

**AIR FRANCE KLM**

# First quarter results 2005-06

Analyst presentation  
2 September 2005



**KLM**



# Forward-Looking Statements

The information herein contains forward-looking statements about Air France-KLM and its business. These forward-looking statements, which include, but are not limited to, statements concerning the financial condition, results of operations and business of Air France-KLM are based on management's current expectations and estimates. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside of Air France-KLM's control and are difficult to predict, that may cause actual results to differ materially from any future results expressed or implied from the forward-looking statements. These statements are not guarantees of future performance and involve risks and uncertainties including, among others: the expected synergies and cost savings between Air France and KLM may not be achieved; unanticipated expenditures; changing relationships with customers, suppliers and strategic partners; increases in aircraft fuel prices; and other economic, business, competitive and/or regulatory factors affecting the businesses of Air France and KLM generally. Additional information regarding the factors and events that could cause differences between forward-looking statements and actual results in the future is contained in Air France's and KLM's Securities and Exchange Commission filings, including their Annual Reports on Form 20-F for the year ended March 31, 2005. Air France-KLM undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

# Highlights of Q1 2005-06

## + Background

- ▶ Sustained international economic growth, but more modest in Europe
- ▶ Average Jet fuel price at 555 \$/t, up 52% over the quarter

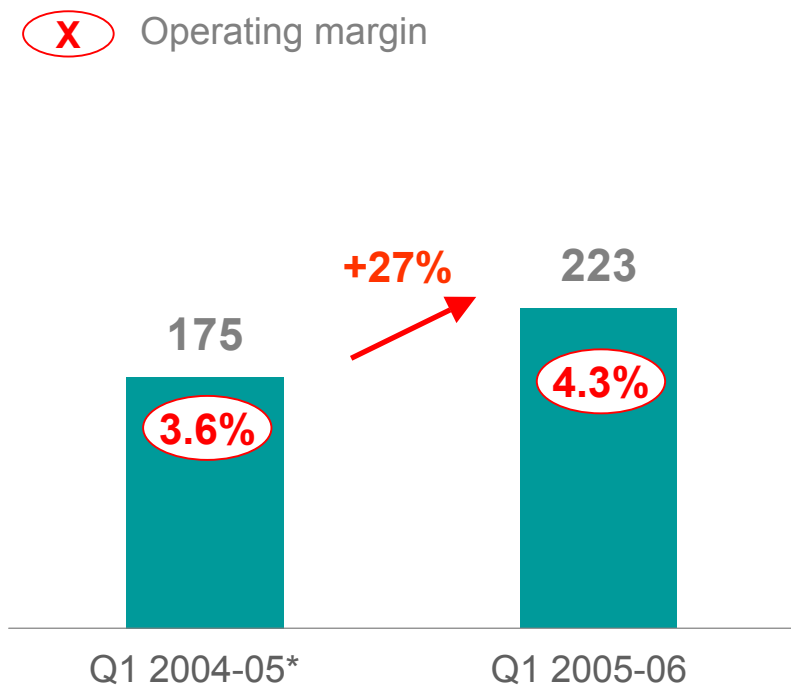
## + Air France-KLM

- ▶ Passenger activity: strong performance in terms of traffic and unit revenue
- ▶ Cargo: strong rise in unit revenue despite weaker European export activity
- ▶ Improvement in operating performance

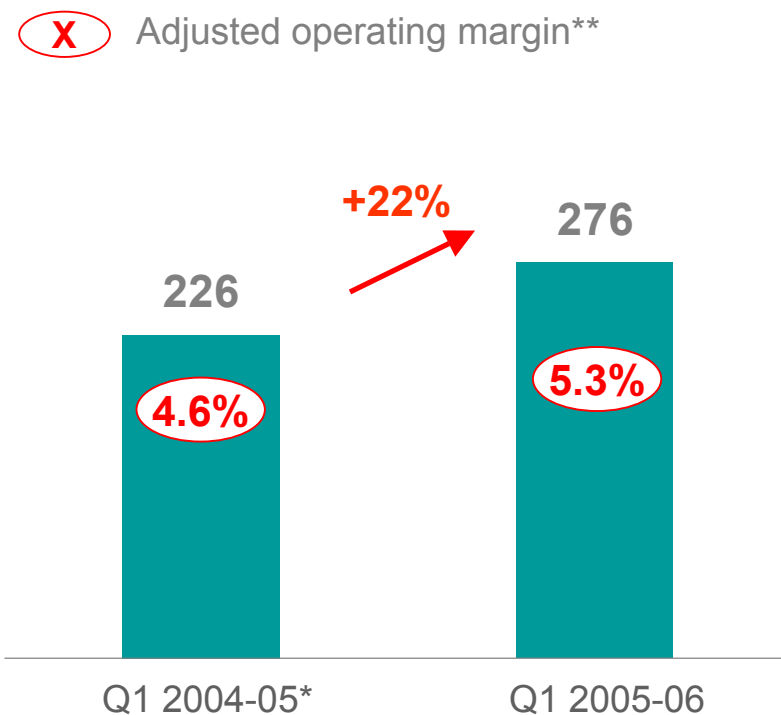
# Improvement in the operating performance

in € millions

## Operating profit



## Adjusted operating profit\*\*



\* IFRS *pro forma*: consolidation of Air France and KLM over 3 months (April-June)

\*\* Operating profit adjusted for financial charges relating to operating leases (34%)

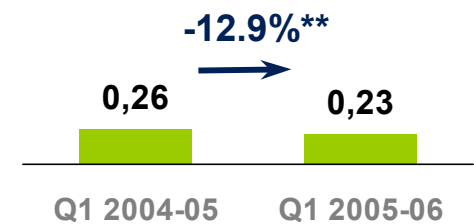
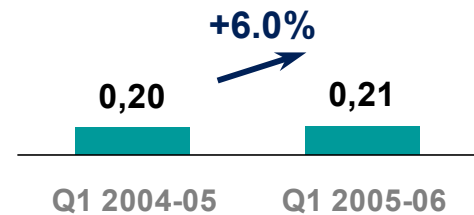
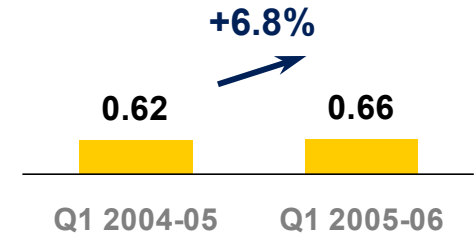
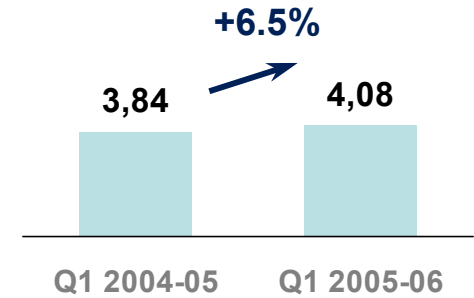
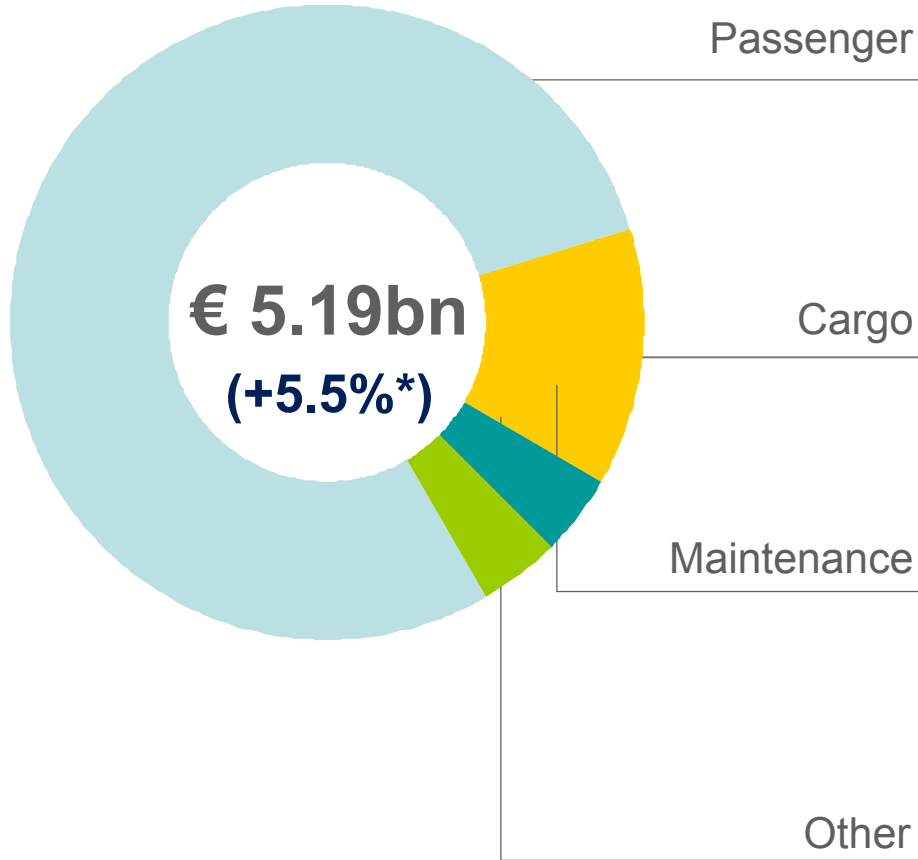
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Increased levels of activity



# Increased activity across all businesses

Turnover in €bn  
Q1 2005-06

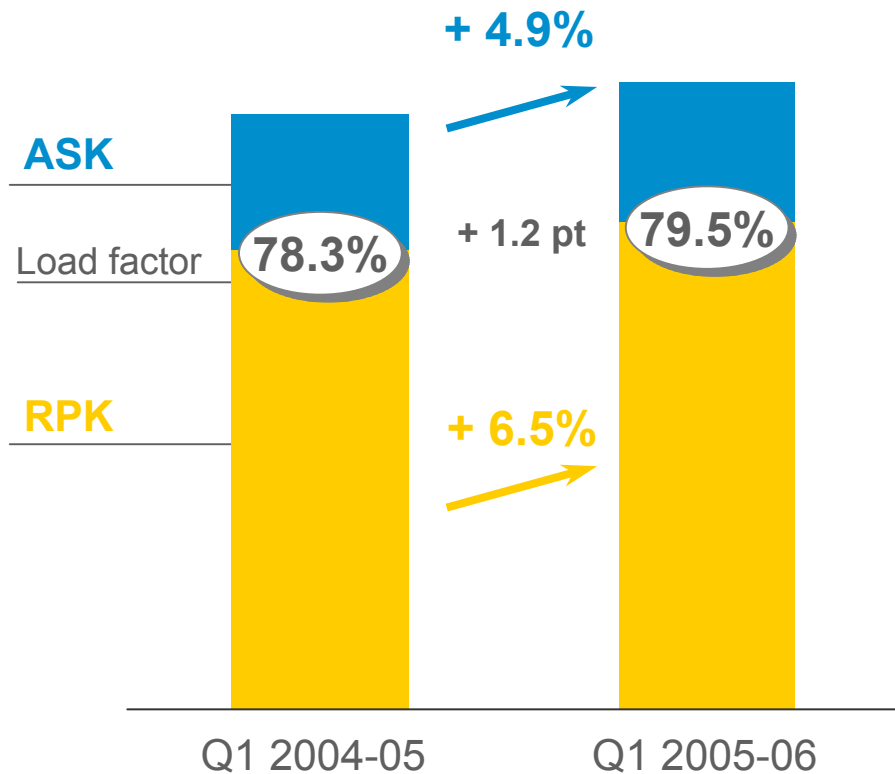


\* +6.4% excl. Servair impact (consolidation of 6 months of Servair in Q1 2004-05)

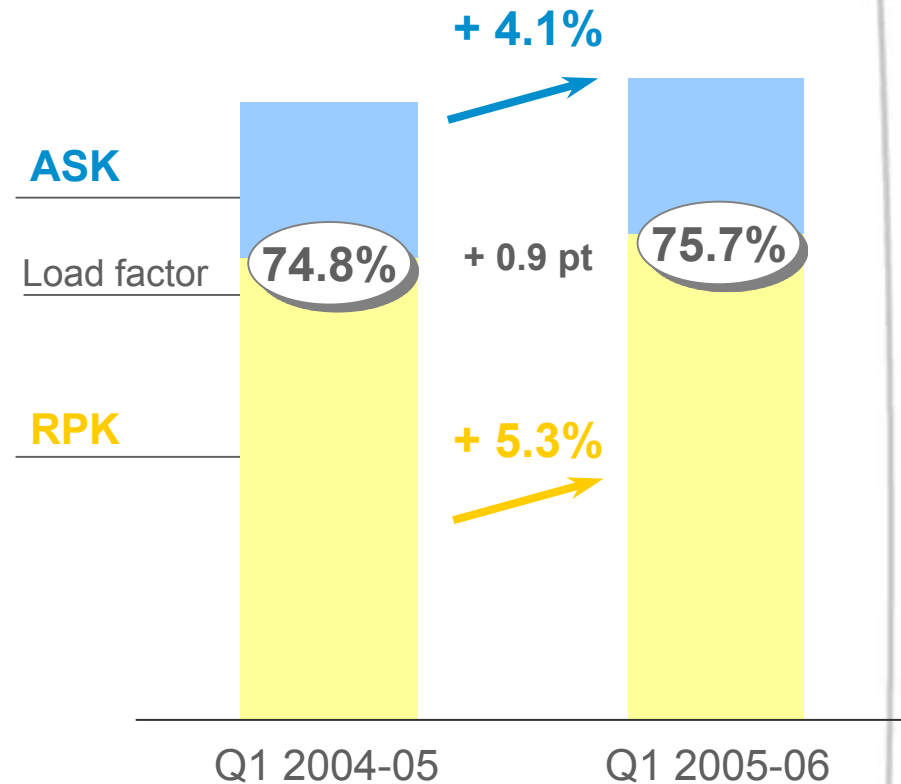
\*\* +4.6% excl. Servair impact (consolidation of 6 months of Servair in Q1 2004-05)

# Passenger business: sustained rise in traffic...

## Air France-KLM

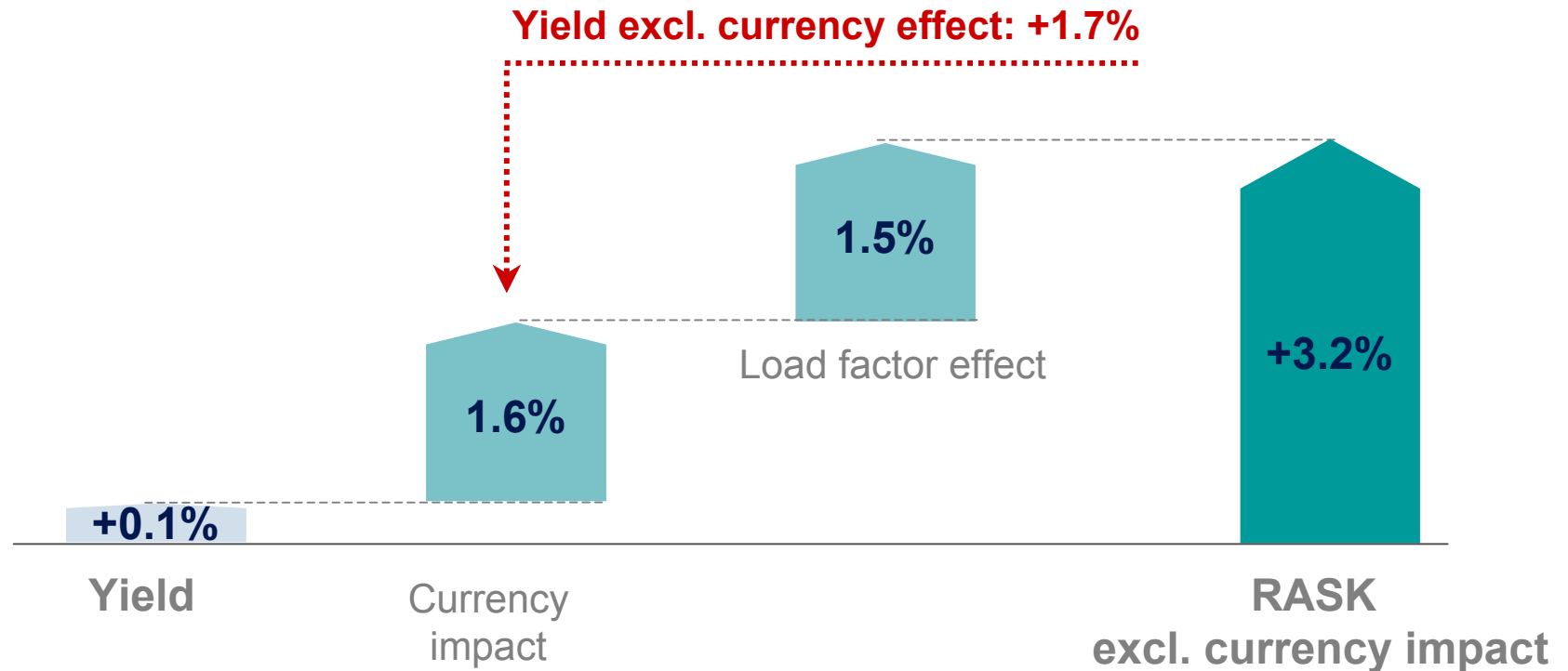


## AEA



Source: AEA

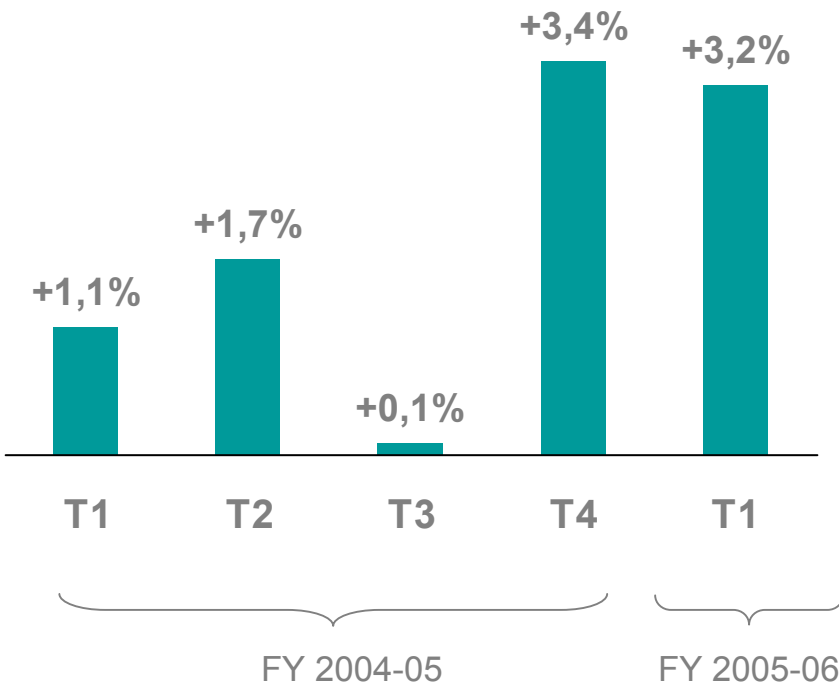
# ...and in unit revenue excluding currency effect



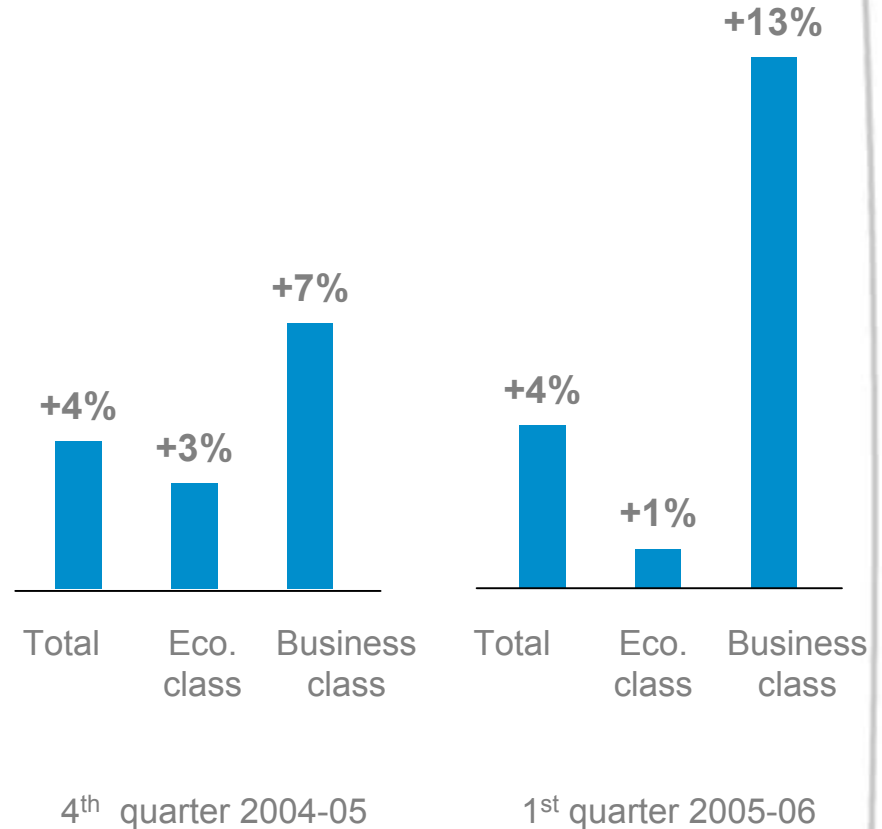


# Increase in unit revenue driven by business traffic

■ RASK excl. currency (total network)

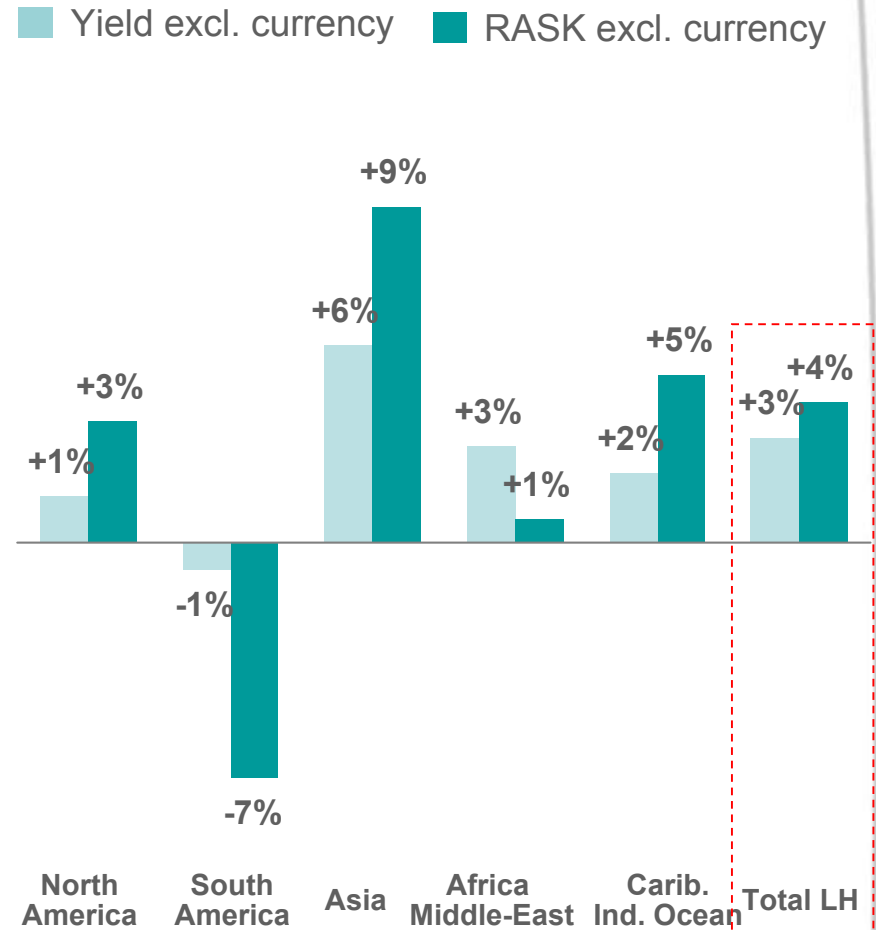
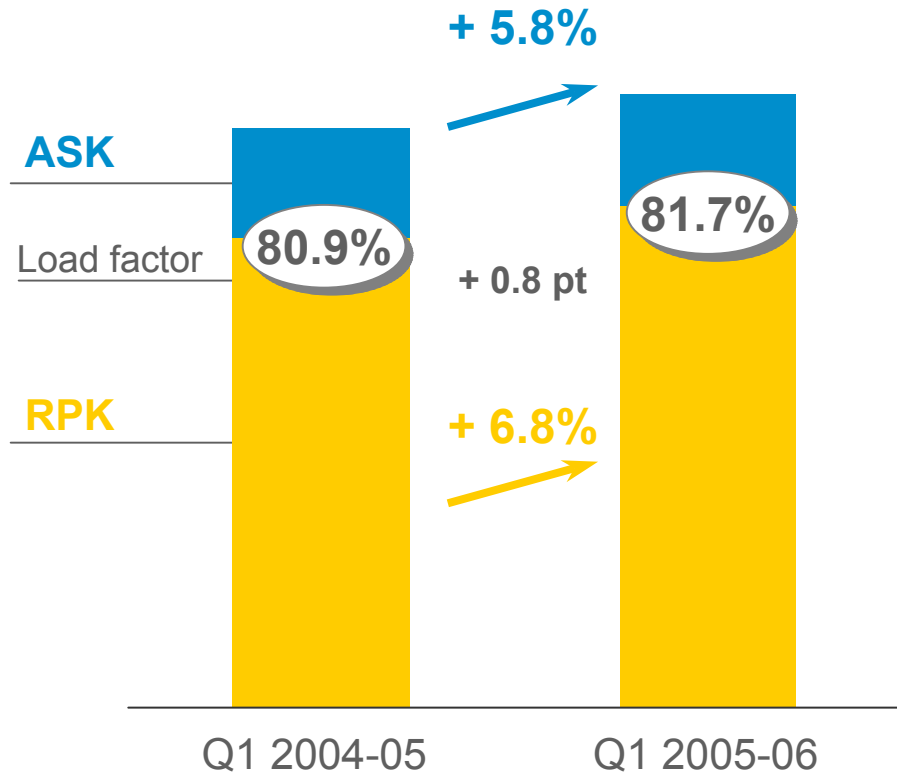


■ RASK excl. currency (long-haul network)



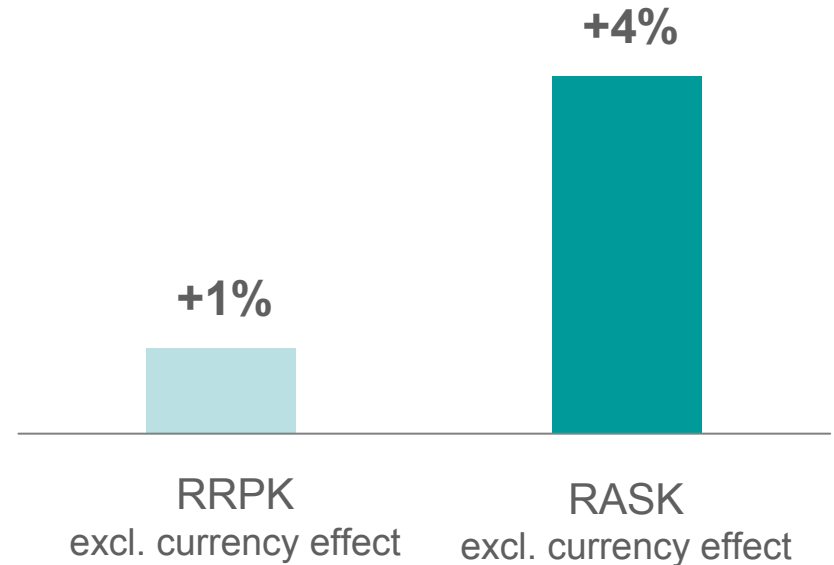
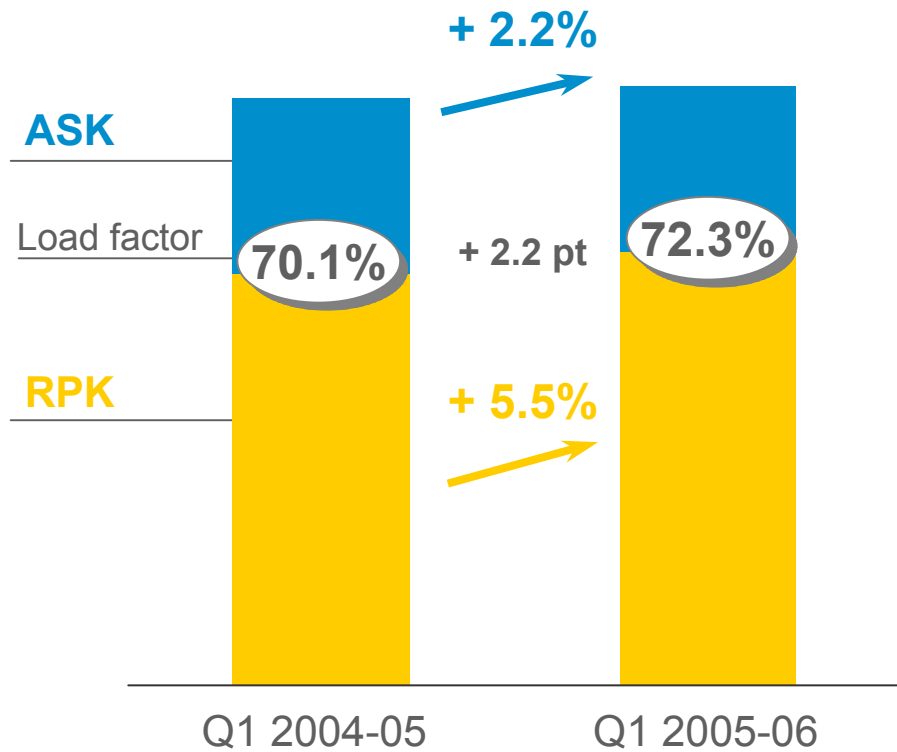
# Long-haul network remains dynamic

## Long-haul

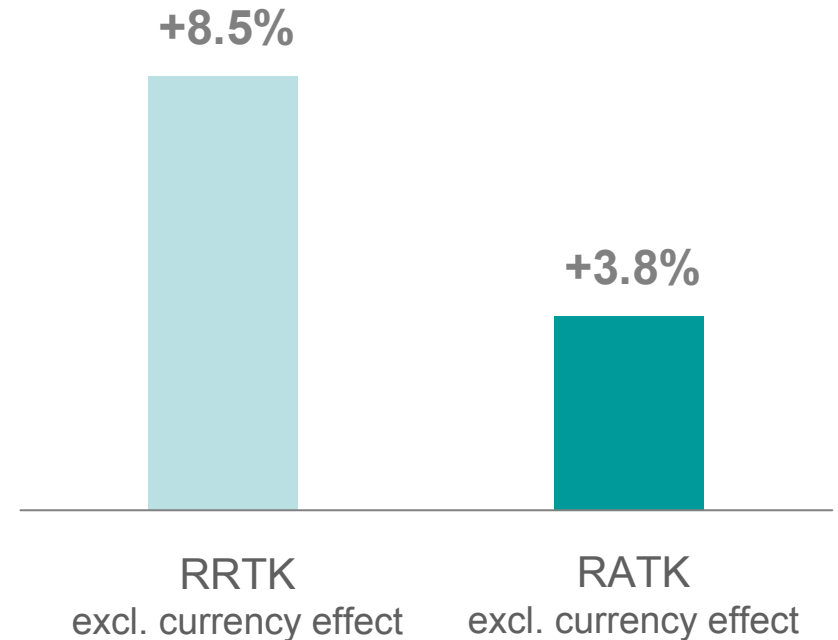
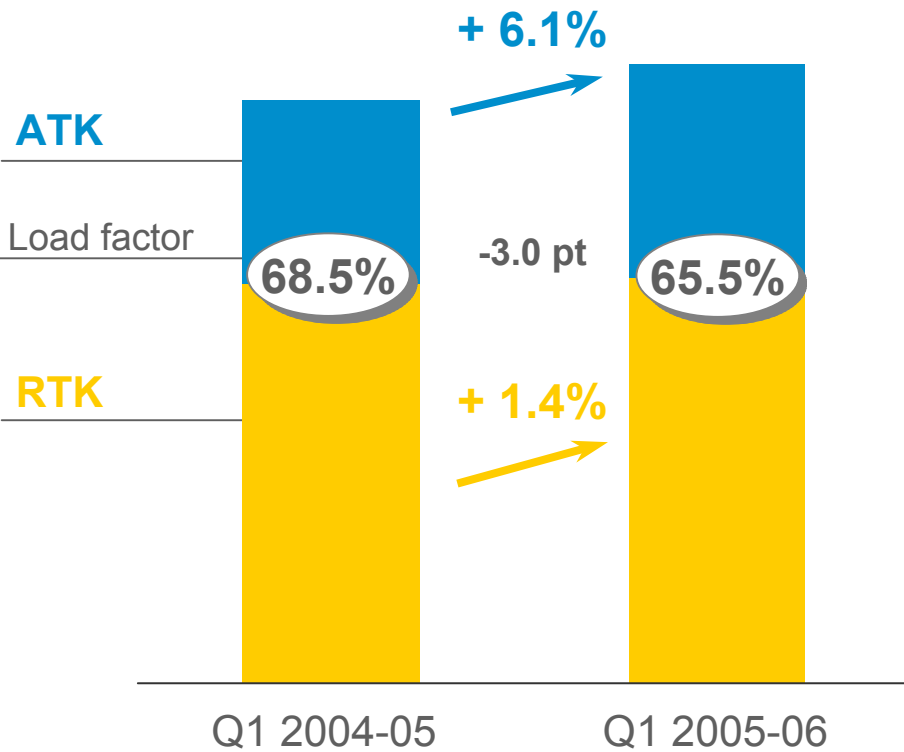


# Strong performance in medium-haul

Medium-haul  
(incl. France)



# Cargo: strong increase in unit revenue in a challenging environment



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Improvement in Q1 results



# Q1 results

(1/2)

In € millions

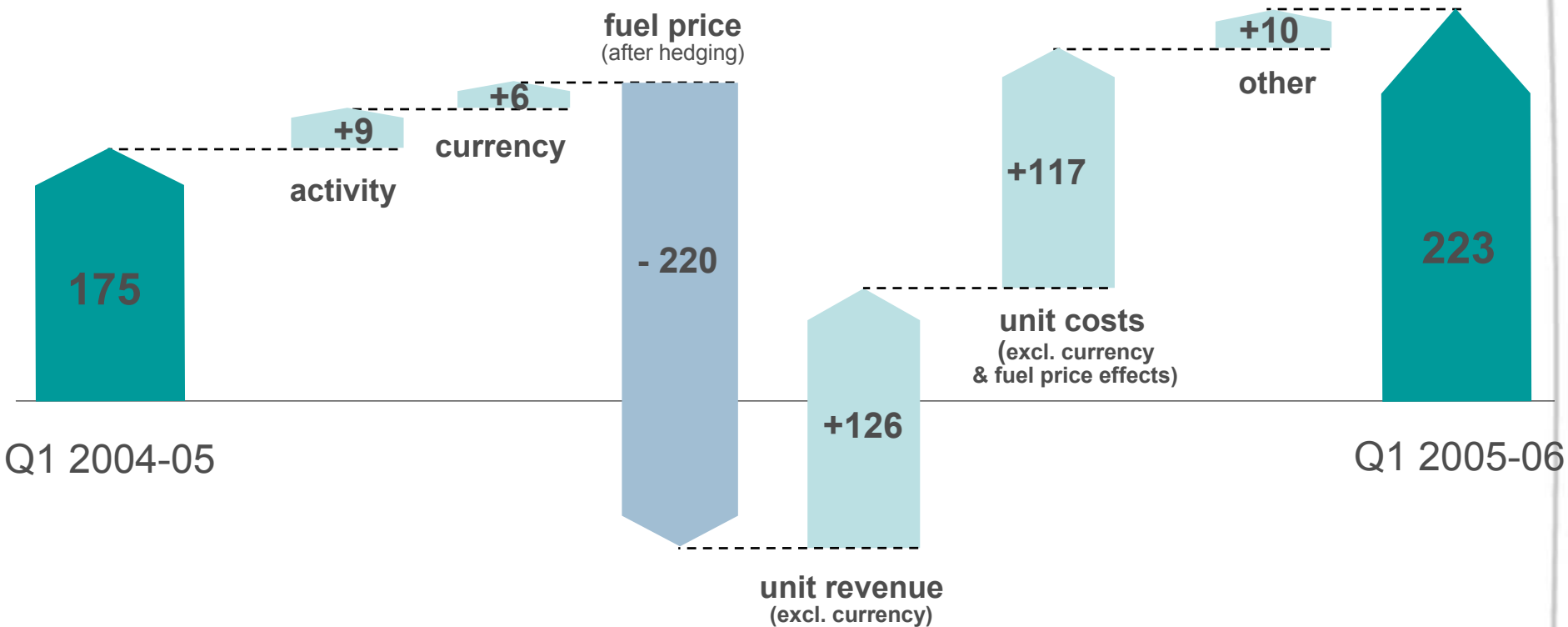
	30 June 2005	30 June 2004*	Change
<b>Turnover</b>	<b>5 186</b>	<b>4 917</b>	<b>+5.5%</b>
Current operating charges	4 963	4 742	+4.7%
<b>Operating income</b>	<b>223</b>	<b>175</b>	<b>+27.4%</b>
<i>Operating margin</i>	4.3%	3.6%	+0.7 pt
<i>Adjusted operating margin*</i>	5.3%	4.6%	+0.7 pt
Other non-current income and charges	5	475	ns
Aircraft sales	-	3	
Write-back of negative goodwill of KLM	2	449	
Compensation for slot exchanges	3	23	
<b>Income from operating activities</b>	<b>228</b>	<b>650</b>	ns

\* IFRS *pro-forma*: consolidation of Air France and KLM over 3 months

\*\* Operating profit adjusted for financial charges relating to operating leases (34%)

# Change in operating income

In €m



# Q1 results

(2/2)

*In € millions*

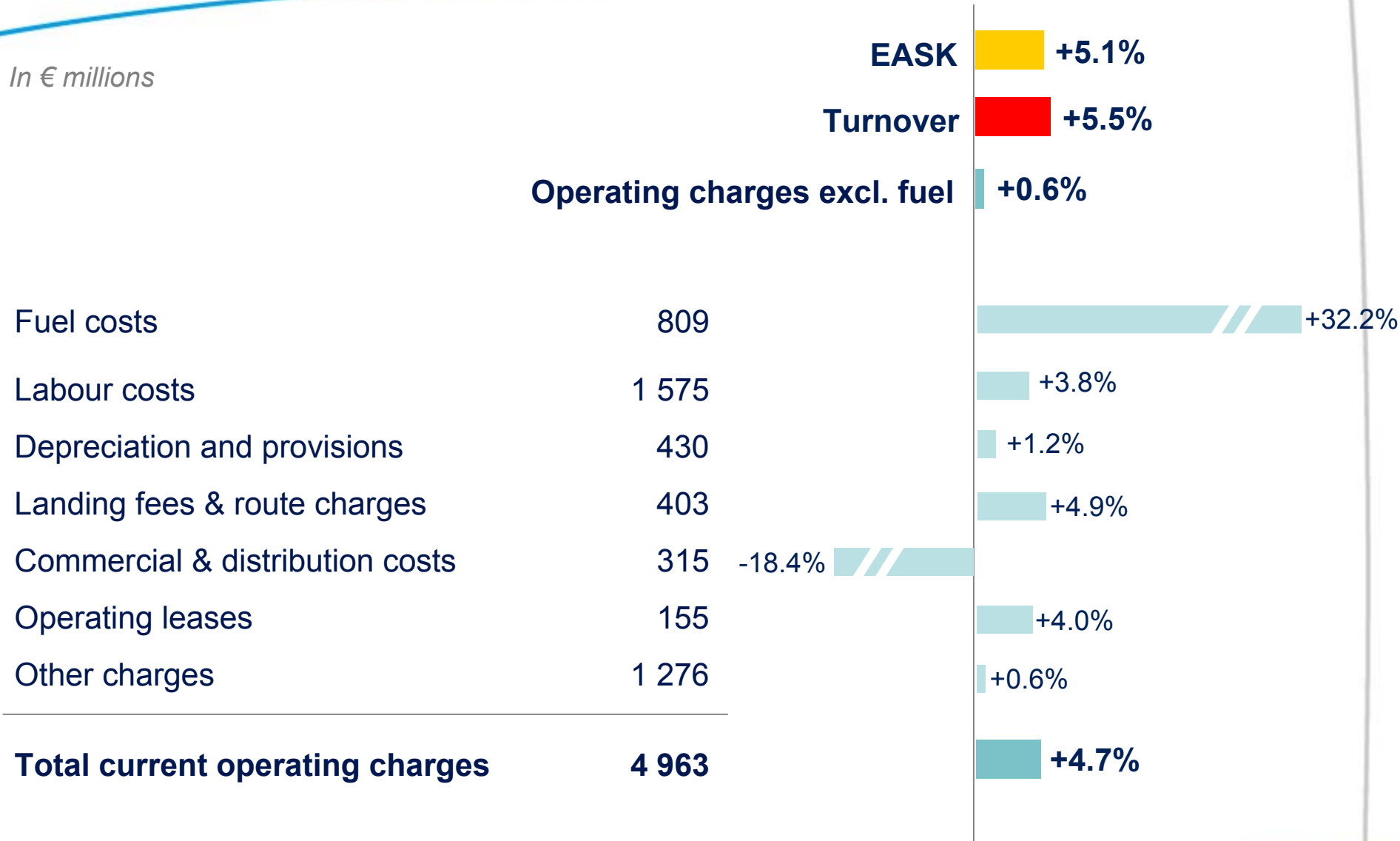
	30 June 2005	30 June 2004*	Change
Net interest costs	(60)	(67)	
Other financial income and charges	(19)	(23)	
<b>Consolidated pre-tax income</b>	<b>149</b>	<b>560</b>	ns
Income tax	(52)	(39)	
Income from associates	17	17	
Net income from abandoned activities	0	2	
Minority interests	(2)	(4)	
<b>Net income group share</b>	<b>112</b>	<b>536</b>	ns
<b>Net income group share excl. write-back of KLM goodwill</b>	<b>110</b>	<b>87</b>	<b>+26.4%</b>

\* IFRS *pro-forma*: consolidation of Air France and KLM over 3 months



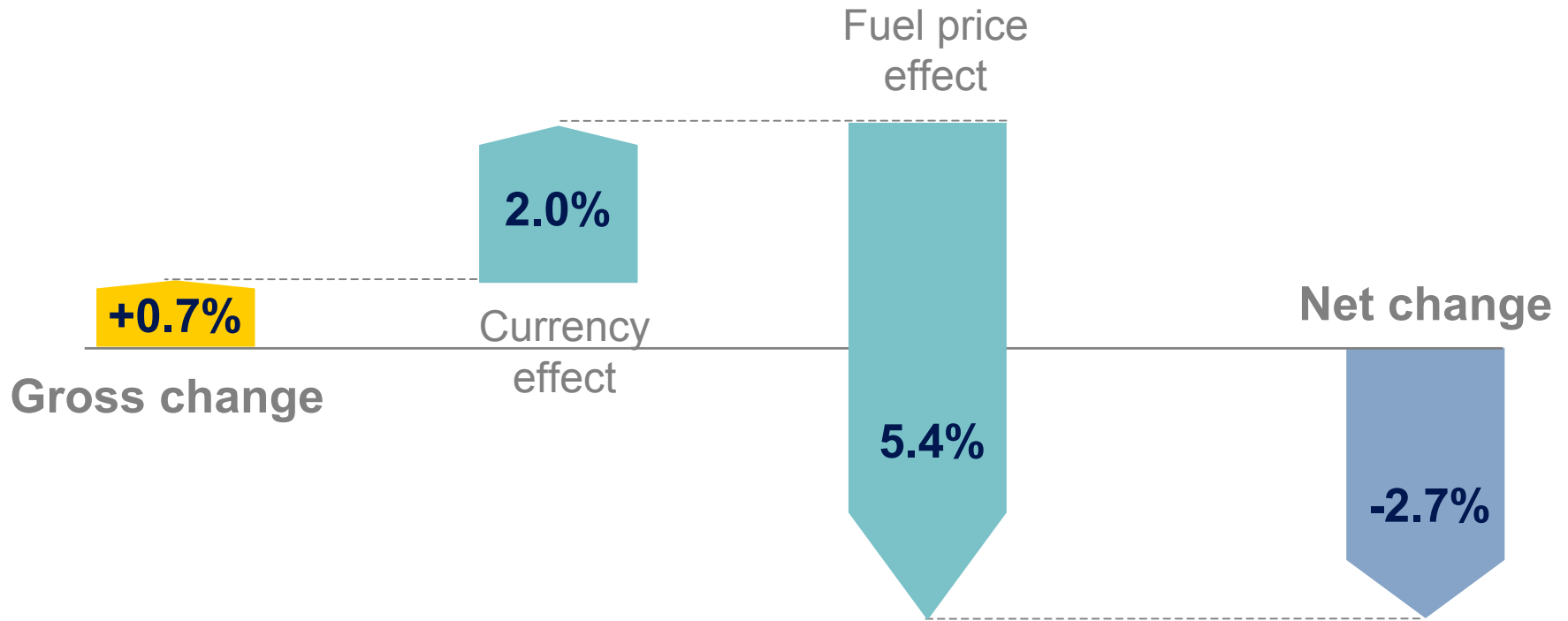
# Stable operating charges excluding fuel

In € millions



# Reduction in unit costs on a constant currency and fuel cost basis

Unit costs per EASK: 6.16 € cts

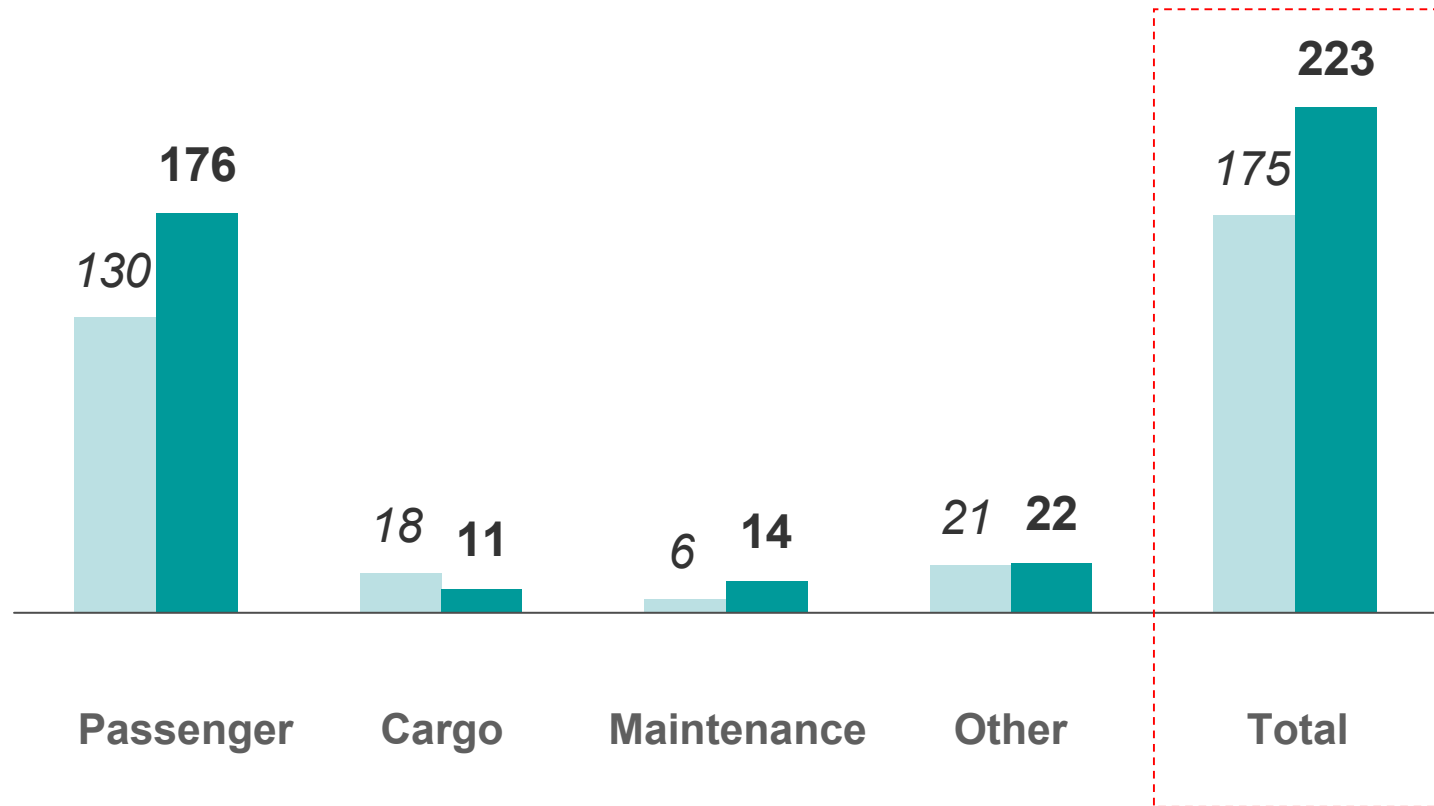


# Positive contribution from all businesses

Operating income (in €)

■ Q1 2004-05

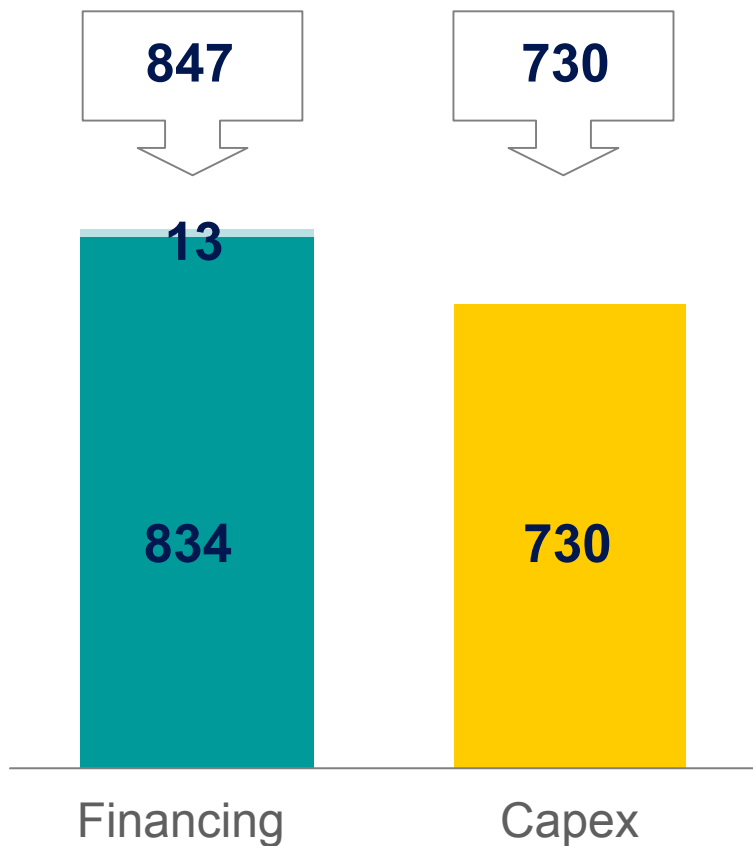
■ Q1 2005-06



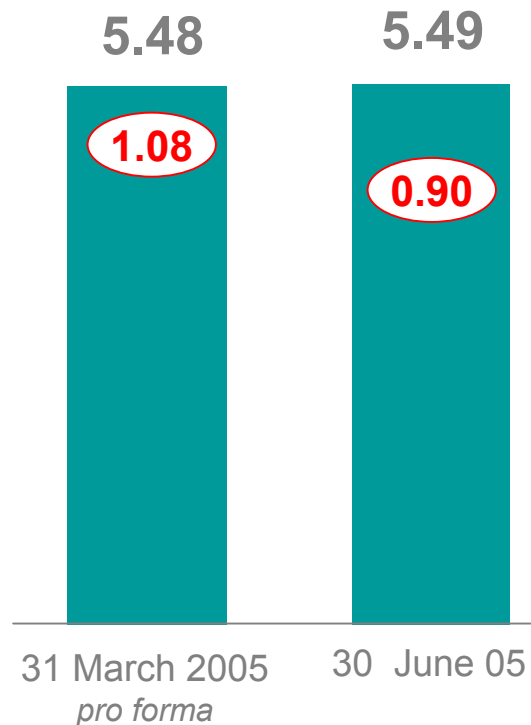
# Financial structure

■ Aircraft
 ■ Tangible & intangible capex

■ Operating cash flow

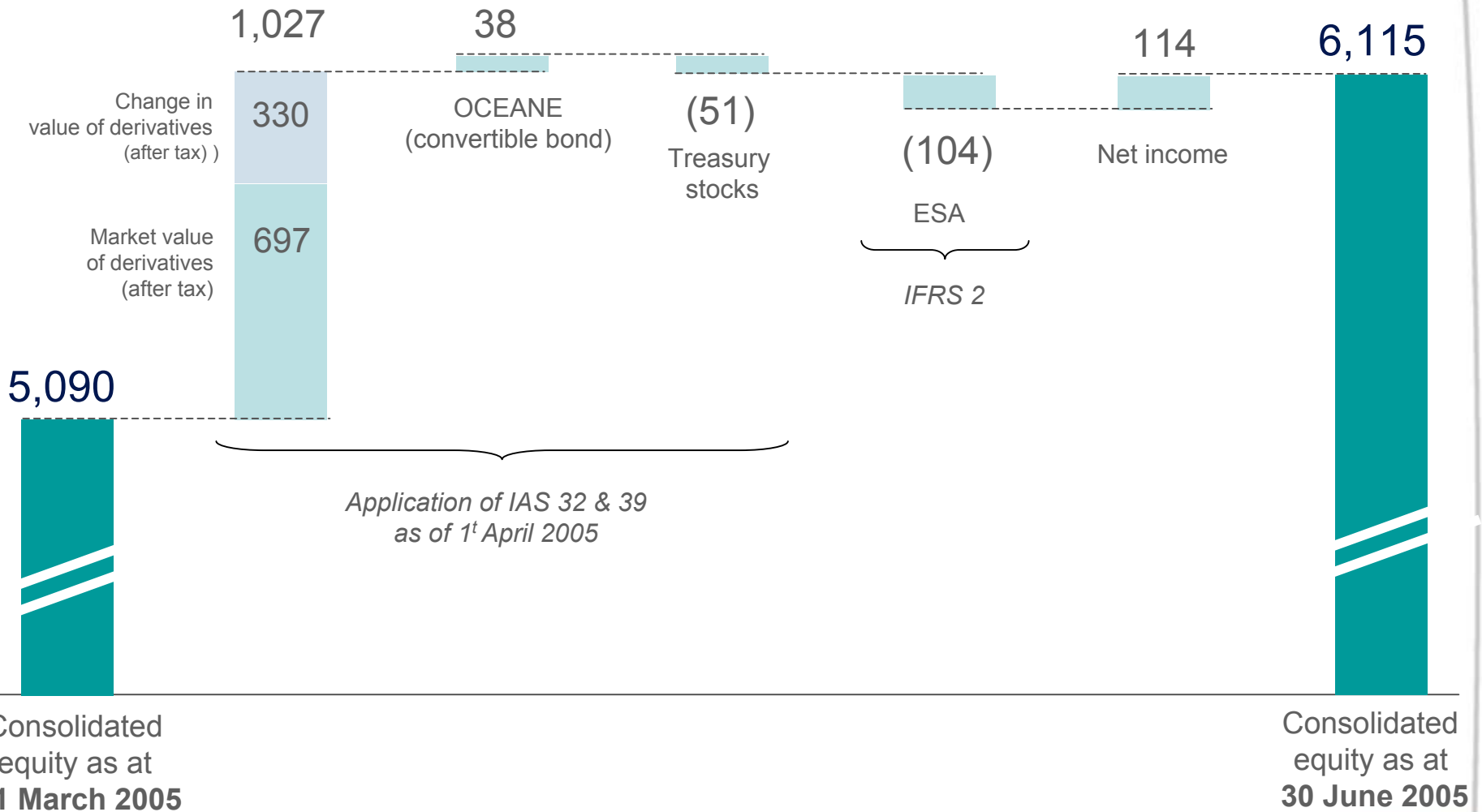


■ Net debt in € billions
 x Gearing ratio



\* Net financial debt – accrued interest not yet due - deposits  
 As at 31 March 2005: 6 167 - 81 - 605 = 5 481 m€  
 As at 30 March 2005 : 6 196 - 88 - 615 = 5 493 m€

# Evolution of equity



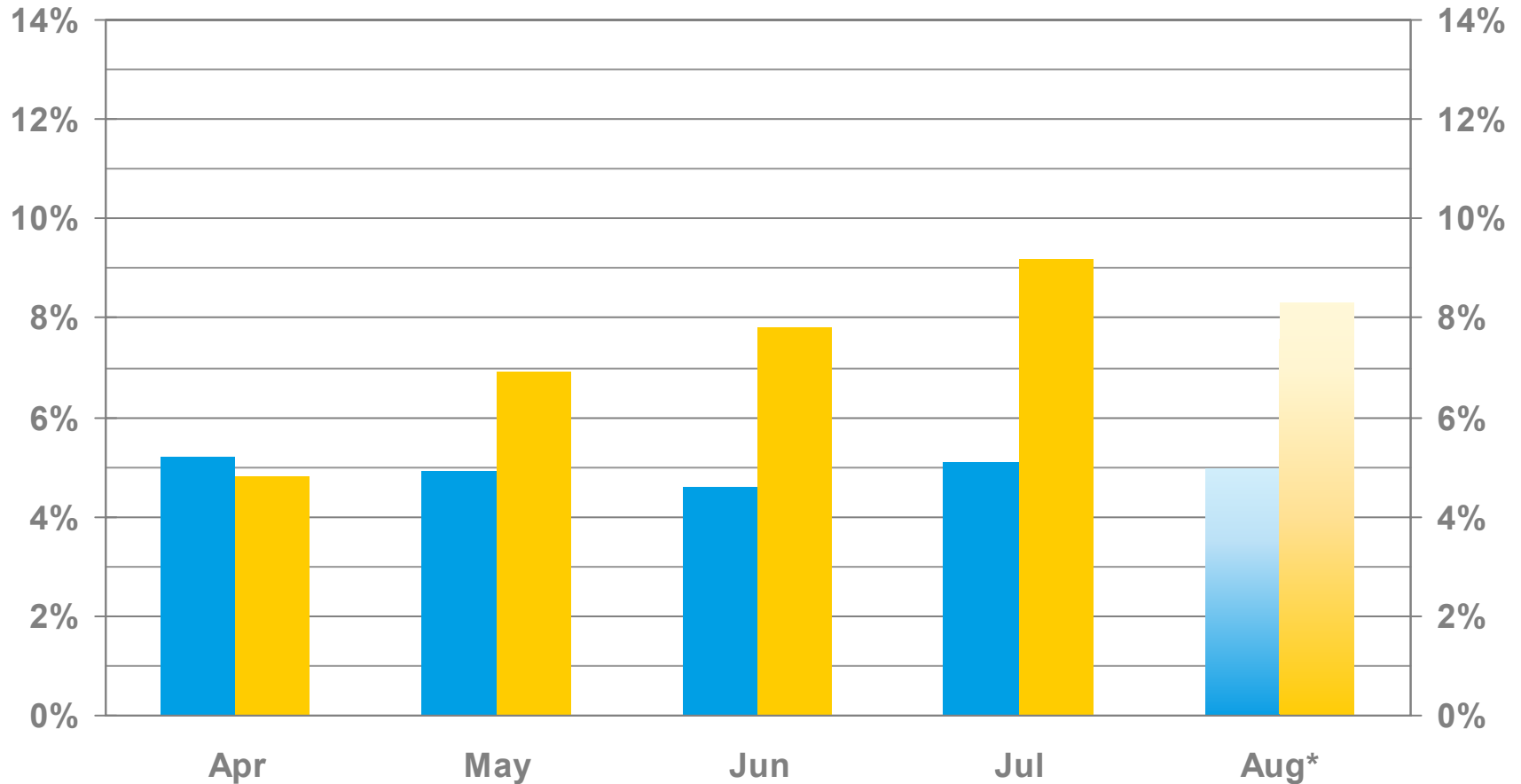
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# Outlook



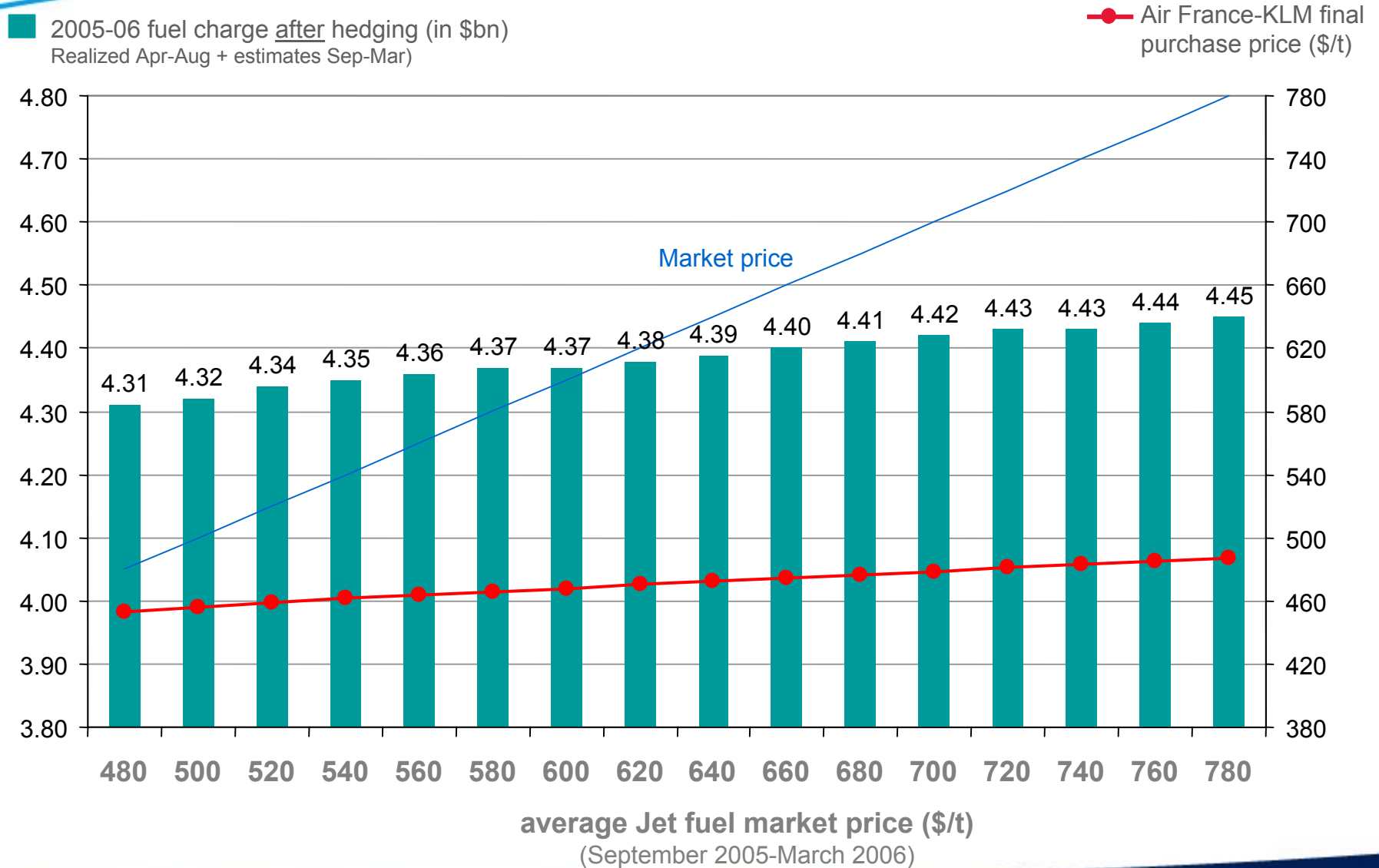
# Positive outlook for passenger activity

■ Capacity ■ Traffic



\* From 1<sup>st</sup> to 28<sup>th</sup> August

# Fuel charge sensitivity





# A systematic fuel hedging policy

	2004-05	2005-06	2006-07	2007-08
Consumption hedged	69%	83%	54%	31%
Jet fuel market price* (in \$/t)	\$440	\$628	\$680	\$663
Brent market price* (in \$/bl)	\$42	\$62	\$66	\$63
AF-KLM final purchase price (in \$/bl)	\$35	\$42	\$52	\$58
Hedging gains (in \$ millions)	465	1,370	990	410

\* Futures prices as at 26<sup>th</sup> August 2005

# Objective for 2005-06 revised upwards

- ✦ Given the robustness of both activity levels and unit revenues, the results for the second quarter should see a marked improvement
- ✦ The quality of the fuel hedging contracts in place will absorb a significant part of the impact of the current rise in oil prices
- ✦ As a result of this, and on condition that its activity trends remain broadly unchanged, Air France-KLM is now targeting a current operating profit for the full year 2005-06 significantly above the 2004-05 level restated under IFRS