AIR FRANCE KLM

Analyst and Investor Day

3rd October 2005

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.

Agenda

09:30-09:45	**Introduction**	Pierre-Henri Gourgeon, Deputy CEO of Air France-KLM
09:45-10:30	**Financing strategy**	Philippe Calavia, VP Finance of Air France-KLM Frédéric Gagey, CFO of KLM
10:30-12:00	**Passenger activity**	Bruno Matheu, EVP Marketing & Network of Air France Paul Gregorowitsch, EVP Marketing & Network of KLM
12:00-12:45	**Maintenance activity**	Alain Bassil, EVP Engineering & Maintenance of Air France Peter Somers, EVP Engineering & Maintenance of KLM
12:45-14:00	Buffet lunch	
14:00-15:00	**Cargo activity**	Michael Wisbrun, EVP KLM Cargo Marc Boudier, EVP Air France Cargo
15:00-16:00	**IT Systems convergence**	Edouard Odier, EVP IT Systems of Air France Boet Kreiken, EVP IT Systems of KLM
16:00-17:00	**Conclusion** **Q&A session**	Jean-Cyril Spinetta, Chairman & CEO of Air France-KLM Leo van Wijk, President & CEO of KLM

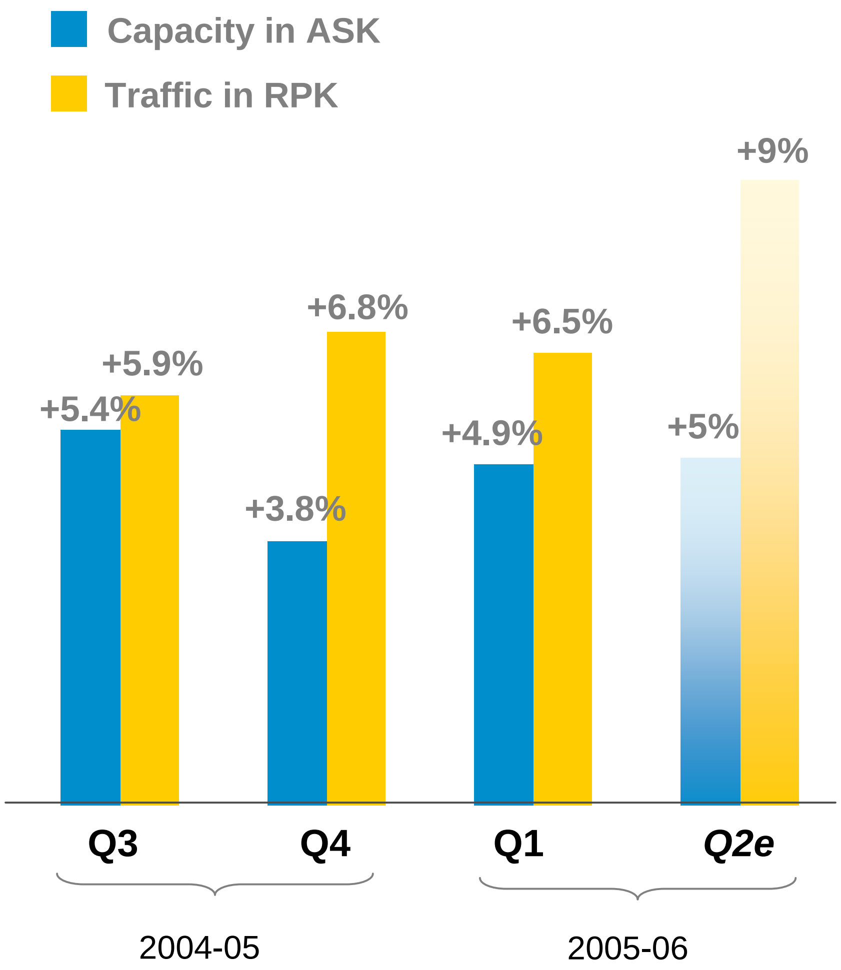
AIR FRANCE KLM

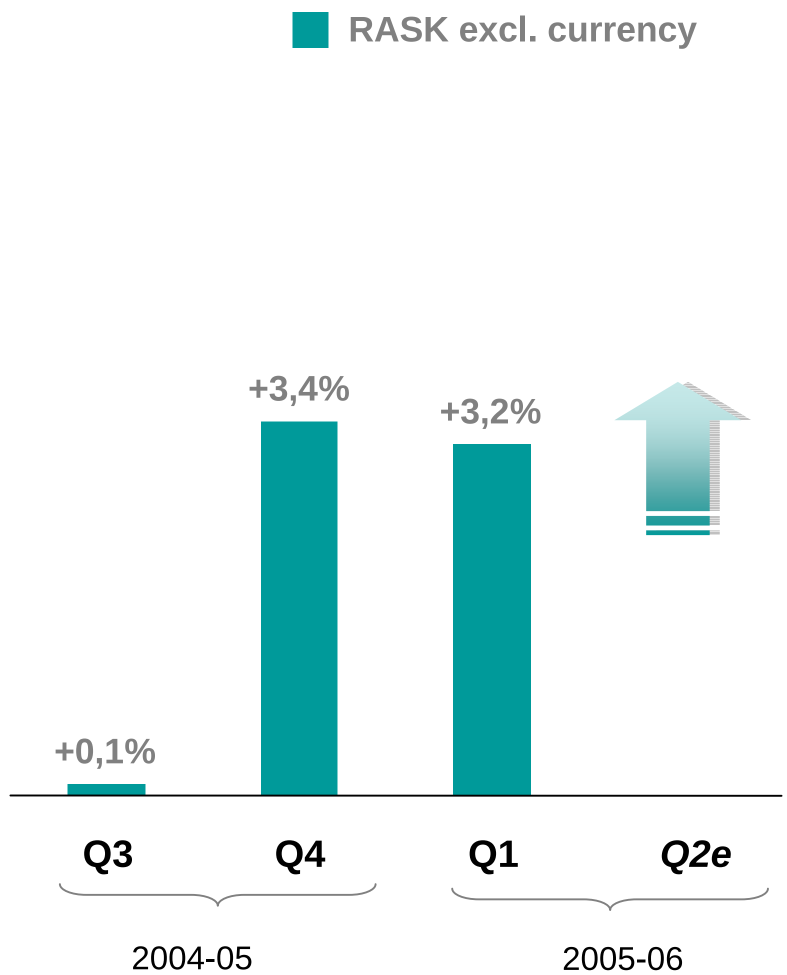
Setting the scene

Pierre-Henri Gourgeon

Deputy CEO of Air France-KLM

Air France-KLM combination: leveraging momentum in traffic demand





What's the best way to generate value from a merger: cooperation or integration?

- Our guiding principle: we will integrate only where it creates genuine value-added

- Three distinct business dynamics each requiring an adapted approach
  - Passenger business: coordination & rationalization
  - Cargo business: integration & coordination
  - Engineering & maintenance: specialization

Passenger: revenue enhancement and cost synergies

- The brand paramount
- Highly complementary networks

Generate synergies through coordination and rationalization

Coordinated network
Flying Blue

Corporate customers	Individual customers
One face, one organization	Dual brand strategy

Sales force

Home markets	➔	**1** organization
Complementary markets	➔	**1** organization
Coordinated markets (majority)	➔	**Co-location** + single management on test markets

Cargo: integrated commercial approach

- Business to business
- Highly concentrated market

Generate synergies through integration and coordination

A joint cargo management in charge of:
- Sales & Distribution - Marketing, Network - Strategy & Development

Coordination of the operations

Engineering and maintenance: procurement synergies and technical skills sectors

- Fixed production sites
- High level of specialized skills

Generate synergies through specialization

Creation of technical skills sectors
Distribution between Air France and KLM of Central Engineering Agencies for common aircraft and product leadership

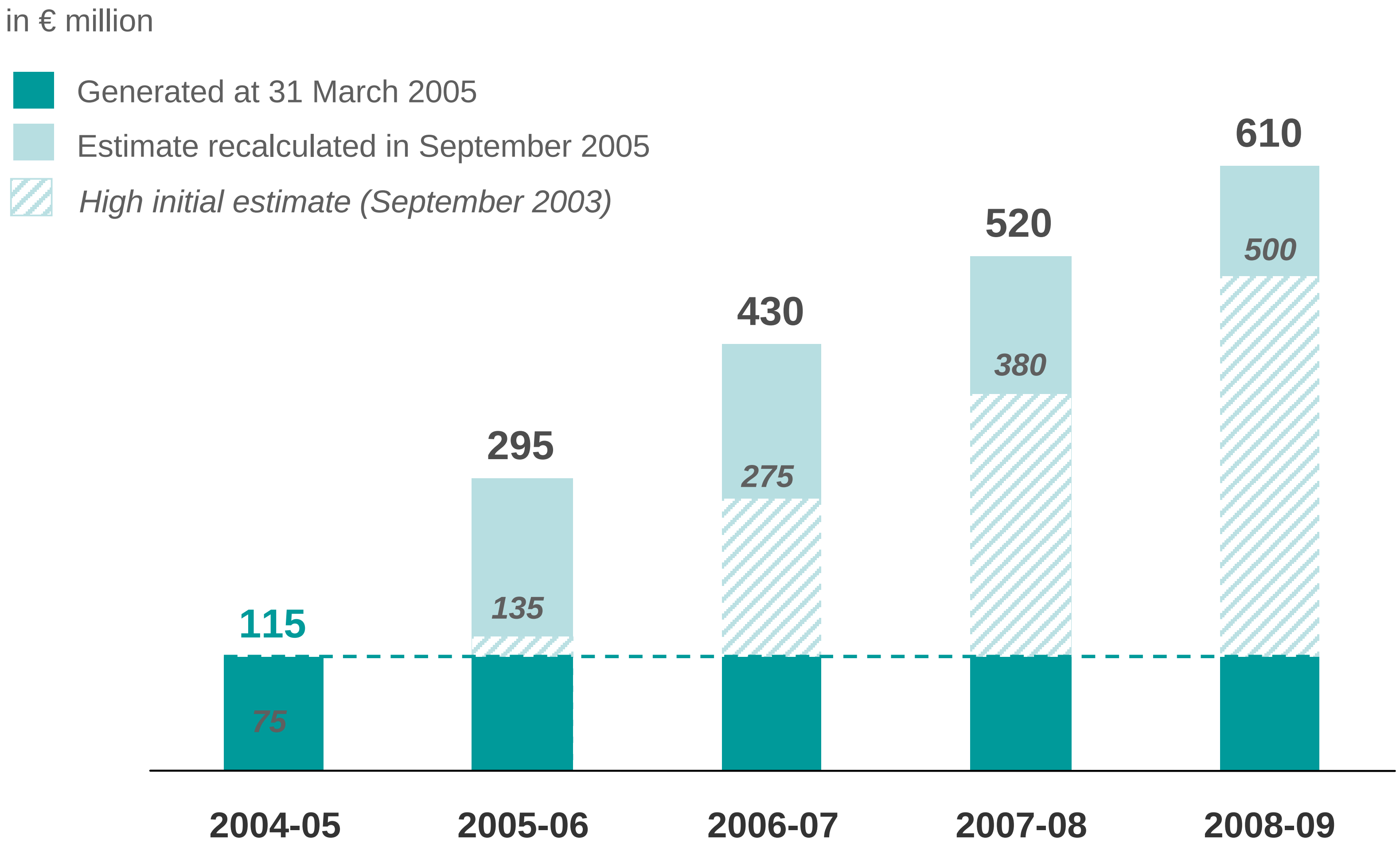
Procurement management

Increased offering in new markets

IT System convergence: the backbone of our business combination

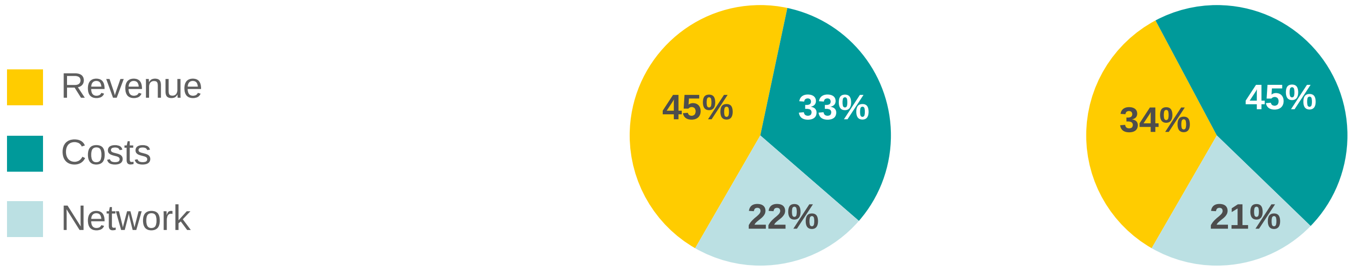
- A prerequisite for businesses synergies
  - Support co-ordination and integration between all businesses
- Common application objective
  - 70% common applications within 4-6 years
- Significant IT cost synergies
  - Rationalization of organization

Faster than expected synergies

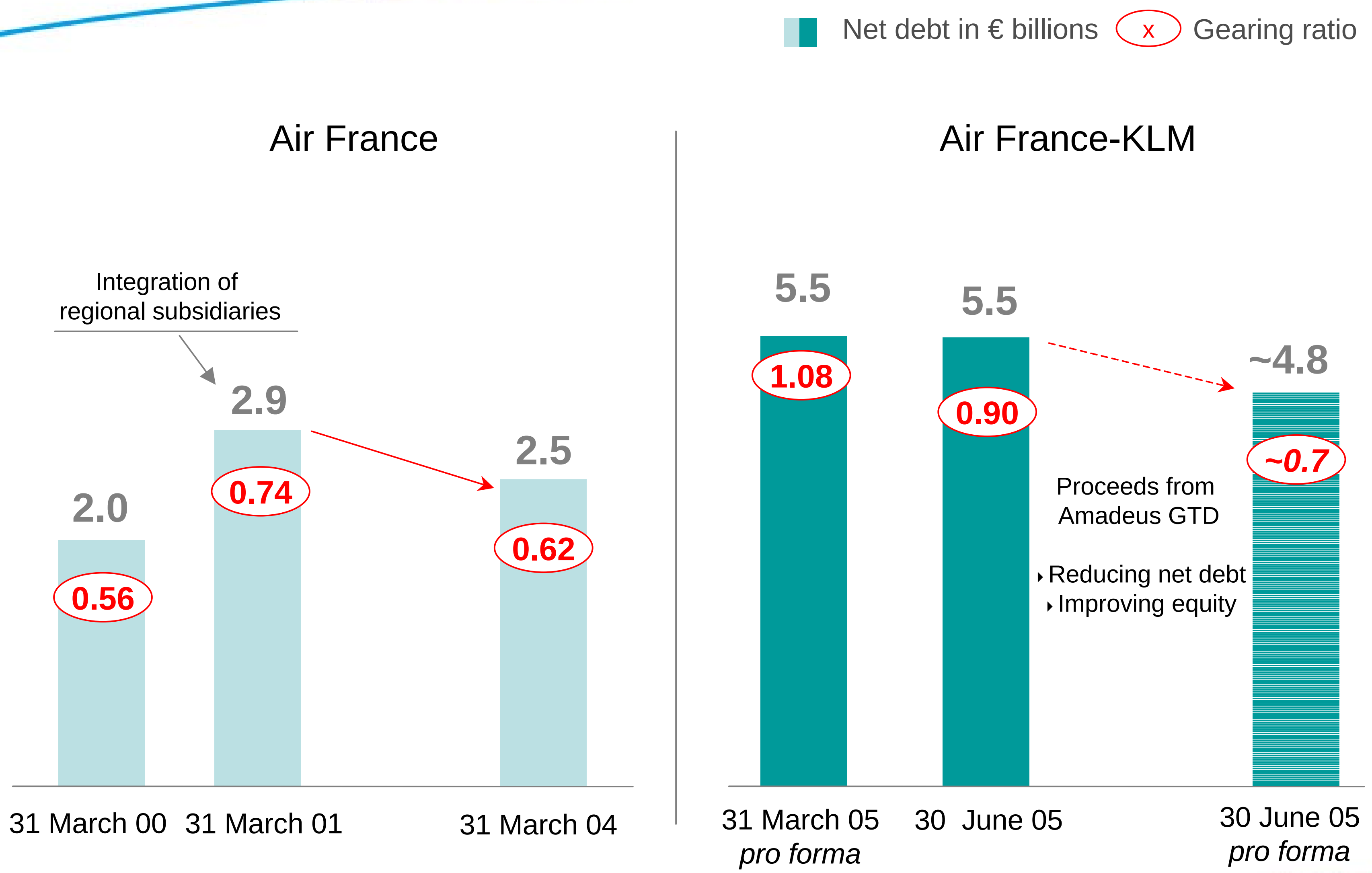


A value-creating operations for years to come

	Year 2	→	Year 5
Network	59		97
Revenue management	112		180
Commercial	33		98
Cargo	27		50
Engineering & maintenance	25		76
IT	10		73
Other	29		36
Total synergies	**295**	→	**610**



Air France-KLM:
active management of balance sheet



Our financing strategy

Philippe Calavia
CFO of Air France
VP Finance of Air France-KLM

Frédéric Gagey
CFO of KLM

Financial organization aligned with the Group's structure

Two separate finance departments and policies…

- Leverage each company's assets
  - Positioning in their local financing and banking markets
  - KLM's access to Export Credit financing (Exim, ECA)
  - Air France's strong balance sheet
  - Expertise of both teams

- Each management retains responsibility for:
  - The balance sheet structure
  - And financial risk management

…but with strong co-ordination at top level…

- Main financial guidelines defined by the Strategic Management Committee
  - Group financial targets defined by the SMC
  - Fuel, currency and interest hedging policies defined by the SMC Risk Committee
- Margin for decision at team level
  - Capitalise on expertise
  - Create a stimulating environment for the teams

…and at team level

- Monthly meetings between the treasury teams
  - Review of exposures, hedging and investments
  - Review of counterparts

- Development of best practices
  - Air France launched a request for the proposed implementation of a European cash-pooling system for 16 Western European and six Central European countries to mirror KLM’s centralised cash management organisation
  - Introduction of a card manager at Air France
  - Joint negotiation on credit cards

AIR FRANCE KLM

Cash and risk management

We have a prudent approach to cash management

- Objective: liquidity and availability of our investments
  - Short term maturity
  - Invested in money market/bank market with at least A-1/P1 rating
  - Primarily invested in variable rate in order to hedge the variable debt

- A comfortable cash position of €3.4 billion ….
  - Air France: €2.3 billion of cash in hand as at 30 June 2005
  - KLM: €1.1 billion of cash in hand as at 30 June 2005

- …reinforced by combined credit facilities of €1.7 billion
  - Air France: renewal in February 2005 of a €1.2 billion credit facility at enhanced terms
  - KLM: new treasury facility of €540 million in August 2005

A common strategy of limited exposure on debt

- Low currency exposure on debt
  - Air France gross debt: 93% in euros and 7% in USD
  - KLM gross debt: 80% in euros and 14% in USD

- Limited floating interest rate exposure

In €bn

Cumulated gross debt	8.8
Cumulated floating debt	4.4
Swaps	(1.5)
Investments	(2.6)
Net floating rate exposure	0.3

A similar approach in capex hedging strategy

- If the investment program remains significant...

In $bn	2005-06	2006-07	2007-08	2008-09	2009-10
Aircraft investment	1.5	1.0	0.8	0.8	0.6

- ... the hedging program has been reinforced to take advantage of US dollar weakness

In $bn	2005-06	2006-07	2007-08	2008-09	2009-10
Hedged amount	1.4	0.8	0.7	0.6	0.3
Average minimum rate	1.20	1.18	1.24	1.25	1.27

Active management of the currency exposure on operating activities

- Net operating exposure
  - US dollar: short position
  - Other main currencies (e.g. GBP, JPY, CHF): long position

- Common principles
  - Central cash management of the main currencies
  - Hedging of the net exposure only
  - No trading
  - Use of IFRS compliant tools

Air France-KLM (in bn)	USD	GBP	JPY	CHF
Exposure	(2.1)	0.6	60	0.3
Hedged ratio	68%	53%	39%	28%
Average hedged level	1.26	0.70	129.4	1.51
Instruments	Options & forwards	Options & forwards	Options & forwards	Options & forwards

Fuel hedging: a harmonized strategy adapted to each company

	Air France		KLM	
Horizon	4 rolling years		3 financial years	
Hedge ratios	0-12 months	60-90%	Current financial year	50% min
	12-24 months	40-60%	Financial year +1	25% min
	24-36 months	10-30%	Financial year +2	5% min
	36-48 months	0-20%		

Systematic hedging strategy

	Air France	KLM
Underlying	Brent Gasoil Jet (30% over the 12 first months)	100% in Jet
Instruments	Swaps Options	Swaps Options

Diversification of underlying
IFRS compliant transactions

An efficient fuel hedging policy

	2004-05	2005-06	2006-07	2007-08
Consumption hedged	69%	83%	57%	33%
Jet fuel market price* (in $/t)	$440	$631	$679	$657
Brent market price* (in $/bl)	$42	$61	$64	$62
AF-KLM final purchase price (in $/bl) (physical + hedging)	$35	$41	$51	$57
Hedging gains (in $bn)	0.47	1.38	0.96	0.39
Expense after hedging (in $bn)	3.34	4.43	5.57	6.17

* Futures prices as at 23rd September 2005

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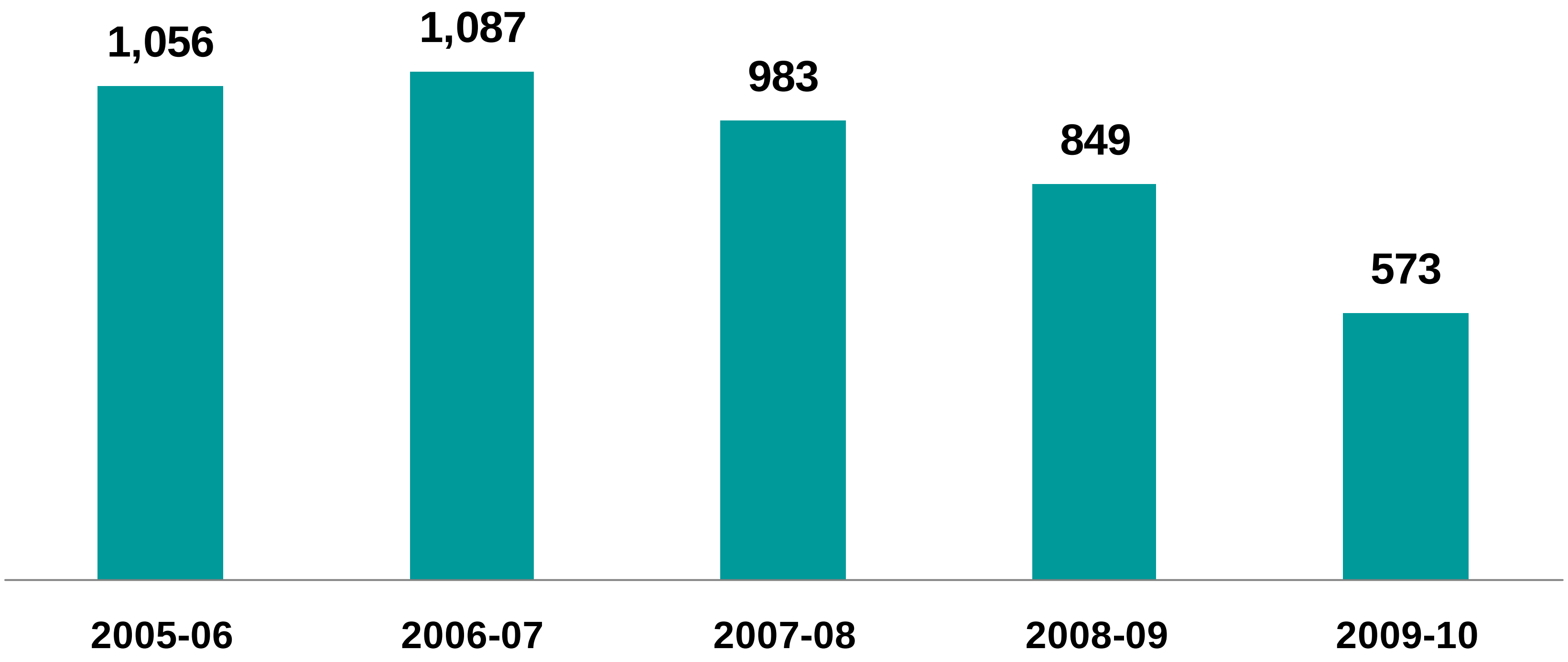
Financing policy

Debt repayment schedule

Financial debt repayment schedule (in €m)
as at 31 March 2005



An innovative financing policy…

Air France

- Revolving Credit Facility
- Financing of 2 B777-300ER under French tax lease
- 2005 Convertible Bond (€ 450 m)
- Real estate financing
- Financing of 2 Simulators (Canadian Export Credit)
- Final drawing of FRANs 2003 (securitization)

KLM

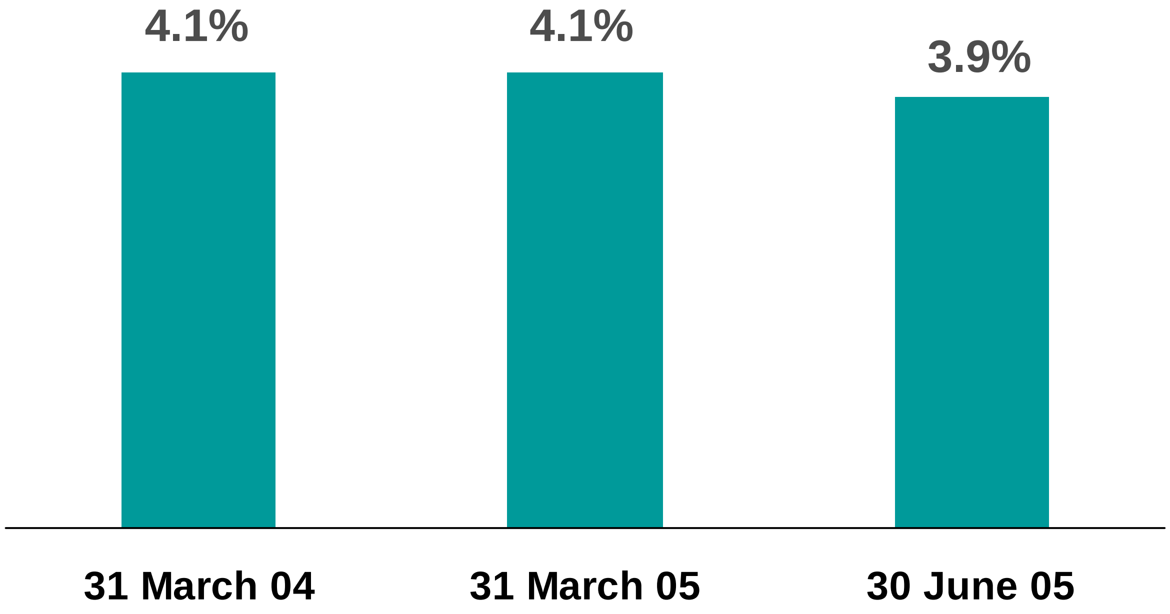
- May 2005: JOL for 1 B737
- July 2005: Real estate financing
- August 2005: Global ECA deal for 3+3 A330
- August 2005: Credit facility

…based on the diversification of financial sources…

	Capital market	Bank market
Secured	+ KLM real estate + AF FRANs 2003 + Global ECA deal	+ KLM real estate + AF & KLM aircraft finance deals
Unsecured	+ AF 2005 convertible bond	+ AF revolving credit facility + KLM revolving credit facility

… leading to a low cost of debt

Air France-KLM weighted average cost of debt after swaps



Further opportunities on the markets

- Bank debt is currently attractive:
  - Strong activity in the market
  - Better perception of some new assets, if needed
  - Positive news coming out of commercial banks seeking to develop their activity, as well as funds for SLB transactions

- Tax-lease markets are under pressure

- Capital markets opportunities (e.g. FRANs 2003) are considered mainly in cases of large financing in a more difficult environment in order to benefit from a broader market base

To sum up

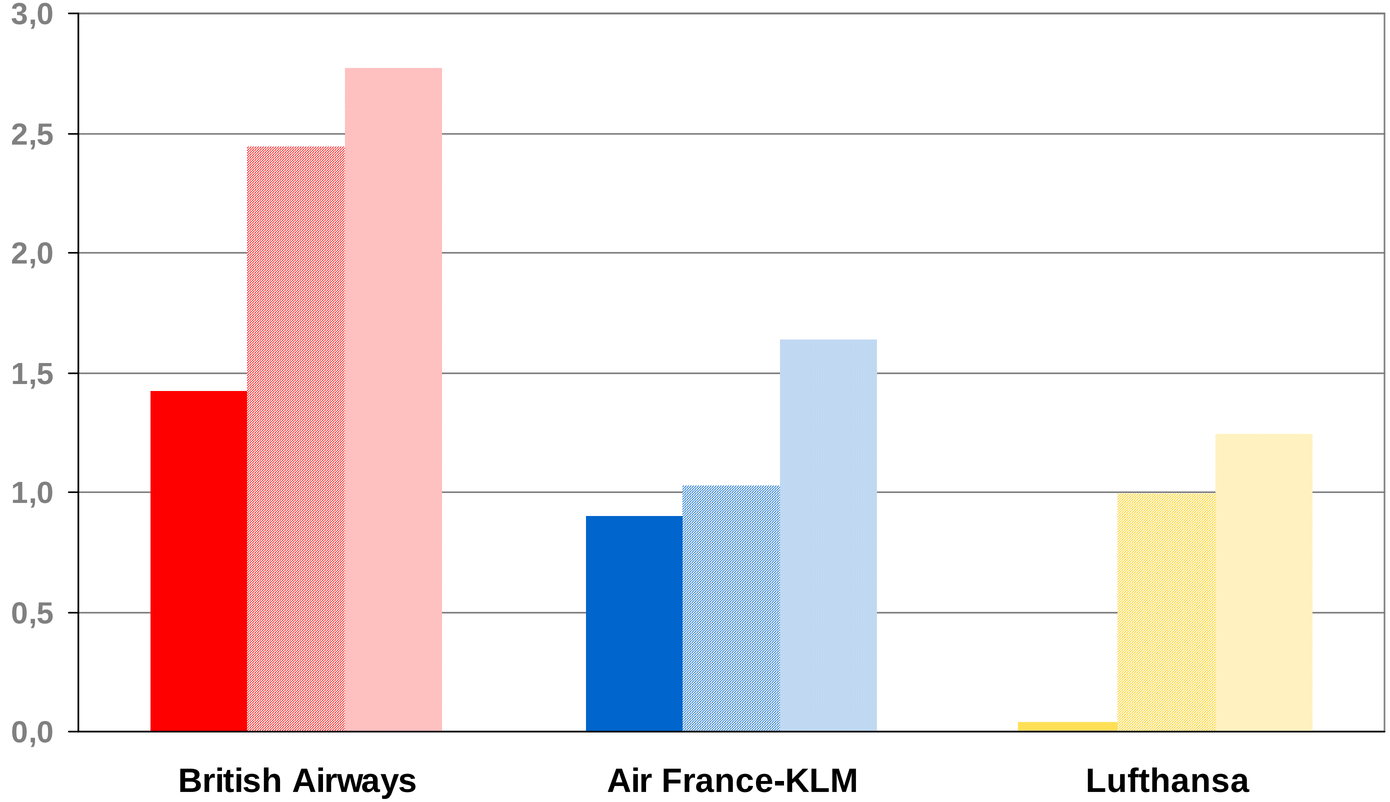
Fleet capex: investing in our future competitiveness

- A necessary acceleration in our fleet renewal programme
  - Aging and costly fleet in the new oil price environment
  - Substantial operating costs improvement in the years to come
- Debt market conditions and current dollar level reinforce our decision to accelerate fleet renewal
  - Benefit from both weak level of dollar and our access to good credit conditions
- Timing also helped by good operating cash flow prospects and Amadeus proceeds
  - Cash flow generation sustained by current strong activity levels
  - Amadeus: over €800m cash before tax

Comparative financial structures

As at 30 June 2005

- net on-balance sheet debt / shareholder's equity
- net on-balance sheet debt + pension obligations / shareholder's equity
- net on-balance sheet debt + pension obligations + capitalised operating leases (6x) / shareholder's equity



Financial structure

- We are comfortable with our current financial structure…
  - Financial debt
    - Gearing < 1 ahead of target
    - Further reduction in gearing with Amadeus operation
  - Operating leases: ~1/3 of the total fleet
    - Essential to maintain operating flexibility
    - Manage dollar exposure

- …which gives us access to favourable financing conditions
  - Proven ability to negotiate favourable financing conditions
    - OCEANE: 2.75%
    - Credit facilities: EURIBOR + 21 bp and 35 bp margins
  - Total weighted average cost of debt: ~3.90%

Conclusion

- A comfortable cash position
- An improving gearing ratio
- An access to favourable financing conditions
- An efficient financial risk management policy

Passenger activity

Bruno Matheu
EVP Marketing & Network of Air France

Paul Gregorowitsch
EVP Commercial of KLM

What's the best way to run a network carrier?

Cost-driven?	OR	Growth-driven?
Reducing capacity and downsizing network		Increasing capacity and developing network
Reducing attractiveness of network and schedules		Enhancing attractiveness of network and schedules
Reducing critical mass and market positioning		Increasing critical mass and market power
Commercial risks increased with outsourcing		Lower dependence on external service providers
Limited and costly rebound ability in upturns		More sensitive in case of downturns

Of course, neither suffices by itself…

Cost-driven strategy

Deliver short term results
but difficult to sustain over
the longer term

Growth-driven strategy

Uncontrolled growth
likely to lead to drifting costs

…profitability is a two-sided equation

PROFIT = REVENUES - COSTS

Air France-KLM: a profitable growth strategy

- On the revenue side
  - Targeted and flexible capacity development
    - Respond to demand on growing markets
    - Adapt to costumer behaviour and expectations
  - Critical mass on the major markets
    - Maintain pricing power
    - Contain competition from new entrants
  - Efficient Pricing and Revenue Management

- On the cost side
  - Productivity via scale effect
  - e-services
  - Simplified processes
  - Cost-efficient fleet

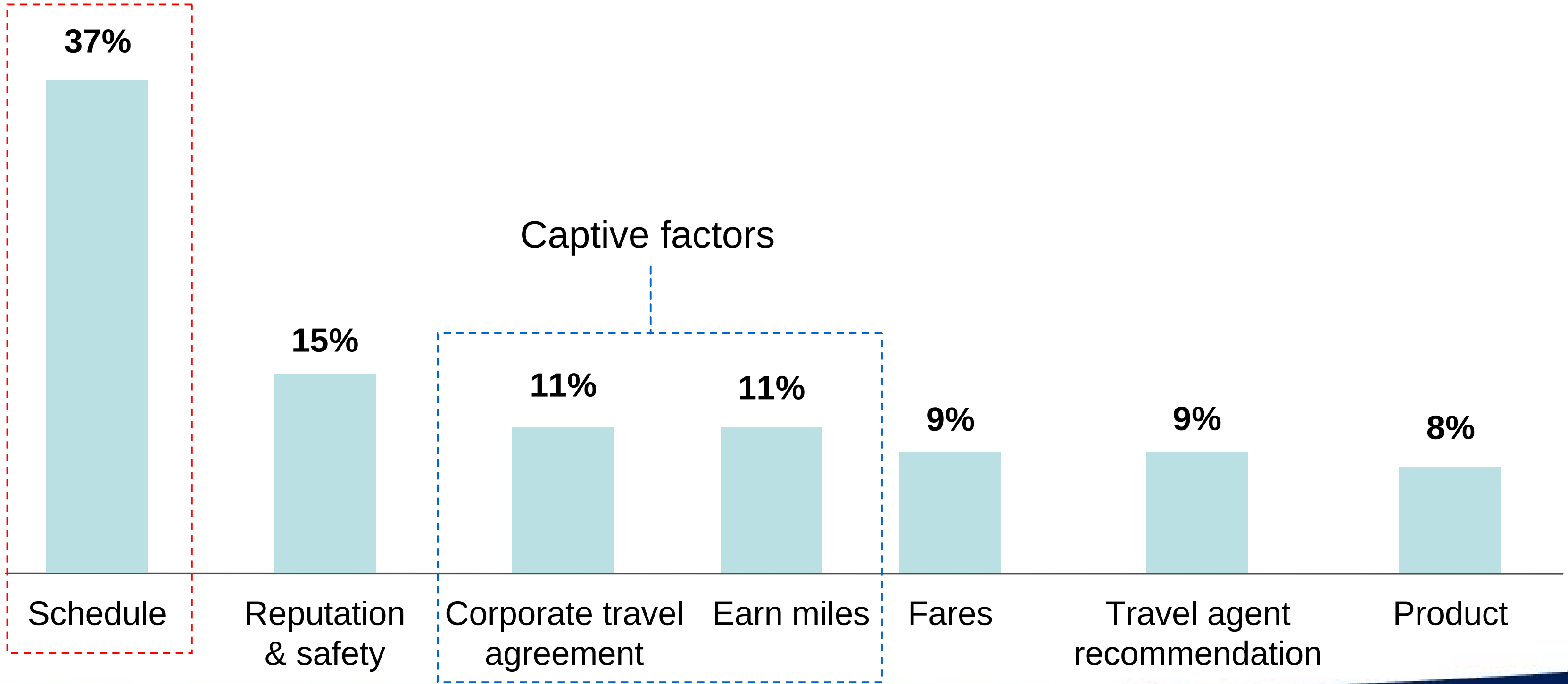
Example: Air France medium-haul product

- 2003-04: a loss of over 100 million euros
  - Air France launched a plan not only to reduce costs but also to increase revenues
    - Aircraft layout optimization
    - Simplification of the catering
    - Reduction in the cabin crew
    - New fare grids
- 2004-05: losses almost halved
  - Launch of new actions following the Air France-KLM combination
    - Network restructuring on less dynamic routes and development on growing markets
- 2005-06: return to profitability

Importance of our dual brand strategy

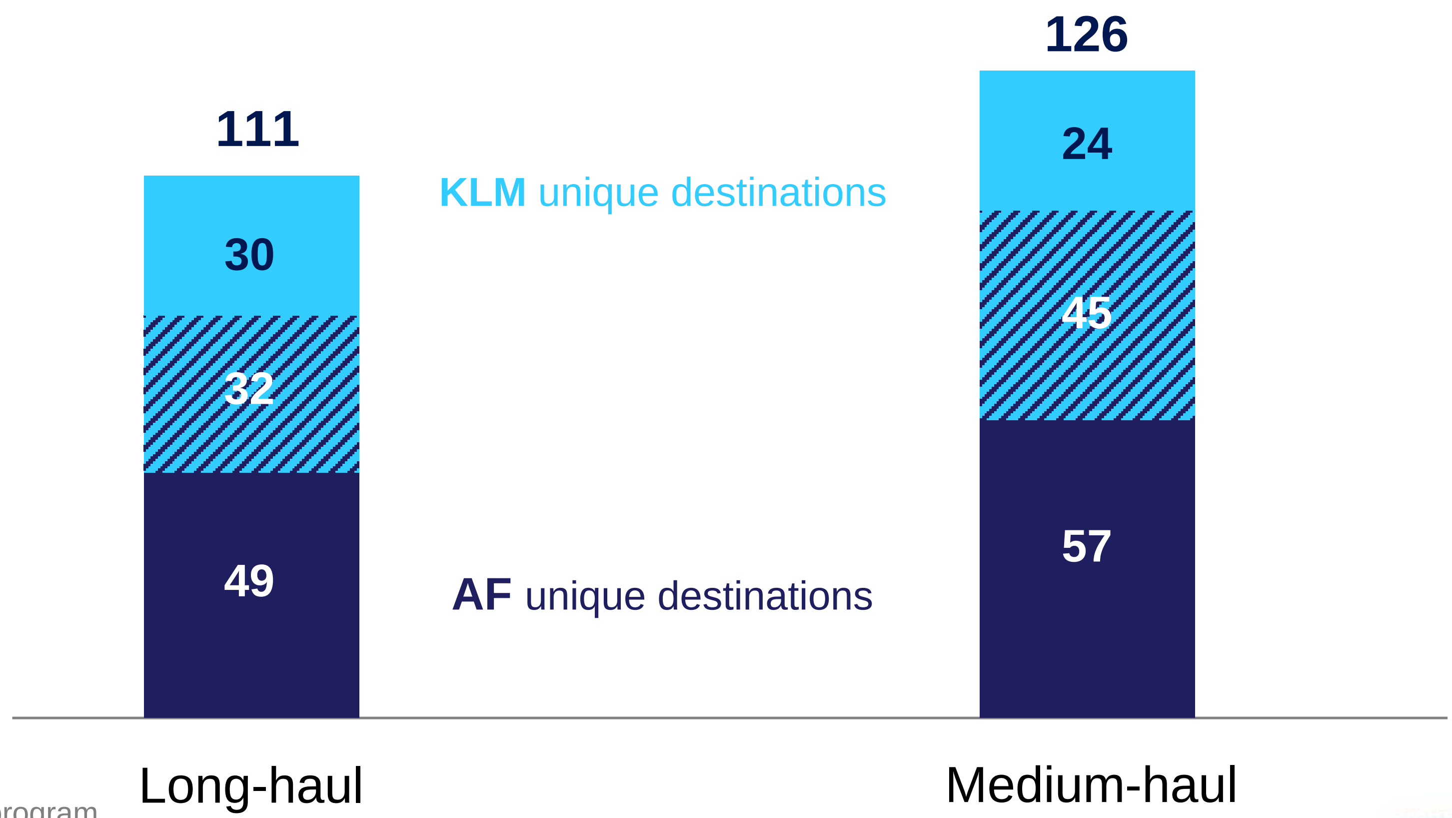
Why do customers choose Air France or KLM?

- On-board surveys show that the dominant criteria is schedule
  - Especially for our customers travelling in Business and First Class
- But captive criteria are second with 22%
  - Corporate travel agreements and frequent flyer program



Air France-KLM: the best of two networks

Combine two highly complementary networks to offer the greatest choice of destinations and schedules



Summer 2005 program

One prerequisite:
linking both domestic markets to both hubs

- Link the Air France and KLM hubs through a dense and well structured schedule between Paris and Amsterdam:
  - 15 flights per day
  - Up to one every 30 minutes during peak hours

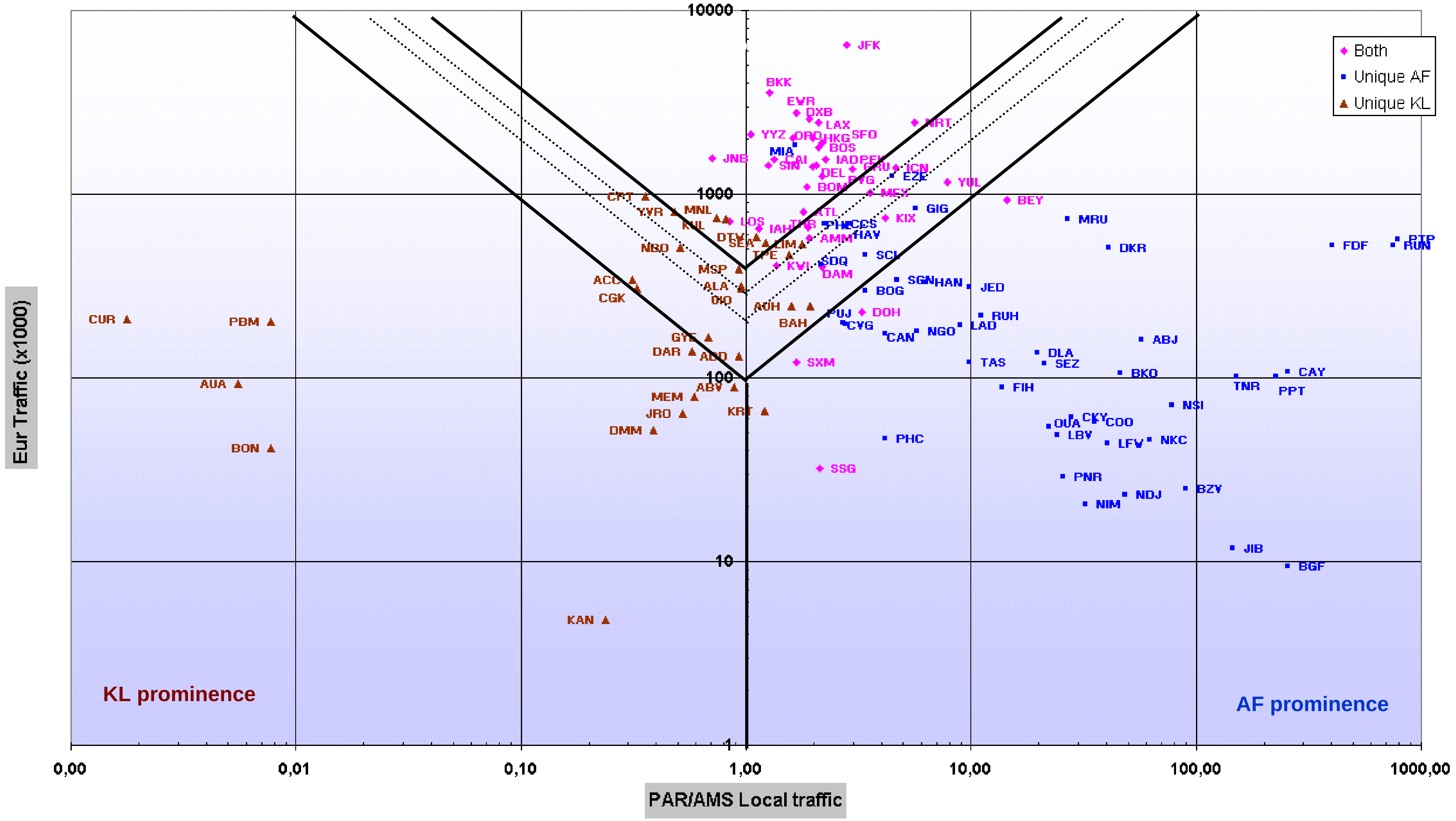
- Open up Air France and KLM's markets to each other:
  - Direct flights between Amsterdam and Lyon, Bordeaux, Marseille, Nice, Toulouse, Clermont-Ferrand
  - CDG-Eindhoven to be launched (Winter 05)

Two key principles

- Thin long-haul flows concentrated on one hub
  - A single daily flight from one hub is more efficient than non-daily flights from both hubs
  - A single non-stop flight from one hub rather than indirect flights from both hubs
- Large flows served from both hubs
  - When flows are large enough, it is better to serve both catchment areas (Amsterdam and Paris) and to take advantage of the two feeding networks

Leveraging the complementarities of networks

Europe ➔ Long-haul flows



Thin flows: specialization and rationalization

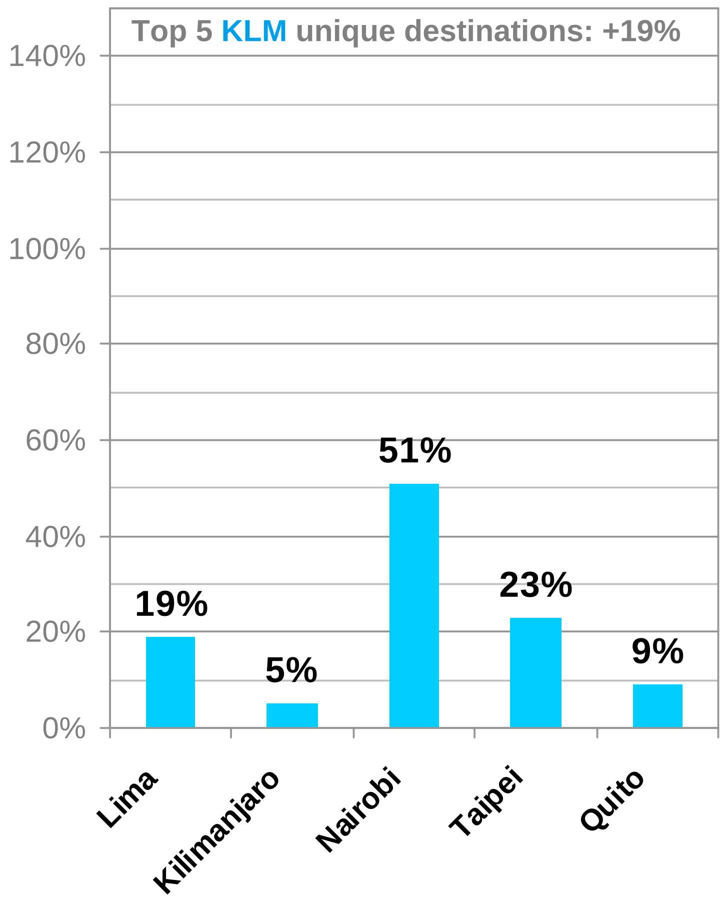
- Caracas is now only served by Air France on a daily basis with a larger aircraft (B747-400)

- Manila is now only served by KLM on a daily basis (B777-200)

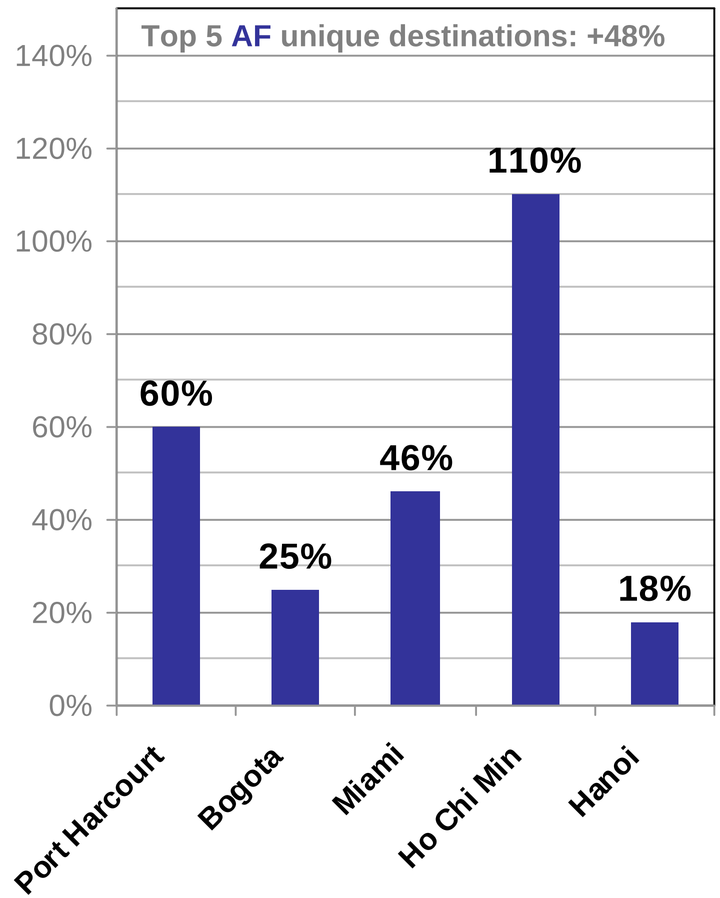
- Jakarta is only served by KLM on a daily basis

Thin flows: take advantage of both natural markets

KLM traffic revenues generated on the French market

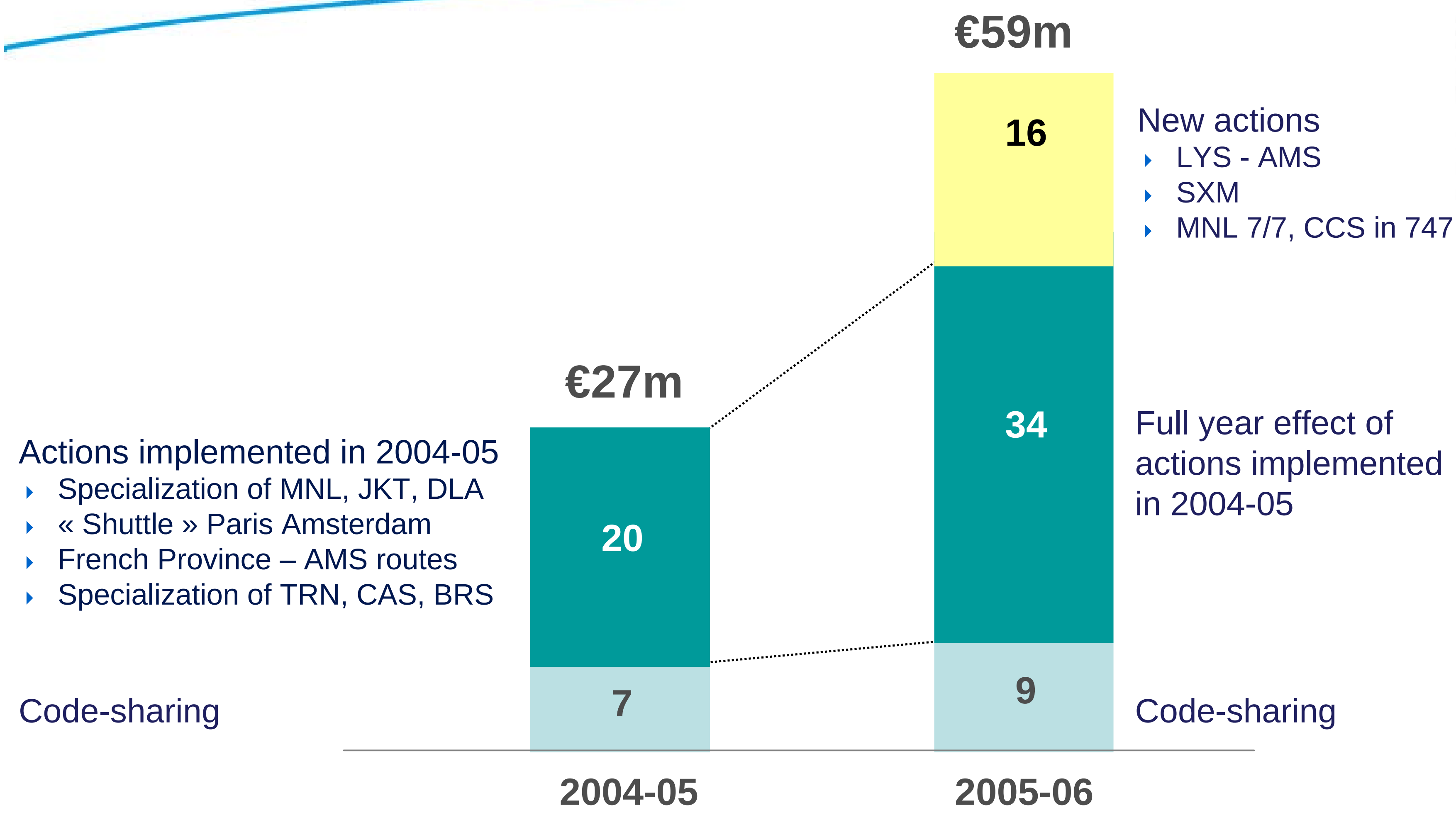


Air France traffic revenues generated on the Netherlands



2nd quarter 2004-05

Actions which generate additional revenues

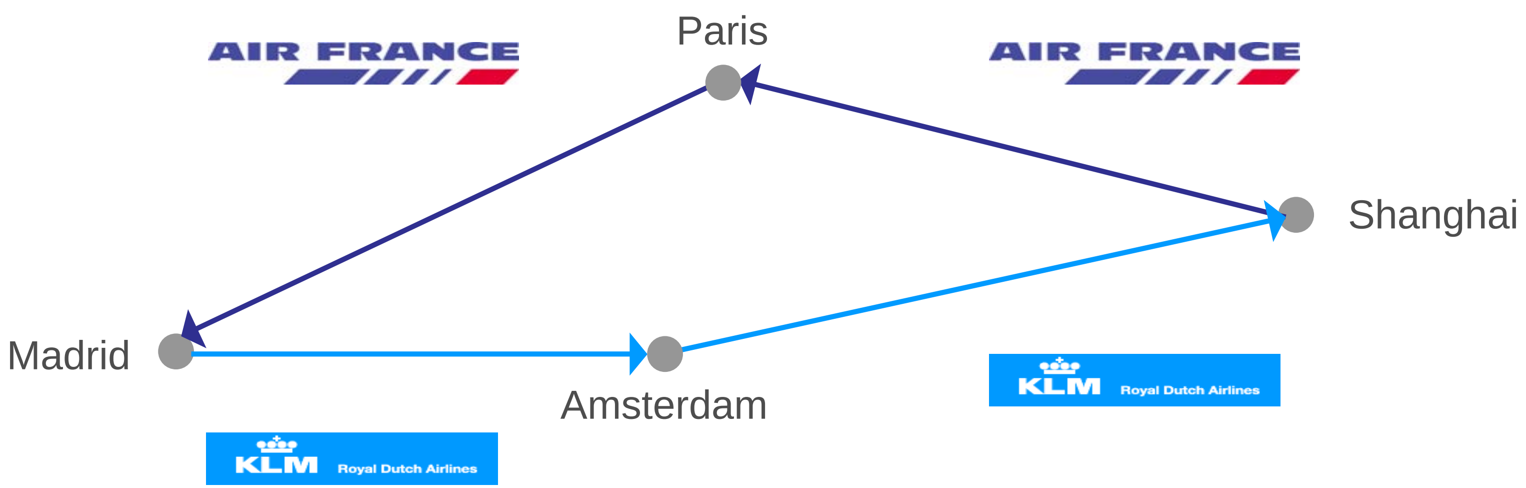


Excluding gains from fare combination

Large flows: strengthen our competitive position

- Offer non-stop flights from both hubs for local traffic
- Offer customers a wider choice of schedules and fares thanks to:
  - Differentiated timings
  - Fare combination
    - Enabling passengers to travel on an origin-destination by flying on one of the 2 airlines on the outward journey and the other one on the return
    - Fare applied = ½ return fare AF (or KL) + ½ return fare KL (or AF)

Fare combination optimizes the dual hub strategy



Outward Madrid-Shanghai

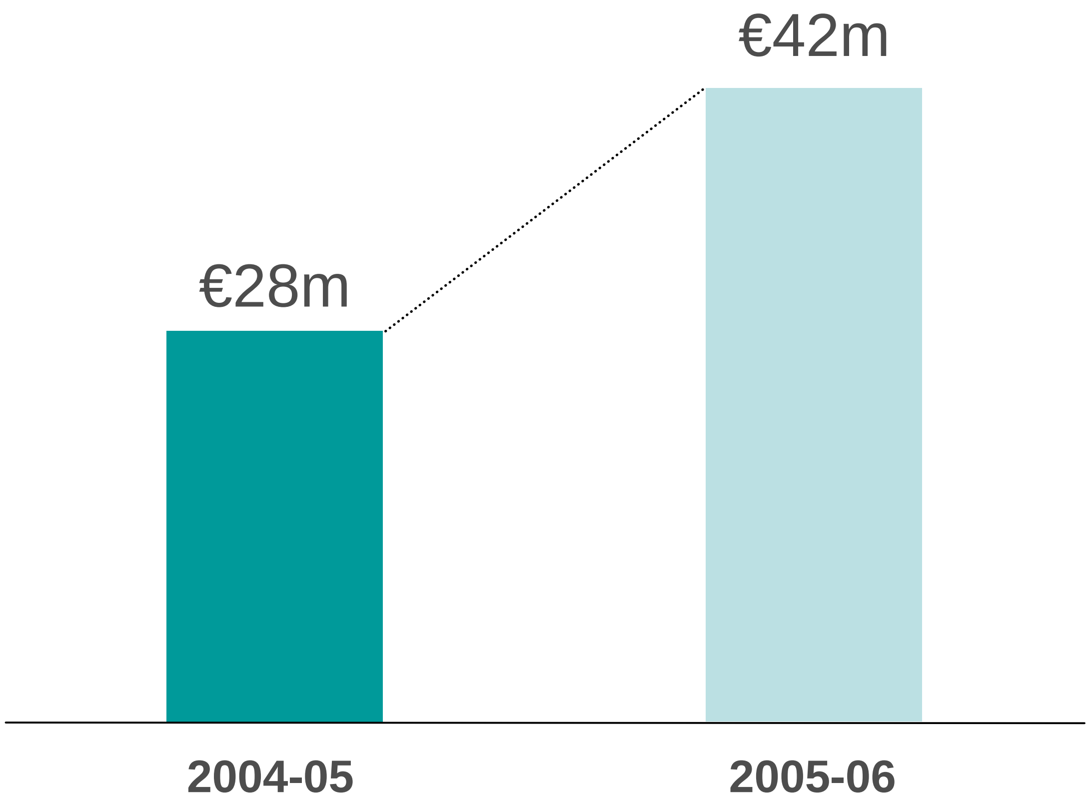
1	AF2001	MAD-CDG	20:25	22:30
	AF112	CDG-PVG	23:15	16:25+1
2	KL1702	MAD-AMS	12:50	15:35
	KL895	AMS-PVG	17:10	09:45+1

Return Shanghai-Madrid

1	KL896	PVG-AMS	12:15	17:40
	KL1707	AMS-MAD	19:40	22:15
2	AF117	PVG-CDG	23:55	06:00+1
	AF1000	CDG-MAD	07:15+1	09:20+1

Fare combination: a tool generating significant gains

Revenues net of variable and shifting costs



Flying Blue: consolidating the network

18,000 daily flights

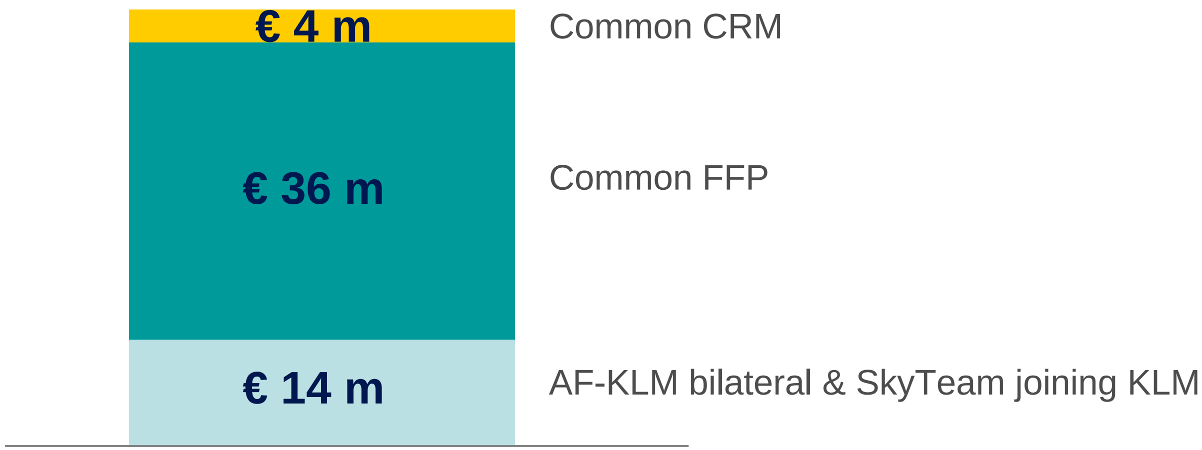
900 destinations

130 partners

10 millions members

Flying Blue: generating additional revenues…

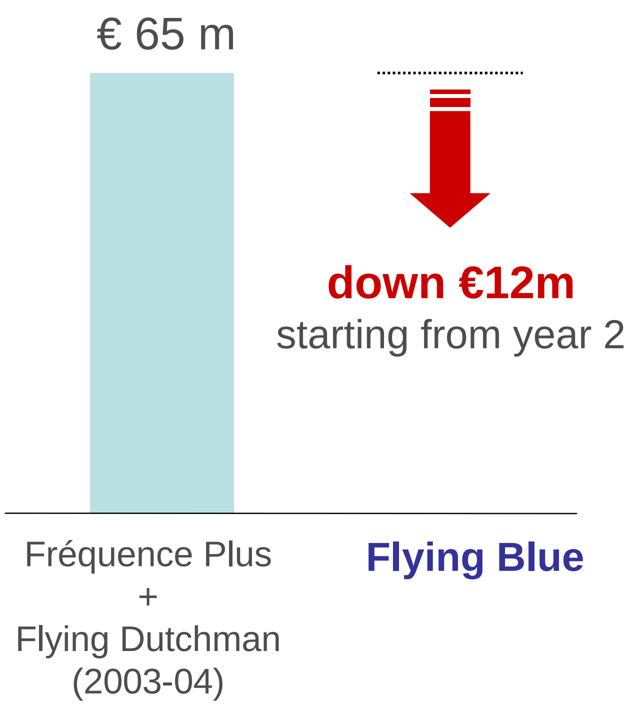
- By becoming the number 2 program on non-domestic markets, behind the local flag carrier
- By building a structure enabling the development of a common Customer Relationship Management (CRM)



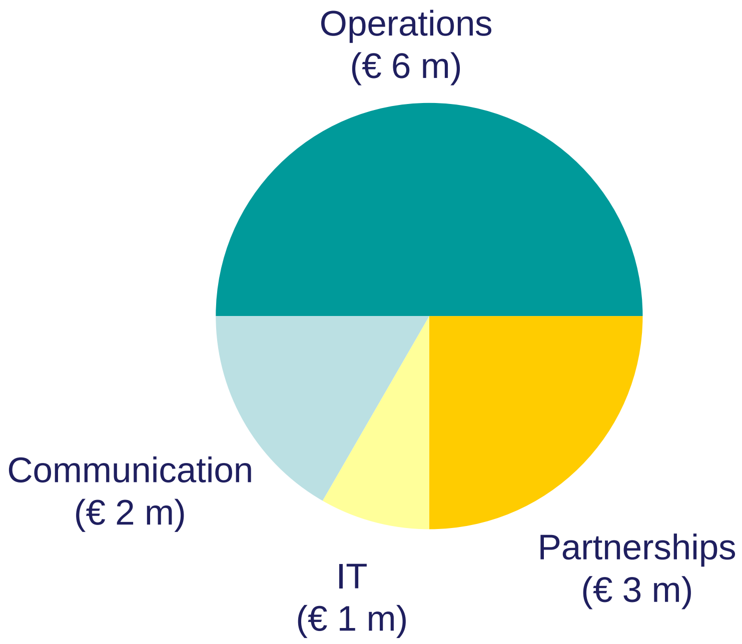
Breakdown of Flying Blue additional turnover

… and reducing management costs

Flying Blue cost savings



Breakdown of Flying Blue cost savings



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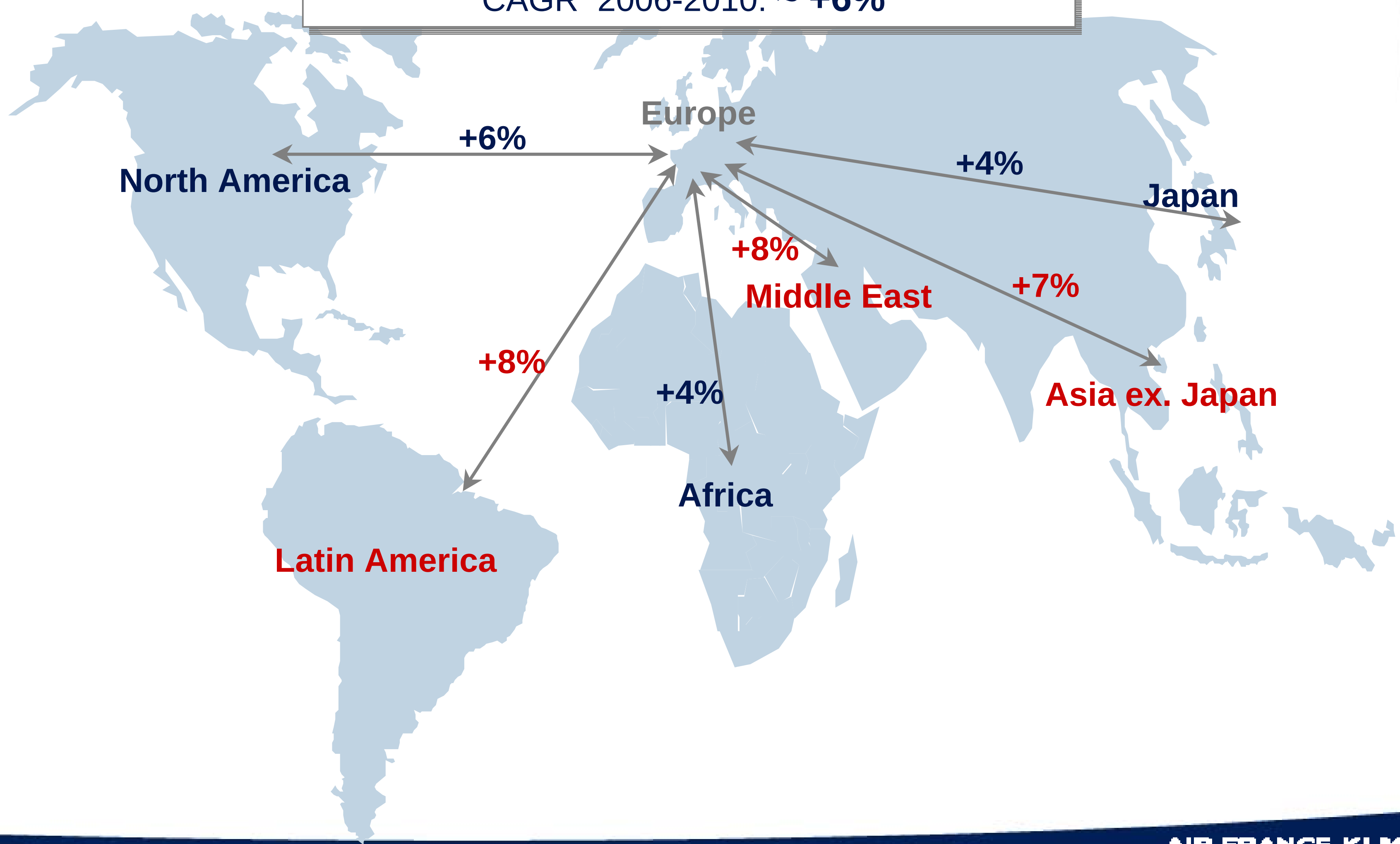
Where do we go from here?

Global demand remains buoyant and is evolving

Long-haul natural demand from/to Europe
CAGR 2006-2010: **~ +6%**



No excess capacity on long-haul

Capacity on Europe-long-haul routes
(2006-2010)

European airlines
+4-5% per year

International airlines
+6-7% per year

Sector Europe-long-haul
+6% per year

Air France-KLM: focus growth on dynamic markets

- Enhance our development on emerging and fast growing markets, drivers for future growth and profitability:
  - Asia
  - Latin America
  - Middle East
  - Eastern Europe

Air France-KLM growth plan
(CAGR 2006-10)

Long-haul	Medium-haul	Total
+5%	+2-3%	+4-5%

- Strengthen our positioning on niche markets:
  - Africa
  - Oil / Gas / Mineral extraction destinations (Dedicate)

- Continue our scheduling harmonization to enhance further dual hub development

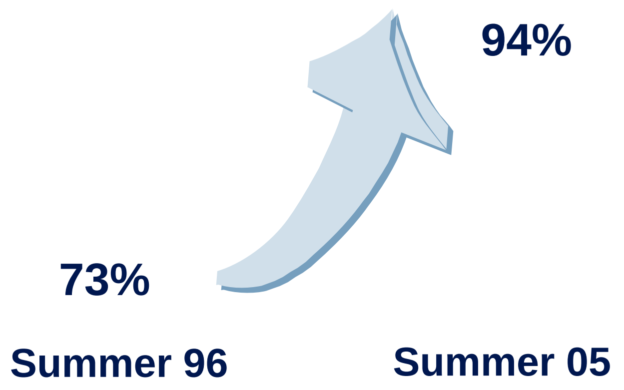
Profitable growth strategy: Example of Air France growth plan (1/2)

- Since 1996, Air France growth mainly through frequency increase…
  - Number of units: +71%
  - Number of seats: +46%
  - Number of frequencies: +82%

- …in order to improve the quality of its network

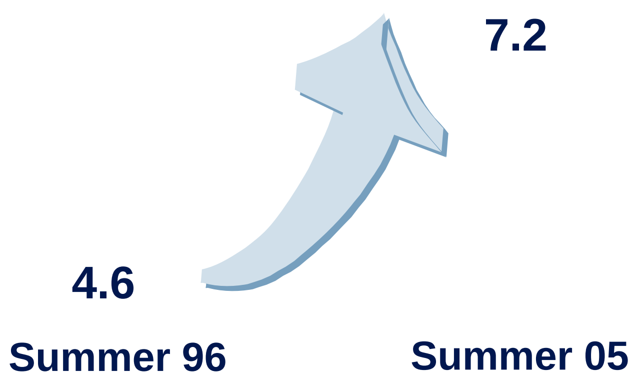
Simplify: more direct flights

(% of non-stop flights)



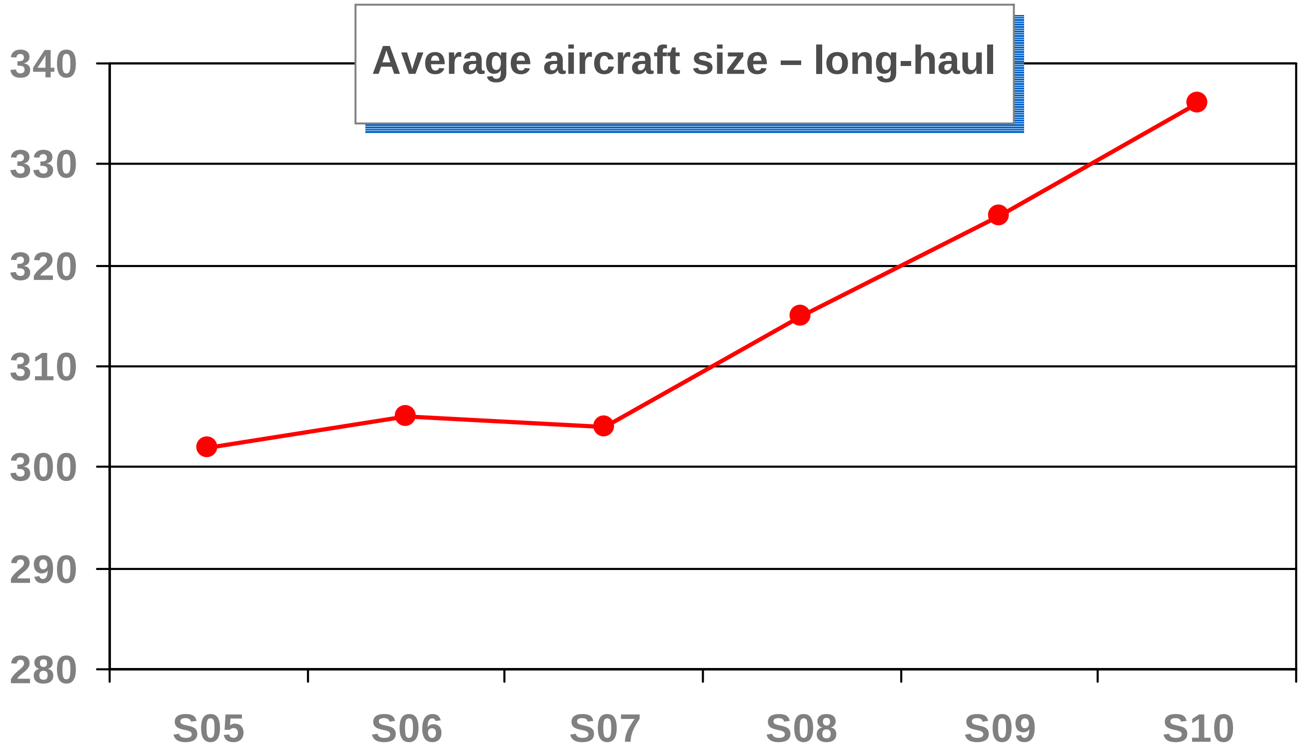
Densify: more frequencies

(average number of daily services per week)



Profitable growth strategy:
Example of Air France growth plan (2/2)

- In future years, growth will come from aircraft capacity rather than from new frequencies…
- …driving unit cost reduction with A380s and B777-300s



Fleet plan will generate future cost savings

	Fuel savings
B777-300ERs will replace the B747-300 on the AF network	26%
B737 Next Generation will replace B737-300s and 400s at KLM	8%
A380 fuel cost per seat vs. B747-400	15%
B777F will replace the B747-200F	31%

Our commercial priorities

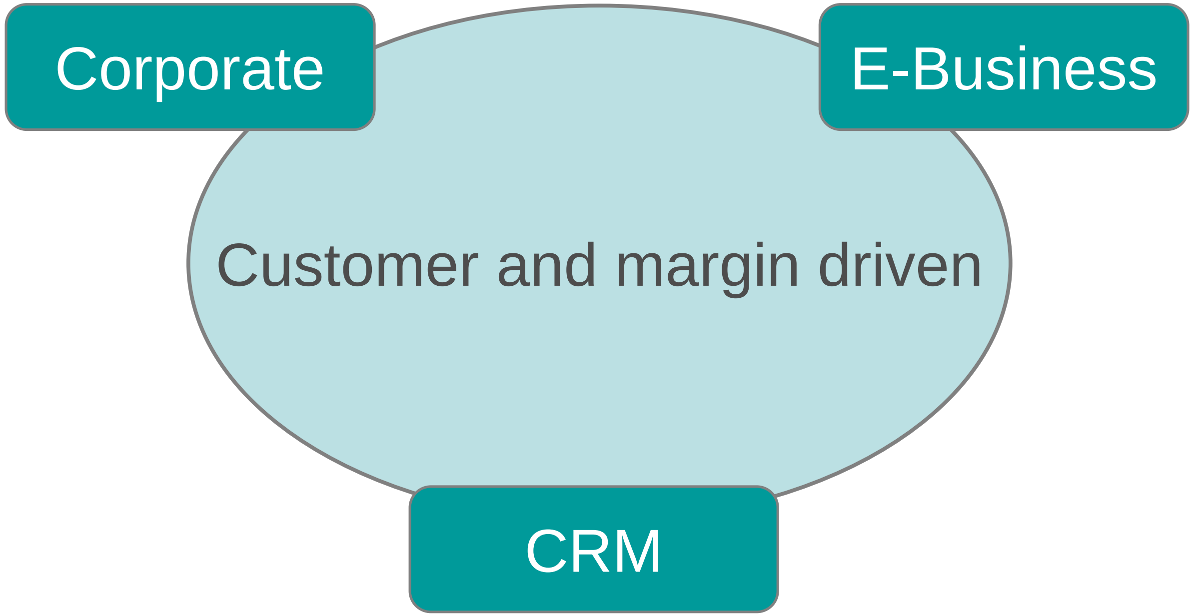
Paul Gregorowitsch
EVP Commercial of KLM

Air France-KLM commercial: our objectives

- Margin improvement in sales and services
  - Distribution model
  - Service model
  - Co-location of our sales forces
  - Joint purchasing

- Increasing our revenues
  - Using the strengths of the combined Air France-KLM group

Air France-KLM commercial: our key priorities



The market is undergoing major changes

Customers

- Price transparency / Best Buy
- Customer Empowerment (Demand for more control, self service, etc.)
- E-maturity

Technology

- Internet + E-Business tools (SBT, portals, etc.)
- Meta-search engines
- Wireless technology
- Altea Suite

Competition

- Low cost carriers
- TGV (high speed train)
- Alliances
- CRM developments

Distribution systems

- Deregulation USA/Europe
- GNE's (GDS New Entrants)
- Vertical integration (GDS - E-agents)

Agents

- Consolidation
- Business travel networks
- E-agents
- Vertical Integration (agent-airline)

Distribution is evolving

	Off-line	On-line
Direct	Call center ATO/CTO	KLM.com AF.com
Indirect	Traditional agents	E-agents

Our target:
to be at the forefront of the evolution in distribution

Today		
	On-line	**Off-line**
KLM	**15%**	**85%**
Air France	**9%**	**91%**

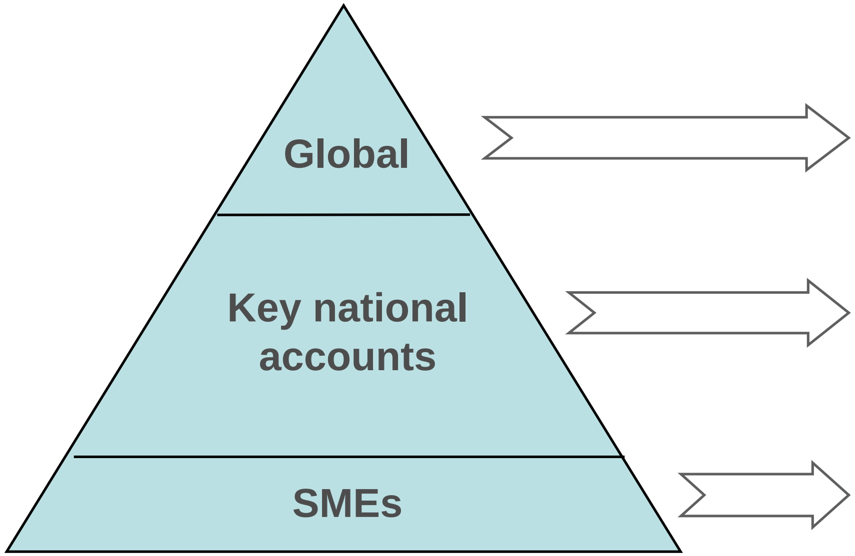
	Off-line	**On-line**
Direct	Call center ATO/CTO	KLM.com AF.com
Indirect	Traditional agents	E-agents

2009-10 target		
	On-line	**Off-line**
KLM	**40%**	**60%**
Air France	**40%**	**60%**

Note: shares are revenues shares

Our strategy on the Business segment

B2B



Integrated Global account department

Commercial contract policies and tools for national accounts

Enhanced offer for SMEs by a dedicated online B2B tool

Our Global Business approach

B2B

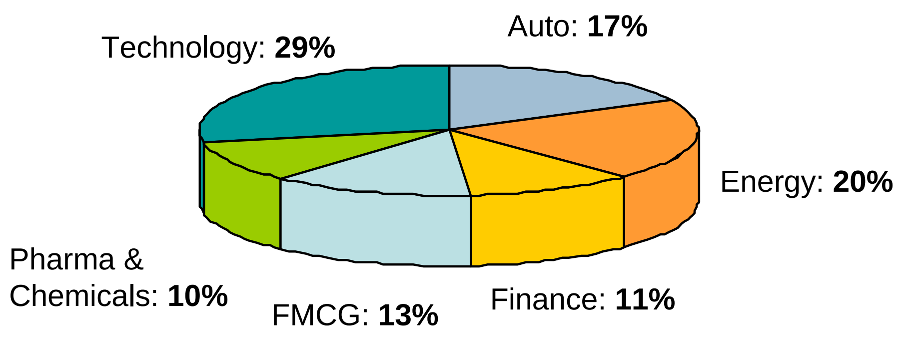
- One Face
- One Contract
- One Process

Our Global Business objectives

B2B

- Natural growth = +3.5%
- Air France-KLM and SkyTeam impact = +10% in 3 years
- Acquisitions = +5%
  + 80 new accounts on top of the current 142 accounts

Line of business split in revenue



Our strategy on the Leisure segment

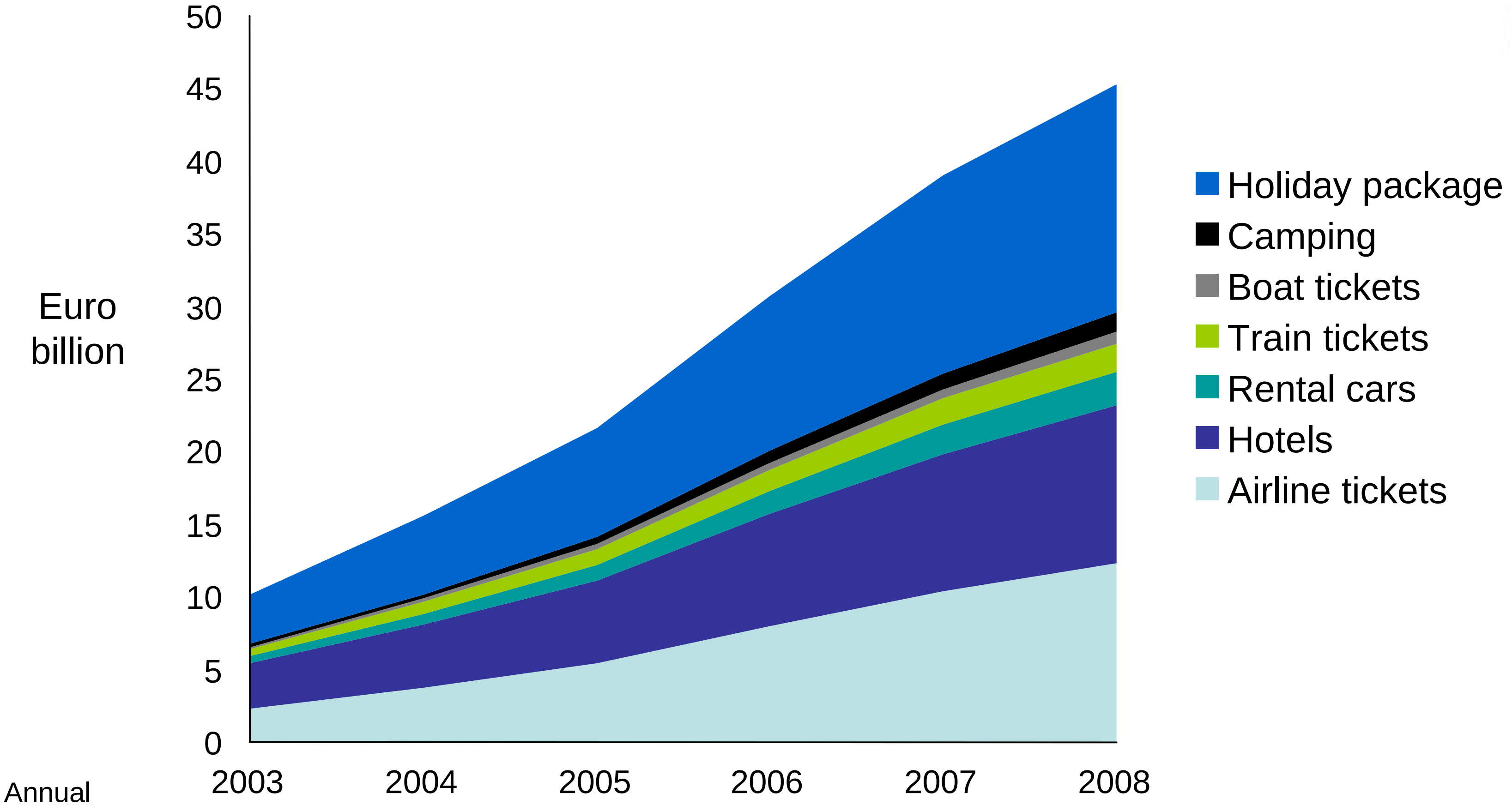
B2C

- E-sales
- Self-servicing for large volumes
- Positioning in low price segment
- Call centers

European online leisure travel: strong market growth

B2C

European online leisure travel spending will more than double from 2005 to 2008



Annual spending:	2003	2004	2005	2006	2007	2008
	€10.2bn	€15.6bn	€21.6bn	€30.7bn	€39.0bn	€45.3bn

Source: Forrester Research, Inc.

Mastering the relationship with the distributors is key

B2T

Major trends

- Travel agent consolidation
- Development of on-line e-agents
- Integration of e-agents with GDS
- Development of International Business Travel Centers

At the same time we aim to reduce distribution costs

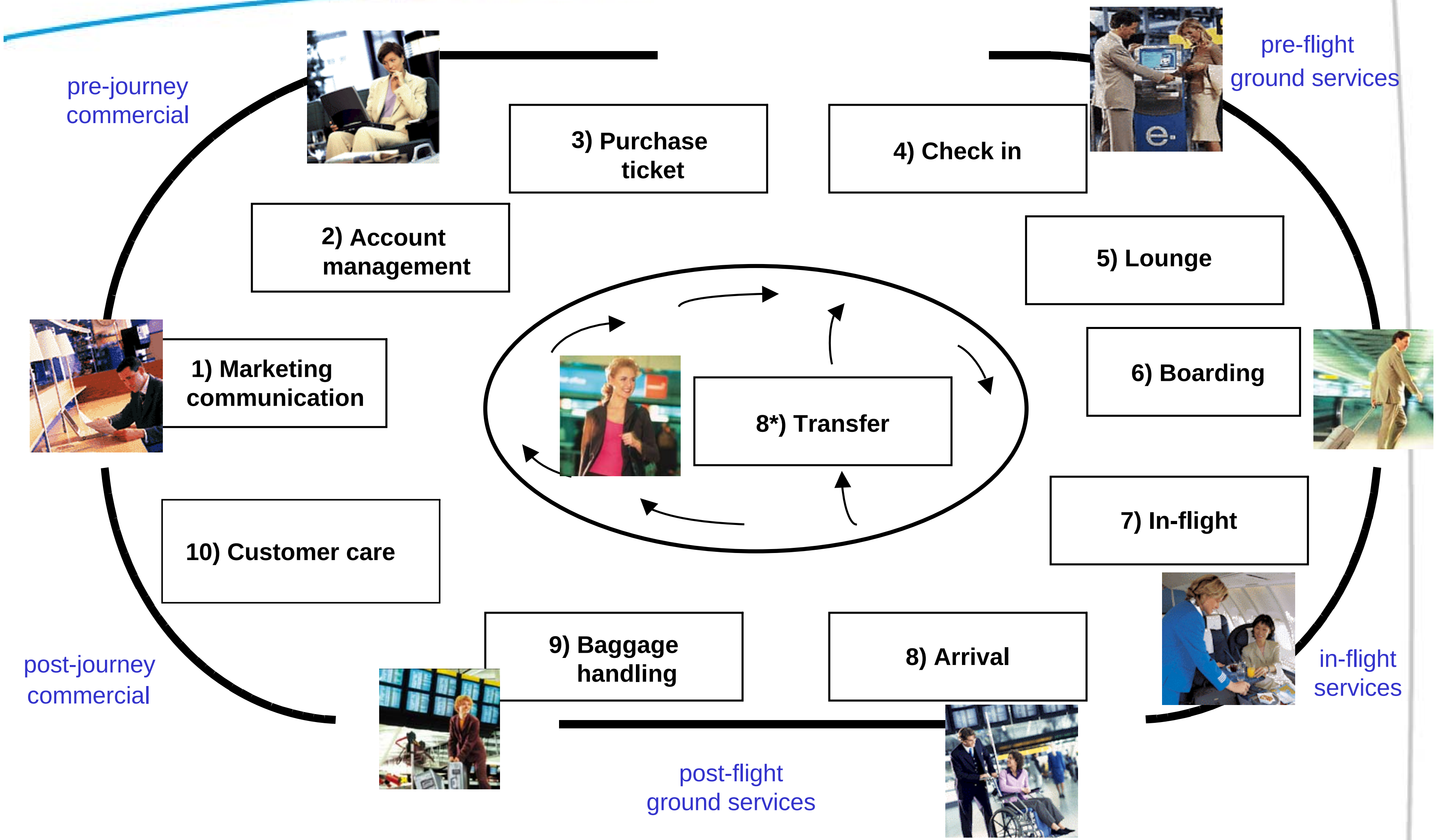
- Accelerate direct on-line channel shift
- Reduce GDS costs
- Reduce credit card costs
- Optimise incentives through joint contracting
- Support lower commissions
- Balance distribution costs reduction and revenue optimization

Customer Relationship Management: a key priority

- Every customer interaction drives our profitability

Flying Blue

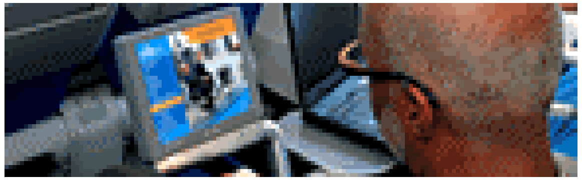
The customer interaction circle



CRM: KLM results so far...

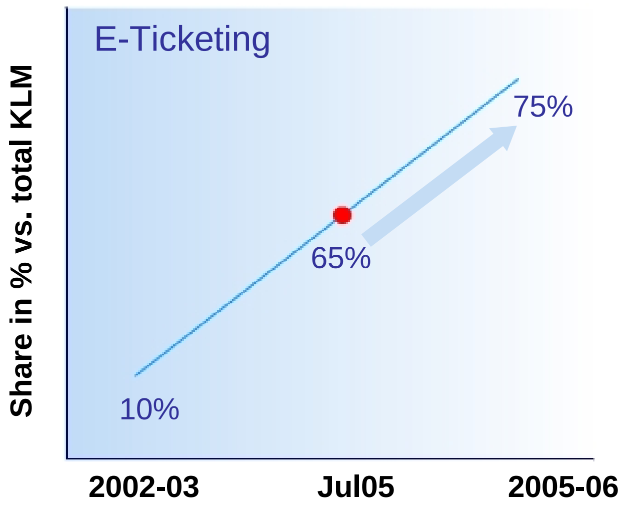
Known customers	+20%
Active members	+13%
E-mail address	+268%
FD revenue	+5%
Customer response rate	17%
Enrolment on board	+25%
Communication cost per member	-14%
Partners revenue	+37%

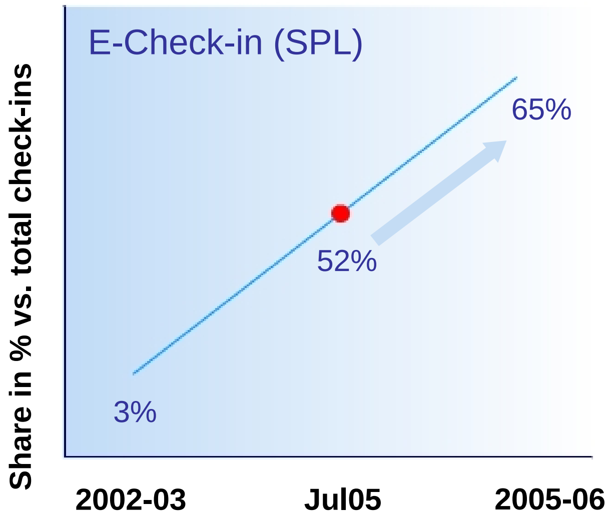
Product and Service development



Rapid rise in e-services

- Kiosks
- Internet check-in





Strong service culture

Customer focus programs for frontline-staff

Delivering commercial synergies

From co-ordination to harmonization...

- Over 50 co-locations by the end of 2005
- Alignment of our commercial policies
- Over 2,000 joint corporate contracts
- And 1,600 joint trade contracts
- Mutual representation in complementary markets
  - Air France representing KLM in 34 countries
  - KLM representing Air France in 21 countries

… towards integration

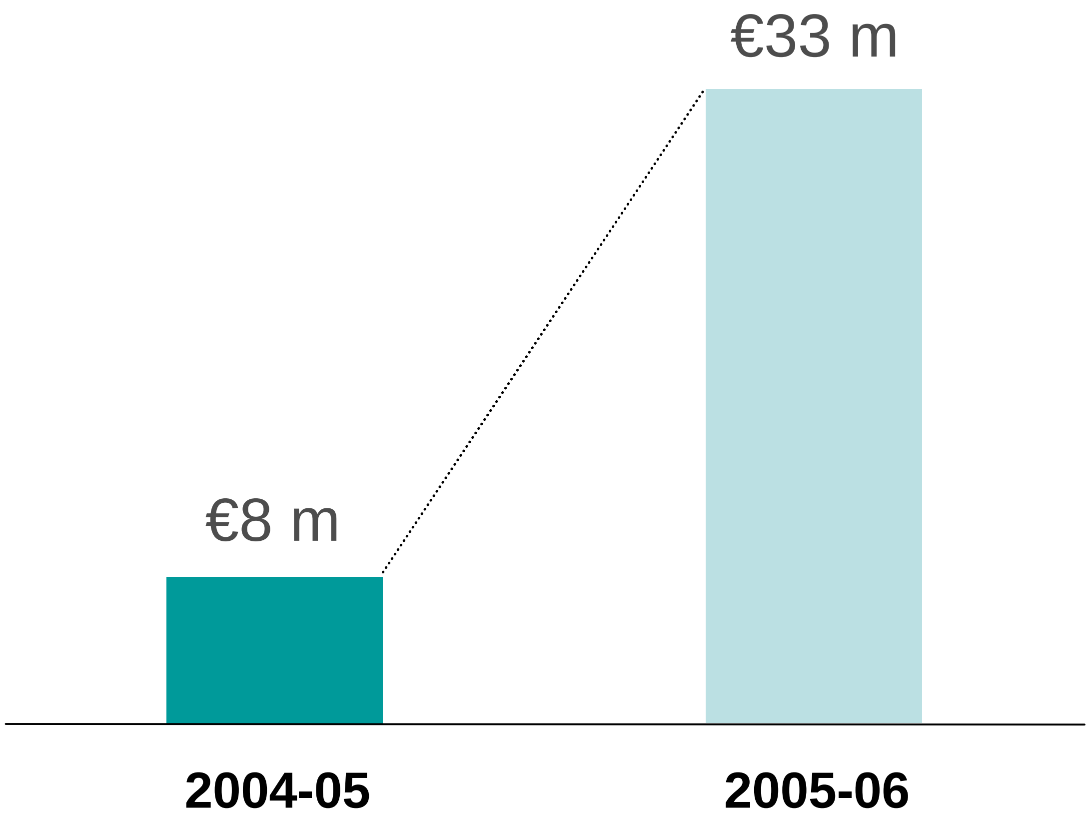
- A unique management structure for:
  - France and the Netherlands
  - Central and South America

- Initial results already show revenue and margin improvements

Joint purchasing: examples

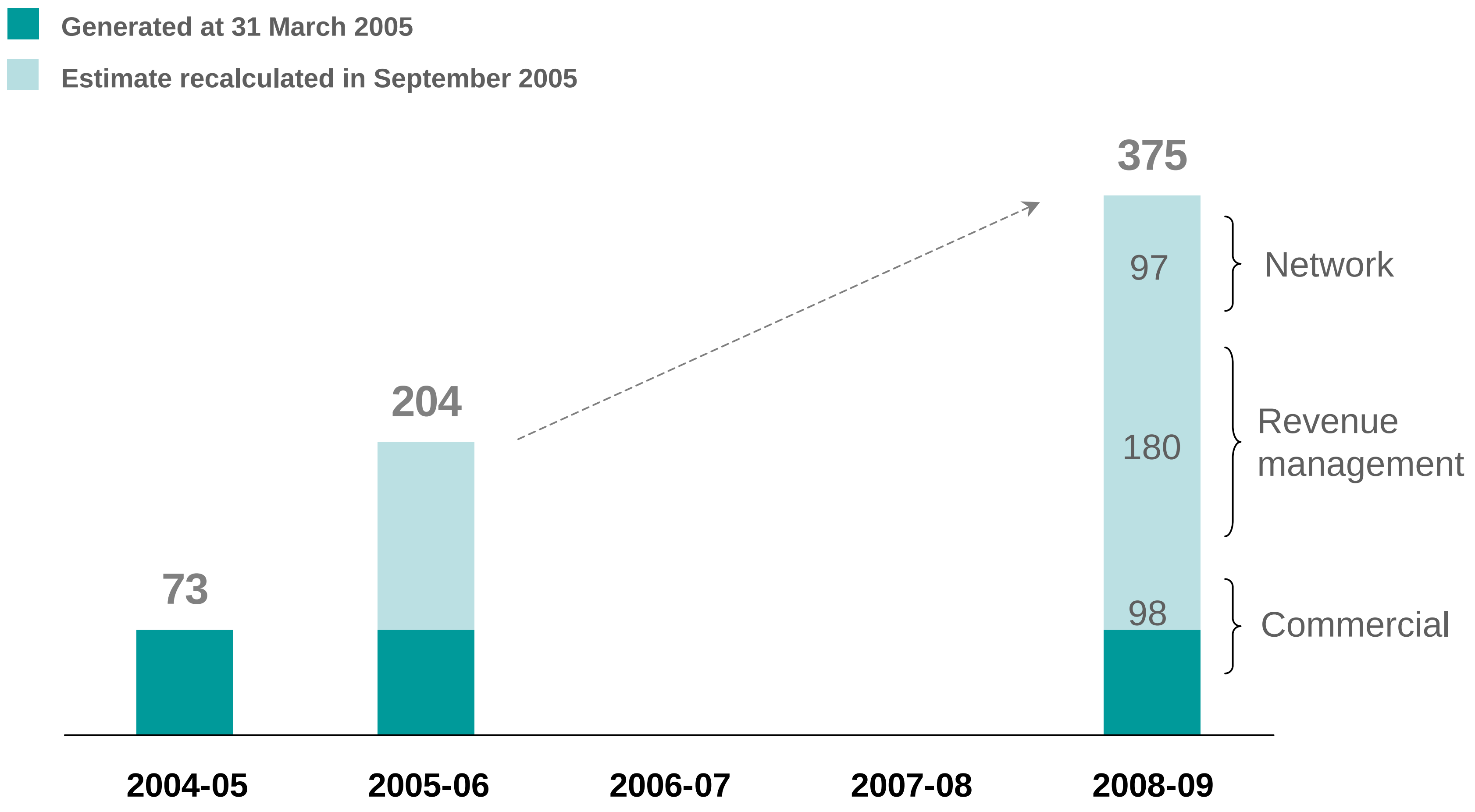
- Contracts for catering and crew hotels
- On-board products
- Ground handling by third party
- Co-location of airport and sales offices

Strong cost synergies in sales and services



Passenger activity: increased synergy prospects

Network, revenue management and commercial synergies (in €m)



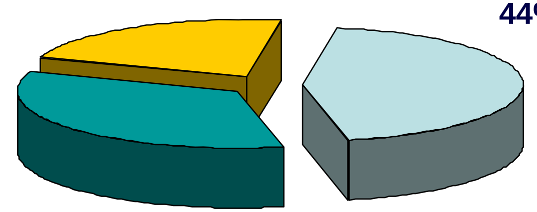
Engineering and Maintenance

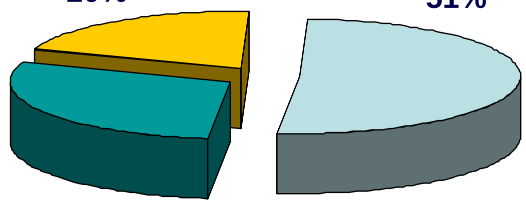
Alain Bassil
EVP Engineering & Maintenance of Air France

Peter Somers
EVP Engineering & Maintenance of KLM

Two major players

	KLM E&M (incl. KLM UK)	Air France Industries (incl. CRMA, Hangxin group)
2004-05 turnover	€861m	€1,814m
Third party turnover	40%	28%





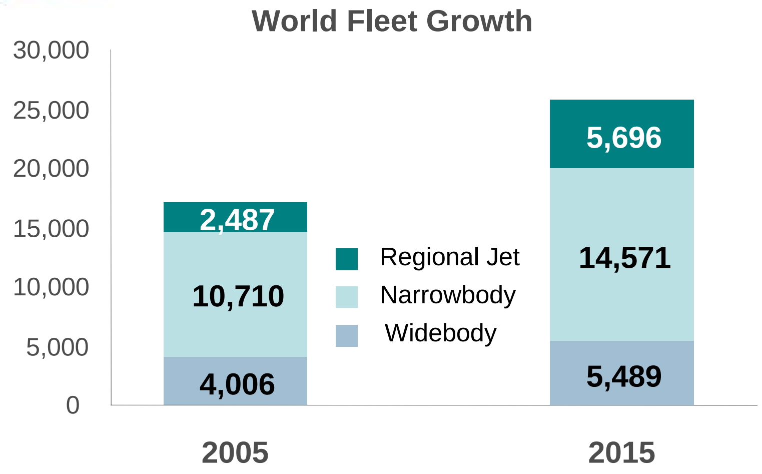
	KLM E&M	Air France Industries
Headcount	5,300 (incl. KLM UK)	10,650 (incl. 450 subsidiaries)
Plants	**Amsterdam** **Norwich** (UK)	**Roissy** **Orly** **Toulouse** **Le Bourget** **St Quentin** (CRMA) **Gandhzou** (Hangxin grp)

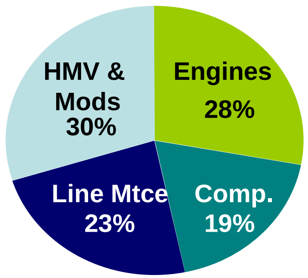
A dual mission

- To provide the Air France-KLM group with a competitive advantage in terms of MRO support
  - Safety, quality, availability and cost
- To be a significant player in the MRO market
  - Reducing cost
  - and generating profit

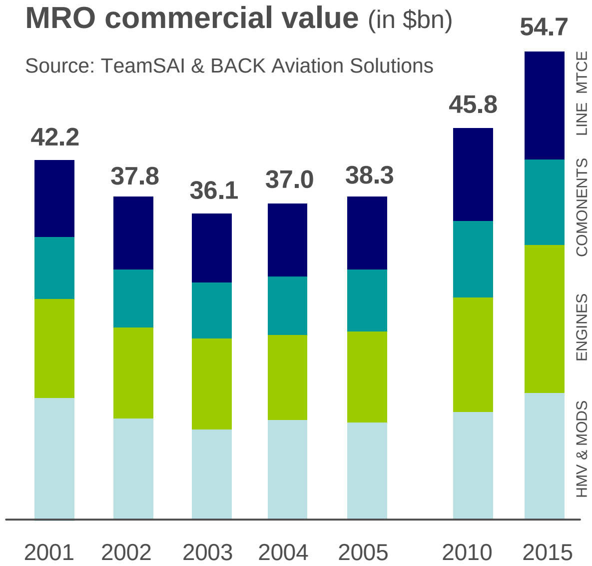
The MRO market

Shaped by continuous customer focus on value and cost





2005 MRO split



Airlines are more cost concerned

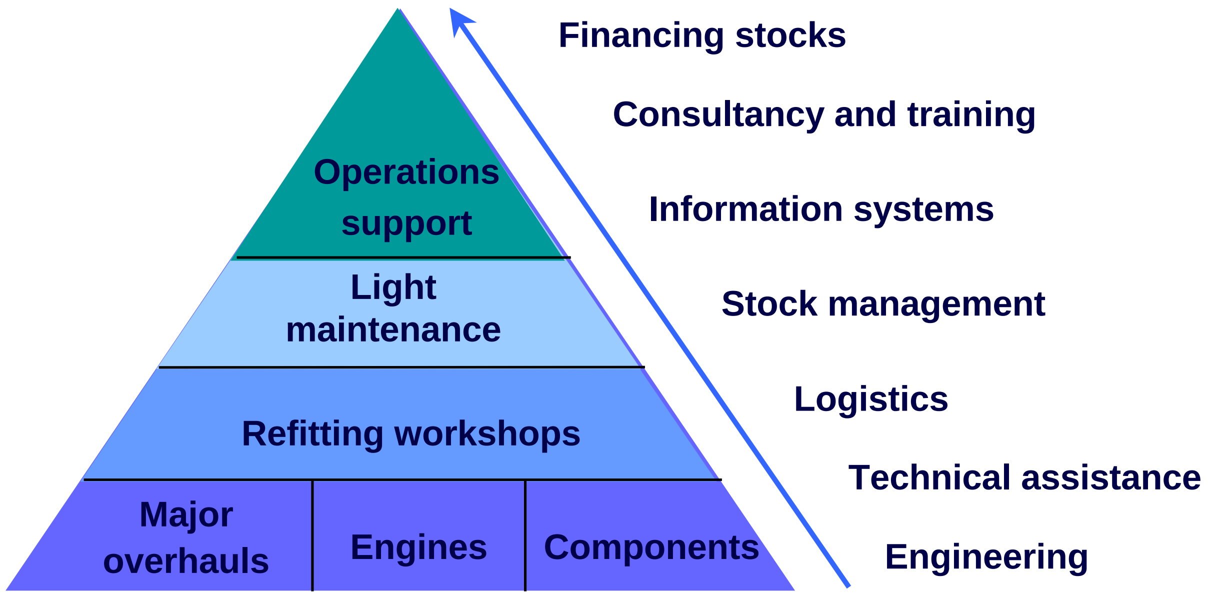
- Efficient new-technology fleets required to match fierce commercial competition in operations
- These aircraft need higher maintenance investments
- Enhancement by the airlines on core transportation business requires better maintenance performance
- Low fare & regional carriers phenomena

Suppliers are forced to evolve

- Increase in maintenance outsourcing
- Broader aircraft support capability: total care solutions & regional locations required
- Need for more innovative & flexible commercial agreements

The MRO market
Evolving expectations

- A growing demand for integrated services



- New service developments (e.g. e-business, engineering)

- Higher quality of service, cost and operational proximity

Air France-KLM engineering & maintenance

Positioned for today's challenges

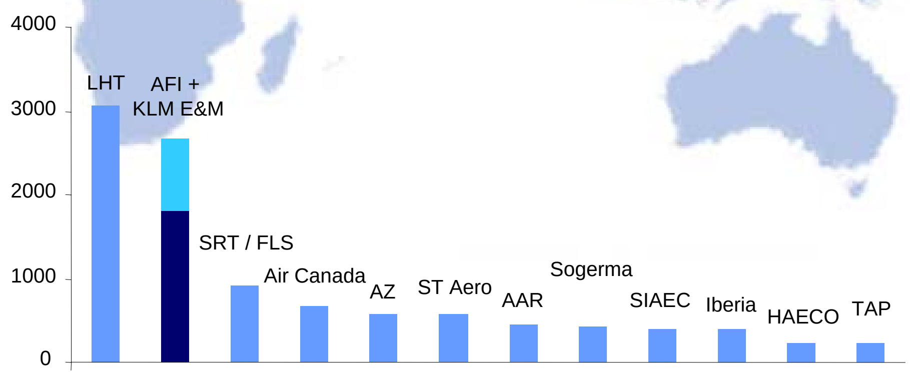
A wide range of services available

- High-tech know-how
- Position on New Generation aircraft
- Large capacities
- Flexibility / adaptation to customer's demands
- Operations support knowledge

Set up a world-wide network

to support airlines through partnerships

- Win-win based
- Long term approach
- Experience- sharing
- Fleet performance focus
- Open IT systems



MRO multi segment competitor 2004 turnover (€m)

Air France and KLM
Highly complementary capabilities

Legend
● capability
○ no capability

Airframe	AFI	KL E&M	Together
A320 family	●	○	●
B737 Current Generation	●	●	●
B737 Next Generation	○	●	●
B747 family	●	●	●
B767	● up to C checks	●	●
B777	●	● up to C checks	●
A330/340	●	○	●
MD11/DC10	○	● up to C checks	● up to C checks
Regionals F70 / BAe146)	○	●	●
Regionals F100 / Embraer / CRJ	● Perf. by reg airl. E&M	● F100	●
Engines			
CFM56-3	●	○	●
CFM56-5	●	○	●
CFM56-7	○	●	●
GE90	●	○	●
CF6-80E	○	●	●
CF6-80C	●	●	●
CF34	○	○	○
Components			
APU	○	○	○
Landing Gears	○	○	○
Thrust Reversers	●	○	●
A320/330/340	●	○	●
B737 CG	●	●	●
B737 NG	○	●	●
B747 family	●	●	●
B767	●	●	●
MD11/DC10	○	●	●
B777	●	○	●

Our contribution to the group synergies

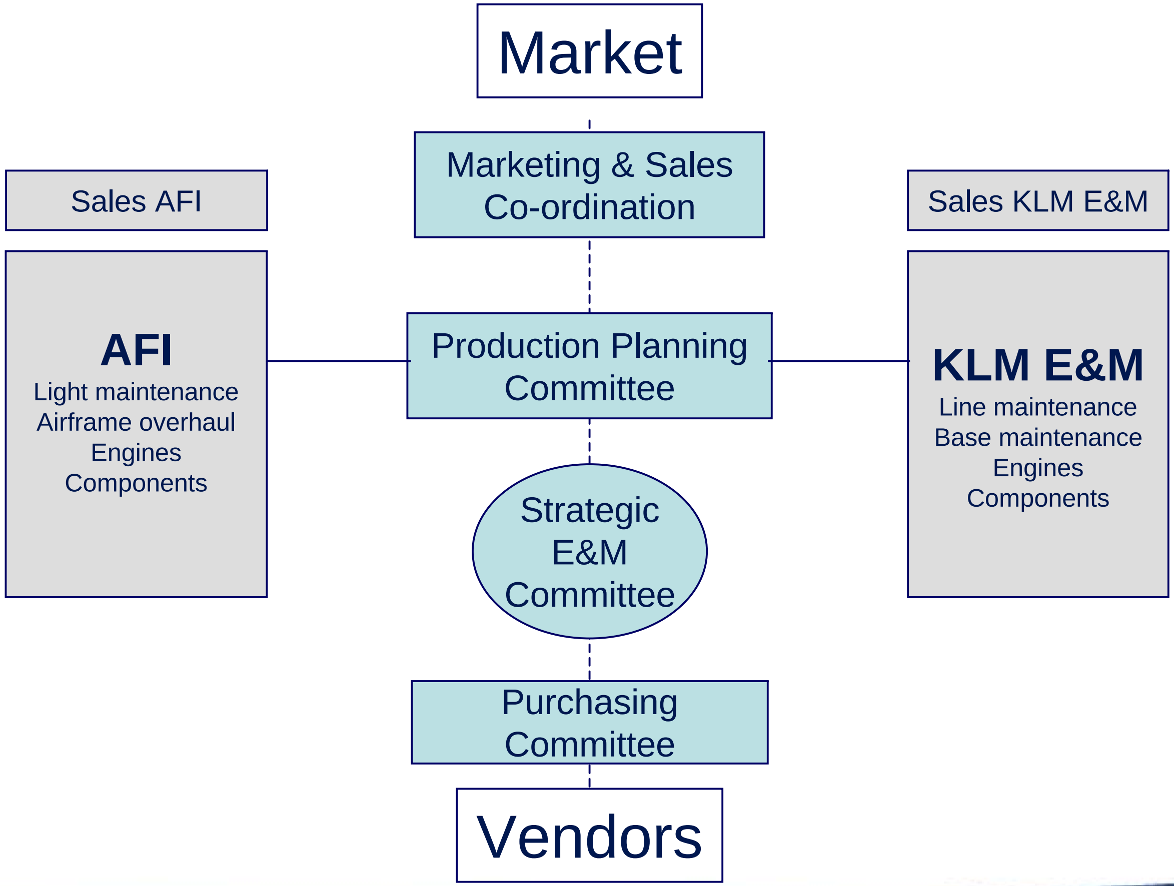
Besides securing and improving safety, availability and service levels:

- Maximize external revenues
- Minimize spending
- Simplify maintenance circuits
- Optimize the utilization of resources and increase productivity of assets

Operating model

Organizational structure

- Effective, lean structure with joint governance
- Common financial and management reporting models
- Strengthen relationship with stakeholders



Operating model

Responsibility reference

Market

Marketing & Sales Coordination — Joint Market Vision →

- Share market intelligence
- Common market approach
- Align and broaden seamless product portfolio

Production Planning Committee — Optimised production →

- Work distribution and planning
- Workload optimisation
- Improvement programs
- Share best practices

Strategic E&M Committee — Common bottom line →

- Vision / strategy
- Policy decisions and supervision
- Joint pricing policy
- Budget / investment approval
- Strengthen relationships with parent airlines, external customers and authorities
- Culture-bridging

Purchasing Committee — Joint Purchasing results →

- Direct contracts and commodity boards
- Joint commodity strategy development
- Vendor management strategy
- Procurement relations with major OEM’s

Vendors

Synergy generation

Main fields of action

- **Sales enhancement**
  - Customer and prospect allocation: “one contact per customer for the group”
  - Sell broader services to more customers
- **Purchasing**
  - Joint vendor strategy = 50% of synergies through cost-reduction
- **Technical Centers of Excellence**
  - Central engineering agencies for common aircraft types = maintenance program benefits
  - Product leadership allocation to one or the other = scale effect on inventories
- **Production co-ordination**
  - Benefit from both partners’ production complementarities and scale effects
  - Avoid duplication of new resources
  - Line maintenance outstations: reallocation of sub-contracted work to the partner / common stations optimization

Synergy generation

Key achievements to date (1/2)

- **Sales enhancement**
    - Corsair B747 heavy maintenance visits and Aeroflot B767 visits to Amsterdam
    - Kuwait B777 C checks & Olympic B737 Fan thrust reversers to Paris

- **Purchasing**
  - Significant moves with visible results
    - Contractor A: €4.1m savings for 2004-05 and €37m over 12 years
    - Contractor B: €1.6m for 2004-05 and total €12m
    - Contractor C: €1.3m for 2004-05 as a first co-ordination for that vendor

- **Technical Centers of Excellence**
  - Central Engineering Agencies
    - AF for A330 group fleet maintenance program – instant implementation of enhanced aircraft checks intervals to new KL fleet (A check from 600 to 800 FH)
  - Product leadership
    - Group and customer GE90 engines (B777) supported by AFI
    - Component support for A330 and B777 group and customer by AFI
    - Group and customer CF6-80E1 engines (A330) supported by KLM

Synergy generation

Key achievements to date (2/2)

Production co-ordination

Line maintenance outstations

- Shift work from third party vendors to AF/KL group
  - Achieved in Dubai, Mexico, Rome, London and Shanghai
- Organize more efficiently within the group
  - Implemented in Singapore, Beijing, Nairobi, Lagos and Sao Paulo

Benefit from partners' production complementarities and scale effects

- Electric generators technology (IDG /CSDs) all aircraft in sourced in KLM
- Fan thrust reversers at AF: KL CF6 to be shifted from LHT to AF (January 2006)
- Resources optimization:
  - AF mechanics support team in SPL for 2 months
  - KL737 C checks in AF: paint job in SPL for program flexibility
  - KL mechanics support team in Paris: allowed in-house handling of a major B747 heavy maintenance check.

Synergy generation

The example of the A330

Technical Centers of Excellence: Central Engineering Agency & Product leadership

Central Engineering Agency
*(Configuration Management & Control) **
- Alteration management
- Technical documentation
- Allowable configuration management
- Maintenance program
- Reliability

* Aircraft, Components & Engines

Airbus 330
AF*

→ common maintenance program per aircraft type

→ higher commonality of technical standards

Product Leadership
- Ability to market product
- Pool Management-Inventory optimization
- Make or Buy management of repair solution
- Product performance (Quality Level)
- Availability of requested product *
- Ability to uphold technical product aspects *

* Technical Product requirements are obtained from CM&C (CEA)

Airframe Line & Base	Engine	Components
N/A	KLM	AF

→ product services integration

→ inventory optimization

→ make or buy

Product coordination: Resource optimization

Production Management & Optimization *
- Production planning
- Actual Configuration Management
- Maintenance assistance
- Work execution
- Monitoring

* Could be allocated on senior components (FTR,LDG,APU,IDG)

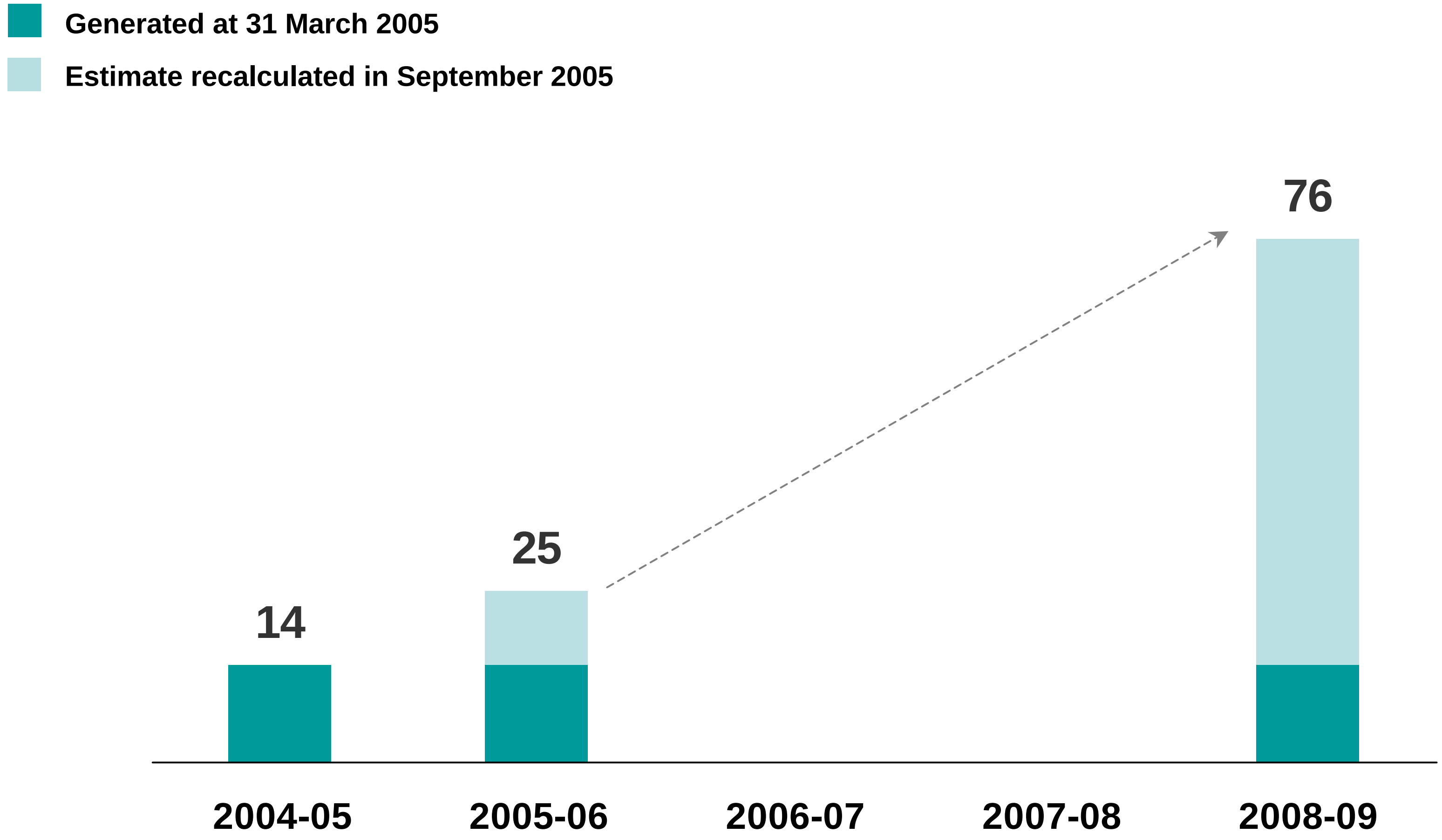
		LRU's	FTR	IDG	LDG	APU
up to C check on hub	KLM	by technology	AF	KLM	Make or Buy	Make or Buy

→ allocation of repairs will fulfill other criteria such as plant loading or technology specialization

Synergy generation

Further synergies to come

Engineering & maintenance synergies (in €m)



Investing for development

KLM New Engines Shop

A380 Hangar project in CDG

New component repair facility at AFI

GE90 overhaul capacity upgrade in Paris

Partnering for the future

Different types of partnership to suit each situation

- Proximity to the customer
  - US AMG: foothold stake to address component support
  - China Hangxin rep. station: new generation aircraft components

→ Independent operators

- Achieving scale effect on new products
  - Components support with Boeing: B777 with AF, B737NG with KLM
  - General Electric (AF with GE90, KLM with CFM56-7), Engine Alliance with AF on A380 engines (GP7000)
  - JV Air France & Lufthansa Technik for A380 component support

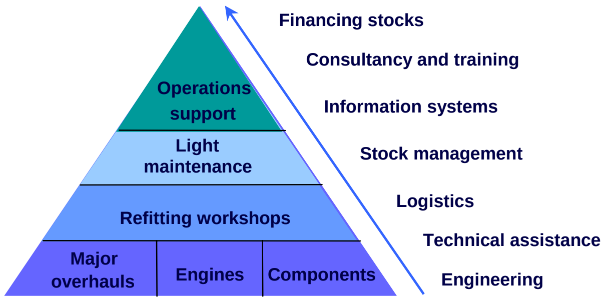
→ OEM & airline MRO

- Long term win-win partnerships through workload exchange and/or co-operation programs
  - Air France Industries partnership with Thai, TAP and RAM
  - Co-operation programs with Air Mauritius, Vietnam airlines, TAM

→ Airlines

To sum up

- From repair cost optimization…



- …to total cost of ownership and availability management

- Servicing the Group's fleet…

- …and over other 100 customers

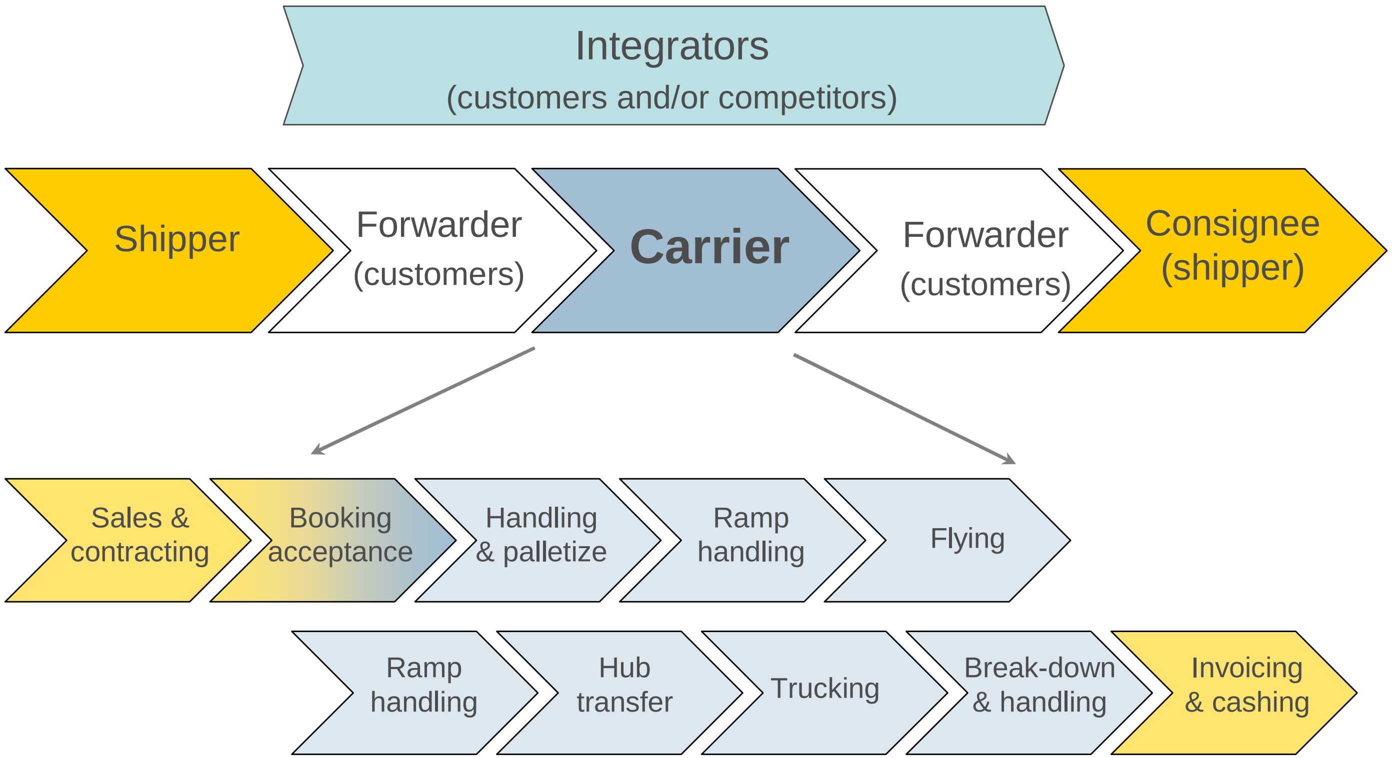
Cargo activity

Michael Wisbrun
EVP KLM Cargo

Marc Boudier
EVP Air France Cargo

Characteristics of the air cargo sector

- Integrated approach relevant
- All players concentrate
- Customer satisfaction driving force



Sustained growth characterized by cycles and disruptions

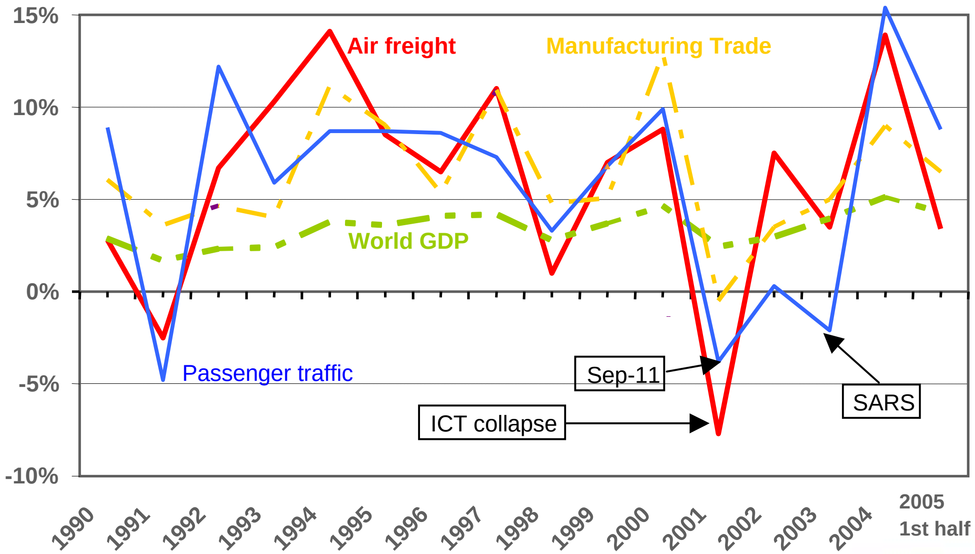
- European air cargo market: strong growth prospects…
  - Worldwide traffic annual growth forecasts: +5-6%
    - North Atlantic: +5%
    - Europe – Asia-Pacific: +6-7%

- …but long term trend is not linear
  - Cyclical
  - Economic disruptions

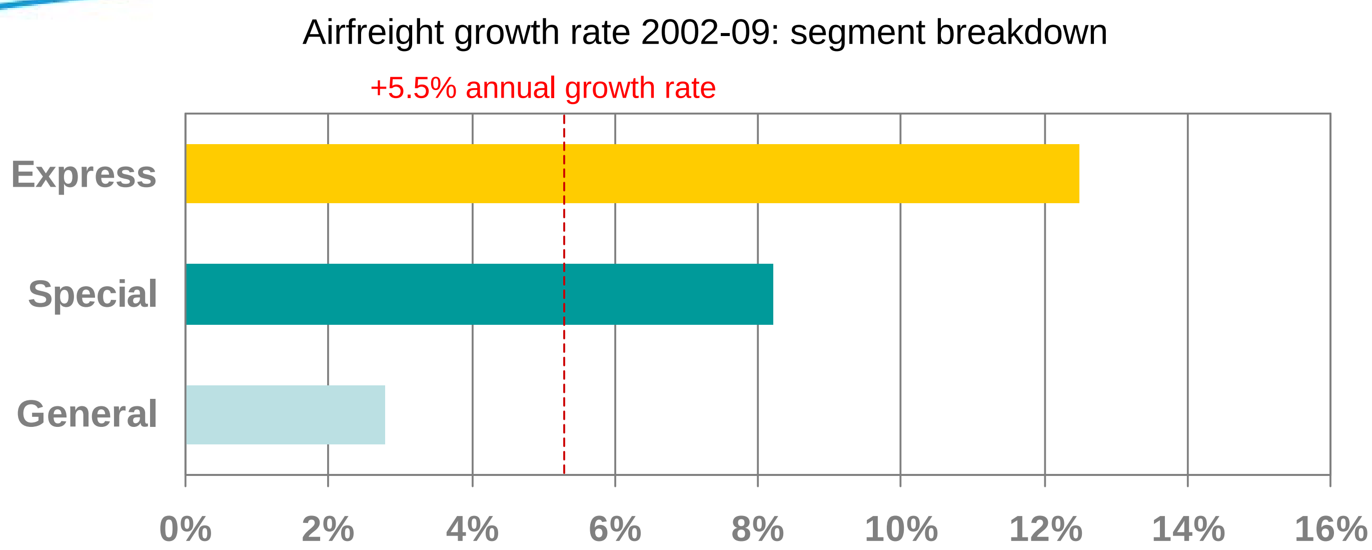
- And we are now facing a period of slowdown in air cargo growth

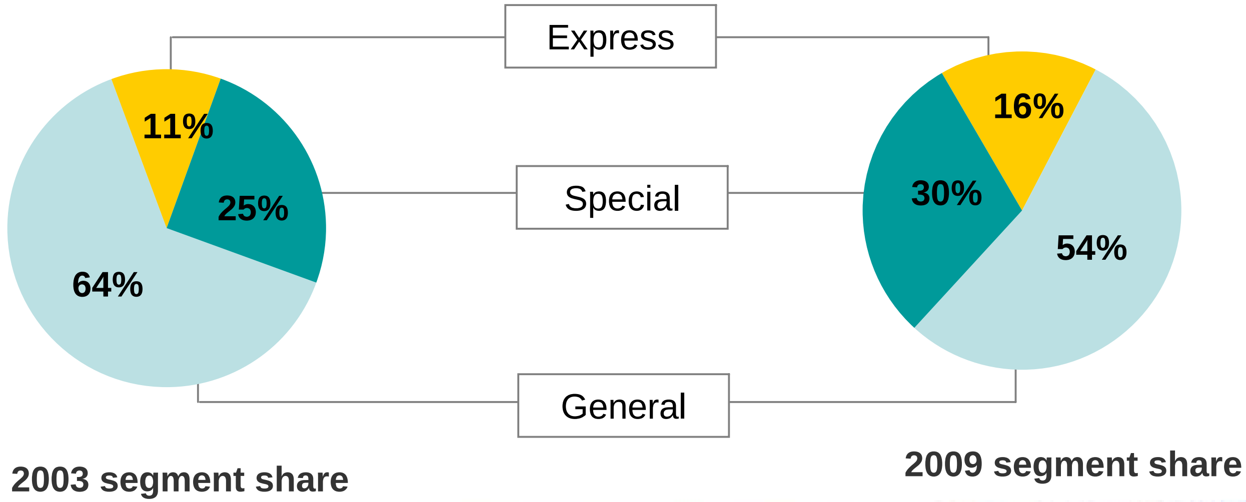
GDP - Trade - Air freight - Passenger traffic

annual growth rates - Sources: IATA, IMF, WTO



Increasing demand for value-added products and services





Source: MergeGlobal

Consolidation among our customers

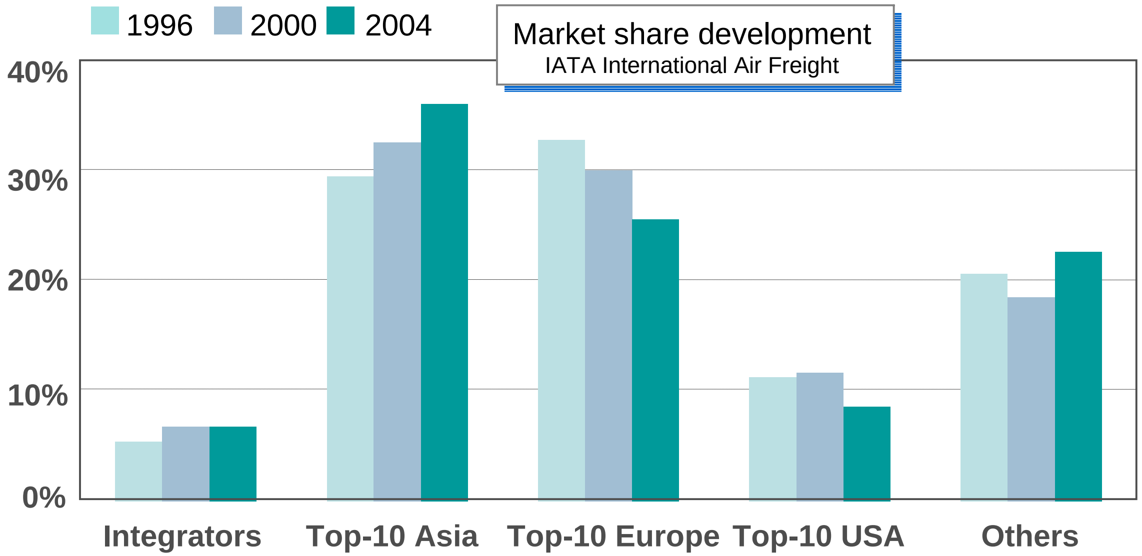
- Critical size is key for the forwarders
  - The market share of the top 10 freight forwarders has increased from 24.5% in 1985 to 40% in 2005

- Their “buying power” often includes global tendering and central procurement

- They are developing their business models based on:
  - Tailor-made logistics solutions
  - Networks based on gateways and consolidation platforms
  - Expertise in several industry branches (eg: oil, hi-tech, fashion)

An increasingly competitive environment

- Strong expansion of Asian carriers
- Aggressive development of Middle-East carriers
- European carriers' market share is shrinking
  - Down from 45% 20 years ago to 30% today



Air France-KLM Cargo: responding to market dynamics

A changing market

↓

Global and integrated offer

- Enlarged network
- One line of products
- One face to the customer

Remaining competitive

- Increased market share
- Fleet renewal
- Synergies

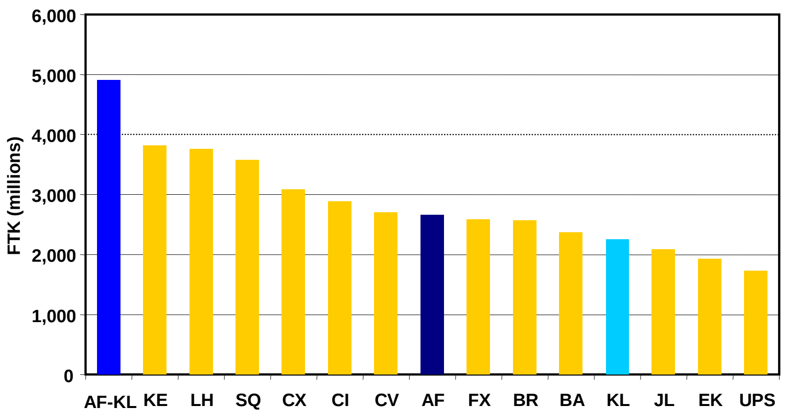
↑

A tougher environment

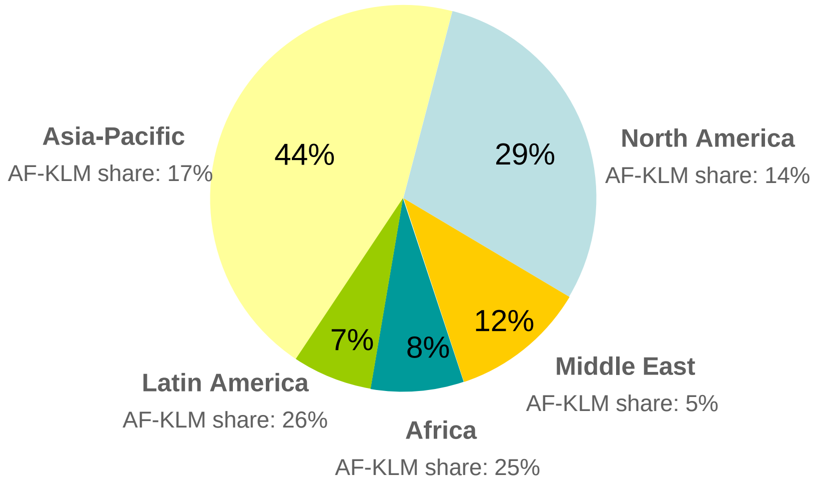
Air France-KLM Cargo:
a global market leader among airlines…

- The no.1 carrier of international airfreight…
  - Revenue of €2.6bn in 2004-05
  - Traffic of 10 billion revenue-tone-kilometers
- …with a strong position on all relevant routes to/from Europe

Top 15 carriers international FTK
Jan-June 2005 (source IATA)



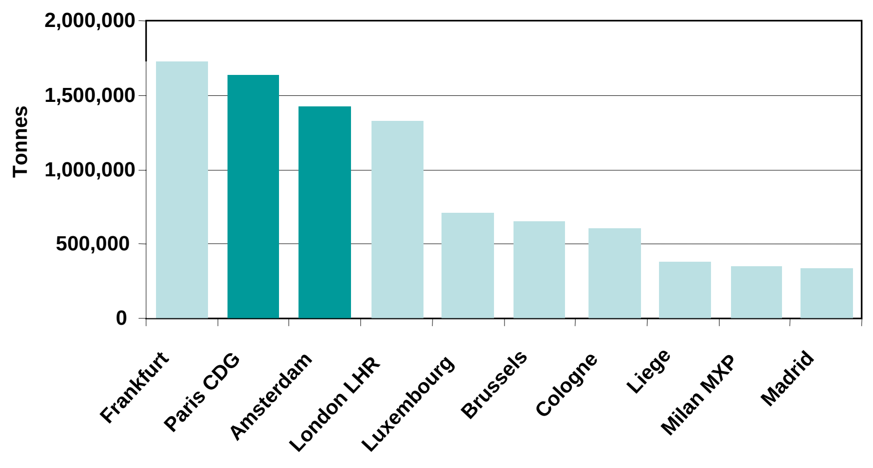
Air freight (FTK) to/from Europe
Source IATA 2004



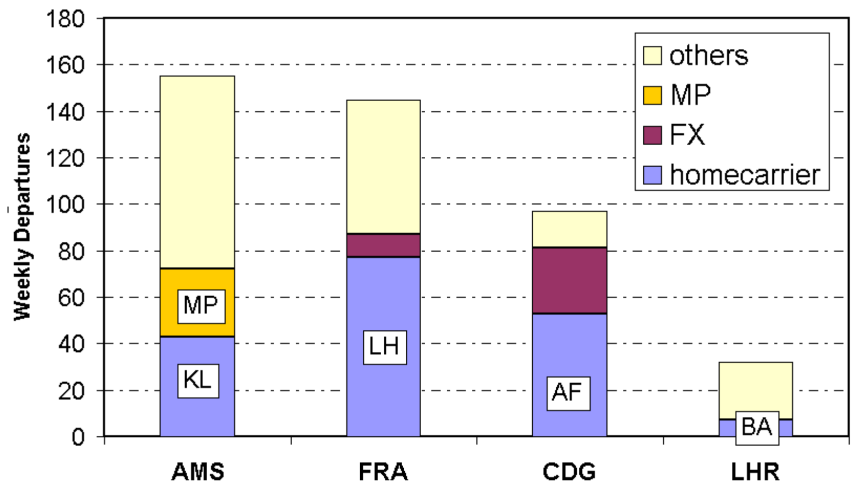
…with two out of the top four European cargo gateways as its home base…

- Paris has a strong position and limited competition
- Amsterdam has become an attractive gateway for both cargo carriers and customers

Major European freight hubs
2004 – Air freight tonnes (source ACI)



European hubs – Freighter flights
Intercontinental departures September 2004
SPL including freighter equivalent of combi



…and a strong network and fleet

- A strong network
  - Strong on all major routes to/from Europe
  - No.1 in home markets and no. 2 on most other key markets
  - Synergies from network and asset optimization
- A powerful freighter fleet…
  - 8 B747-200s and 8 B747-400 ERFs, and 17 B747 combis
- …with an extensive renewal and modernization program
  - AF: 5th B747-400 ERF and launching airline of the B777 XLRF
  - AF: replacing the B747-200 by B747SFs (transition) and B777 XLRFs
  - KL: 4th B747-400 ERF
  - AF-KLM: exploring additional freighter capacity after 2010
- Leading to consistent capacity growth
  - Development in line with market expectations: +4%
  - Balanced growth between both hubs
  - Both on main deck and on lower deck capacity

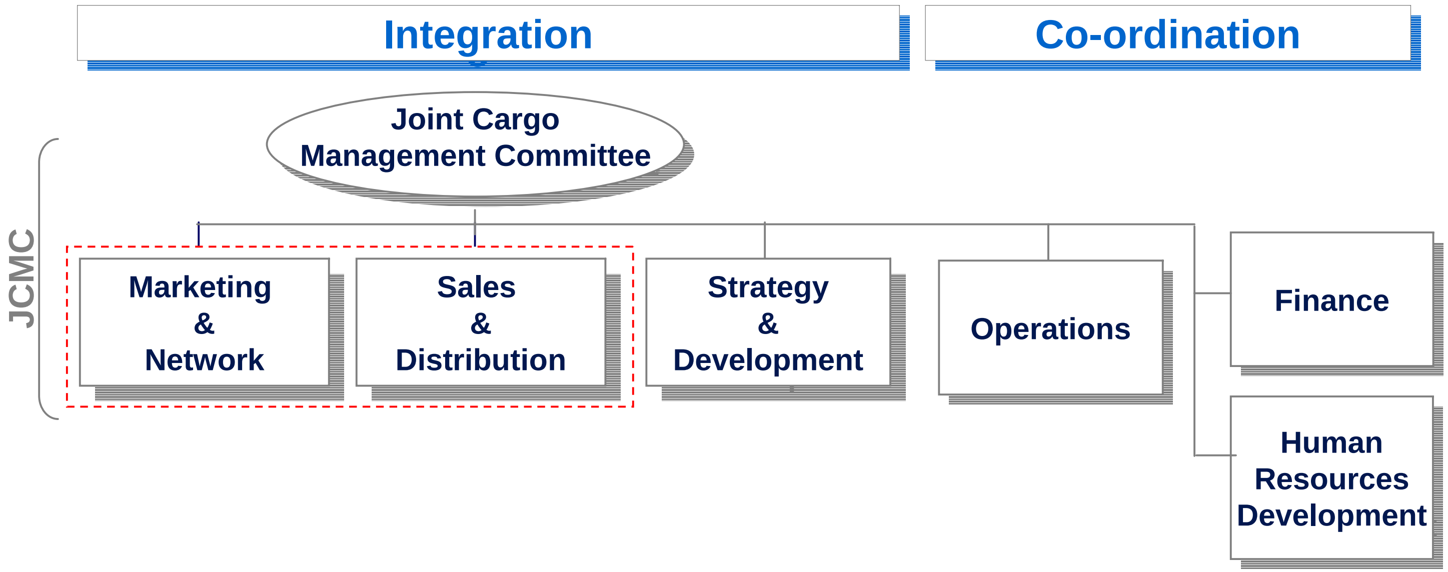
An effective integrated commercial approach

- An integrated commercial approach
  - Customer segmentation
  - Product portfolio
  - Pricing
- A single line of management for:
  - Sales and distribution
  - Route and revenue management
  - Marketing and communication
- Supported by a single commercial IT system

One face to the customer
"Selling power" facing "buying power"

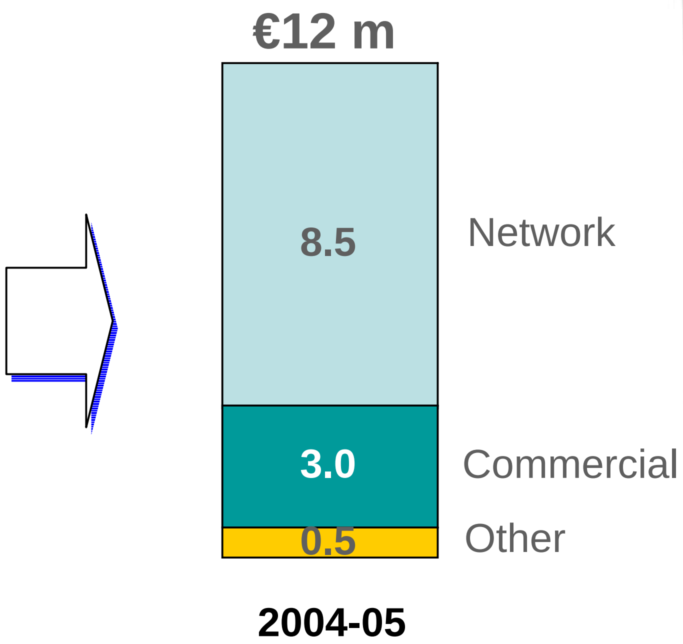
A Joint Cargo Management Team

- Integrating the commercial activities
  - One face to the market
  - One common strategy and commercial IT system
- Co-coordinating with the operating airlines
  - Two operational systems
  - Financial and HR co-ordination



Synergies: our achievements to date

- Network synchronization and rationalization:
  - Reallocation of Atlanta, Bangkok, Sao Polo, Singapore
- Capacity swaps:
  - Exchange of main-deck capacity on several routes: Sao Paulo, Beijing, Hong-Kong, Tokyo, Johannesburg
- Commercial synergies:
  - Adoption of the SkyTeam Cargo portfolio by KLM
  - Joint proposals to multinational tenders
- Cost savings:
  - Common procurement of contracts in several stations

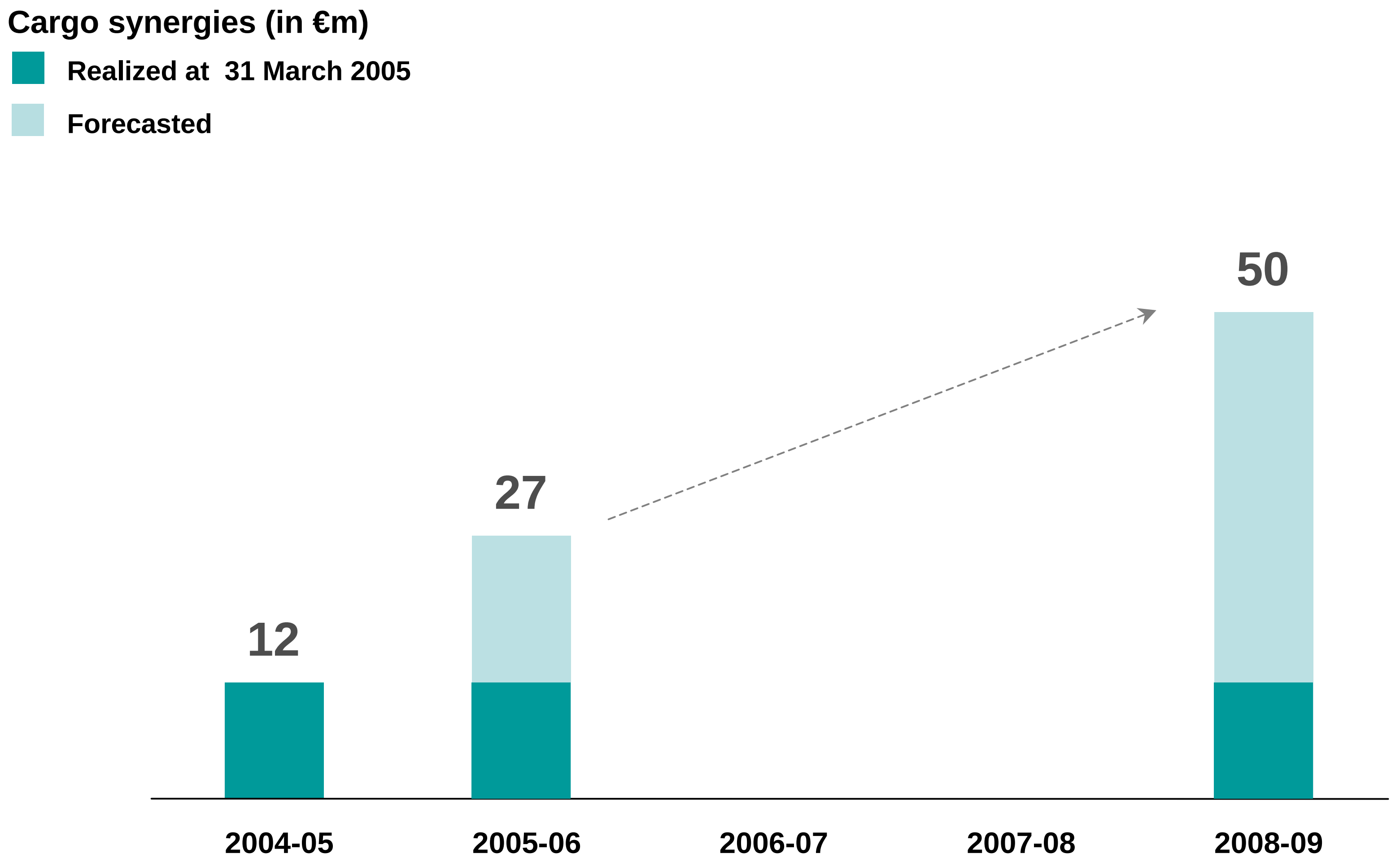


Synergies: our main field of actions for the future

- On the revenue side: counter yield erosion and improve load factors
  - Integrated commercial approach
    - Account management
    - Product differentiation
    - Revenue and capacity management
  - Further rationalization of the cargo network and development of capacity swaps
  - Focus on development of value-added products

- On the cost side
  - Joint procurement of contracts
  - Development of e-tools to improve productivity
  - Take advantage of the fleet renewal

Increased synergy prospects



To sum up

- Air France-KLM Cargo will play a leading role in the cargo industry:
  - in a competitive environment with parties offering different business models,
    - Belly carriers, Russian and Middle East predators, low cost carriers, integrators, Asian operators, ….
  - with a strong market position on the key routes to/from Europe,
  - capitalizing on their strengths,
  - as member of a strong cargo alliance

Ready for the challenge to be a shaper of the industry

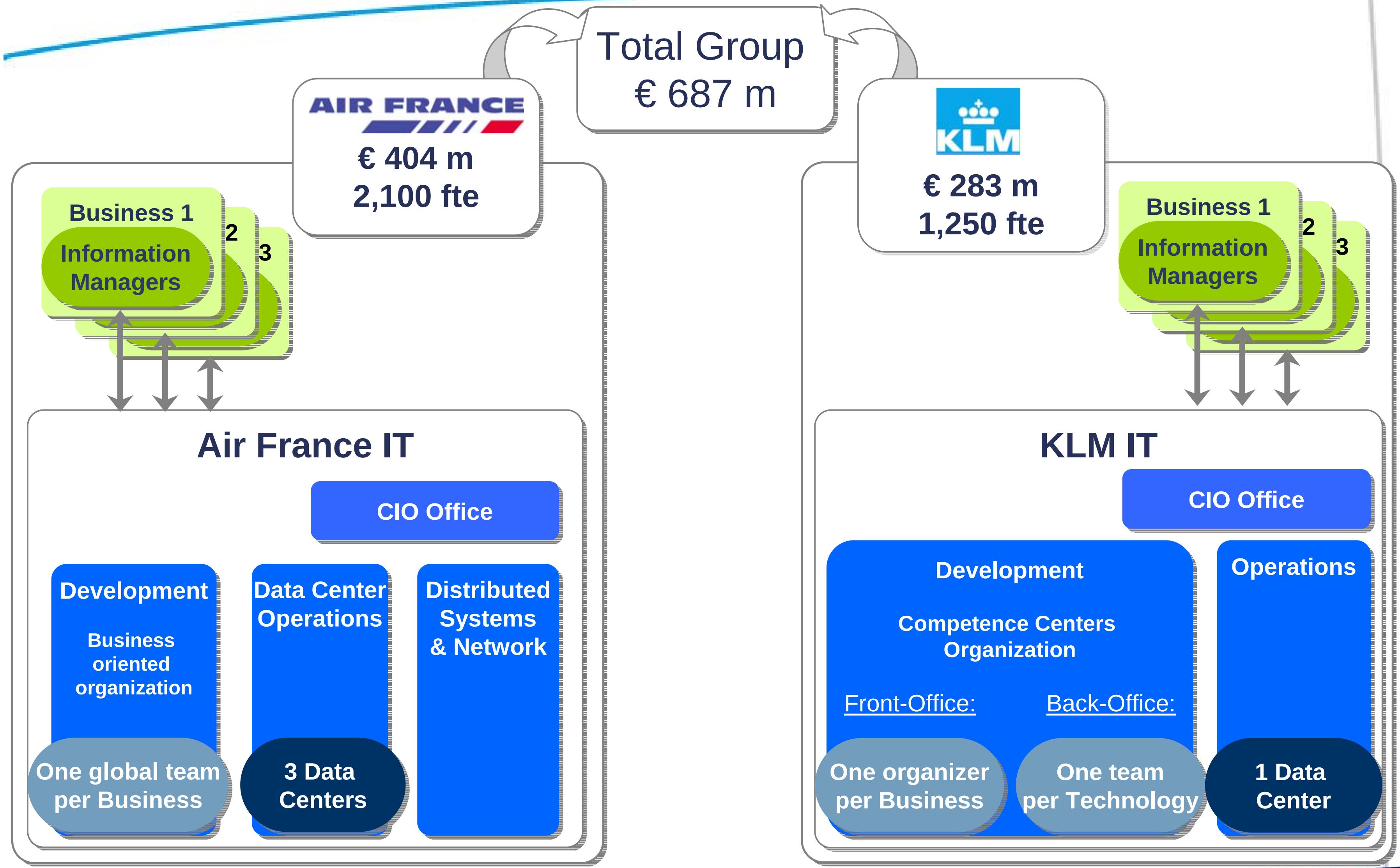
AIR FRANCE KLM

IT systems convergence

Edouard Odier
EVP & CIO of Air France

Boet Kreiken
EVP & CIO of KLM

Current situation: one group, two IT organizations



fte: full-time equivalent

Building a common application strategy …

Commodities

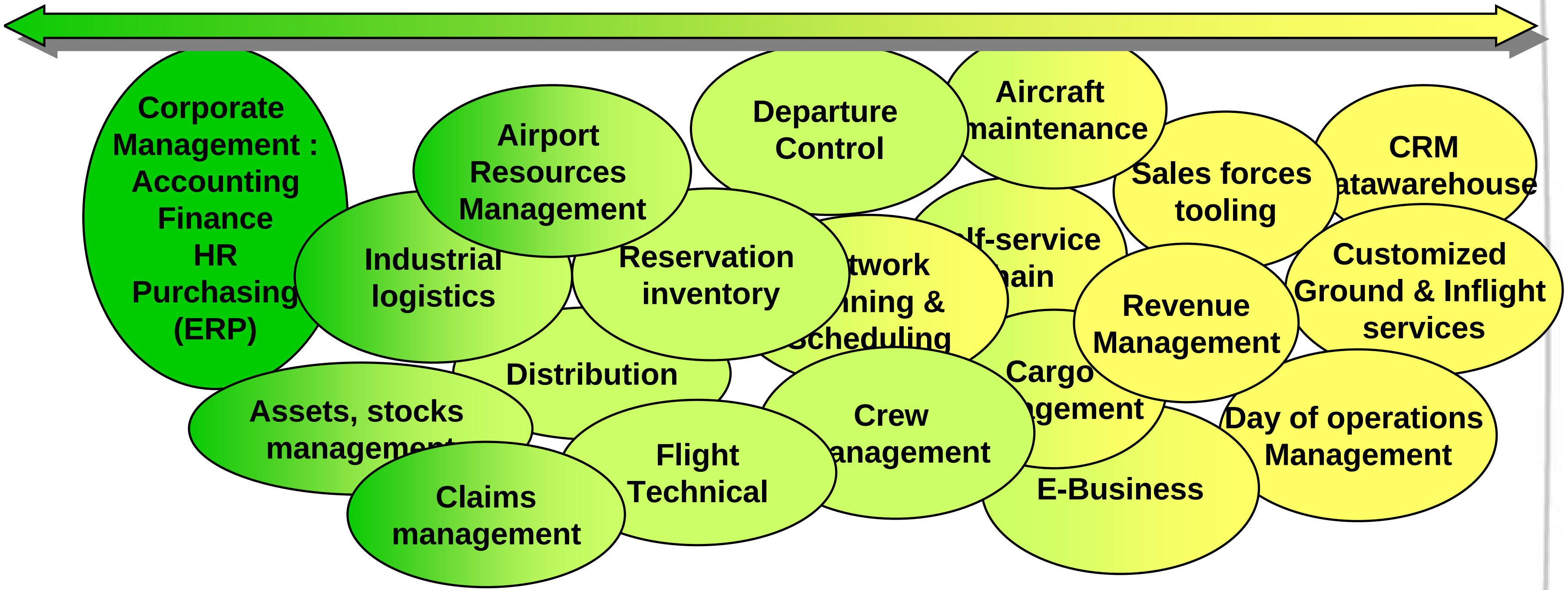
Standard software packages, cost-driven integration

Airline specific

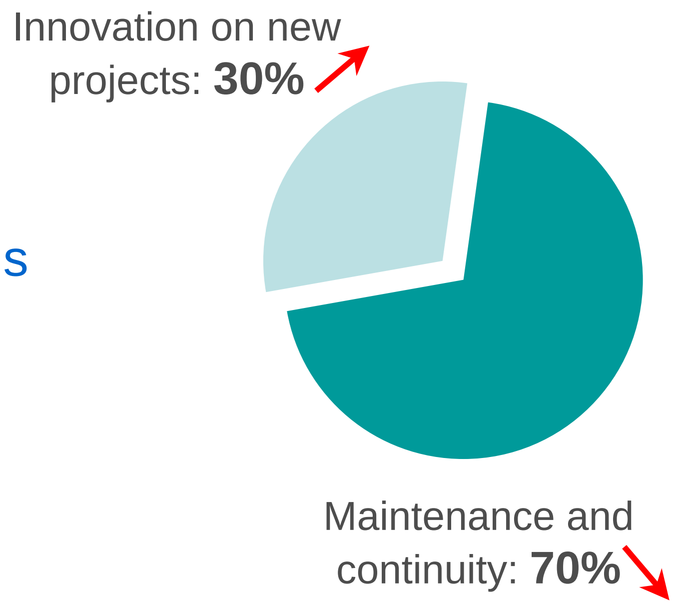
Business-customized packages, partner with airlines, vendors or GDS

Differentiation

Specific and value-added driven developments



…to converge to a common system



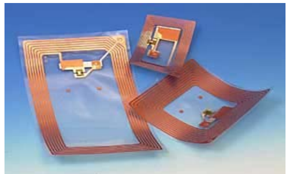
- Current situation
  - Air France + KLM: 1,000+ applications
  - Significant overlap
  - Innovation: 30%
  - Maintenance and continuity: 70%

- Common application objectives
  - 70% common applications within 4-6 years
  - Leverage best practices and expertise from both side
  - Maintain / improve the 30% innovation ratio

Accelerate common technology innovation

Self-Service empowered by e-Solutions

- E-Business / E-Services : anticipate market trends
- Self-service check-in; kiosks; multi-channel
- Vocal recognition
- CRM: technological breakthrough



- RFID (baggage management, cargo, E&M)
- Smartphone, Geolocalisation, Wi-Fi
- Biometrics

Improve efficiency security, reliability through technologies

Leverage mobility: crew, sales ground services, employees

- Sales force automation
- Customer care: airport, in-flight
- Aircraft handling
- Electronic Flight Bag

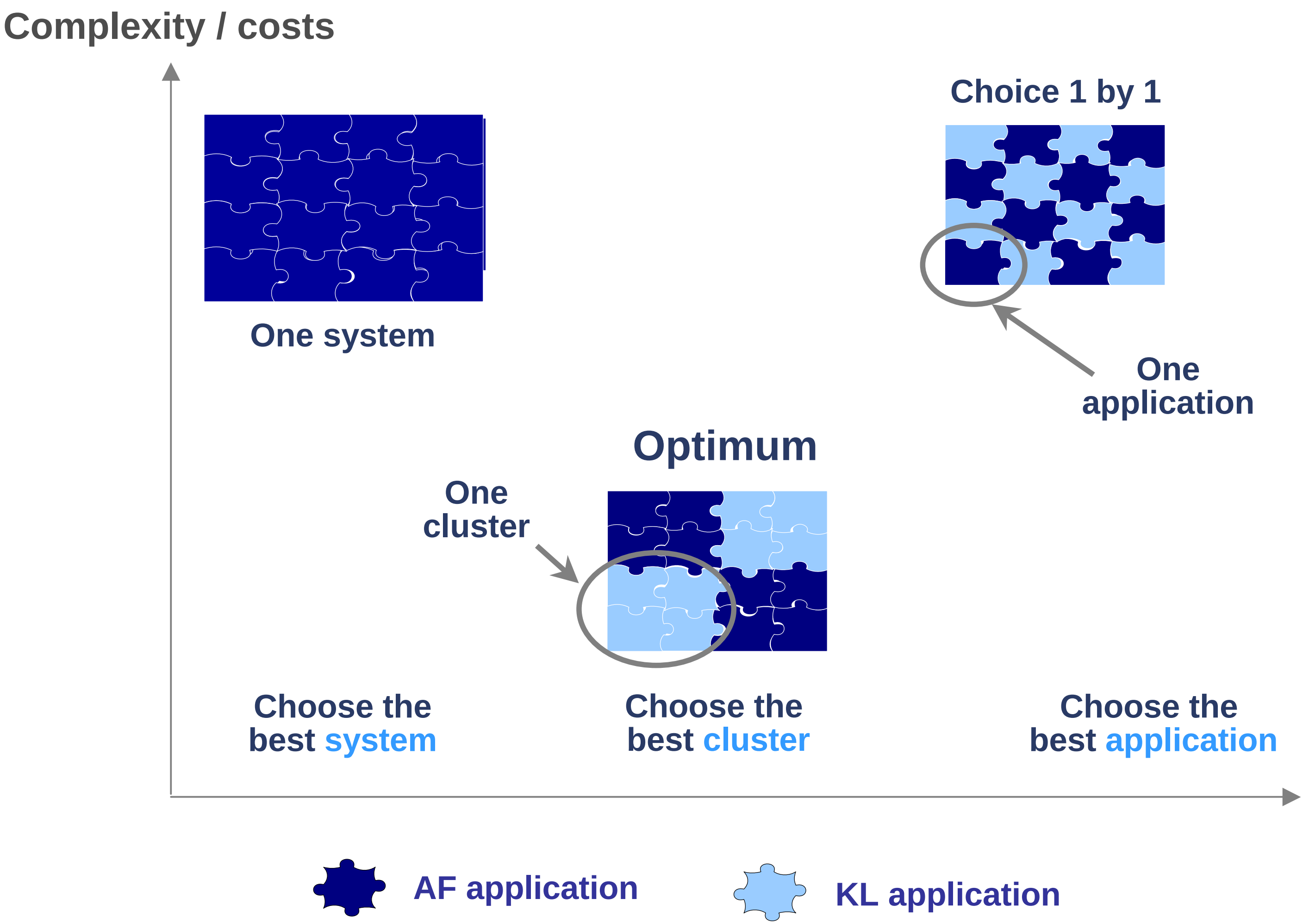
- Collaborative Intranets
- Business Process Modelling, Web Services, SOA
- Voice on IP
- Employee self service

Develop productivity and performance

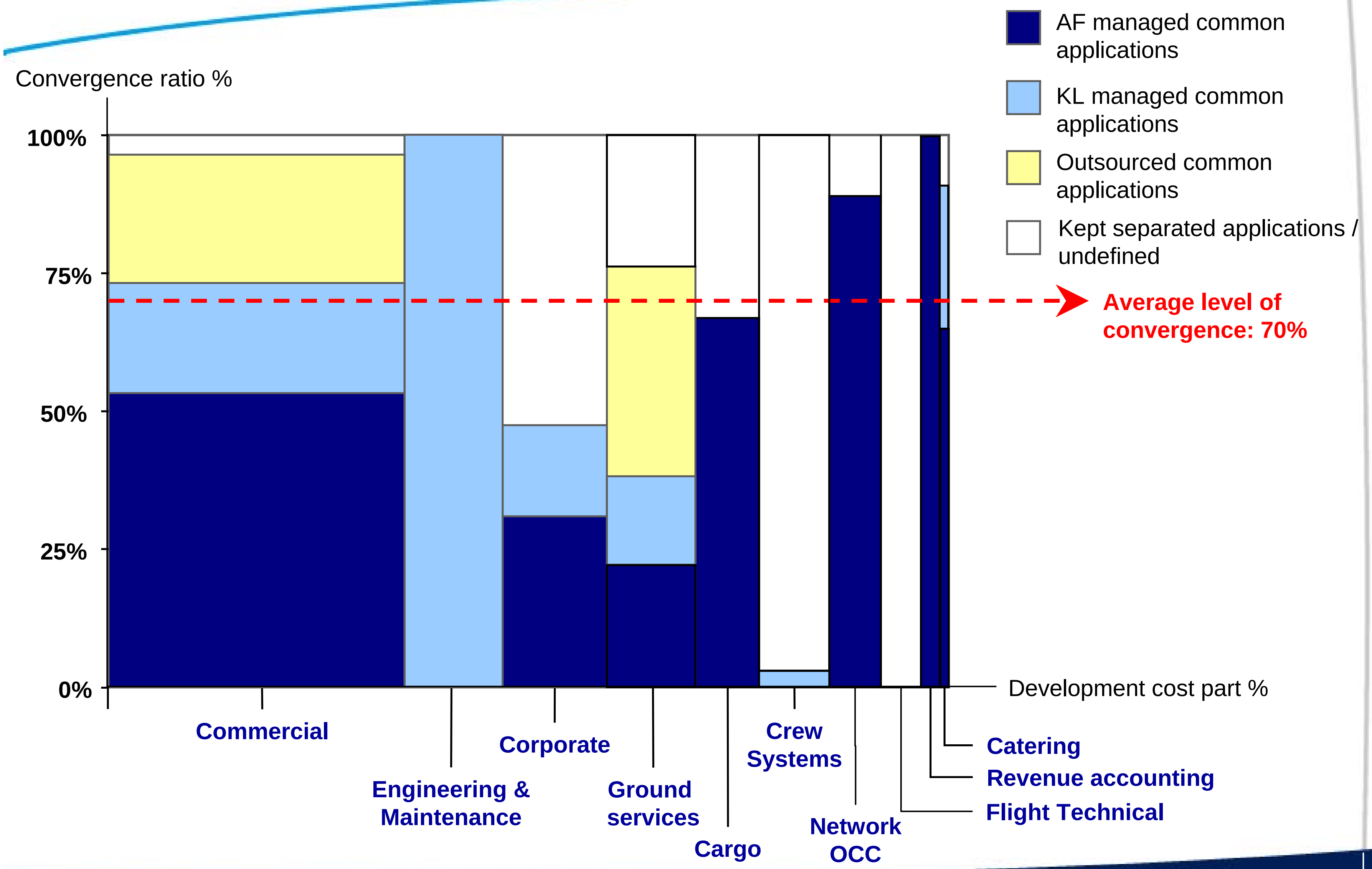
Sourcing policies driven by convergence and cost reduction

	Today	Gradual convergence
Applications	AIR FRANCE: Specific, local and short-term subcontracting, case-by-case managed KLM: Limited use of hired staff. Global and long-term outsourcing of specific processes	Selective outsourcing enabling convergence: ‣ Distribution ‣ Seat Inventory ‣ Departure Control Systems Common tariff negotiation
Operations	AIR FRANCE, KLM: Outsourcing of Data Network	Outsourcing of Data Network to the same operators
Distributed Systems	AIR FRANCE: "Out-tasking" of Installation, Maintenance and Helpdesk KLM: Outsourcing of desktop PCs management	Global AF-KLM "Out-tasking" of Installation, Maintenance and Helpdesk

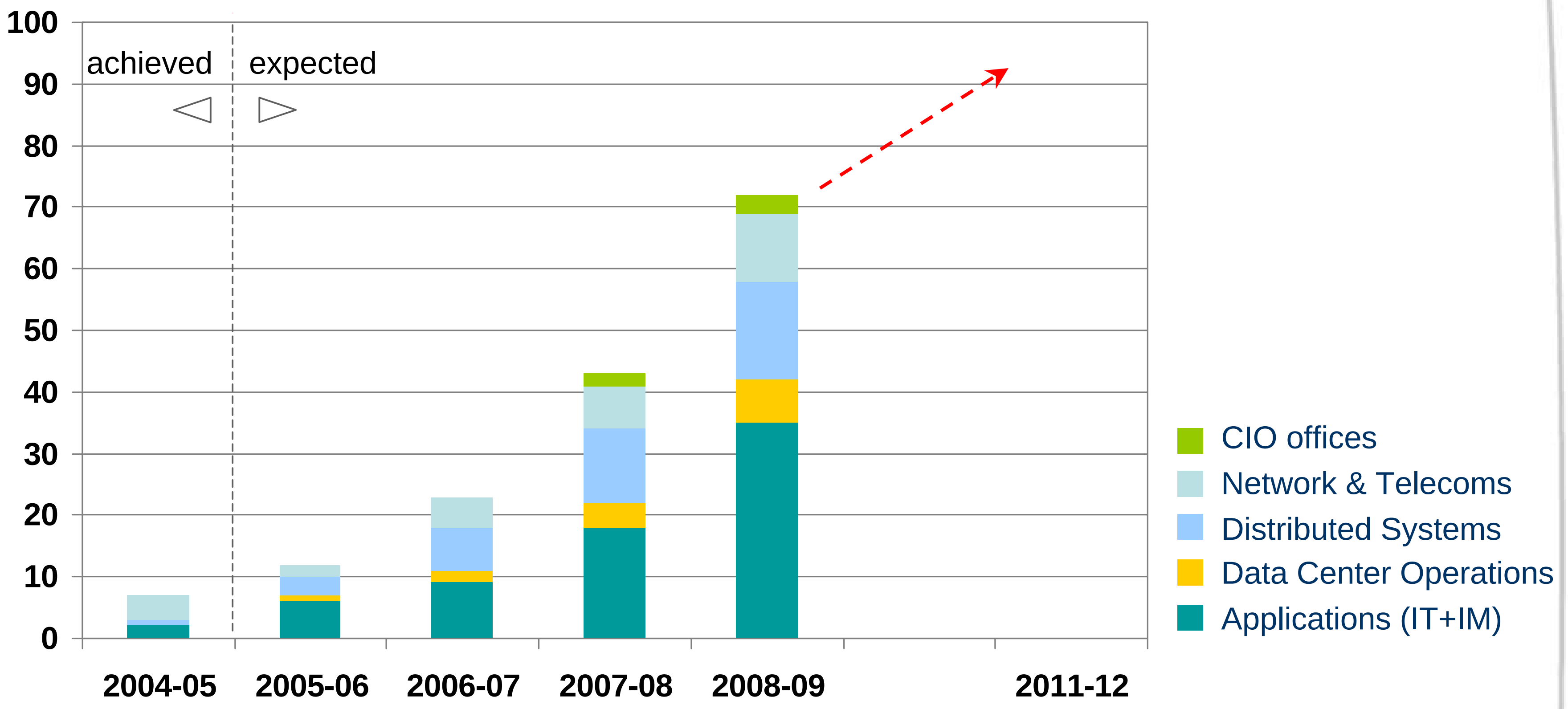
"Cluster" model the most efficient for IT convergence



Convergence status within 4 to 6 years



Over €70m anticipated synergies by 2008-09



Convergence costs estimated at **€180 m**
but investment absorbed in the current IT expenses

Main achievements to date

- Joint frequent flyer program "Flying Blue"

  10 million customers
  (Fréquence plus + Flying Dutchman)

  June 2005

- Sales forces tools
  - Joint corporate contracting (firms)
  - Joint trade contracting (travel agencies)

  October 2004
  February 2005

- Common commercial & cargo data warehouse
  - Joint marketing database

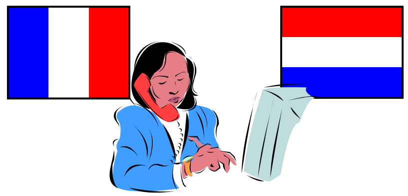
  1st Quarter 2005

Our main projects

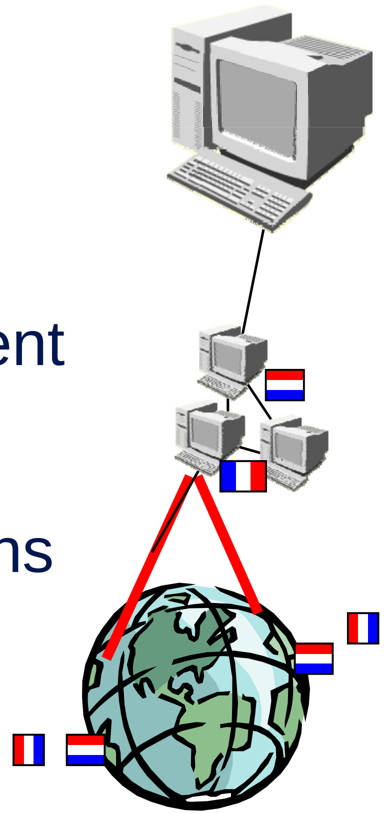
November 2005	Cargo commercial system
November 2005	Catering logistics system
April 2006	Common internet check-in
April 2006	Fuel management
2007-2009	New common systems, based on third-party solutions:

- Distribution,
- Seat inventory
- Departure control systems

Common infrastructure to support application convergence



- Towards a common helpdesk
  - Common trilingual first level
    in Paris (June 2005) and Utrecht (1st quarter 2006)
- Towards a common workstation
  - High level of hardware and software commonality
  - Already 1,400 workstations in operation
- Towards common PC assets management
  - 2006-07 : Processes and tool alignment
- Towards a set of international co-locations
  - 80 currently identified
- Already common data network



To sum up

- We have a clear implementation plan for convergence on 70% of our application portfolio
- We have had some significant early wins: Flying Blue, catering logistics
- We are confident that we will reach our synergy targets
- We will continue to seize all opportunities to create breakthrough innovative IT solutions for Europe's leading airline group

Conclusion

Jean-Cyril Spinetta
Chairman & CEO of Air France-KLM

Leo van Wijk
President & CEO of KLM

Conclusion

- The merger will continue to create value for the years to come

- Combined, Air France and KLM are better positioned to face the challenges and take advantage of the opportunities offered by our evolving sector

- This will help us achieve our aim of delivering long-term profitable growth for the benefit of all our stakeholders