in the local ecosystem. They are used to make medicines and as a source of food and water.

Air France-KLM CO₂ emissions and traffic growth



- **Fuel quantities** are adjusted just 30 minutes before takeoff, according to the latest payload data, fuel consumption statistics, weather, etc. Unnecessary jetfuel creates additional weight and therefore overconsumption due to the energy needed to transport the surplus.

- **A reduction in aircraft mass:** Consumption also depends on aircraft weight. Air France and KLM have achieved substantial weight savings through a series of incremental measures. For Air France, these include reducing the weight of trolleys from 29 kg to 23 kg, of galley containers from 3.6 to 2.7 kg, drawers from 0.8 to 0.5 kg, glass trays from 1.0 to 0.5 kg, and by reducing the amount of paper carried on board with the switch to digital technical documentation. Overall weight reduction amounts to 480 kg per aircraft on long-haul flights and 99 kg on medium-haul flights. KLM has purchased 3,800 lightweight baggage containers resulting in a 22 kg reduction per container, from 87 to 65 kg.

Maximizing energy efficiency in buildings and ground equipment

In line with efforts to reduce the impact of flight operations on climate change, Air France and KLM are improving the energy performance of their premises and ground equipment. The group is helping to draft standards on the subject.

The group is also investing in the search for renewable energy solutions. By 2010, KLM intends to fit solar panels to two of its hangars at Schiphol Airport. In 2008, Air France plans to install solar panels at Paris-Charles de Gaulle to generate energy needed to heat half of its water at its industrial site. Air France is also researching the possibility of installing solar panels to generate electricity for its IT center.

Air France and KLM also intend to restrict energy consumption in the buildings by renovating them according to High Environmental Quality (HEQ) standards.

Air France is replacing its fleet of internal combustion-driven ground equipment with electric vehicles, with a target of a 60% electric fleet by 2020.

As of January 1, 2009 KLM in the Netherlands will purchase only renewable energy. Every year, KLM uses about 100,000 MWh of energy, equivalent to 25,000 households. This amount will be purchased entirely at hydropower plants over the coming two years.

“



The main aim of WWF Netherlands is to build a future in which people and nature live in harmony. The aviation industry is a polluter. That is why we have signed an agreement with KLM in July 2007, in which the airline formally commits itself to radically force back its CO₂ emissions. Our discussions on the agreement weren't always easy. We are critical and when the importance of nature is at issue, we don't avoid tough confrontations. Obviously KLM has its own objectives and issues.

However, we feel that partnerships play a key role in changing behaviour. Therefore we are really pleased that KLM dares to take the lead in this extremely competitive market and binds itself to hard reduction numbers. KLM and WWF Netherlands also have long debated the benefits and necessity of compensation. Are you allowed to ask a client for his contribution? Here, too, KLM has found its own characteristic and reliable way. Lasting conservation is a long term goal. We will continue to watch KLM critically, but in my opinion KLM takes up this challenge gladly.

Johan van de Gronden,
Chief Executive Officer of WWF Netherlands

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Initiatives aimed at customers

Providing accurate information about emissions linked to flying with Air France and KLM

In 2007-08, Air France and KLM provided customers and the general public with a CO₂ calculator on each of their websites to help passengers accurately calculate their CO₂ emissions when flying. Unlike most existing calculators, Air France-KLM's calculators use real operating data from individual routes averaged over 12 months, taking the type of aircraft operated on the route into account, actual fuel consumption, the number of passengers on board, and the weight of baggage and cargo.

Air France and KLM's CO₂ calculators were calibrated by KPMG, an independent auditor, which stated that there was a "reasonable assurance" on the data calculated according to methods presented on the respective web sites. In France, the methodology used in the Air France calculator was also verified by ADEME, the French Environment and Energy Management Agency.

Compensating CO₂ emissions for carbon-neutral flight

Since October 2007 Air France has offered customers with web access the possibility of offsetting their carbon emissions through a link to a joint Air France/Good Planet website. Two such projects are available: "green" coal production from agricultural waste near Saint-Louis (Senegal) and biogas distribution reservoirs in the Weining district of China.

Since March 2008, KLM offers passengers via its booking tool the opportunity to compensate for their share of CO₂ emissions through Gold Standard projects in its voluntary CO2ZERO service. WWF Netherlands and KLM have signed an agreement to this effect. The Gold Standard ensures that compensatory funds are effectively invested in projects using renewable energy, notably in developing nations. By making this possible, KLM hopes to raise broader awareness among its customers of the indirect impacts of flying, as well as stimulate compensation for such effects.

Focus on...

SESAR (Single European Sky Air Traffic Management -ATM- Research)

The SESAR project, launched at European level, is preparing for modernization and harmonization of Air Traffic Management by 2020. Its goals are ambitious: to triple capacity, halve unit costs, increase safety by a factor of 10 and reduce unit consumption and related emissions by 10%.

Air France and KLM provided a significant contribution by active participation to the definition of a new European ATM Infrastructure for 2020. Implementation of the ATM Target Concept will directly reduce the environmental impact of every flight in European airspace and at European airports. For instance, the optimisation of horizontal and vertical flight profiles have the potential to trim in-flight CO₂ emissions cumulated over the 2008 to 2020 period by around 50 million tons. Air France and KLM are committed to supporting the next phases of SESAR Development and Implementation.

| Stakeholders | Engagement pathways | Achievements 2007-08 |
|--|--|--|
| European, French and Dutch authorities | Initiatives directed at national and European authorities. Leading the Dutch Airline Industry Climate Change Working Group. | Air France endorsement of the air transport convention in the framework of the "Grenelle de l'Environnement". |
| Environmental NGOs | Strategic partnerships with NGOs based on transparency. | KLM partnership with WWF Netherlands. Environmental program (Madagascar) of GoodPlanet supported by Air France. |
| Customers | Surveys of passengers (special Flying Blue member survey) and corporate accounts. | Development of CO ₂ calculators. Compensation programs: KLM's "CO2ZERO" and Air France's Action Carbone by GoodPlanet. |
| Air transport industry | Negotiations with manufacturers on fuel efficiency performance of aircraft. Chairmanship of AEA's IEC (Infrastructure and Environment Committee) and of IATA's ENCOM (Environmental Committee). | Fuel efficiency performance criteria included in aircraft purchasing contracts. Contribution to European and International airlines policies. |



Reducing our environmental impact

After signing a Group Corporate Social Responsibility statement in July 2006, Air France and KLM operate in accordance with environmental protection requirements and sustainable development principles, with a readiness to go beyond strict regulatory compliance. In practice, their ambition takes the shape of the action programs which the two airlines and their subsidiaries are implementing as they mobilize their workforces and resources to minimize their environmental impact in a broad range of areas, including noise mitigation, air quality, waste processing and energy consumption.

Joint commitments, specific action plans

We strive to live up to the environmental commitments set out in our Corporate Social Responsibility Statement signed in July 2006, going beyond strict compliance with regulatory requirements:

- renew our fleet by introducing the best available technologies, and implementing the most efficient procedures to mitigate noise and limit emissions from our flight operations;
- develop eco-design for our services seeking opportunities to improve environmental performance through detailed analysis of sites and processes;
- ensure compliance with environmental protection regulations at all facilities operated by Air France, KLM and their subsidiaries.

| Specific action plans | Schedule | 2007-08 Achievements | |
|--|-----------|--|------------|
| Expand ISO 14001 certification to all activities in France. | 2008 | Unique integrated certification for Air France Industries, covering seven standards | Air France |
| Reduce noise. | 2006-2009 | Introduction of 14 quieter aircraft in the fleet. Continuous descent: 100 flight tests at Marseille to ascertain feasibility and assess noise level benefits from this procedure. Enlargement to other group airlines. | |
| Reduce emissions around airports. | 2008-2009 | New A320s are equipped with latest-technology engines (Tech 56) reducing NOx emissions by 20%. Seven planes currently in operation (37 by 2009). Ground support equipment renewal (electric vehicles). | |
| Reduce impact of ground activities: water and energy consumption, gaseous emissions and waste. | Ongoing | Reductions performed by Air France Industries: • water: -48% compared to 2003-04. • VOCs, contained in products: -73% compared to 2003-04. | |
| Reduce of the amount of on board waste and weight. | 2009 | Total reduction of 100 kg per flight by reducing or lightening onboard equipment. Assessment of biodegradable materials by University of Wageningen. Development of chromate-free paint (see page 23) | KLM |
| Further reduce energy consumption by ground operations. | 2008 | Reduction by 33 gigajoules and improvement of efficiency by 3% year-on-year. | |
| Experiments on flight operations to decrease perceived noise hindrance around Schiphol. | 2007-2010 | Start of two pilot projects together with Schiphol, Air traffic control and CROS. | |
| Reduce local emissions, notably from ground operations. | Ongoing | Replacement of GSE by engines generating lower emissions. Electric power units: feasibility study on filters for GPU electricity. Reduction of VOCs by 11% last year. | |

100%

**of the Air France-KLM group's
fleet meets ICAO Chapter 4
noise criteria.**

Expanding without increasing noise energy

Air France-KLM endorses the ICAO's Balanced Approach to control noise around airports. The ICAO proposes the implementation of four tools: reducing noise at the source, adapting operational procedures, implementing operating restrictions, and regulating urbanization around airports.

To reduce noise at source, Air France and KLM have heavily invested in fleet renewal, especially by phasing out earlier than required its noisiest aircraft, allowing all Air France and KLM fleet to meet ICAO's Chapter 4 noise criteria.

In signing the 28 January 2008 Agreement as part of the "Grenelle de l'Environnement" round table, Air France committed to ensuring that in the mid-term it would hold its activity at a noise level (total noise energy) below that of 2005. At the same time, the airlines are introducing operational noise abatement procedures when approaching airports, such as continuous descent approaches. Together with the French Civil Aviation Authority (DGAC), Air France is finalizing this procedure with the help of important resources including simulators, crew training, special mapping flights, and tests at Marseille.

Air France has also considerably restricted its night traffic at Roissy-CDG in recent years. It has discontinued 725 slots per year, out of

the 818 given up by all airlines. Finally, Air France and KLM are taking part in dialogue on noise with local communities, residential representatives, airports and other operators, particularly around Amsterdam Schiphol and Roissy-CDG. For Roissy-CDG, a Sustainability Charter engaging Air France will be drawn up during 2008 in line with the decisions of the "Grenelle de l'Environnement" (Environment Roundtable).

In the Netherlands, a governmental commission passed down an advisory in June 2007 on the balance between Schiphol's development and the protection and sustainable development of the surroundings until 2010. The commission consists of the Schiphol Group, Air Traffic Control, KLM, municipal and provincial council members plus two ministries, the Schiphol Regional Review Board (CROS), and representatives of inhabitants. As a result, 21 noise abatement measures were recorded in a formal Noise Abatement Covenant. Another covenant on quality of life for the surroundings is in the making.

Controlling the impact of operations on air quality around airports

Air France and KLM are introducing various measures to limit the impact of their operations on the air quality around airports (NO_x, CO, HC, SO₂

emissions and particles). (See graphic on page 24-25).

The group is investing in cleaner ground equipment (such as electric engines) and is finalizing innovative processes to limit emissions by using products containing less Volatile Organic Compounds (VOC), and optimizing the quantities used. Air France has reduced its VOC emissions by 73% since 2004. KLM has already implemented numerous measures to reduce VOC emissions and is seeking maintenance solutions that emit much fewer VOCs (see Focus).

At Air France, OSYRIS (Operational System for Reporting on Sustainability) has been extended to include air transport activities and will integrate the calculation of aircraft emissions (CO₂, CO, C_xH_y and NO_x) in 2008.

Focus on... KLM's innovative painting process

KLM Engineering & Maintenance, working together with German paint supplier Mankiewicz, has developed a new aircraft painting system. Not only is the paint chromate-free, but the aircraft can be degreased primarily using soap and water, thereby reducing the amount of harmful solvents. Besides these obvious environmental benefits, the application of thinner paint layers reduces the weight of the paint by a full 15%. As a result, the aircraft consumes less fuel and produces fewer CO₂ emissions. The thinner layer is also smoother. The new system has already been used on 10 aircraft e.g. a Boeing 747 freighter and some Boeing 737s.

Air France-KLM activates its lever to limit its environmental impacts

On these two pages the various environmental impacts of Air France and KLM are shown and the group's 2007-08 actions to reduce these impacts and results obtained are described.

Cutting noise levels



Air France-KLM is continually investing in fleet renewal and modernization partly to mitigate noise at source on a lasting basis as well as the noise footprint of its activities. For initiatives implemented, see page 23.

Flight Actions

Fuel optimization



Take-off thrust reduction



Flight optimization: level and route



Noise limiting procedures



Partial engine cutting down



Back office actions

Construction of High Environmental Quality buildings



Weight reduction of on-board equipment



Ground actions

Collection of paper and other ordinary waste



Engine tests by daytime



Reduction of cleaning water consumption



Treatment of liquid waste coming from industrial processes



Reduction of Volatile Organic Compound emissions



Replacement of thermal vehicles by electric ones

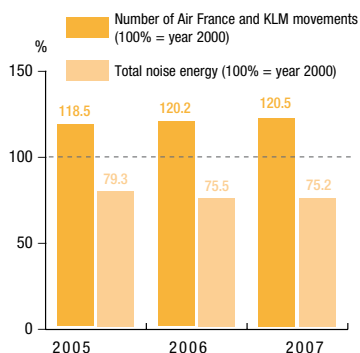


CO₂

Reducing CO₂ emissions

See the description of its impacts, the action undertaken and results obtained on page 19.

Air France-KLM noise levels and number of aircraft movements

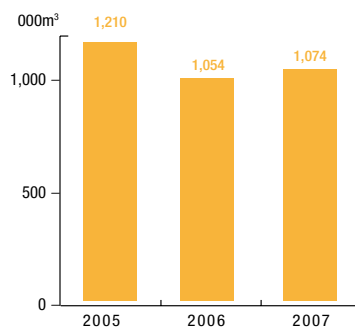


Water savings



Most of the water used by Air France and KLM is used by the Maintenance arm. Water consumption has fallen thanks to the removal of the waste water cooling systems used at some industrial facilities, to the deployment of waste water recycling systems for surface treatments and washing systems, and to the installation of water meters at Orly and Roissy-CDG in early 2008. A small increase appeared this year due to a better involvement of entities who now all report their consumption.

Air France-KLM water consumption



Reduction of the use of APU's during parking (use of electric GPUs)



Carbon report elaboration for all entities



Energy and water consumption measurement



Selection of "green" maintenance products



Treatment of de-icing fluids



Reducing Local emissions (NO_x, VOC)

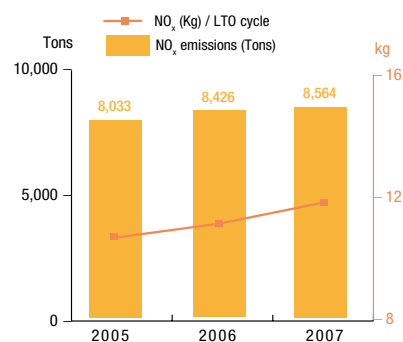


High pressure, high-temperature combustion of jetfuel during aircraft take-off, climb and cruise phases curbs noise and CO₂ emissions, but on the other hand generates nitrogen oxides (NO_x) emissions.

Moreover, maintenance and cleaning operations involve the use of paints and solvents which may generate volatile organic compounds.

For initiatives implemented, see page 23.

Local NO_x emissions for Air France-KLM fleet (including subsidiaries)

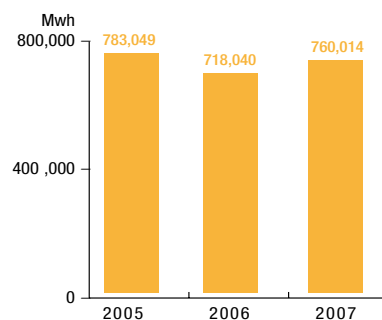


Limiting ground operations energy consumption



As more and more entities now report their energy consumption, we observed a consumption increase this year. Nevertheless, Air France and KLM ground operations energy efficiency is improving as a result of reducing energy consumption in buildings, extensive awareness raising among personnel, and optimization of heating and air conditioning (underground water storage) systems.

Air France-KLM energy consumption



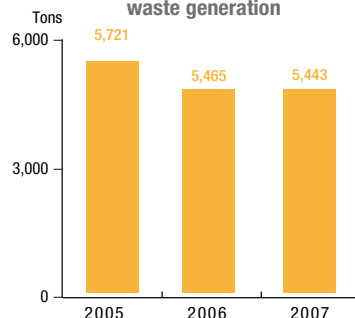
Waste reduction and processing



Hazardous industrial waste at Air France and KLM accounts for 7.3% of the total waste production, 52.1% of which is recycled.

For initiatives implemented, see page 26.

Air France-KLM industrial hazardous waste generation



Focus on... the ISO14001 Corporate Certification of Air France

The launch of the ISO14001 Corporate Certification was decided in July 2007 with an objective fixed for July 2008. The approach mobilized all the departments of the company. Each of them worked on their own activity and the global coherence of the system was ensured through seven working groups dealing with diagnosis, reference, training, audit, feedback, measures and indicators, and communication. Many project monitoring means have been deployed including a monthly information letter largely distributed, a biweekly steering committee, an executive committee every two months, and three presentations to the Air France Executive Committee.

Focus on... KLM's waste action plan

KLM launched its waste action plan in October 2007, which concerns onboard waste, de-icing products, paper, pallets and packing materials. As far as onboard waste is concerned, KLM intends to use more and more biodegradable materials and lighter products while reinforcing its waste separation and recycling.

Environmental management

Air France and KLM have set up distinct but consistent environmental management systems based on the ISO 14001 standard and adapted to their own local regulatory context. With all of its activities in the Netherlands ISO 14001 certified since 1999, KLM focused its efforts this year on reinforcing the monitoring of its environmental performance and amplifying its efforts on curbing its environmental impact.

Air France is finalizing the extension of its ISO 14001 certification to all its activities and own facilities in continental France. A corporate audit is scheduled for summer 2008.

In July 2007, Air France's maintenance operations received global certification for their integrated management system, consisting of seven standards, comprising the ISO9001, 9100, 9110 quality management standards.

Waste reduction, upgrade, and treatment

Air France and KLM are working on reducing and treating their ordinary and hazardous industrial waste.

In 2007 KLM launched its waste action plan to reduce onboard waste (see Focus).

The two airlines have launched campaigns to raise people's awareness of the importance of collecting paper. In 2007, 215 tons of paper were recovered at the Air France Head Office. For Air France Magazine, the airline has chosen the PEFC logo since 2007, which guarantees that the paper used comes from sustainably managed forests.

A paper reduction campaign has also been conducted in the Air France-KLM group. Air France is now in the deployment phase of its major project called DECLIC (Electronic documentation for online consultation in the cockpit) launched in 2005, which will allow for the switch from paper to electronic documentation on board. Today, Air France is finalizing its distribution of laptops to pilots which will replace both cockpit and personal documentation – saving up to 45 kilos of paper per aircraft. When DECLIC is fully deployed in April 2010, it will save 28 million pages each year.

KLM is the first airline in the world to introduce digital technology that maintains a continuous link between the ground and the aircraft. The ground organization now has live access to the electronic logbooks updated by cockpit and cabin crew during flight. The electronic Aircraft Technical Log (e-ATL) on the latest Boeing 777-300s is replacing the paper-based logbook, saving paper and weight onboard.

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AREC has had excellent relations with Air France for the past three decades. In addition to the mutual respect that colors our exchanges, I feel satisfied by Air France's efforts to date to upgrade its aircraft so as to continually operate a quieter fleet. I also welcome its choice of twinjets in place of four-engined aircraft for its long-haul operations. There are still concerns however, about the amount of noise generated by the A380.

Air France stresses that growth in airport activity drives regional economic development. But this development has to be carried out without increasing the noise hindrances that residents undergo. The Company intends to reduce the noise level of each aircraft in order to keep overall noise levels unchanged despite the increase in daily numbers of flights. Even so, the repetitive nature of flights may cancel the results achieved regarding the noise level of engines. This will need further discussions, but we are confronted with a lack of consultation due to the public authorities' failure to convene advisory environmental committees. We lack a body for shared decision-making, notably as concerns slot allocations, flight paths and altitudes.

Michel Tournay

President, AREC Plaine de France (Association for the protection of the living environment)

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Managing our aircraft at end-of-life

In the ten years to 31 March 2008, Air France phased out 147 aircraft, most of which (87) were returned to their leasing companies and generally leased on to other carriers. Most of the remaining 60 aircraft originally belonging to Air France, were sold on, excluding the eleven that were dismantled and fully de-polluted at Chalon-Vatry Airport by Air France teams. Five retired Concorde aircraft were donated to museums.

At the same time, KLM has phased out about 70 aircraft, which were sold to various other operators and redelivered to leasing companies. Two aircraft were dismantled and one was donated to the Dutch aviation museum.

Aircraft are stored in accordance with Air France and KLM's maintenance programs. Dismantled aircraft are fully cleaned; fluids, batteries, radioactive substances, onboard and security devices are recovered and recycled wherever possible. Specialist companies then cut up the aircraft to recover aluminum and titanium.

Europe has decided to take the lead in recycling aircraft at the end of their lifespan. The PAMELA (Process for Advanced Management of End of Life of Aircraft) project, launched in 2004 at the initiative of Airbus, will lead to an increase in the equipment used from the current 80% to 95%.

Focus on...

the Air France company travel plan

Air France launched a Company Travel Plan at the end of 2007 entitled BOUSSOLE (BOUgeonS SOLidairEs) to reduce the polluting emissions generated by business and personal trips of Ile de France employees. It allows the exploration of several possible measures: an Internet site dedicated to car-pooling enabling the calculation of the environmental impact and amount of CO₂ saved, training in eco-behaviour, the installation of offices for employees passing through the different sites, and teleconferencing. All Ile de France employees of Air France were surveyed to better perceive their



transportation habits, their needs and their opinion.

Focus on...

KLM's hangar of the future

KLM's Engineering Department is carrying out a feasibility study on the building of the world's first hangar according to cradle-to-cradle™ principles, at Schiphol in 2011. This involves the use of 100% recyclable products thanks to new industrial methods, and the choice of each raw material used to build it.

Cradle to Cradle: Remaking the Way We Make Things, Paperback, by William McDonough and Michael Braungart

For additional environmental information, see also the 2007-08 Air France-KLM Reference Document

| Stakeholders | Engagement pathways | Achievements 2007-2008 |
|--|---|---|
| Local communities and residents associations | Participation in Environmental Advisory Committees (CCE) and help for noise insulation for residents (CCAR) at the ten main airports in France. Member of multi-stakeholder advisory groups (CROS and Alders meetings) at Schiphol airport. Meetings on noise insulation projects at Schiphol, together with BARIN (Board of Airline Representatives in the Netherlands). | Air France endorsement of environmental code of conduct in some French airports. Participation in the "Roissy-CDG Sustainability Charter". KLM's signature of the covenant on noise around Schiphol: Agreement on sustainable growth until 2010, at Schiphol. |
| Air transport Industry | Negotiations with manufacturers on noise and NOx performances for future aircraft. Participation in the Board of Knowledge Development Center and in the Schiphol Innovative Mainport. Participation in the implementation of CORAC (Civil Aeronautical Research Council). | Noise and NOx performance criteria included in aircraft purchasing contracts. KLM organized special event so called "Expert meeting" in February 2008 with Boeing and GE. Launch of "clean and efficient" action plan together with Schiphol and the Technical University of Delft. Implementation of new ICAO NOx standard from 1 January 2008 (-12% for new engine program). |
| National authorities and airports | Regular meetings with civil aviation administration, airport and air traffic control authorities at each hub. Dialogue with French authorities (DRIRE, Industrial Development division) for VOCs reduction targets. | Reliability of the noise indicator (IGMP: Global Weighted Measured Indicator) for the management of Roissy-CDG development. |

Building sustainable customer relationships

Air France-KLM enjoys strong positions in each of its three core businesses of passenger transport, cargo and maintenance. These are largely underpinned by the quality of its relationship with its different customer groups.

To sustain and strengthen a powerful, trusting relationship with customers, the group must meet their expectations, cater to their unique needs, and always improve the assistance of our customers to facilitate their trip. And because air transport is so highly competitive, this is an even more vital need than in other sectors.

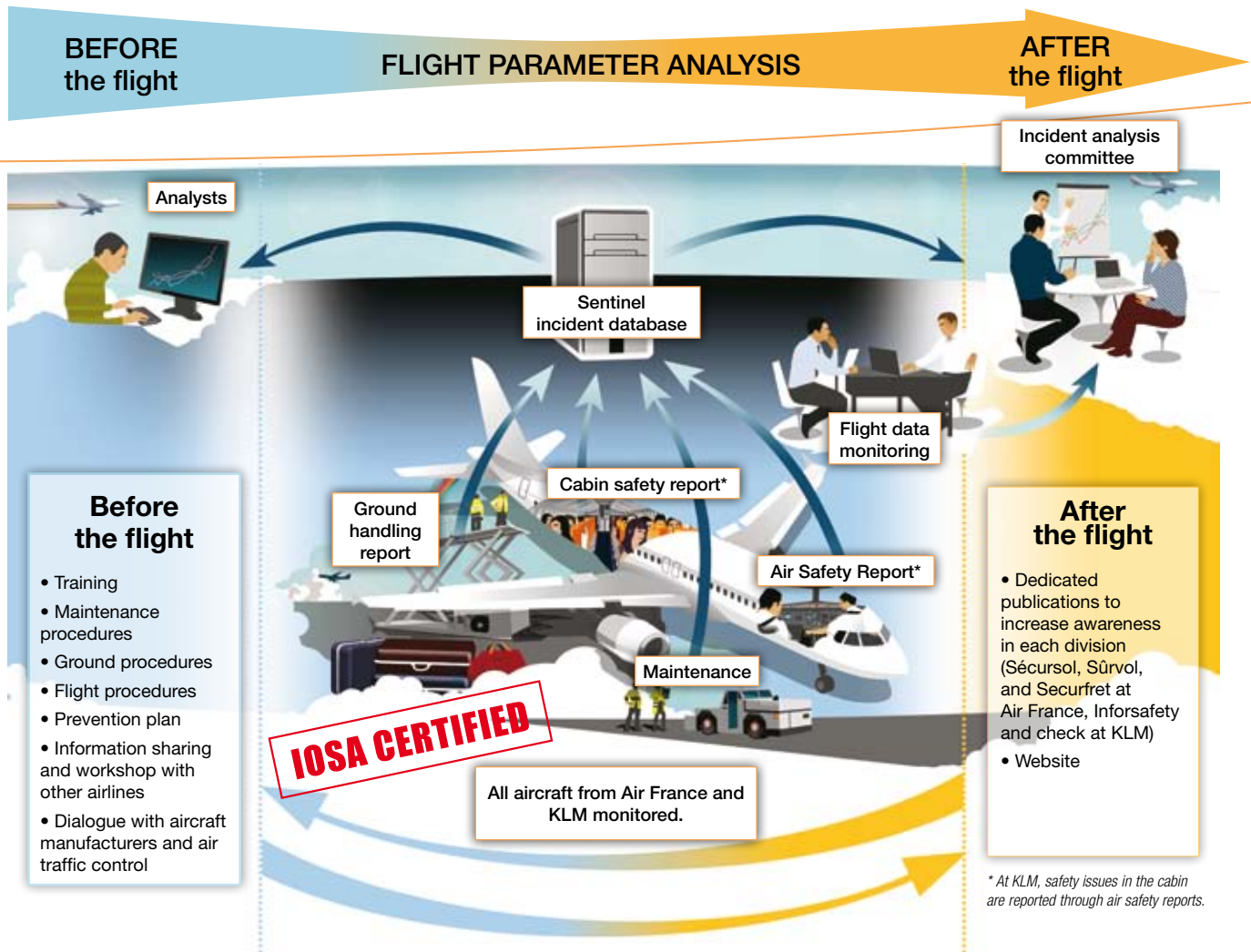
Joint commitments

The main challenges of our customer relationship are to:

- guarantee flight safety, an absolute key priority for Air France-KLM and the prime expectation of our customers: our two airline's safety policies are founded on the professionalism, dedication and attention of all staff, on the ground and in flight;
- meet all customer expectations and needs by offering adapted and reliable products and maintaining dialogue through dedicated surveys;
- always better assist our customers and facilitate their trip, answering the demand for more self-sufficiency, simplicity and transparency;
- deliver responsible products and services in accordance with our CSR commitments.

| Joint action plan | Schedule | 2007-08 Achievements |
|--|----------|---|
| Improve customer relations and dialogue | Ongoing | <ul style="list-style-type: none"> • Deployment of "Préférence Client — Customer First" training program for all front line staff. • Customer Satisfaction Surveys made out of 500,000 Air France-KLM common questionnaires, Flying Blue sample groups, customers forum on internet (Bluelab and KLMinTouch). |
| Improve service quality by focusing on punctuality, common standards and performance measurement | Ongoing | <ul style="list-style-type: none"> • Air France's goal of being in the top three AEA majors regarding punctuality achieved in 2007, except for December due to external disturbances. • KLM benchmarks itself monthly to three comparable major AEA airlines and has the internal goal of being best in arrival punctuality and second in departure. In 2007: KLM best AEA company for arrival punctuality. • Deployment of the "Seven Service Standards" in both companies. • External audits made by "Mystery Shoppers" to measure service quality at every step of customer's journey. |
| Integrate CSR in our product offer | Ongoing | <ul style="list-style-type: none"> • Air France and KLM provide customers with a CO₂ emissions calculator for their flights and offer compensation services through NGO GoodPlanet's Action Carbon program and KLM's CO2ZERO program. • Air France and KLM are committed to help passengers having specific needs by a large offer of special assistance services. |
| Raise customer awareness about sustainable development challenges | Ongoing | <ul style="list-style-type: none"> • Promotion of sustainable development: documentaries, films, articles in inflight magazines, leaflets, newsletters. |

Flight safety management at Air France-KLM



Guarantee flight safety and security, the prime expectation of customers, the absolute priority for the group

Guarantee Flight Safety

Safety is the priority for customers and for Air France and KLM

The two airlines' safety policies are founded on the professionalism, dedication and attention of all staff, on the ground and in flight. Both airlines are certified by their respective regulatory authorities and have obtained IOSA certification. These IATA operational safety audits cover some 900 inspection points and are valid for two years. General management's involvement, the analysis of operating risks, and the systematic use of feedback are deeply rooted in both airlines' safety processes (see above). The Group encourages feedback whenever an incident occurs, even a minor one, if it can affect flight safety, while guaranteeing the immunity of personnel reporting such incidents. Preventive measures include:

- flight safety refresher courses for all flight crews;
- exchange of best practices with other airlines;

- a safety management system based on risk analysis and control. Both airlines have developed crisis management procedures, and carry out full-scale exercises several times a year to improve the understanding of crises.

Play an Active Part in Security

Flight security may be jeopardized by the threat of criminal or terrorist action. To face these threats Air France-KLM has deployed a major security program to protect customers, staff and group property. These measures include staff training, regular aircraft checks, random staff checks, 100% baggage screening and reconciliation, cargo screening, and the development and management of passenger boarding and deplaning formalities. In conjunction with the airport authorities and government departments, Air France and KLM help to keep improving these mechanisms. The group has its own risk analysis cell helping it to play a proactive role against potential threats.

It uses a quality assurance system to ascertain the proper application of security measures and, where necessary, the implementation of remedial measures.

Focus on...

Safety among Air France and KLM partners

To guarantee identical safety levels on all flights, including those operated by its partner airlines, the Group:

- ensures that the partner airline is not on the European Union's airline blacklist;
- ensures that the airlines have a valid air carrier certificate recognized by the French and Dutch authorities;
- checks the validity of IATA Operational Safety Audits (IOSA) for the certified airlines; this condition is mandatory for all non-EU partners.
- sets up a close relationship based on confidence and the knowledge of the partner's management system and prevention plan.

93%

of satisfied and very satisfied customers in Recovery Program

438,000

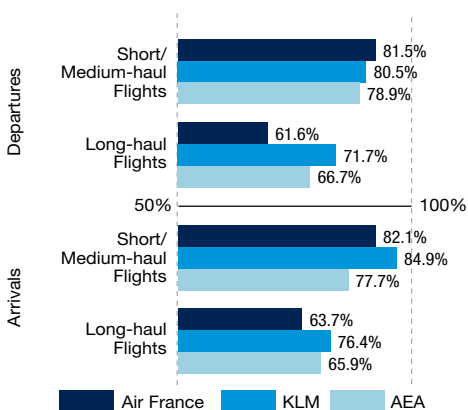
4-12 year-olds traveling alone in 2007-08

455,000

passengers with reduced mobility flew with Air France-KLM in 2007-08

Punctuality 2007

(Flights on time or with less than 15 minutes delay)



On short and medium haul flights, departure punctuality for Air France and its regional airlines is higher than the AEA average. External delays and the majority of internal delays are still high due to congestion at Roissy-CDG, notably since the collapse of Terminal 2E.

Air France had to deploy important resources to limit the effects of this saturation on punctuality. In spite of these events, the overall punctuality of Air France flights is below the AEA average.

KLM's punctuality is well above the AEA average on both short/medium and long-haul flights. The majority of KLM passengers are in transfer when they arrive at Amsterdam Schiphol, so KLM's main focus is on arrival.

Focus on...

The Recovery Program

In 2007, Air France-KLM started "recovery", a coherent commercial policy. The "recovery" notion will thoroughly reshape the classic definition of after sales services. It covers compensation, information, proactivity, alternative proposal, and more largely, assistance, after, but also before and during the journey. These criteria are guiding the design of products and services.

Air France has deployed a personalized proactive process in the event of flight delays or irregularities. In IATA 2007-08, about 240,000 clients benefited from this service and more than 500 million air miles were distributed as compensation. Some 93% of the customers concerned said they were "satisfied" or "very satisfied" with the initiative.

Anticipate passenger expectations

Service quality as our common baseline

Air France and KLM committed itself to a wide-ranging quality program in order to systematically deliver the fundamental service components as part of a common baseline.

The Seven Service Standards, derived from customer satisfaction surveys have a straightforward goal, which is to guarantee that the service delivered by Air France and KLM corresponds to this promise, and is of a constant and regular level at every stage of the journey. "Mystery shoppers" (at KLM, in pilot phase) are regularly testing the quality of service offered.

In 2007 Air France and KLM rolled out their *Préférence Client*—Customer First training modules, offering personalized coaching to all front-line personnel to help them anticipate passenger expectations. Air France-KLM is constantly innovating to make air travel smoother and to meet passengers' demands for more self-sufficiency, simplicity and transparency. Our customers can choose among a large variety of services, from full autonomy, offered by Internet and mobile check-in, to personalized assistance. Furthermore, the simplification of the check-in gives our staff more time to meet – and even go beyond – customer expectations.

E-services also provide our passengers with relevant information,

such as the search for the best available fare.

In April 2008 KLM launched its BlueinQ program which enables passengers to travel quickly, simply and economically to and from Schiphol.

In 2007 and 2008, Air France won the top transport sector customer relations award. Consumers assessed companies on how well they took new customer expectations into account and nurtured long-term trust, protected confidential data, and behaved as responsible corporate citizens.

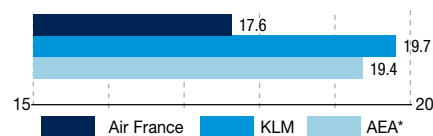


More information about

Air France and KLM service offering at www.airfrance.com and www.klm.com.

Baggage handling 2007

(Number of bags missing per 1,000 passengers)



Despite the constraints of the infrastructures of baggage handling in Roissy-CDG, the baggage performance of Air France only decrease by 1.9 points in 2007 compared to 2006 placing Air France at the second position of the European Majors in terms of baggage handling. For KLM, the amount of delayed baggage is above the AEA average, mainly as a result of the transfer process at Amsterdam Schiphol. With little point-to-point traffic, KLM cannot benefit from a population that has a positive impact on the results.

* Comparable AEA Carriers (with a large number of connecting passengers)

Measuring quality and customer satisfaction

The chart below shows customer relationship management (CRM) systems and customer research tools.



A close relationship

To improve the quality of its service, Air France-KLM constantly listens to its customers (see above). In 2007, half a million passengers agreed to take the SCORE satisfaction survey, which takes customer comments and experience into account. Listening to what customers tell us is a key factor in product and service development. In January 2008, KLM launched a new aid to maintain a dialogue with customers to develop and enhance KLM's products and services. This online research community, called KLMinTouch, comprises some 400 Flying Blue Elite frequent flyers. These customers submit their impressions on issues initiated by KLM, as well as on topics initiated by the community members themselves.

Offering responsible products

Central to Air France and KLM commitment is a desire to make their services accessible to all passengers. An average 438,000 unaccompanied minors aged from 4 up are entrusted to Air France and KLM by their

parents each year and are personally looked after throughout the flight. This service is free for children aged from 4 to 12 and with extra charge for young people until 18. For passengers with reduced mobility, 455,000 of whom flew with us in IATA 2007-08, Air France and KLM offer a customized service known as Saphir at Air France and KLM Cares at KLM. Both services offer personal assistance from reservation to arrival. Special equipment also improved in 2007, both onboard (with fold-up armrests, accessible toilets throughout the fleet, safety instructions in Braille, free baggage-hold carriage for wheelchairs and assistance dogs in the cabin), and on the ground a dedicated international phone contact (staff training, lowered check-in counters, and partnerships with specialized transport companies for transfers to and from the airport). The Air France-KLM group also strives to analyze and satisfy passenger expectations concerning sustainability by providing a carbon emissions


calculator and compensation mechanism (see page 21).

The group fully integrates sustainability aspects into new product and service design. This translates into a systematic search for weight savings in cabin fittings, and the massive deployment of e-services, paperless documents, and improvements to on-board ergonomics and eco-designed products for passengers and crew alike, new cabins on A320s and new seats and trolleys (See page 20) or a new Flying Blue membership card and baggage tags.

Bio-compostable for 95%, these new cards will allow an annual economy of 10 tons of PVC.

KLM is using more and more eco-friendly packaging. Examples include soup boxes and, soon, the breakfast boxes, all of which are made of recycled material. The coffee and tea served on KLM flights carries a fair-trade certificate or comes from plantations operated according to socially responsible principles.

Air France offers Alter Eco fair trade chocolates on its medium-haul flights.

 **More information about Air France and KLM service offering at www.airfrance.com and www.klm.com.**

Raise passenger awareness of sustainability issues

Both airlines have launched campaigns to raise passenger awareness of sustainability issues in 2007-08.

KLM raised customer awareness of sustainability issues with "The Smart Way Forward" campaign. This used leaflets detailing its sustainable development policy being distributed on board, while a film on the same themes has been shown since February 2008 on intercontinental flights and in travel agencies. It also added a

"People and Planet" section to its inflight magazine in August 2007. Sustainability issues are also included in other customer magazines and newsletters.

In 2007-08, Air France broadcast a series of films and documentaries about global warming, nature conservancy and sustainable tourism. It also offers awareness-raising campaigns aboard its long-haul aircraft focusing on such issues as

protecting endangered species, a campaign promoted in conjunction with the French Ministry for the Environment (MEEDDAT) and on combating the sexual exploitation of children, in partnership with the ECPAT (End Child Prostitution, Child Pornography, and the Trafficking of Children) campaign. Air France's inflight magazine also regularly features Air France Corporate Social Responsibility initiatives.

Offer sustainable solutions to our cargo customers

Air France Cargo-KLM Cargo service quality

Air France Cargo-KLM Cargo is constantly improving service quality. Air France Cargo-KLM Cargo has ISO 9001 certification for its cargo operations at Roissy-CDG and Schiphol as well as an environmental action plan. Both carriers are members of Cargo 2000, an air freight industry initiative, to ensure a transparent chain of service for customers. Air France Cargo-KLM Cargo specializes in carrying shipments which require special handling, such as the transport of live animals. Air France Cargo-KLM Cargo operates dedicated facilities to transport animals in the best possible conditions, plus a license under Regulation (EEC) 01/2005, and is in constant contact with international organizations such as the World Organization for Animal Health (OIE).

Air France cargo-KLM cargo e-services

Air France Cargo-KLM Cargo delivers a broad portfolio of e-services for its customers, including electronic booking services, shipment tracking on Track & Trace, web access to rates, an online timetable giving the best connections to the 400 destinations served, and an online claims service. The interactive nature of these services ensures improved service to customers and results and reduced paper consumption. Air France Cargo-KLM Cargo played a leading role in the international launch of e-freight allowing for paperless shipments.

Providing sustainable products

Sustainable transport, and the CO₂ emissions caused by shipments in particular, constitutes a growing concern among Air France Cargo-KLM Cargo customers. Calculating carbon emissions of shipments within the Air France Cargo-KLM Cargo network is done at the request of customers for reporting and carbon compensation purposes. Air France Cargo-KLM Cargo focuses on lowering the amount of emissions via weight reduction actions such as lighter pallet nets or reducing the number of ground transport movements. The group also makes every effort to limit waste, for example, by using new wrapping plastic on pallets.

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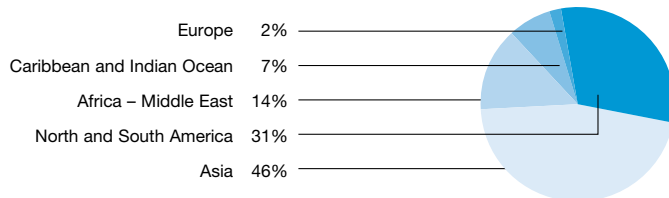
Air France and KLM are two airlines whose quality standards have long been very satisfactory and which in recent years have continued to make progress by renewing their fleets and improving inflight service. At present, there is still room for improvement when it comes to ground services, though. While electronic ticketing and the printable boarding card are ideal responses to business travellers' needs for fluidity and easy access, the quality of ground staff communication skills still has room for improvement.

Air France-KLM communicates its commitment to sustainable development effectively to passengers, highlighting the quality and modernity of its fleet, and emphasizing the low relative contribution of the air transport sector to greenhouse gas emissions. We expect even more transparency and demonstrations of the group's environmental performance to illustrate its assertions, and we also need forthcoming challenges to be put into perspective, namely climate change, the future of energy, and future transport solutions.

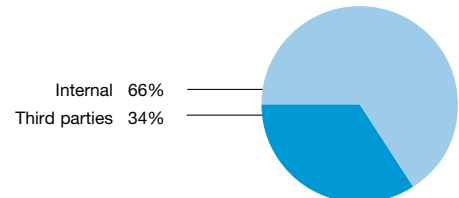
Abdelaziz Bougja
Business Travel manager - Veolia Environnement

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Breakdown of Cargo revenues by destination, 2007-08



Breakdown of Maintenance turnover 2007-08 (€2,859 m)



Build sustainability into our maintenance offering

Customer dialogue and service quality

Air France Industries and KLM Engineering & Maintenance services factor sustainable development into customer relations. Both Air France and KLM have implemented Integrated Management Systems (IMS), which encompass quality, environmental management, and food safety concerns. Air France was awarded comprehensive certification for its IMS in 2007 (see page 26). The Air France and KLM maintenance business units use their complementary approaches and their multi-skilled workforces to offer customers a unique, customized portfolio of services: 24/7 in-line maintenance. The constant dialogue with third-party airlines

and the combined experience of Air France and KLM ensure that their maintenance departments have in-depth knowledge of the sector and its needs. Customers are also invited to take part in regular satisfaction surveys.

Promote environmentally friendly solutions

Air France Industries and KLM Engineering & Maintenance have developed environmentally friendly cleaning solutions which they promote among customers (see also page 24 for water consumption data, and page 23 for an innovative paint process used by KLM). Since the end of 2007, KLM has used non-destructive testing techniques.

The non-destructive testing techniques involve a method that does not require paint to be stripped from the aircraft, but magnetically removes it thereby avoiding volatile organic compound emissions (VOC).



| Stakeholders | Engagement Pathways | Achievements in 2007-2008 |
|---|---|--|
| Customers, Corporate customers, consumer associations and travel agencies | <p>Customer satisfaction surveys: onboard and interactive questionnaires.</p> <p>Dialogue with disability associations at European and national level in France and the Netherlands.</p> <p>On-board awareness campaigns on CSR issues, such as climate change, protection of biodiversity, sexual exploitation of children, sponsoring causes.</p> | <p>2007 SCORE survey (500,000 surveys on board each year).</p> <p>Launch of KLMInTouch and Bluelab (Pilot in September 2007), web communities with Dutch customers.</p> <p>“Elements of the World” event in March 2008: KLM and WWF Netherlands together engaging Dutch corporate accounts on climate change and biodiversity.</p> |
| Airports | <p>Cooperation for taking care of persons with reduced mobility.</p> <p>Participation in working groups about safety issues. Air France and Aéroports de Paris common working group “réussir ensemble” (succeed together).</p> | <p>KLM participation in Schiphol Safety Platform 2007.</p> <p>Close cooperation in opening of new airport infrastructures (satellite S3, 2E at Roissy-CDG).</p> |

Promoting a responsible human resources policy

Because of their deep roots in their home countries and their high-profile global presence, Air France and KLM can offer their staff stimulating prospects. On the basis of the “One Group, Two Airlines” principle, they apply social policies specific to each, although these are based on the shared objectives enshrined in the 2008 Social Rights and Ethics Charter, which they have adopted along with all their European subsidiaries.

The group seeks to actively promote social values, to increase staff empowerment, and fair treatment.

Joint commitments, specific action plans

In a constantly changing economic and competitive environment, the air transport sector is now merging and consolidating. In response to these challenges, we continue to build a socially responsible Group both at national and international scale, and we are committed to:

- offering safe and motivating working conditions;
- fostering employment and mobility through personal development and by enhancing skills;
- promoting diversity that reflects society, and ensuring equal opportunities among staff;
- pursuing social dialogue as a guiding principle and ensuring that employees and their representatives are kept informed and consulted.

| Specific action plans | Schedule | Achievements 2007-08 | |
|---|-----------|--|------------|
| Develop employee skills and promote professional mobility to foster employability and job security | Ongoing | 305 geographical mobility operations in France, 787 professional mobility operations (including 100 job changes: Ground staff to Cabin Crew) 23% of training to enhance skills, upgrade, and secure jobs for ground staff | Air France |
| Lower the frequency of work-associated accidents between 2005 and 2008 by 30% | 2005-2008 | Between 2005 and 2007: a 12% reduction (9% between 2007 and 2006) | |
| Raise the employment rate of disabled people by 0.5 points a year Refresh awareness of disability among all staff by 2009 | Ongoing | A 0.6 point rise in the employment of disabled staff compared to 2006 (38 disabled people hired in 2007) A 9% rise in purchases from the special and protected sector | |
| Stimulate mobility inside and outside the company Encourage personal development and training | Ongoing | Extension of education possibilities (CLA, KLM Academy) Elementary Leadership for operational management | KLM |
| Facilitate employees to recognize and work on their own health Increase mobility where jobs are physically extremely strenuous | Ongoing | Health scan – introduction for all employees RampSnake – implementation of innovative loading device | |
| Realize a culture with equal chances for a diverse population | Ongoing | Possibility of internships for disabled students Possibility of part-time pension Two pilot studies to realize age-proof employability | |
| Build more flexibility into workforce and contracts | Ongoing | Variable benefits possible for all employees Pilots personal rostering | |

| Actions for local staff at outstations | Schedule | Achievements 2007-08 |
|---|----------|--|
| Continue to secure jobs as part of the Air France-KLM combinaison and aim to harmonize working conditions by 2010 | Ongoing | Harmonizing collective labor agreements in 14 countries |
| Offer additional social benefits to employees working under local law in the outstations | Ongoing | Distributing a reference guide to social benefits in outstations |

Two social policies based on common values

The combination between Air France and KLM constitutes a major challenge by building on common values in a model of “one group, two airlines, three businesses.” In this way, each company applies its own human resources policy resulting from different social legislation in France and the Netherlands and to the legacy of existing commitments. This common approach, however, is now being strengthened by local approaches to harmonize collective labor agreements at international level.

At KLM, human resources policy aims at sustainable employability by keeping all employees productive, flexible, healthy and involved during their career. The company continuously develops its policies to attract and

keep employees and motivate them to perform.

Air France pursues its policy of protecting sustainable employment and adapting to new professions. The company pursues its contract-based policy underpinned by social dialogue, on different fields: forward-looking management of jobs and skills, staff training, health and safety, and diversity.

The Air France-KLM group Social Rights and Ethics Charter drawn up in 2008 sets out the guiding principles for the entire group's policies. This charter describes the standard values and fundamental rights which reflect the identity of the whole Air France-KLM group. These are further developed in

the statement of Air France-KLM's social responsibility and in the key levers applied for its implementation.

- Involvement of all Group entities: each company's management has signed the charter and has committed to apply it.
- The group's European Works Council monitors its application with the help of three correspondents. Each year a monitoring report will be made to the meeting of the Air France-KLM group European Works Council.
- Commitment from and available for all employees: the Charter is signed by social partners represented in the Air France-KLM European Works Council and is circulated to all employees in French, Dutch and English, so that all employees may commit themselves individually to the values and rights defended by the group.



Air France-KLM Social Rights and Ethics Charter on www.sustainability.airfrance.com and www.klm.com/sustainability

Ensuring safety and health at work

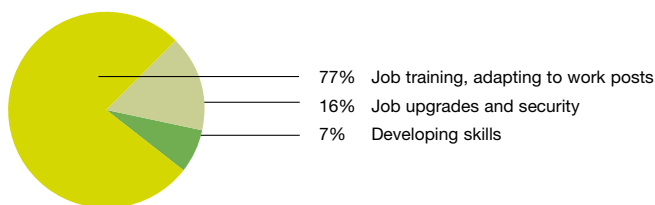
The group commits to the highest level of safety. Starting in 2006, Air France introduced an ambitious scheme to improve work safety with the aim of reducing accidents by 30% by 2008. By 2007, accident frequency had fallen by 12% compared to 2005; most actions implemented to meet this ambitious goal will have effects on the long term. Specific charters on the prevention of alcohol abuse and harassment in the workplace are currently under consideration. Various measures aiming at protecting employee health are already on

display, such as an individual medical follow-up, ergonomic help or sports installations. During the current financial year, two regrettable fatal accidents occurred, one at Air France Industries and another one at KLM Cargo. The authorities performed investigations in close cooperation with the two companies. Procedures were tightened to rule out similar accidents in the future.

KLM is committed through its policies and actions to promote the

physical and mental health of its employees. KLM intends to improve working conditions and reduce job strain. In 2007, the company introduced a new RampSnake loading system that cuts down on the workload carried by employees in aircraft turnaround departments. On the basis of positive feedback, a total of 39 RampSnakes will be installed in 2008. For the Cargo department, a sports center was set up in 2007 providing advice from a company doctor, a physiotherapist, and a diet professional, together with the use of sports facilities. To further increase awareness about how to achieve or maintain a healthy lifestyle KLM introduced its health scan for all employees in 2007.

Air France – Breakdown of training hours for ground staff (1,418,161 hours in 2007-08)



Developing employee mobility and employability

In an industry subject to economic uncertainties, Air France-KLM is pursuing its policy of safeguarding jobs in France, the Netherlands, and in international markets. To reach this objective and anticipate new technological and organizational developments, the group acts on employability and mobility of employees.

Training to develop and tailor employee skills

In 2007, in addition to the Leadership and Career programs, the KLM academy, KLM's own training center, expanded its offer with

a range of management programs for all managers and specialists. Also a new program on basic leadership skills has been developed, which every new operational manager within KLM attends.

Furthermore all divisions at KLM offer a wide variety of training and education to the employees.

In 2007, Air France spent more than 270 million euros on its training plan, or 10.8% of its wage bill, which is considerably higher than the mandatory level.

This plan covers not only mandatory training (accounting for some 50%), but extends to every stage in a professional career, together with support for job mobility. Of all employees in France, 91% chose to benefit from training (88% for ground staff). Work safety and accident prevention training accounted for 10% of the total.

Encouraging mobility

The two companies encourage mobility for their employees to face new developments in their work

context and to preserve jobs.

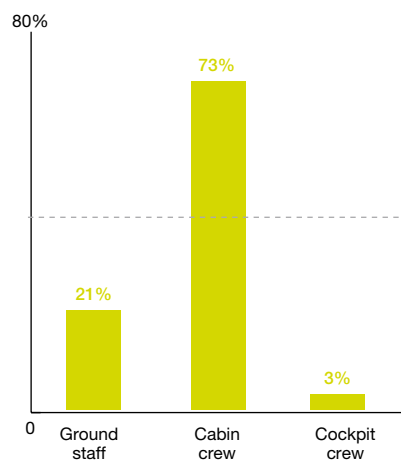
In 2007-08, 687 Air France employees changed job categories and 305 ground staff switched employment areas. 100 ground staff changed to cabin crew jobs, 250 were selected and will change their job categories as needed.

In 2007, Air France opened an information and advice center to raise awareness of what mobility had to offer. Furthermore, all new job openings in France are now published on the Air France intranet.

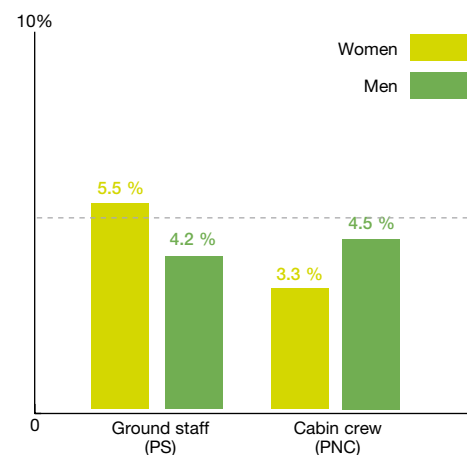
Stimulating mobility is an important topic for KLM. A career center (Employability Services) coaches employees on their personal development and career to stimulate employability within KLM or when necessary outside KLM. In addition, mobility will be a topic in each employee's annual evaluation. KLM publishes all job openings on the KLM intranet and in a weekly newspaper circulated throughout KLM offices.



Proportion of women in KLM management (executive and line management) in 2007



Percentage of promotions (by gender) in Air France employee categories in 2006



Promoting diversity across the company

Air France-KLM strives to promote diversity that reflects society and to ensure equal opportunities among all staff. These commitments have been included in the Social Rights and Ethics Charter.

Air France-KLM aims to improve diversity and commits to provide equal career opportunities for all employees regardless of origin, gender, age or disability. The two companies pursue this objective in accordance with their local regulations.

Acting on behalf of gender equality

Air France's second agreement on career equality for the 2006-2009 period has established orientations to measure progress, with associated monitoring indicators, and has launched a series of concrete actions. To reach the 2007 targets set by these agreements, Air France commissioned independent experts to analyze the average pay of women and men.

The results showed that *"there is no wage discrimination at Air France, though some discrepancies were observed in certain isolated cases."* As a result, provisions for financing measures that foster career equality have been earmarked for the 2008 wage measures.

KLM is also committed to career equality by promoting employees to strategic positions. For example, among ground staff, 21% of management positions and 5% of executive positions are now held by women. In cabin crew 73% of the management positions are held by women. KLM encourages a proper work-life balance for men and women and implements measures to adapt working time for employees wishing to benefit from it. As a result, at the end of 2007, 60% of all female employees and 14% of all male employees were working part time. This means that 33% of the total workforce is employed part-time.

Working together against discrimination

Air France-KLM is proud of the diversity of its employees. The group's objective is to foster a working environment in which mutual respect is a common value.

KLM has a history of being a multicultural company. Nowadays, people of more than 70 nationalities work together at KLM. KLM has a special team of well trained and selected employees who help other employees address and resolve potential problems with misconduct (discrimination as well as social isolation and harassment).

In June 2007, Air France commissioned an audit from the "Observatoire des Discriminations" (Discrimination Watchdog) on equal treatment in the hiring process, covering employment between June 2006 and February 2007, involving more than 50,000 candidates. The results showed that no cases of unfair treatment were detected and concluded that *"the hiring process at Air France stands out for its professionalism and ethical stance when measured against standards in the sector."*

6%

of KLM employees were aged over 55 in 2007-08

10%

of Air France employees were aged over 55 in 2007-08

Adapting the organization to senior employees

In a 2005 agreement, KLM extended the legal age for retirement for its ground staff employees to 65. In this context, KLM participated in adapting work facilities, tasks and schedules to the capacities of older employees. As an example, in 2007 KLM



suppressed night shifts for employees over the age of 55 and launched a part-time pension possibility for senior employees, which means the possibility of working part time and receiving a pension for the time spent not working. In order to get experience in introducing and following age-proof social policies two departments with heavy mental and physical loads were selected for a pilot study led 2007, which resulted in a precise action plan. Other departments will be able to implement the developed method.

In January 2008, Air France launched a "senior project" to ensure the employability of staff members. The company already offers various measures for senior employees, one of which aims at facilitating the transition to part-time work for employees over 57.

Integrating disabled staff members

The group continues to encourage access to employment for disabled people.

Since 2007, Air France's recruitment process has made disability a relevant category for online applications, so that candidates can be identified and use the appropriate hiring process.

Following the first employee awareness scheme in 2006-07 (when an informative booklet was circulated to 60,000 Air France employees), a second scheme has been organized in the form of a traveling exhibition and a stage play to make the entire staff aware of the need to integrate disabled employees by 2009. Externally, Air France together with La Poste launched a "handimanagement" project in 2006 to raise awareness among students of new opportunities for the disabled, with students sponsoring an awareness week in their schools. Seventeen other enterprises have now joined in this partnership.

Each year every KLM division provides internships for disabled students to stimulate them to develop working experience and to increase their opportunities in the labor market.

“



Environmental issues receive a lot of attention within the world of aviation. This is also the case for Air France-KLM and its employees. However, the main focus of KLM's Works Council is on the social aspects of CSR like sustainable employment and healthy and safe working conditions. The cooperation with Air France has influenced sustainable employment in a positive way. Active social dialogue was achieved on these subjects within both Air France and KLM.

Some attention points remain. Equal opportunities are highly valued by Air France and KLM. This has the full support of KLM's Works Council. Considering the fact that there is nearly an equal number of men and women working in KLM it is disappointing that the percentage of women in top positions lags behind. Another example is the lack of quantitative indicators on training and mobility for KLM.

More generally speaking, KLM's Works Council believes CSR should be second nature to a company in order to be successful. There is still room for improvement. As one of the stakeholders, KLM's Works Council recognizes its own responsibility and recently decided to put CSR more prominently on the agenda. After all KLM employees don't just make up a community of their own, they are part of society as a whole.

M. G. Bouts
Chairman KLM Works Council

”

Targeting a responsible merger

Building an Air France-KLM Organization

Since the merger, the Group has continued to align and boost its efficiency by creating an organization that simplifies decision-making. The aim is to knit the two airlines as closely as possible. This means combining activities wherever there is a clear gain in synergy and added value, especially in the commercial sphere.

Providing advantageous conditions to employees working under local legal frameworks

More than 8,000 employees work for

Air France and KLM outside of France and the Netherlands in over 100 countries, each with their own social legislation. Whether or not destinations are shared by the two companies, Air France-KLM aims to apply the same approach and is committed to retaining local jobs under the merger while offering equitable working conditions.

As a result of the merger, working conditions and social policies are being progressively harmonized as part of the group's international reorganization. Today, this process

covers 70% of the group's international scope, and aims to cover 100% by 2010.

The group also undertakes to develop local skill sets and share know-how. For example, 68% of Air France management positions are held by local Air France staff in outstations.

Focus on...

Harmonizing social work conditions for locally employed staff

To ensure fair, consistent treatment of personnel at each company, employment conditions are being harmonized. The process covers working hours, compensation policy, individual and collective systems for applying salary increases, health insurance and pensions.

In Brazil, a trial country when it comes to harmonizing pay and conditions, there were differences in supplementary pension rights between the 172 Air France agents and the 42 KLM employees. These have now been aligned so that all 214 staff benefit from the most advantageous provision. In Brazil also, common models for appraising salaries have also been launched. These are an important factor when it comes to harmonizing employment conditions at both companies.

Achieving employee involvement in the group's sustainable development agenda

The two companies are developing training schemes and other initiatives to involve employees more deeply in their sustainable development agenda.

For example, KLM safety training sessions include awareness raising about the challenges of sustainable development (safe and clean working environment, sorting waste).

KLM also stimulates alternative transportation means by giving employees the possibility to use public transportation in exchange for travel allowance or a tax free bicycle.

The group aims to inspire innovation among employees so that sustainable development blends seamlessly with everyday practices.

For example, the quality innovation program first initiated by Air France Industries has now been extended to every division of Air France, encouraging employees to suggest new ideas.

In 2007, more than 7,000 suggestions were collected, a growing number of them directly linked to sustainable development.

For additional social information, see also the 2007-08 Air France-KLM Reference Document

| Stakeholders | Engagement pathways | Achievements 2007-08 |
|---|---|---|
| Employees Trade unions European Works Council | European, French and Dutch Works Councils, together with the CHSCT* in Air France and KLM. | Signature of the Social Rights and Ethics Charter in March 2008 by the European Works Council and all Air France-KLM group subsidiaries, with a monitoring committee. |
| | Quarterly survey of how the merger is perceived (1,500 employees and 600 managers are consulted each year). | Result of Internal Perception Monitoring (IPM) survey: more than 80% of employees of each company feel motivated by the merger. |
| | Annual INTERFACE poll of the 8,000 Air France and KLM employees on an international scale. | Interface: more than 80% of respondents say they are satisfied with their company as an employer. |
| | Survey of some 14,000 Cabin Crew in Air France at the end of 2007 after the strike in winter 2007, followed by a referendum on applying a collective agreement. | Creation of a Cabin Crew project at General Management level in Air France. |

* CHSCT = Health, Safety and Working Conditions Committee



Contributing to development

Air France-KLM operates worldwide. Through its international network, the group contributes to economic growth in the countries and at the destinations it serves. It is also a social and economic agent of the first order around its Roissy-CDG and Schiphol hubs.

At international level, as in their home countries, Air France and KLM aim to serve the economic and social development of the places where they operate, to help their local partners maximize the benefit of their presence, and, where necessary, to provide humanitarian aid in a spirit of solidarity.

Joint commitments, specific action plans

We strive to stimulate the regions, whether around our airports or abroad, by:

- building long-term relationships through information, dialogue and partnerships;
- contributing to economic and social progress directly through our activities and indirectly through our capacity to create jobs and help develop skills;
- using our technical, financial and human resources to invest in group development programs within dedicated organizations or with specialized partners, working to align with the millennium goals.

| Specific action plans | Schedule | Achievements 2007-08 | |
|---|--------------|---|------------|
| Contribute to local economic development around our home bases | Ongoing | Support networks of small and medium-sized enterprises (SME) around Roissy-CDG | Air France |
| Improve communication with local communities | Ongoing | Four issues of "Le Courrier: Air France partner of Paris area" in 2007 | |
| Promote local employment and increase the number of apprentices Reach a hire rate of 80% of apprentices for 2005-2008 | Ongoing | +50% of apprenticeship contracts concluded in 2007 90% of apprentices ending their contract hired in 2007 | |
| Maintain the budget assigned to sponsoring of humanitarian projects, in spite of economic fluctuations; Increase the annual donation to the Air France Foundation to 2 million euros by 2010 | Ongoing 2010 | Donation of 4 million euros to sponsoring humanitarian, cultural and sports projects | |
| Encourage development around KLM bases by sponsoring local projects. | Ongoing | Donation of 2 million euros to sponsoring humanitarian, cultural and sports projects | KLM |
| Ensure consistency in sustainable development initiatives regarding the community both for environment and social actions | Ongoing | Installation of "Company to Community policy" Development of "Good Neighbor program" | |
| Continue to contribute to the UN Millennium Development Goals | Ongoing | In 2007 AirCares supported 4 NGOs with issues relative to the Millennium goals to generate publicity and donations in miles and cash | |
| Contribute to reflecting on the future of Schiphol Airport and its surrounding region through greater dialogue with residents, the Amsterdam Airport Schiphol and local communities | 2008 | Contributing to actions improving quality of life in the region around Schiphol in a covenant signed together with the members of the Alderstafel (aviation roundtable). 23.6 million euros invested in noise insulation projects (GIS) in 2007-08 | |

Forge a long-term, innovative relationship with communities

Consolidate our commitment to regions and residents

Air France-KLM wishes to continue to develop its activities and to establish sound, long-term relationships with communities around its home bases, thanks to a proactive dialogue with residents and communities around airports. Air France and KLM benefit from a tradition of consultation and dialogue with local stakeholders on topics of mutual interest such as the environment and noise around their two home bases, Roissy-CDG in France and Amsterdam Schiphol in the Netherlands.

Give an added dimension to local and national dialogue

The group wishes to pursue dialogue over and above traditional advisory bodies. In 2006 Air France carried out a survey among some 2,000 people in 117 municipalities. The findings showed that Air France's role in the local economy was little known. In response to this, the first issue of "Le Courrier: Air France partner of Paris area", was published in July 2007. The newsletter targets the socioeconomic and political players in the region (circulation: 900, and published on the website). In this four-page publication, Air France provides information about its activities, presents its involvement in the local economy, its local projects and their impact. It is also a communications channel, where opinions other than

those of Air France can be expressed. Four issues were published in 2007-08, and the objective is to keep up this annual pace.

In 2007, to reinforce our territorial footing and mutual knowledge, through the association Pays de Roissy-CDG, Air France took part in the twinning operation "one town, one plane". 21 towns located in the area around Roissy-CDG participated in this project linking each town to a plane. Meetings with crews, conferences on airline professions, visits by schoolchildren are all initiatives which enable local residents to discover the air transport sector through the life of an Air France plane.



For more information, visit www.unavion.com

In 2007 KLM developed its "Company to Community" policy, which structures its approach with regard to local communities and ensures consistency in its sustainable development initiatives. This policy strengthens cooperation with local communities, leading to partnerships which benefit both communities and the airline. This approach sets out the five ways in which KLM contributes to the community, ranging from subsidies to active participation in school projects. The emphasis is on the importance of specific KLM competencies in order to increase the effects of KLM actions on communities.

Focus on...

KLM's Dialogue Event

In March 2008, KLM launched the first of a series of events called "dialogue events". This open forum for experts, politicians, NGOs, companies, administrators and staff, in various areas aimed at sharing views informally and publicly. Through these events, KLM wishes to extend the dialogue to involve experts and lay people in the discussions. More than 200 people attended the event in 2008 and topics such as green aircraft, climate protection, nature and biodiversity, and CO₂ emissions trading were discussed at roundtables in the presence of environmental NGOs, airline associations, universities, and governmental bodies.



120,000

direct and indirect jobs depend on Schiphol operations

No.1

Air France first private employer in the Paris Region

Economic impact and social progress in the regions

Developing networks of local firms by creating a valuable network

At the destinations to which it flies Air France-KLM contributes to local economies in two ways. By including a country in its destinations the group allows that country to respond to new business opportunities abroad, thereby linking it to the rest of the world.

The group stimulates business locally through daily activities of both companies at its locations. Furthermore, a hub such as Roissy-CDG or Amsterdam Schiphol offers valuable connectivity with a large network of European and international business centers and an increasing number of

multinational companies. For many of them, the presence of Air France and KLM's hubs is a decisive factor in their choice to set up in these areas. This economic and socioeconomic value of a multi-hub system was recognized by the Dutch government upon the merger in 2004 and as such included in a legal commitment from Air France and KLM to operate a multi-hub system in Europe with Roissy-CDG airport and Schiphol airport.

Around the airport, the Pays de Roissy-CDG association, set up

by Air France, promotes local dynamics. To enhance local economic development, this association initiates and supports projects of common interest. As an example, in 2008, it participated in setting up a network of security, safety and risk management companies. Today, 11 such firms are involved in this network.

With the PLATO network set up in March 2007 and run by the three Chambers of Commerce and Industry of the Paris area, an Air France executive provides heads of small and medium enterprises with personalized coaching over a period of two years. This network already groups 60 companies.

Air France-KLM mobilizes its skills and influence to build bridges between firms, institutions and communities and implements projects for the benefit of lay people.

In 2007, KLM flight crews assisted in a project for several sessions in schools in the underprivileged areas of Amsterdam to teach young people the basics of communications. Similarly, to reinforce cooperation between the firm and schools, Air France has lent eleven engineers to the French Education Board for a period of five years starting September 2007 as part of the Engineers for Schools Association (IPE).



10,000
block release students trained
since 1996 by Air France

4,000
direct and indirect jobs
generated per million
passengers carried

KLM is a board member of the association Heart of Amsterdam, which encourages firms to subsidize and take part in projects for local development. Through this association, KLM has linked firms that wish to help the community to people involved in micro-projects seeking financing. The association supported Calvijn College in Amsterdam. This school encourages children to continue studying and helps them to find internships and jobs. In 2007 KLM cabin attendants worked with Calvijn college and taught children etiquette at school.



For more information, visit
www.hartvooramsterdam.nl

Fostering local employment

The group's activity and the development of airport hubs generate a large number of jobs. Over 280,000 direct and indirect jobs depend on Roissy-CDG operations. Amsterdam Schiphol Airport is responsible for over 120,000 jobs, 60,000 of which concern direct employment.

Employment around airports is directly correlated to the level of air transport activity. According to an Airports Council International (ACI) study, for every million passengers carried annually, 1,000 direct jobs and 3,000 indirect jobs are created.

In France, with competition from the high speed trains and low-cost carriers, and the reorganization of some flights, Air France's activity is changing and the airline has suspended several services to the French provinces.

These changes could result in a

reduction in the number of jobs, mainly offset by retirement and the development of professional and geographic mobility.

Taking part in local skills training to access jobs

As the founder of the associations, Airemploi, JEREMY and AFMAé, Air France takes part in creating skills which meet the needs of the air transport business. For example:

- "Airemploi" informs and advises on training courses associated with air transport professions. Since it was set up in 2000, about 1,000 talks have been given in schools.

- The association grouping firms around airports from the region of Ile de France, "JEREMY," works to integrate young residents through airport professions: 1,725 trainees have been trained since 1998 including 338 hired by Air France.

- The AFMAé, Air transport industry training association, with its training center through apprenticeship (CFA) set up by Air France, trains 500 apprentices each year. Nearly 90% are subsequently hired at the end of their training period. For more than ten years, Air France embarked on a block-release training program to promote equal opportunities, develop social mixes and facilitate access to employment by residents. Since the first charter was signed in 1996, over 10,000 block-release students have been trained.

KLM offers youngsters opportunities and encourages them to take part in

Focus on...

Air France contributes to regional development through regional procurement practices

Air France's total external spend in the Paris region amounted to over 2.1 billion euros (excluding jetfuel) spread among 3,500 companies. In line with the Company's undertakings, a Sustainable Development Charter for suppliers has been drawn up and includes the principles of the United Nations Global Compact. Now that it forms part of all calls for tender, suppliers are asked to sign up to it. Air France has also undertaken to make use of companies working in the protected sector which employ a majority of staff with disabilities. In seeking to contribute to economic activity at local level, Air France has opted to use proximity to operational facilities as one of its criteria for supplier pre-selection. The notion of closeness is now factored in by buyers when the purchasing segment concerned allows.

Air France has also set up a website for its suppliers so that they can offer their services to Company buyers.

various educational projects, focusing specifically on those who otherwise lack opportunities.

Each year, the company reserves internships for students graduating from the Amsterdam Airport regional training center. KLM Engineering and Maintenance (E&M) has set up a special KLM E&M class together with the regional training center in the province of Brabant where students are trained as aircraft maintenance technicians. Students who complete the course successfully are assured of a three-year KLM contract. In 2007, KLM catering services (KCS) joined the Maxima project. In this project KCS staff provided education for young school dropouts. One of the participating groups is now working for KCS on contract.

Focus on...**The “Actions de Solidarité Internationale”**

association, supported by the Air France Corporate Foundation is providing its expertise to the most underprivileged populations in developing countries.

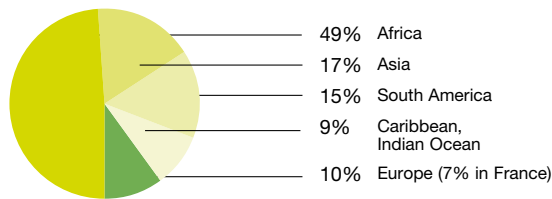
Its project in Brazzaville aims at taking care of young girls in distress and street children.

The first stage of the project is to develop a social reinsertion program for the young girls through schooling and vocational training.

A second stage is aimed at prevention, led by a team of specialized youth workers including former prostitutes and people trained in the care of AIDS victims. The purpose of this stage is to develop a network of Congolese associations to take charge of street children.



Geographical breakdown of funds donated by Air France for humanitarian projects in 2007-08 (3.7 million euros)



Contribution to humanitarian and development projects

By sponsoring projects supporting children and UN Millennium Development Goals

The group's commitment in favor of humanitarian and development projects is reflected at both airlines through donations, sharing skills, awareness-raising campaigns, communication channels and many other initiatives. The projects supported are selected in accordance with the orientations chosen by each airline.

In 2007 the group made a total contribution of 6 million euros. Through its foundation set up in 1992, Air France supports projects helping sick and disabled children and those in distress. The projects financed mainly focus on education and training. In 2007, 71 projects were supported for a total of 1.4 million euros. For the period from 2008 to 2013, the Air France Corporate Foundation is embarking on a long-term action plan for a global amount of 8.5 million

euros. By sponsoring the organization Groupe Développement, Air France is also backing development programs, in the areas of child protection (26 projects), financial aid (16 micro-credit projects), agricultural development (28 projects), health and social aid (9 projects), tourism and development (4 projects). Air France also offers logistical support to medical associations and NGOs, providing free travel and transportation of medical or first aid equipment.

KLM contributes to the UN Millennium Development Goals by investing in projects targeting one of the eight goals.

The KLM AirCares program provides financial and operational support to projects that benefit children in developing countries. It enjoys the support of the members of the Flying Blue frequent flyers program. The AirCares projects regularly turn into ongoing programs. One such example

“



The orientations of both companies are clear in terms of local economic development and sponsorship. But in my opinion, they lack a global dimension for a Company that leads its sector. Because of its many links with developing countries, in Asia and Africa in particular, we would like to know more about its commitment to such countries. Convincing local development or training programs are deployed in France and the Netherlands, notably around Roissy-CDG and Schiphol airports, but how does the group operate programs in other parts of the world?

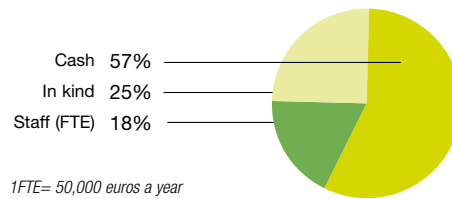
To ensure the acceptability of its activities, the group maintains close ties with residents in and around Roissy and Amsterdam. What about other airports elsewhere in the world? If the group's relative traffic share at other airports justifies it, we would like to hear more about protecting their residents from noise and other hindrances.

Developing countries are also the worst affected by problems of climate change and their consequences. Air France-KLM should step up its commitment in this area. In addition to the efficiency of its fleet and its compensation offer, the group should start thinking about offering programs to help people adapt to climate change.

Philippe Lévêque
General Managing Director, CARE France

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Air France-KLM contribution to humanitarian and sponsorship projects by nature (representing 10.2 million euros in 2007-08)



is Doctor2Doctor, an alliance with Amsterdam's VU University Medical Center. Other long-term projects include Close the Gap International and the Johan Cruyff Foundation.

Air France and KLM works to involve divisions, departments and employees by encouraging initiatives using the skills of both airlines according to chosen orientations. The network "Friends of the Air France Corporate Foundation" set up in 2004 groups over 1,600 employees who voluntarily support organizations helped by the foundation by fundraising or offering their skills. Similarly the humanitarian organization Wings of Support, set up by KLM cockpit and cabin crew, together with Martinair, launched projects in the destinations they serve.

Independent associations such as Aviation sans Frontières and Pilots without Borders also group a large number of Air France-KLM staff, and fly sick children and medicines to and from developing countries.

Inform and involve passengers

In 2007, as part of a program to raise passenger awareness of malaria and AIDS, Air France in partnership with Accor and the GBC NGO, screened two educational films in the Company's Vaccination Center and in the Accor Group hotels, thereby reaching more than one million passengers. KLM involves passengers in all the projects it subsidizes by offering them the possibility to donate air miles or money to the association of their choice among those subsidized in the AirCares program.



Focus on ...

Humanitarian action supported by KLM

Four times a year through AirCares, KLM promotes the actions and contributes to the fundraising of projects like SOS Children's Village Amazonas in Brazil. On KLM flights, when tax-free articles are offered for sale by the cabin attendants, passengers can donate money or Flying Blue miles to AirCares. Passengers are informed about organizations helped by AirCares in the inflight magazines and through onboard entertainment.

KLM AirCares supports the SOS Children's Village Amazonas in Brazil, which builds special villages where children can find a new, permanent, loving home and family to equip them for an independent future. It consists of 14 family houses, where up to 140 children live in a caring environment. Over the past 30 years, many children have grown up in SOS Children's Village Amazonas, resulting in intensive use of the family houses, which are in dire need of renovation. With the aid of passengers' donations, renovations can start 2008.



See www.aircares.nl, <http://fondation.airfrance.com>,
www.groupeveloppement.com, www.wingsofsupport.org.

| Stakeholders | Engagement pathways | Achievements 2007-08 |
|--|--|---|
| Local communities and residents associations | Regular meetings with city councils and administrators or mayors. Participation in Alders Advisory Commission dedicated to sustainable development of Schiphol and surrounding regions. | Launch of "Le Courrier: Air France partner of Paris area". Twinning operation "one town, one plane" around Roissy-CDG. Signature of a covenant on quality of life in the Amsterdam region "Livability Covenant". Close the gap between school and work by KLM E&M class. |
| Airports and authorities | Participation in Sustainability Charter of Roissy-CDG. | Working groups with Aéroports de Paris and the French airlines association (FNAM). |
| NGOs and local associations | Dialogue with many NGOs through Air France Foundation, KLM AirCares, Groupe Développement, etc. Dialogue with local associations on local employment and economic development. | Support of NGOs through employee volunteering. Participation in the Board of local associations (JEREMY, Airemploi, Pays de Roissy, etc.). |
| All | Dialogue Event with all stakeholders. | Organization of "Dialogue Event" by KLM in March 2008. Peer review at KLM on CSR reporting for UN Global Compact NL. |

Complements and annexes



Building a sustainable relationship with our shareholders

Informing investors and individual shareholders and answering their questions

To relay information while answering questions from investors and individual shareholders and meeting their expectations, Air France-KLM employs a range of published materials, structures and events. These include a shareholders' newsletter, an investor space on the financial website, a guide for individual investors, roadshows and briefings for investors and individual shareholders, meetings, and task forces of the 16-member Advisory Committee representing individual investors.

In view of growing shareholder interest in the group's environmental and social strategy, and more especially as regards climate change, Air France-KLM, presents its commitments to them. In October 2007, for example, the shareholders' newsletter set out the terms of the Air France-KLM commitment and of its Climate Action Plan, followed in January 2008 ("Grenelle de l'Environnement") by the steps taken by Air France in the framework of the Convention on undertakings by the air transport sector. The environmental aspect is included in all presentations to individual shareholders, such

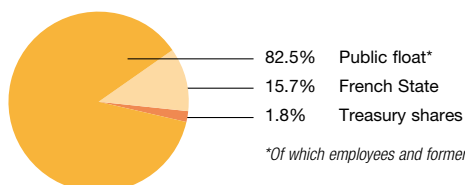
as that given in March 2008 in Nice, or that at the Actionaria show for retail investors in November 2007. Guided tours of group sites and activities are regularly organised for individual shareholders.

The Advisory Committee, a platform for individual shareholders

Set up in 2000, the CCRAI Representative Advisory Committee for Individual Investors proposes improvements to the quality of Air France-KLM financial communication. It meets approximately four times a year

to pass on the expectations of small shareholders, their doubts, suggestions and requests. To strengthen their knowledge of group activities the Committee's 16 members are invited to briefings with senior group management and to presentations on strategic subjects such as that held in March 2008, which comprised a presentation and discussion on climate change-related issues. In October 2007, Committee members also met KLM's senior management and visited the engines department at KLM's Schiphol maintenance facility.

Breakdown of share capital at 31 March 2008



*Of which employees and former employees 11.2%

Ensuring good governance

The group's holding company is governed by French law and listed on NYSE-Euronext in Paris and Amsterdam. The group was incorporated into the CAC40 index in June 2007. This comprises 40 stocks chosen from among the 100 largest market capitalizations on the French market.

Due to low trading volumes on the American market, Air France-KLM opted to voluntarily delist from the New York Stock Exchange (NYSE), effective 7 February 2008. Nevertheless, the group has undertaken to continue developing its communication with US investors and to apply high standards of financial disclosure and corporate governance and to maintain rigorous internal control standards throughout the group.

In March 2007, KLM published a code of conduct addressing compliance with laws and regulations concerning

conflicts of interest, confidentiality, asset and environmental protection, corporate social responsibility and intellectual property.

Following the competition authorities' investigation of the group with respect to cargo transport between Europe and the United States, and to passenger transport between Europe and Japan, the program to raise staff awareness among Air France and KLM staff about competition rules was stepped up in December 2007. A manual and online training module setting out the main competition rules and the authorities' powers to investigate and fine airlines were circulated to all commercial staff at both airlines.

In June 2007, Air France-KLM received an award as part of the Corporate Governance Grands Prix, with a first prize for Investor Democracy and the First Prize for Dynamic Governance.

Focus on...

The group Executive Committee: bolstering joint oversight

The Strategic Management Committee (SMC) was set up immediately after the merger and proved extremely useful in steering the combination. It developed group strategy, set priorities and organized the pace and profile of the combination between the two airlines. On 1 October 2007 the SMC was superseded by the Air France-KLM Group Executive Committee (GEC), which meets every two weeks to direct matters relevant for the group. For the three core businesses, and at group level, it will concentrate on the following subjects: finance, sales & marketing, IT, strategy, procurement, and the aircraft fleet. Each airline has its own Executive Committee and its current purview. Four to six times a year, the three Executive Committees (i.e. group and two airlines) convene to discuss subjects pertaining to sales & marketing, operations, and CSR. This is designed to strengthen the group spirit and strategy across activities and functions.

Compliance with good governance standards

| Good governance standards | | 2007-08 Performance | | | |
|---------------------------|--|--|-----------------|------------------------|------------------------|
| Board of Directors | Composition | <ul style="list-style-type: none"> • 10 directors appointed by the General Meeting of Shareholders. • 2 employee shareholder representatives appointed by the General Meeting of Shareholders. • 3 French State representatives appointed by ministerial order. | | | |
| | Term of office | 6 years At the 10/07/2008 General Meeting of Shareholders a resolution seeking to shorten the term of office to four years with staggered renewals will be proposed. | | | |
| | Compensation | Publication in the Reference Document and the Board's Management Report of criteria for and amount of compensation paid to Company officers, plus the amount of attendance fees and allocation criteria. | | | |
| | Number of meetings and average attendance rate | 12 meetings; attendance rate: 80% | | | |
| | Existence of a policies and procedures manual, code of ethics and code of financial ethics | Yes | | | |
| | Existence of strategy, audit, compensation and appointments committees | Strategy Committee | Audit Committee | Compensation committee | Appointments Committee |
| | Number of meetings | 0 | 4 | 1 | 0 |
| | Participation rate | - | 87.5% | 100 | - |
| | Evaluation of Board operation | Report on 2006-07, evaluation in May 2007 | | | |
| Shareholders | One share equals one vote | Yes | | | |
| | Attendance rate (quorum) at last General Meeting of Shareholders on 12 July 2007 | 47.3% | | | |

70%

**of Air France suppliers
had signed the sustainable
development charter
by 31 March 2008**

Involving our suppliers

Joint procurement

Air France and KLM procure a wide range of supplies from all over the world. Since June 2008 the procurement organisations of both airlines, are officially organized in a joint structure. The board of the Corporate Procurement Office manages, aligns and integrates the procurement processes and procedures, of which supply chain management is a focal point.

Joint CSR policy

One of the aims of the joint procurement organization is to support and promote the major principles of sustainable development: the defense of human rights, social progress and

environmental protection. To this end a procurement sustainability charter was developed in 2004 by Air France, and subscribed to in 2006 by KLM. The charter intensifies supply chain risk management procedures while raising supplier awareness at the same time. New as well as existing suppliers are being asked to comply with the procurement sustainability charter.

In addition to that, during tendering potential suppliers are requested to provide social, ethical and environmental information which will

be used in the selection process. To verify that information quality audits have been undertaken. The result of 40 Air France supplier audits showed that 90% were aligned on the ambitions formulated in the charter, while 10% needed to take corrective CSR action.

These are the first steps taken in integrating and realizing a joint CSR policy. Further integration of procedures will take place in 2008-09.

Employees

Key to integrating CSR in the supply chain is involving procurement staff. A policy on procurement ethics has been developed for all employees involved in the purchasing process. This policy is an integral part of our procurement business principles. In 2008-09, we plan to introduce this policy to the entire organisation.

Risk Mapping

It is important to identify and manage potential risks early in the supply chain. The group is in the process of developing a system that analyses risks more effectively, ultimately resulting in a supplier's risk profile. It will start with a risk assessment per segment and geographic region. Part of our supplier relationship management strategy is to raise awareness about our approach with major suppliers and to share knowledge and expertise in order to develop sound social, ethical and environmental policies.



Public affairs at European level

Air France-KLM believes that lobbying is a positive action as it aims to provide politicians and regulators with the necessary information to address issues and draft legislation on increasingly complex subjects. The group has set up a team

responsible for Public Affairs in Brussels comprising four Air France and two KLM representatives. All lobbyists have signed up to the European lobbyist's charter. Air France-KLM supports the Commission's proposals to promote

greater lobbying transparency in Brussels. The group also promotes its positions in Paris, The Hague, and Washington DC, supporting positions generally aligned with those of industry associations.

Air France-KLM public positions

| Issue | Air France-KLM position |
|--|---|
| Integration of civil aviation into the European Union Emission Trading Scheme (EU ETS) | <p>The group supports the principle of the EU ETS, provided that its extension to international traffic does not lead to a distortion of competition nor the diversion of traffic to non EU hubs.</p> <p>It considers that the allowances should be allocated free of charge, without auctioning (except for a reasonable amount for administrative fees) to safeguard the airlines' capacity to finance their fleet renewal. Finally it must be an open scheme so that permits from other sectors can be bought, and take into account the efforts already made in fleet renewal.</p> |
| CO ₂ emissions taxation | <p>The group believes that taxation is not a viable long-term environmental solution to steer consumer behaviour or stimulate technological innovation as it does not provide any lasting incentive and will have no positive effect. Moreover, if taxation is applied regionally, for instance only in Europe, it will almost certainly divert traffic towards foreign hubs, and in some cases even cause aircraft to refuel in countries without fuel taxes, ultimately leading to an even greater global environmental impact. It could also prove counter-productive by limiting airlines' ability to finance investment from cash flow and hence to renew their fleet.</p> |
| New Single European Sky | <p>The group supports the creation of a Single European Sky as we are in dire need of a more efficient air traffic control system which will reduce costs, reduce delays, create shorter flight paths and decrease fuel consumption and global emissions.</p> <p>Air France-KLM welcomed the High Level group report delivered to EU Commissioner Jacques Barrot in July 2007 and supports its conclusions.</p> |
| Limiting air traffic growth | <p>The group considers that air transport is, and always will be, an indispensable driver of human and economic contact and development, for both industrialized and developing countries.</p> <p>The group therefore considers that restricting it by arbitrary measures would be economically unsound and would restrict individual freedoms. Due to growth in air traffic demand, the need for new infrastructure must be predicted and provided for on the ground and in the air.</p> |
| EU White Book and infrastructure costs | <p>Air France-KLM supports the European Commission in implementing the revised White Book on transport called "Keep Europe moving – Sustainable mobility for our Continent".</p> <p>The group stresses that air transport is the only mode of transportation bearing its infrastructure costs, that there should be a level playing field for different transport modes</p> |
| Air-rail co-modality | <p>The group considers that air and rail are complementary and supports the use of rail as a means of extending access to airports.</p> <p>The group also considers that airlines and railway companies should face the same type of regulatory treatments in overlapping markets (safety, tax, passenger security and the environment).</p> <p>In Air France-KLM's opinion, access to the railway market should be open to all new entrants to ensure the optimization of this means of transportation and the implementation of smart multimodality.</p> |



FTSE4Good

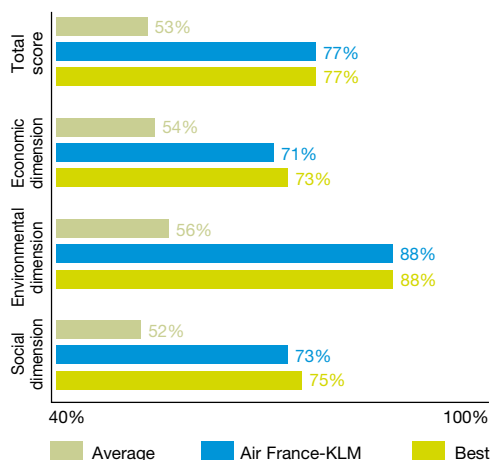


CARBON DISCLOSURE PROJECT



Non-financial ratings put Air France-KLM up among the leaders

Scores from SAM evaluation



This rating highlights areas where the group has made progress, namely in governance, crisis management, anti-corruption policies, customer relations management, average age of aircraft fleet, climate strategy, sponsorship, and customer relationship management. It also highlights the areas where the group has to step up its vigilance: brand management, human resources development, talent attraction and retention.

Air France-KLM features in the main sustainable development indexes, namely the Dow Jones Sustainability Index (DJSI) World, DJSI STOXX, plus the FTSE4Good and Aspi Eurozone indexes.

In 2007, and for the second consecutive year, the group was included in the Fortune Global 100 (G100) ranking of the 100 most sustainable enterprises out of a total of 1,800 companies, ranked according to 32 criteria.

As the only air transport group to feature in the DJSI STOXX index since 2006, Air France-KLM is an acknowledged leader with the best score of all the airlines listed

in the DJSI World Index. The group has the best score on the environmental criterion and scores which are also close to the best in the economic and social categories.

In the Carbon Disclosure Project survey 2007 of the risks and opportunities of climate change for 2,400 enterprises, carried out on behalf of international investors, Air France-KLM scored 75/100. The group joined the Carbon Disclosure Leadership Index France (CDLI), in recognition of its strategic anticipation of climate-related risks.

Annexes: Concordance tables

Global Compact Communication on Progress

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

| Global Compact principle | See Pages | Additional information |
|-------------------------------|-------------------|---|
| Human Rights (1&2) | 12, 35, 47-48, 50 | Air France-KLM has issued different Charters: Social Rights and Ethics Charter, Sustainability Charter for suppliers, CSR statement |
| Labor Standards (3, 4, 5 & 6) | 34-39 | Air France: Charter for the Prevention of Harassment at work, Health and safety in the workplace, non discriminatory audits in the recruitment process, CSR supplier audits etc. KLM has included these principles in the preamble of the Collective Labor Agreement and the KLM Management Board has issued a health & safety policy statement. Financial code of ethics available on www.airfranceklm-finance.com |
| Environment (7, 8 & 9) | 16-27 | Professional ethics code signed by all Air France buyers |
| Anti-corruption (10) | 47-50 | For additional information, see http://sustainability.airfrance.com and www.klm.com/sustainability |

GRI Correspondence Table

GRI 3 principles and recommendations were taken into account for the writing of this report. For more details on the position of Air France and KLM on the GRI indicators, see our websites (<http://sustainability.airfrance.com> (GRI3 index) and www.klm.com/sustainability)

| Main chapters of the report | pages of the report | GRI Principles | | | | | | | | | |
|--|---------------------|-----------------------|------------------------|-------------------|------------|----------|---------------|---------------------------------------|---------|--------------|------------------------|
| | | Strategy and Analysis | Organizational Profile | Report Parameters | Governance | Economic | Environmental | Social: Labor Practices & Decent Work | Society | Human Rights | Product Responsibility |
| Foreword | 4-5 | | | | | | | | | | |
| Understanding our business and issues | 6-9 | | | | | | | | | | |
| Our CSR Approach | 10-13 | | | | | | | | | | |
| Combating climate change | 16-21 | | | | | | | | | | |
| Reducing our environmental impact | 22-27 | | | | | | | | | | |
| Building sustainable customer relationships | 28-33 | | | | | | | | | | |
| Promoting a responsible human resources policy | 34-39 | | | | | | | | | | |
| Contributing to development | 40-45 | | | | | | | | | | |
| Additional Issues | 46-50 | | | | | | | | | | |
| Annexes | 51-55 | | | | | | | | | | |

List of Abbreviations

| | | | | | |
|-----------------|----------------------------------|------|---|-----------------|---|
| AEA | Association of European Airlines | EU | European Union | IPCC | Intergovernmental Panel on Climate Change |
| ATC | Air Traffic Control | FTE | Full-time equivalent | NGO | Non Governmental Organization |
| CDA | Continuous Descent Approach | GRI | Global Reporting Initiative | NO _x | Nitrogen oxide |
| CO | Carbon monoxide | HR | Human Resources | Roissy-CDG | Roissy-Charles de Gaulle airport |
| CO ₂ | Carbon dioxide | IATA | International Air Transport Association | UN | United Nations |
| CSR | Corporate Social Responsibility | ICAO | International Civil Aviation Organization | VOC | Volatile Organic Compound |
| ETS | Emission Trading Scheme | | | | |

Environmental indicators

| Air France-KLM air operations | | Unit | 2005-06 | 2006 | 2007 | Variation pro forma | 2007 Air France Group | 2007 KLM Group |
|--|--------------------------------------|---------------------|---------|--------|--------|------------------------|-----------------------------|-------------------|
| Consumption | | | | | | | | |
| Consumption of raw materials: fuel ✓✓ | | ktons | 8,373 | 8,537 | 8,589 | +1% | 5,504 | 3,085 |
| Emissions | | | | | | | | |
| Greenhouse gas emissions | CO ₂ ✓✓ | ktons | 26,422 | 26,914 | 27,075 | +1% | 17336 | 9,739 |
| Emissions of substances contributing to acidification and eutrophication | NO _x | ktons | 131.9 | 133.5 | 135.0 | +1% | 91.6 | 43.4 |
| | Of which low altitude (< 3,000 ft) ✓ | ktons | 7.6 | 8.4 | 8.5 | -1% | 6.4 | 2.1 |
| | SO ₂ ✓ | tons | 6,421 | 6,856 | 11,072 | N/C | 9,549 | 1,523 |
| | Of which low altitude (< 3,000 ft) | tons | 441 | 428 | 836 | N/C | 747 | 89 |
| In-flight fuel jettison | Occurrences of fuel jettison ✓ | occurrences | 21 * | 23 * | 42 | N/A | 23 * | 19 |
| | Fuel jettisoned ✓ | tons | 1,046 | 1,758 | 1,443 | -16% | 809 * | 634 |
| Other emissions | HC | ktons | 4.0 | 3.5 | 3.6 | -13% | 1.9 | 1.7 |
| | Of which low altitude (< 3,000 ft)✓ | ktons | 1.1 | 1.2 | 1.1 | -6% | 0.8 | 0.3 |
| Noise impact | | | | | | | | |
| Global noise energy indicator ✓** | | 10 ¹² kJ | 1.79 | 1.66 | 1.70 | 0.35% | 1.3 ** | 0.4 |

Air France group: all Air France flights operated by Air France, Brit Air, Régional and City Jet.

N/A : non available.

N/C : non comparable (change in the calculation method).

*: Air France only.

** : All Air France flights, except codeshare.

| Air France-KLM ground operations | | | | Unit | 2005 | 2006 | 2007 | Variation pro forma | 2007 Air France Group ⁽¹⁾ | 2007 KLM Group ⁽²⁾ |
|---|---|---|------|------------------|--------------------|--------------------|---------|------------------------|--|----------------------------------|
| Consumption | | | | | | | | | | |
| Water consumption √ | | | | 000 m³ | 1,210 | 1,054 | 1,074 | 1.9% | 809 | 265 |
| Energy consumption | Electricity consumption √ | | | MWh | 386,839 | 393,265 | 425,502 | 8.2% ⁽³⁾ | 326,561 | 98,941 |
| | Energy consumption for heating/cooling | Superheated water √ | | MWh | 146,939 | 146,158 | 145,056 | -0.8% | 145,056 | 0 |
| | | Iced water √ | | MWh | 4,148 | 9,977 | 16,065 | 31.0% ⁽³⁾ | 16,065 | 0 |
| | | DFO √ | | MWh | 7,927 | 4,741 | 2,074 | -56.3% ⁽⁴⁾ | 2,074 | 0 |
| | | Gas √ | | MWh | 237,196 | 163,899 * | 171,407 | 4.6% | 81,520 | 89,887 |
| Emissions | | | | | | | | | | |
| Greenhouse gas emissions (by heating/cooling process, by vehicles and ground support equipment) | | CO ₂ √ | | tons | 75,893 | 75,238 | 79,388 | 5.5% | 36,211 | 43,176 |
| Emissions of substances contributing to photochemical pollution | | Emissions of volatile organic compounds * √ | | tons | 188 ^a | 187 ^a | 123 | N/A | 71 | 52 |
| Emissions of substances contributing to acidification and eutrophication | NO _x √ | | tons | 221 ^b | 178 ^b | 784 | N/A | 521 | 263 | |
| | SO ₂ √ | | tons | 2 ^b | 3 ^b | 14 | N/A | 12.4 | 1.6 | |
| Waste | | | | | | | | | | |
| Waste production | Quantity of ordinary industrial waste √ | | | tons | 46,715 | 42,316 | 69,176 | 63.5% ⁽³⁾ | 50,720 | 18,455 ⁽⁶⁾ |
| | Quantity of hazardous industrial waste √ | | | tons | 5,721 | 5 465 | 5,520 | 0.3% | 4,455 | 1,065 |
| | % of hazardous industrial waste recycled √ | | | % | N/A | N/A | 54.1 | N/C | 47.0 | 83.9 |
| Waste water | | | | | | | | | | |
| Effluents contributing to acidification and eutrophication | Nitrogen compounds | | | kg | 3,468 ^c | 9,119 ^c | 268 | N/A ⁽⁵⁾ | 52 | 217 |
| | Phosphorus compounds | | | kg | 322 ^d | 489 ^d | 121 | N/A ⁽⁵⁾ | 109 | 12.30 |
| Heavy metals* | Heavy metals (Cd, Cr, Cu, Ni, Pb, Sn, Zn) √ | | | kg | 78 ^e | 51 ^f | 22 | N/A ⁽⁵⁾ | 19 | 2.47 |

(1) Air France and subsidiaries: Régional, Brit Air, Transavia.com France, Servair, Sodexi, CRMA.

(2) KLM and subsidiaries: KLC, KES, KCS and KHS.

(3) This variation comes from a major change in Servair reporting in 2007 (Servair perimeter was enlarged to its catering activity in France outside Ile de France and to its cabin cleaning activity in France). But the pro forma figures for Servair could not be determined.

(4) DFO consumption for power generators reported separately in 2007.

(5) Perimeter entirely redefined in 2007: DGI and KMC only.

(6) Waste from building construction or demolition not taken into account.

a Figures on a IATA year basis for Air France.

b KLM data only.

c Nitrates only.

d Phosphates only.

e Heavy metals taken into account: CrVI, Cd, Ni, Cu, Pb.

f Heavy metals taken into account: Cr, Cd, Cu, Ni, Pb.

✓ ✓ 2007 data have been verified at reasonable assurance level by KPMG Audit.

✓ 2007 data have been verified at moderate assurance level by KPMG Audit.

Social indicators

| Headcount at 31/12/2007 | Air France-KLM group | | | | Air France group | | | | KLM group | | | |
|--|----------------------|----------------|----------------|--------------|------------------|---------------|--------------------------|---------------|---------------------|---------------|---------------------|---------------|
| | | | | | Total group | | from which Air France | | Total group | | from which KLM | |
| | 2005 ⁽¹⁾ | 2006 | 2007 | 07/06 | 2006 | 2007 | 2006 | 2007 | 2006 ⁽²⁾ | 2007 | 2006 ⁽²⁾ | 2007 |
| Total staff (permanent & fixed-term contracts) ✓ | 103,966 | 111,092 | 110,369 | -0.7% | 74,354 | 74,959 | 63,613 | 63,598 | 36,738 | 35,410 | 30,669 | 29,831 |
| Staff under permanent contract ✓ | N/A | N/A | 103,772 | N/A | 61,382 | 71,416 | 61,382 | 61,459 | N/A | 32,356 | N/A | 28,143 |
| Ground staff | 73,683 | 77,300 | 76,177 | -1.5% | 53,876 | 53,798 | 45,231 | 44,649 | 23,424 | 22,379 | 19,599 | 18,708 |
| Cabin crew | 22,833 | 24,987 | 25,545 | 2.2% | 15,166 | 15,728 | 14,184 | 14,648 | 9,821 | 9,817 | 8,587 | 8,506 |
| Cockpit crew | 7,450 | 8,805 | 8,647 | -1.8% | 5,312 | 5,433 | 4,198 | 4,301 | 3,493 | 3,214 | 2,483 | 2,617 |
| Recruitments under permanent contract ⁽³⁾ | | | | | | | | | | | | |
| Ground staff | | 2,788 | 3,012 | 8.0% | 2,307 | 2,593 | 1,811 | 1,940 | 481 | 419 | 318 | 385 |
| Cabin crew | | 926 | 931 | 0.5% | 730 | 843 | 629 | 833 | 196 | 88 | 196 | 50 |
| Cockpit crew | | 410 | 566 | 38.0% | 204 | 325 | 134 | 188 | 206 | 241 | 46 | 238 |
| Total ✓ | | 4,124 | 4,509 | 9.3% | 3,241 | 3,761 | 2,574 | 2,961 | 883 | 748 | 560 | 673 |
| Leavings ⁽⁴⁾ | | | | | | | | | | | | |
| Ground staff | | 4,458 | 5,161 | 15.8% | 2,557 | 2,960 | 2,036 | 2,411 | 1,901 | 2,201 | 1,165 | 1,465 |
| Cabin crew | | 1,329 | 1,121 | -15.7% | 477 | 339 | 360 | 259 | 852 | 782 | 284 | 214 |
| Cockpit crew | | 200 | 342 | 71.0% | 117 | 248 | 69 | 141 | 83 | 94 | 46 | 57 |
| Total leavings ✓ | | 5,987 | 6,624 | 10.6% | 3,151 | 3,547 | 2,465 | 2,811 | 2,836 | 3,077 | 1,495 | 1,736 |
| • Resignations ✓ | | 2,696 | 2,611 | -3.2% | 1,159 | 1,169 | 834 | 765 | 1,537 | 1,442 | 952 | 857 |
| • Redundancy (incl. Economic) ✓ | | 726 | 1,118 | 54% | 542 | 605 | 239 | 326 | 184 | 513 | 184 | 513 |
| • Retirements ✓ | | 1,714 | 2,018 | 17.7% | 1,369 | 1,666 | 1,321 | 1,624 | 345 | 352 | 326 | 333 |
| • Deaths ✓ | | 117 | 143 | 22.2% | 81 | 107 | 71 | 96 | 36 | 36 | 33 | 33 |
| Percentage of women (permanent and limited contracts) ⁽⁵⁾ | | | | | | | | | | | | |
| Ground staff | | 37.2% | 37.1% | -0.2% | 39.4% | 39.6% | 40.7% | 41.1% | 32% | 31.2% | 25% | 29.2% |
| Cabin crew | | 72.5% | 72.3% | -0.3% | 65.3% | 65.6% | 65.7% | 64.7% | 83.5% | 83% | 84% | 83% |
| Cockpit crew | | 5% | 5.3% | 6.8% | 5.2% | 5.8% | 5.8% | 6.2% | 4.7% | 4.6% | 4% | 4.1% |
| Total ✓ | | 42.4% | 42.7% | 0.7% | 42.0% | 42.6% | 43.7% | 44.2% | 43.2% | 43.1% | 43% | 42.3% |
| Part time employment (permanent and limited contracts) ⁽⁶⁾ | | | | | | | | | | | | |
| part-time employees females ✓ | | 38.3% | 39.7% | 3.7% | 30.7% | 31.1% | 32% | 33.7% | 53.3% | 55.7% | 68% | 60% |
| part-time employees males ✓ | | 9.1% | 9.5% | 4.4% | 7.6% | 7.5% | 8.2% | 8% | 12.3% | 13.7% | 14% | 14% |
| Total part-time employees ✓ | | 21.5% | 22.2% | 3.3% | 17.3% | 17.6% | 19% | 19.4% | 30.0% | 31.8% | 36% | 33.2% |

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

| Air France in French area and outstation staff* | 2006 | 2007 | 07/06 |
|--|-------------|--------------|------------|
| Absenteeism ✓ | | | |
| Due to illness ✓ | | | |
| Ground staff ✓ | 3.1% | 2.6% | -16% |
| Cabin crew ✓ | 5.4% | 4.9% | -9% |
| Cockpit crew ✓ | 2.4% | 2% | -17% |
| Due to work accidents | | | |
| Ground staff ✓ | 0.5% | 0.4% | -20% |
| Cabin crew ✓ | 0.9% | 0.8% | -11% |
| Cockpit crew ✓ | 0.2% | 0.2% | 0% |
| Maternity leave ⁽⁸⁾ | | | |
| Ground staff ✓ | 1.1% | 0.8% | -27% |
| Cabin crew ✓ | 0.9% | 1.1% | 26% |
| Cockpit crew ✓ | 0.3% | 0.1% | -67% |
| Health and safety ⁽⁷⁾ | | | |
| Industrial accidents ✓ | 3,006 | 2,812 | -6% |
| Number of fatal workplace accidents ✓ | 0 | 1 | |
| Industrial Injury Frequency rate ✓ | 33.4 | 30.7 | -8% |
| Severity rate of industrial accidents ✓ | 0.85 | N/A | |
| Training | | | |
| Percentage of total payroll devoted to training ✓ | 8.7% | 10.8% | 24% |
| Ground staff ✓ | 5.6% | 6.7% | 21% |
| Cabin crew ✓ | 8.7% | 10.8% | 24% |
| Cockpit crew ✓ | 16.0% | 20.0% | 25% |
| Total number of hours of training ✓ | 47 | 54 | 15% |
| Ground staff ✓ | 36 | 37 | 2% |
| Cabin crew ✓ | 37 | 48 | 28% |
| Cockpit crew ✓ | 181 | 229 | 27% |
| Participation rate (number of agents trained/workforce) ✓ | 94% | 95% | 0% |
| Ground staff ✓ | 91% | 91% | 1% |
| Cabin crew ✓ | 99% | 100% | 1% |
| Cockpit crew ✓ | 100% | 100% | 0% |
| Disabled staff | | | |
| Ground staff with disabilities ✓ | 1,343 | 1,489 | 11% |
| Ratio of disabled employees (under French law) ✓ | 2.6% | 3.10% | 19.2% |
| Ground staff with disabilities recruited ✓ | 26 | 38 | 46.2% |
| Collective agreement | | | |
| Collective agreements signed | 22 | 11 | |

* Data in italics concern only Air France in France area.

| Subsidiaries Air France ⁽⁸⁾ | 2006 | 2007 | R/R |
|--|------------|------------|------|
| Health and safety | | | |
| Total workplace accidents ✓ | 1,035 | 989 | -4% |
| Disabled staff | | | |
| Ground staff with disabilities ✓ | 208 | 235 | 13% |
| Ground staff with disabilities recruited ✓ | 2 | 4 | 100% |
| Training ⁽⁹⁾ | | | |
| Participation rate (number of agents trained/workforce) ✓ | N/A | 92% | |
| Ground staff ✓ | N/A | 86% | |
| Cabin crew ✓ | N/A | 88% | |
| Cockpit crew ✓ | N/A | 99% | |
| Total number of hours of training ✓ | N/A | 31 | |
| Ground staff ✓ | N/A | 19 | |
| Cabin crew ✓ | N/A | 51 | |
| Cockpit crew ✓ | N/A | 87 | |

Other data for KLM (according to local legislation)

| KLM ⁽¹⁰⁾ | 2006 | 2007 | 07/06 |
|--|-------|-------|--------|
| Absenteeism ✓ | | | |
| Due to illness | | | |
| Ground staff ✓ | 5.4 | 5.7 | 5.6% |
| Cabin crew ✓ | 6.3 | 5.8 | -7.9% |
| Cockpit crew ✓ | 3.9 | 4.2 | 7.7% |
| Maternity leave | | | |
| Ground staff ✓ | 0.4 | 0.4 | 0% |
| Cabin crew ✓ | 2 | 2 | 0% |
| Cockpit crew ✓ | 0.1 | 0.1 | 0% |
| Health and safety ⁽¹¹⁾ | | | |
| Industrial accidents ✓ | 539 | 1,098 | |
| Number of fatal workplace accidents ✓ | 1 | 0 | |
| Industrial Injury Frequency rate ✓ | 11.07 | 22.74 | |
| Severity rate of industrial accidents ✓ | 0.11 | 0.17 | 54.5% |
| Disabled staff ⁽¹²⁾ | | | |
| Ground staff employees with disabilities ✓ | 1,125 | 902 | -19.8% |
| Collective agreement | | | |
| Collective agreements signed | 3 | 3 | |
| KLM subsidiaries ⁽¹³⁾ | | | |
| Health and safety | | | |
| Industrial accidents ✓ | 198 | 156 | -21.2% |
| Number of fatal workplace accidents ✓ | 0 | 0 | |
| Industrial Injury Frequency rate ✓ | N/A | 27.35 | |
| Severity rate of industrial accidents ✓ | N/A | 0.19 | |

* Air France: Air France France area and outstation staff;
Air France group: Air France and Air France subsidiaries.

* KLM: KLM in the Netherlands and outstation staff;
KLM group: KLM and KLM subsidiaries.

- (1) Does not include KLM outstation (international) staff (approximately 8% of the group).
(2) 2006 does include KLM outstation staff for part-time employment (approximately 3% of the group).
(3) KLM figures: only fixed-term recruitments are included; for AF: does also include fixed-term recruitments changed into unlimited contracts; 2006 figures completed with recruitments of outstation staff.
(4) Because of an outsourcing of a department (KLM Facility Services) in 2007 to another company (Sodexo Allys) there is a big difference in the number of leavings between 07/06 (2007: 513 and 2006: 184).
(5) 2006: calculated without City Jet staff (approximately 1% of group staff).
(6) 2007 method of calculation has been changed (for crew assigned to ground employment).
(7) Due to a technical problem in the new Health and Safety IT system the severity rate cannot be calculated for 2007.
(8) Only French subsidiaries are included: Brit Air, Blue Link, CRMA, Régional, Servair Group (ACNA, Bruno Pegorier, OAT, Servair SA), Sodexi.
(9) This data includes Brit Air, Blue Link, CRMA, Régional, Servair group (ACNA, Bruno Pegorier, OAT, Servair SA).
(10) KLM subsidiaries: Cynific, KES, KHS, KLM ground services Limited, KLM Cithopper (UK and BV), Transavia, KLM Catering Services.
(11) Due to an improvement of the registration system, the reported data is much more complete, which explains the evolution from the data reported last year.
As a result a strong increase in the accident frequency rate has occurred. 2007: 22.74 and 2006: 11.07.
(12) Due to a number of changes in the legislation the number of disabled employees has decreased.
(13) Frequency and severity rate are calculated without Transavia.

✓ 2007 data have been verified at moderate assurance level by KPMG Audit.

Methodology for the reporting of performance indicators

In 2005-06, under the aegis of the Air France-KLM group's Disclosure Committee, the environmental and social performance indicators were defined in order to integrate the recommendations of European and French legislation, such as the French law on the New Economic Regulations

Reporting scope

The Air France-KLM group social reporting consolidation scope covers 95% of group employees and includes Air France and KLM subsidiaries over which the group has at least 50% control. This represents approximately 80% of the employees in the Air France subsidiaries and 85% in KLM subsidiaries.

Air France subsidiaries: AFSL, Brit Air, Blue Link, City Jet, CRMA, Régional, Servair Group (ACNA, Bruno Pegorier, OAT, Servair SA), Sodexi.

KLM subsidiaries: Cynific, KES (KLM Equipment Services), KHS (KLM Health Services), KLM Ground Services Limited, KLM Cityhopper (UK and BV), Transavia, KCS (KLM Catering Services).

The environmental reporting scope for the group's ground activities covers 99% of the sites in France and 95% of the sites in the Netherlands.

The Air France consolidated subsidiaries are Brit Air, Régional, CRMA, Sodexi, Servair and Transavia.com, the latter for the period from May 2007 to December 2007. The KLM consolidated subsidiaries are KLC, KES, KCS and KHS.

The consolidation scope for the environmental reporting of the Air France-KLM group's air operations covers the flights operated by Air France and its Brit Air, Régional and City Jet subsidiaries and the flights operated by KLM and its KLM Cityhopper subsidiary.

The reporting period is based on the calendar year to ensure comparability with the social performance indicators of other French companies and the national figures for greenhouse gases.

Reporting tools

Social indicators

The indicators are collated and consolidated using the Osyris sustainable development reporting tool deployed in all Air France-KLM group subsidiaries. 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.

Environmental indicators

The environmental indicators are collated via two separate reporting tools, one for Air France and one for KLM, available to every entity except Transavia.com. The consistency of reporting is ensured by common definitions, available in both French and in English, included in the Osyris reporting tool. The Air France environmental department is responsible for consolidating the data for the Air France-KLM group in Osyris.

Details on the methodology

Social indicators

At Air France-KLM group level, the guidelines for the social performance indicators and the scope are established in an instruction memorandum approved by the Statutory Auditors.

Recruitment on permanent contracts (CDI)

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

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

Health and safety - absenteeism

Since the criteria used to define workplace accidents differ between France and the Netherlands, the Air France and KLM performance indicators are not comparable.

Thus, cases of barometric otitis and lumbago are recorded as workplace accidents in France, representing 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 once they have met the criteria enabling them to qualify as an accident. The frequency and severity rates are calculated based on theoretical working hours for each employee in both companies.

This year, Air France introduced a new system for tracking days lost due to workplace accidents. Due to an operational problem in its deployment phase, Air France has not been able to calculate the severity rate for 2007.

The system implemented by KLM for recording the number of days lost to absenteeism does not yet include data on the days lost due to workplace accidents.

Training

KLM does not yet have a centralized reporting system on training since the disclosure of this information is not required by Dutch law, but the company is currently developing such a system.

Number of disabled employees

Due to differences in the legislation between France and the Netherlands, the data on disabled employees are not comparable.

For Air France, the number of disabled employees reported is those for whom a valid certificate (pursuant to French law) is available, whatever the individual's ability to perform the tasks involved in his or her position.

For KLM, an individual is considered to be disabled if unable to carry out his or her work as an able-bodied individual due to a handicap. In the Netherlands, an employee recruited with a handicap cannot be registered as such in order to avoid any discrimination between employees. For that reason, KLM is not able to supply statistics on the recruitment of disabled employees.

Environmental indicators

At Air France KLM group level, 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.

Water consumption

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

Gas consumption

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.

Ordinary industrial waste

The waste resulting from the demolition or construction of buildings is not taken into account.

Heavy metals

The scope of this indicator was redefined in 2007, in order to harmonize the reporting of data between Air France and KLM. The Engineering and Maintenance Divisions of both Air France and KLM now report on seven metals (Cd, Cr, Cu, Ni, Pb, Sn, Zn).

Emissions from ground operations

Air France's annual CO₂, SO₂ and NO_x emissions from vehicles and ground support equipment have been estimated for the 2007 full year on the basis of half-year figures for July to December.

SO₂ emissions from air operations

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

Within the framework of an approach based on continuous improvement, the methodologies used for certain key performance indicators have been more tightly defined. When these changes have a significant impact on the data, comparison with the figures for previous years figures is not possible.

One of the Statutory Auditors' Report on the Review of a Selection of Environmental and Social Indicators of Air France-KLM Group for Year 2007

In compliance with the assignment entrusted to us by Air France-KLM Group and in our role as Statutory Auditors, we have performed a review to allow us to provide the following:

- a reasonable level of assurance on the indicator related to CO₂ emissions from flight operations from Air France-KLM Group during year 2007, which are identified by the sign √√;
- a moderate level of assurance on the environmental and social indicators selected by the Air France-KLM Group ("the data") relating to financial year 2007, identified by the sign √.

The data are presented in the tables called environmental and social information of Air France-KLM group in the 2007-2008 Reference Document and in the 2007-2008 Corporate Social Responsibility Report.

The conclusion presented below concerns these data only and not the entire Corporate Social Responsibility Report.

The data were prepared under the responsibility of the Sustainability Department of Air France-KLM group, in accordance with the internal environmental and social reporting protocols ("the protocols"), which can be consulted at Air France-KLM's head office.

It is our responsibility to express an opinion on these indicators, based on our review.

Nature and Scope of the Review

We performed a review to provide assurance that the selected data is free of material misstatement. The work performed on the data identified by the sign √ allows us to provide a moderate level of assurance. The work performed on the data identified by the sign √√ is more extensive and allows us to provide a reasonable level of assurance.

- We have reviewed the protocols with regard to their relevance, reliability, understandability and completeness.
- We met with the persons in charge of the reporting process at the Holding company and at selected entities¹.
- We performed detailed work at the selected entities, representing between 40 and 100% of the consolidated environmental data and 84% of the Group total headcount for social indicators. For these entities, we ensured that the protocols had been understood and implemented; we verified the calculations, performed consistency checks and reconciled the data with supporting documentation.
- We audited source data used for the calculation of CO₂ emissions from flight operations.
- We tested whether data for flights that are used for the calculation of CO₂ emissions from flight operations were properly derived from the information as registered in Air France and KLM systems.
- We also verified the calculations and data consolidation, on a test basis, at the level of Air France-KLM Group.

KPMG Audit
Department of KPMG S.A.

Jean-Luc Decornoy
Partner

We were assisted in our work by the Environment and Sustainable Development experts of our firm.

Comments

- Environmental and social protocols of the Air France-KLM Group are written each financial year, to be consistent with the "Bilans Sociaux" of the French companies and the annual greenhouse gases national inventories, whereas financial information is provided over a period stipulated by the IATA (from 1st April to 31st March of each year).
- A reporting tool, extended to the whole group, has been used for the collection and consolidation of social and environmental data, thus rendering the data more reliable and consistent. However, the functionality of the tool should still be developed, especially for the consolidation phase.

We have the following matters to report regarding the procedures related to reporting protocols for environmental data:

- The definitions of environmental indicators have been harmonized between Air France and KLM. Some definitions should still be clarified, in particular concerning indicators related to waste and waste water.

We have the following matters to report regarding the procedures related to reporting protocols for social data:

- Considering different legislations, some social indicators for Air France and KLM are presented separately and cannot be compared.
- Tools and systems should be implemented in order to ensure an improvement in the completeness of all data required for reporting, in particular data relating to safety and training, which is not presented in its entirety or which has been presented on a reduced scope.

Conclusion

Reasonable assurance

Considering the work performed since February 2008 at Air France and KLM headquarters, we consider that our controls on the calculation of CO₂ emissions from flight operations of 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, June 4, 2008

KPMG Audit
Department of KPMG S.A.

Jean-Paul Vellutini
Partner

¹ Environment: Direction Générale Air France (Roissy, Orly, Villeneuve le Roi), Direction générale de l'Exploitation Air France (Roissy and Orly), Air France Cargo Roissy, Direction du siège Air France Roissy, IT at Vilgénis, Servair, Acna Roissy and KLM Schiphol for ground operations.
Air France, City Jet, Brit Air, Régional, KLM and Cityhopper for flight operations.
Social: Air France France, Servair S.A., KLM, Cityhopper

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