

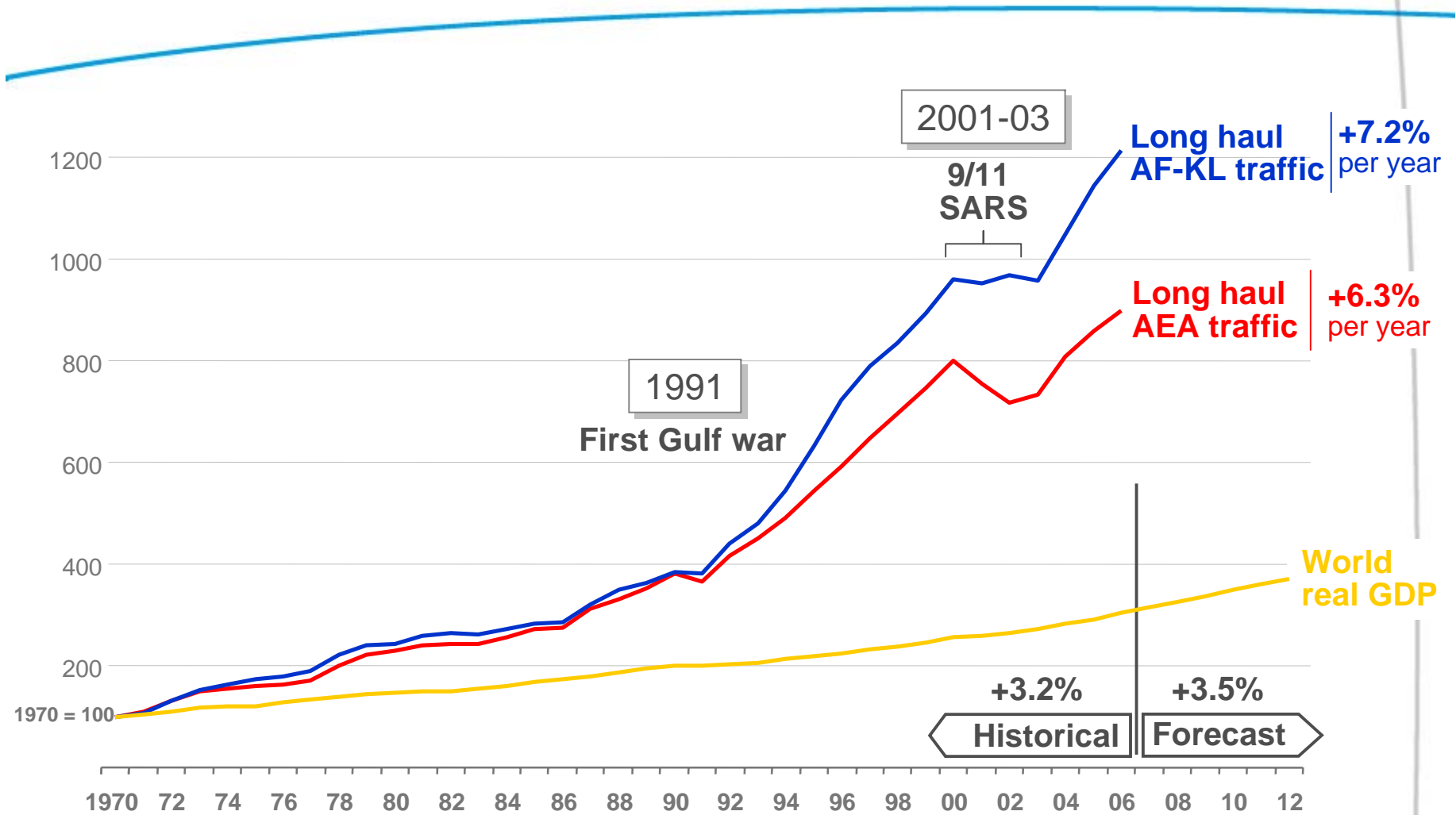
Where are we in the cycle?

Pierre-Henri Gourgeon
Deputy CEO, Air France-KLM

Embarquement / Boarding

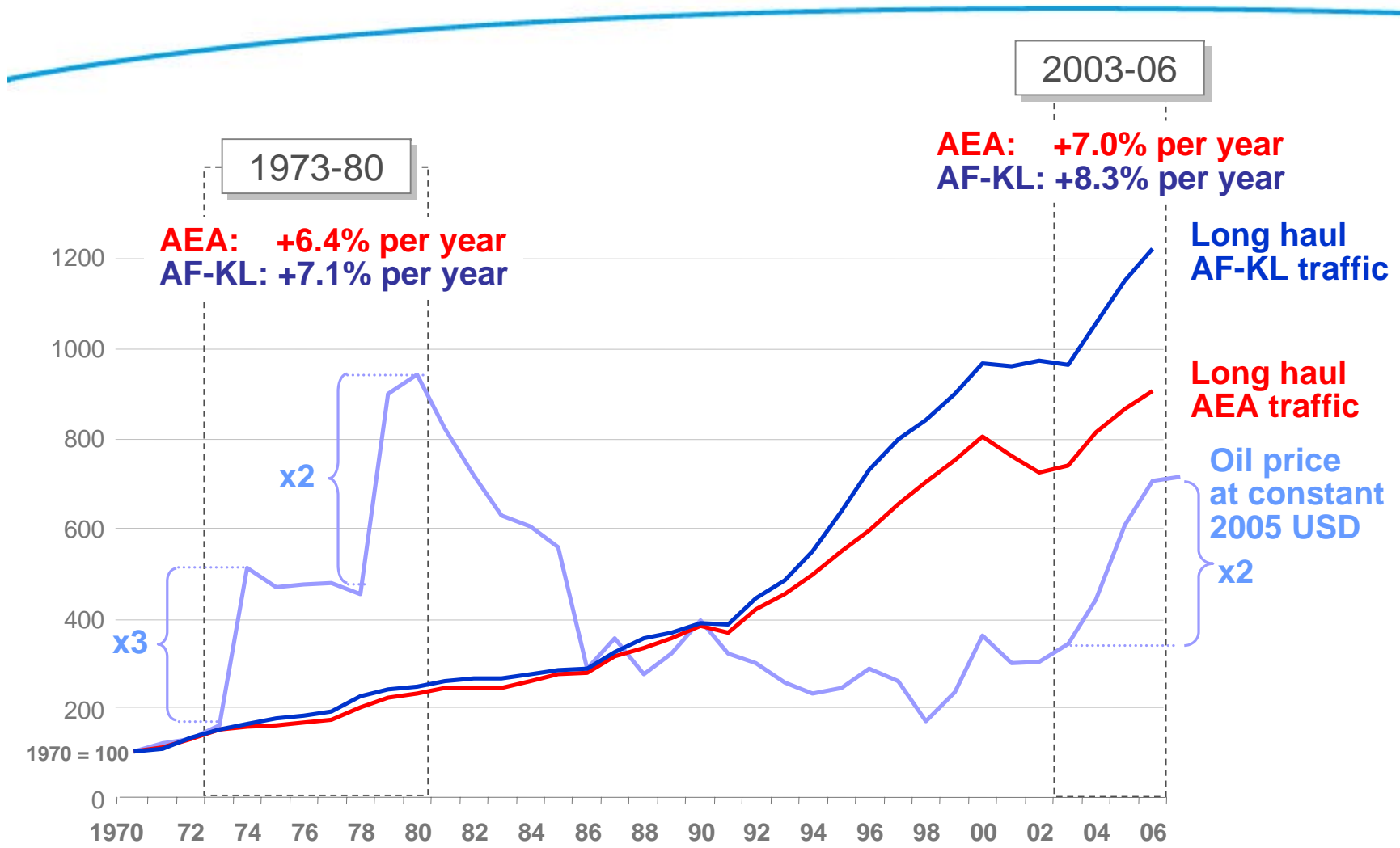


Demand outlook underpinned by robust GDP growth



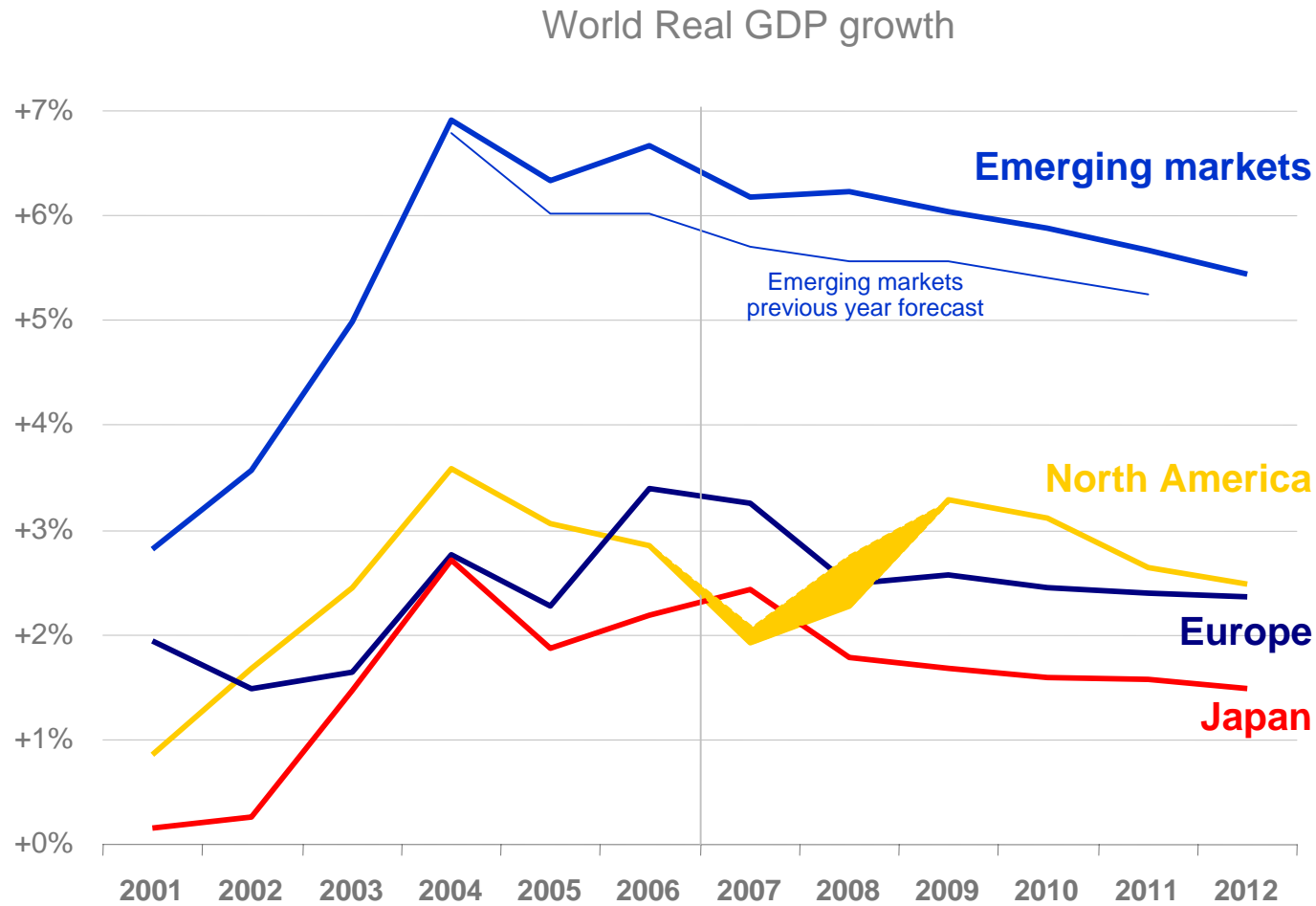
Sources: IMF, Global Insight, AEA, IATA (traffic in MRPKs)

Recent oil surge has not affected demand



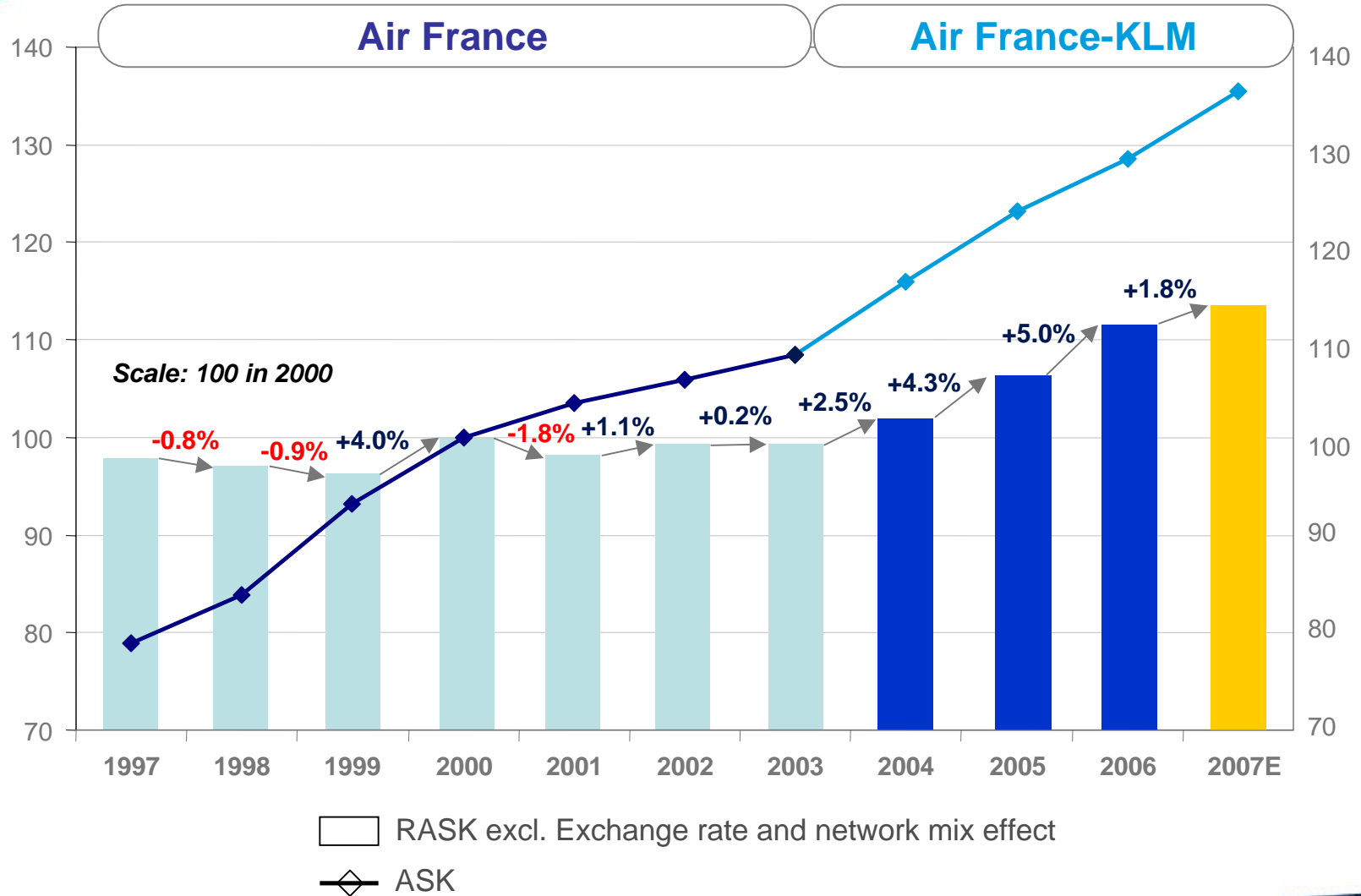
Sources: BP, AEA (Traffic MRPKs)

Emerging markets give new impetus to world growth



Sources: Global Insight, April 2007, IMF, Consensus Forecast

In the case of Air France-KLM, traffic growth has been accompanied by sustained rise in RASK



Air France-KLM: positioned to create value through the cycle

+ Growth drivers

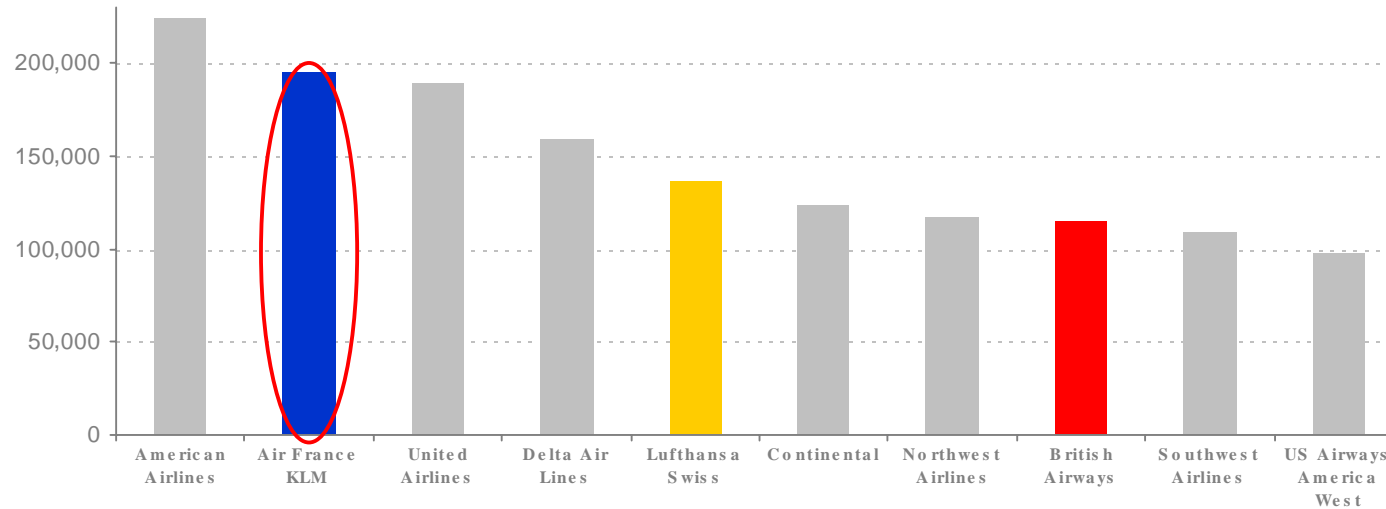
- ▶ The world's widest long haul network
- ▶ Dual hub attracts high yield connecting passengers
- ▶ Selective capacity growth
- ▶ Alliance & joint ventures
- ▶ New airport capacities

+ Defensive attributes

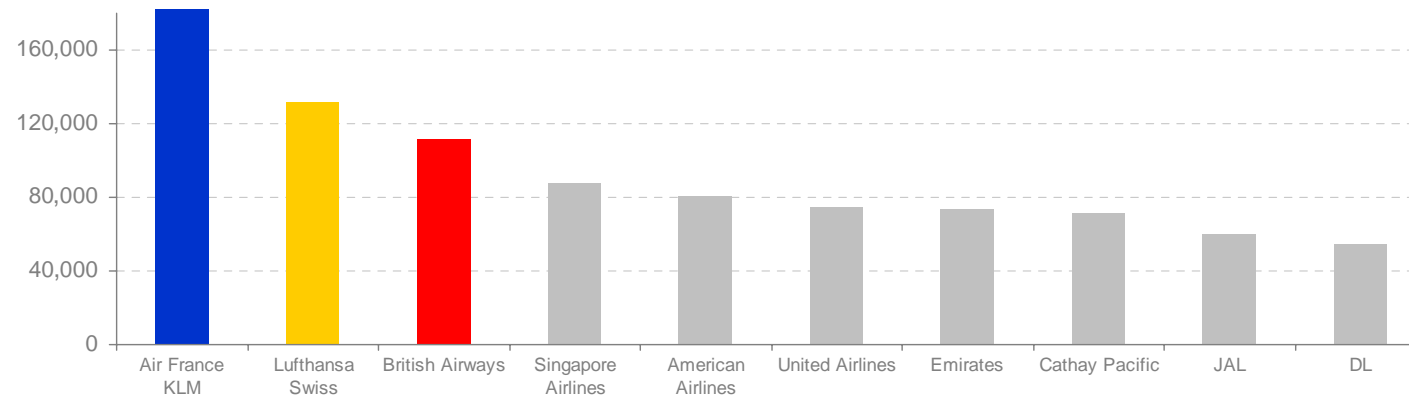
- ▶ Word leadership / size
- ▶ A balanced network
- ▶ Flexible fleet
- ▶ Solid balance sheet / financial flexibility
- ▶ Further cost savings programme / synergies
- ▶ Efficient hedging policy

Air France-KLM: the leader in international air transport

Total traffic 2006 (MPKT)



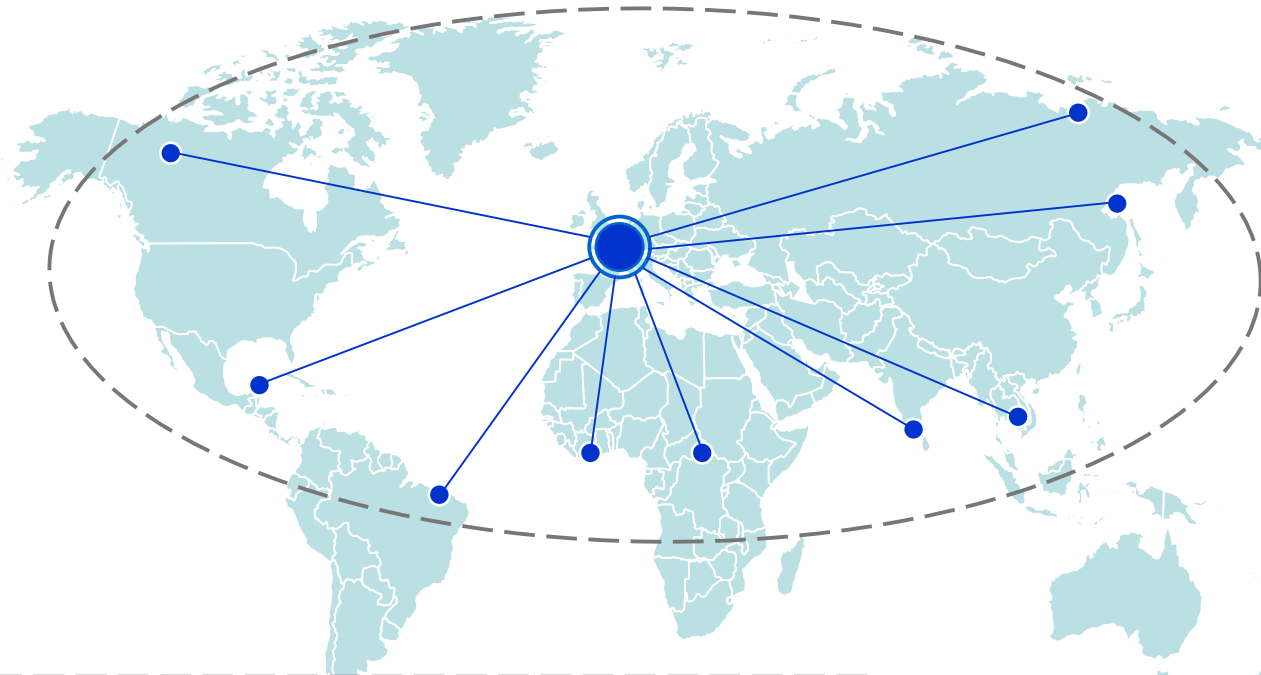
International traffic 2006 (MPKT)



Sources: IATA, AEA, DOT

Air France-KLM offers 2 out of 3 travel solutions

Out of 178 Europe/long-haul destinations* operated by all AEA carriers

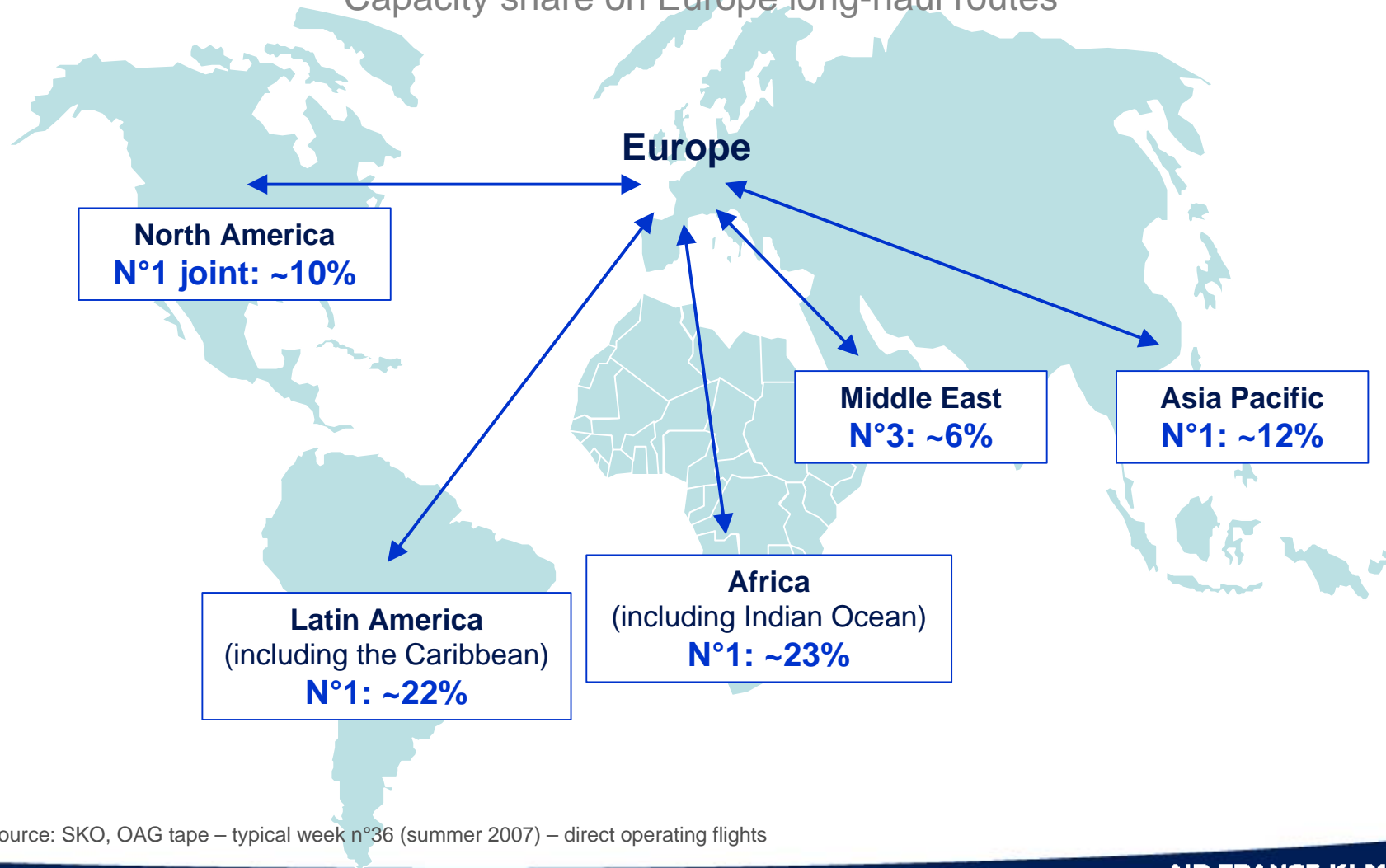


British Airways:	86 destinations	i.e. 48%
Lufthansa + Swiss:	78 destinations	i.e. 44%
Air France:	80 destinations	i.e. 45%
KLM:	59 destinations	i.e. 33%
AF+KL = 111 destinations i.e. 62%		

* Number of destinations served by operational flights – S2007 program

Air France-KLM: a balanced network and strong positions

Capacity share on Europe long-haul routes



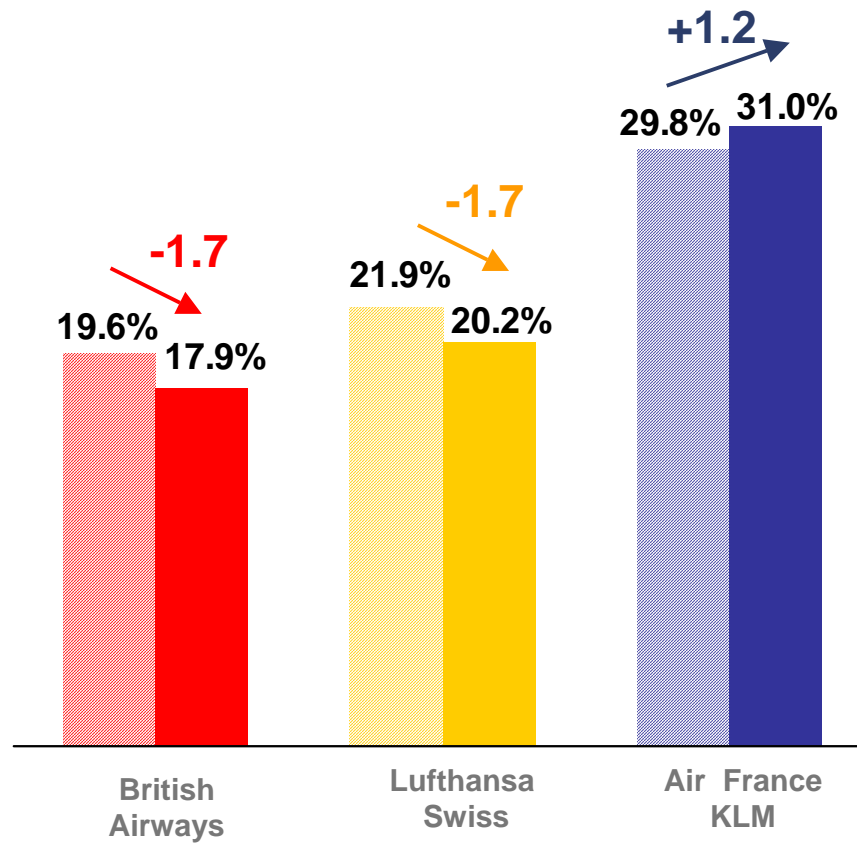
Source: SKO, OAG tape – typical week n°36 (summer 2007) – direct operating flights

Air France-KLM continues to gain market share

AEA long-haul market share

12 months rolling basis

▨ May 2004 ■ July 2007



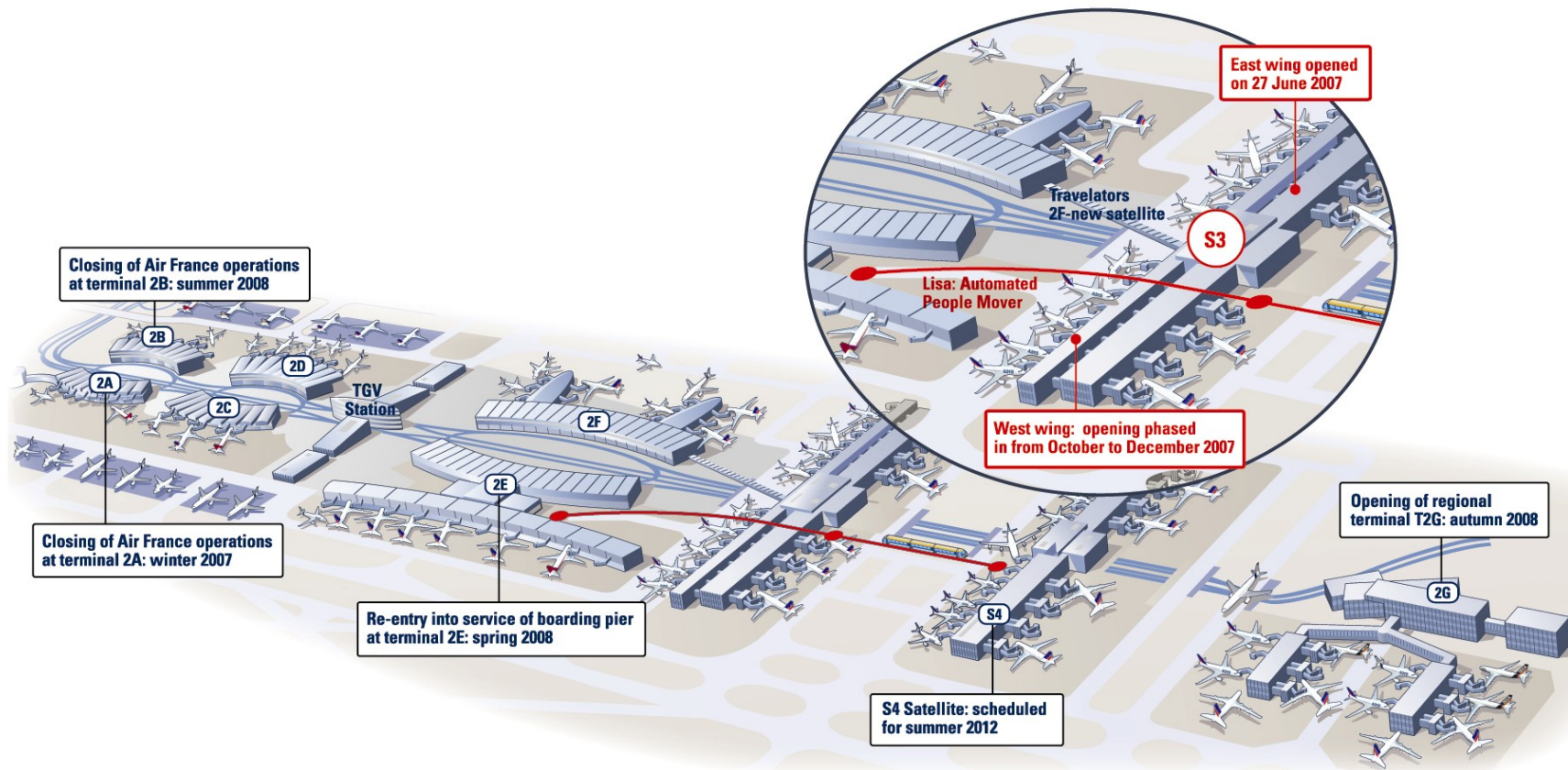
Source AEA: traffic RPK

www.airfranceklm-finance.com

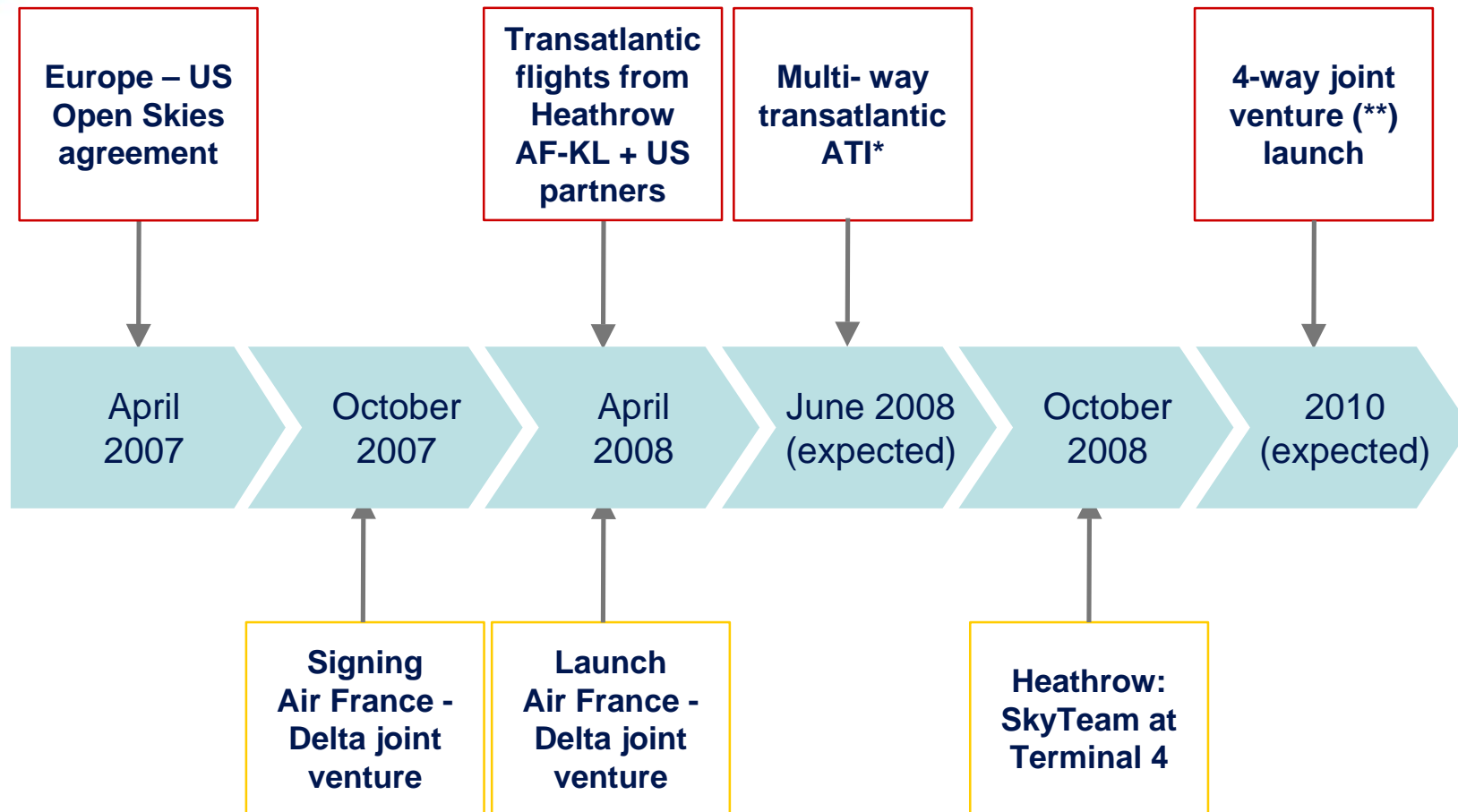
AIR FRANCE KLM

10

Paris-CDG: Enhanced capacity and quality contribute to our development potential



Milestones in our North Atlantic development

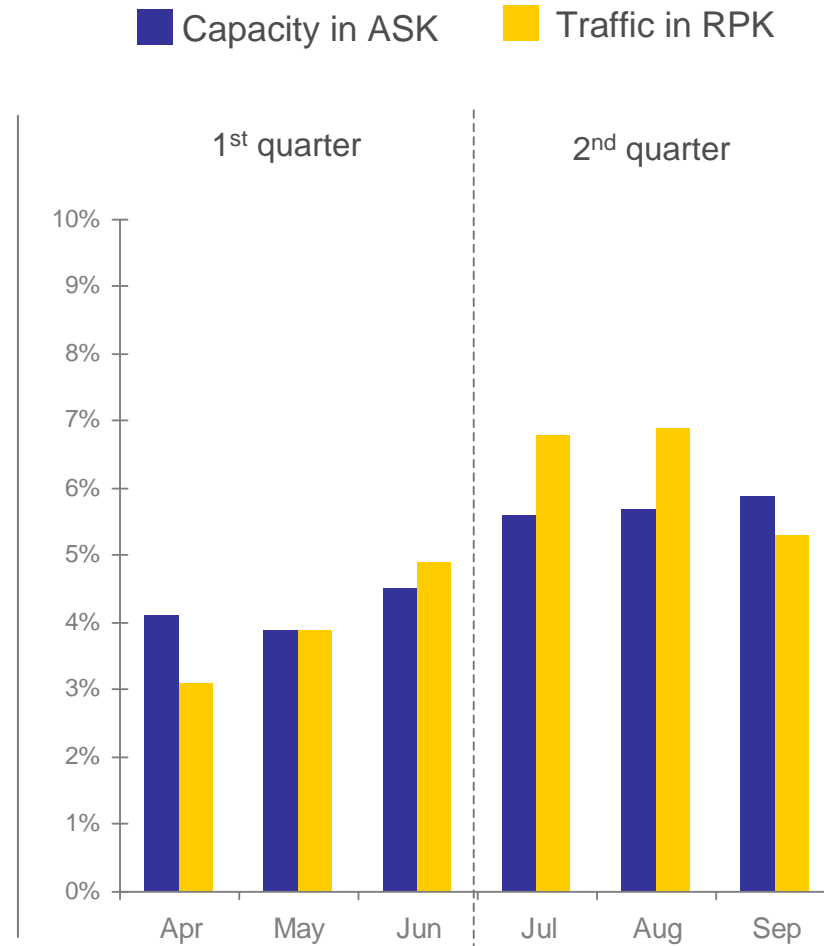


(*): Air France-KLM-Delta-Northwest-CSA-Alitalia

(**): 4 way joint venture: Air France-Delta-KLM-Northwest

Current trading shows no impact from financial crisis

- ★ Robust traffic in Q2
 - ▶ SKO: +5.7%
 - ▶ RPK: +6.4%
 - ▶ Further rise in unit revenue excluding currency impact
- ★ Good level of advance bookings, especially in business class



To sum up

- ✦ The airline cycle appears stronger for longer
 - ▶ World GDP growth set to continue, underpinned by dynamic markets like China and India
 - ▶ Underlying global traffic growth should track this trend, albeit with occasional perturbations

- ✦ Air France-KLM is well positioned to create value on an ongoing basis
 - ▶ We have plenty of scope to enhance our profitability
 - ▶ We are confident in our objective of 8.5% ROCE by 2009-10

Financial update

Philippe Calavia
Chief Financial Officer, Air France KLM

Embarquement / Boarding



Financial prudence serves us well

- ✦ Prudent cash management approach means zero sub-prime worries
- ✦ With the oil price back near historic highs, our fuel hedging policies are kicking in once again
- ✦ "Challenge 10" is well on track and gives us a significant cushion in the form of future cost-savings

A conservative but dynamic investment approach

- ✦ Treasury centralised at the level of each group
 - ▶ At end Sept 2007 the combined cash position stood at €4.3bln

- ✦ Different market opportunities mean the types of investment can vary, eg:
 - ▶ Bank deposit and bonds for KLM
 - ▶ Monetary and dynamic monetary funds for Air France

- ✦ But investment rules are invariably based on safety:
 - ▶ Credit risk analysis and absence of capital risk on global portfolio
 - ▶ Investments cannot exceed 10% of the total size of any cash fund
 - ▶ Investments cannot exceed 36 months

- ✦ All investments reviewed monthly by the CFOs

A timely reaction to the financial market crisis

- ✦ Neither Air France nor KLM treasury was invested in any fund holding sub-prime paper
- ✦ However, at the end of July, in anticipation of impending events, some €550m was withdrawn from funds employing credit-related strategies, these being assessed as of heightened risk by AF KLM
- ✦ At the beginning of August market contagion caused some monetary funds to begin underperforming. Following a swift review of the portfolio, an arbitrage was made in favour of funds offering greater stability and liquidity

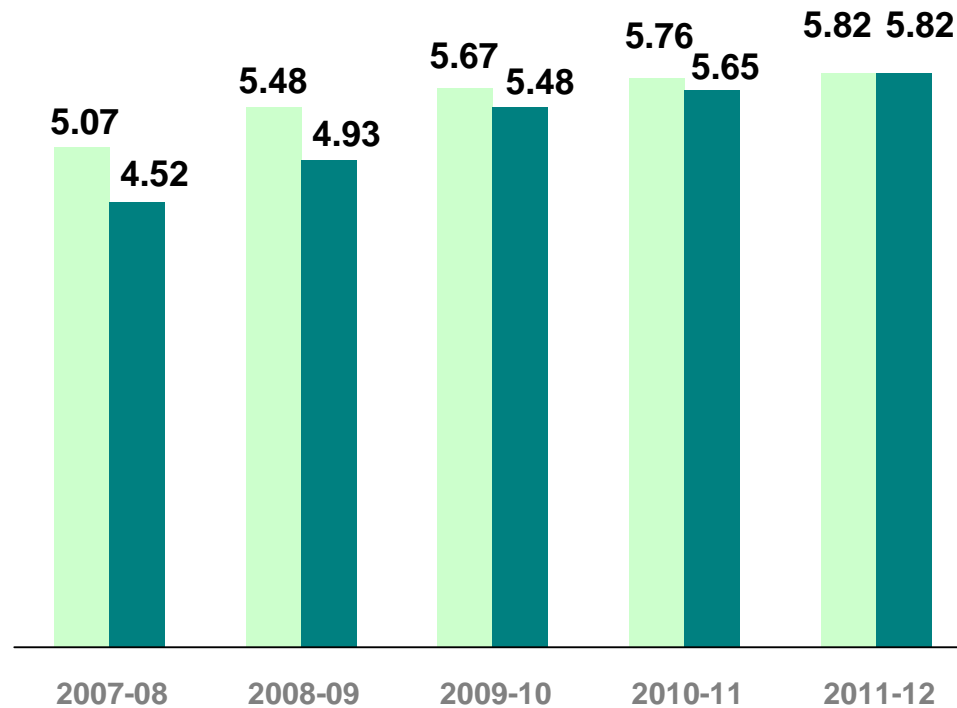
Comfortable cash position allowed us to seize opportunities

- ✦ From mid August the liquidity crisis forced banks to increase the spreads on their Commercial Paper
- ✦ Spreads became highly attractive at the end of August. Both treasuries were therefore partly invested in the Commercial Paper of first rank bank
- ✦ At beginning October, the global investment in Commercial Paper stood at € 2.7bn, with an average duration of 2.5 months and an average spread of 39 bp versus EONIA

Hedging contracts look attractive at current oil price levels

In €bn

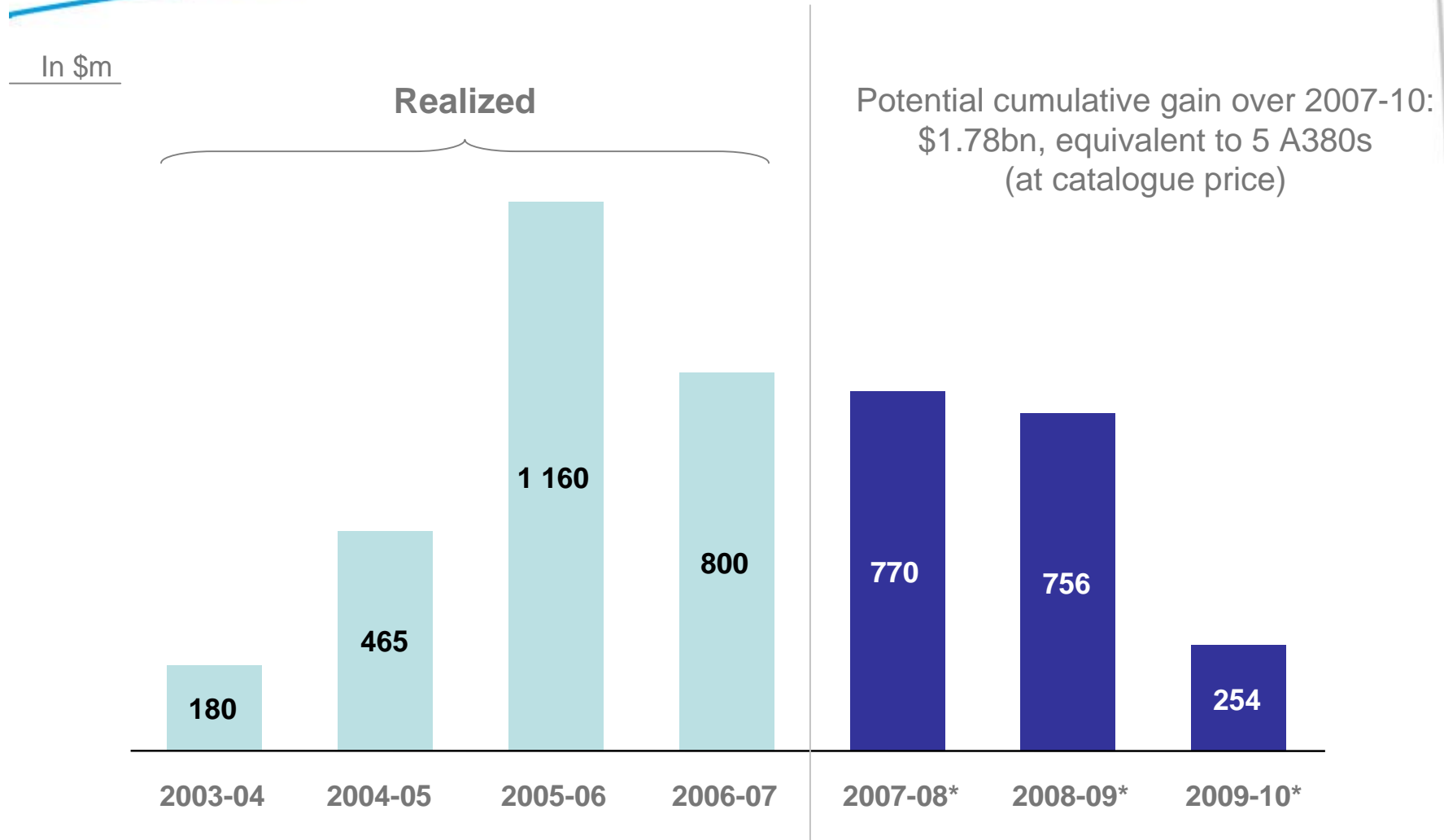
- Fuel bill before hedging
- Fuel bill after hedging



Market price (\$/bbl)*	75	77	75	73	73
Hedged requirement	77%	66%	49%	30%	10%
Average hedged price (\$/bbl)	61	62	68	69	72
Exchange rate €/€	1.40	1.38	1.36	1.36	1.36

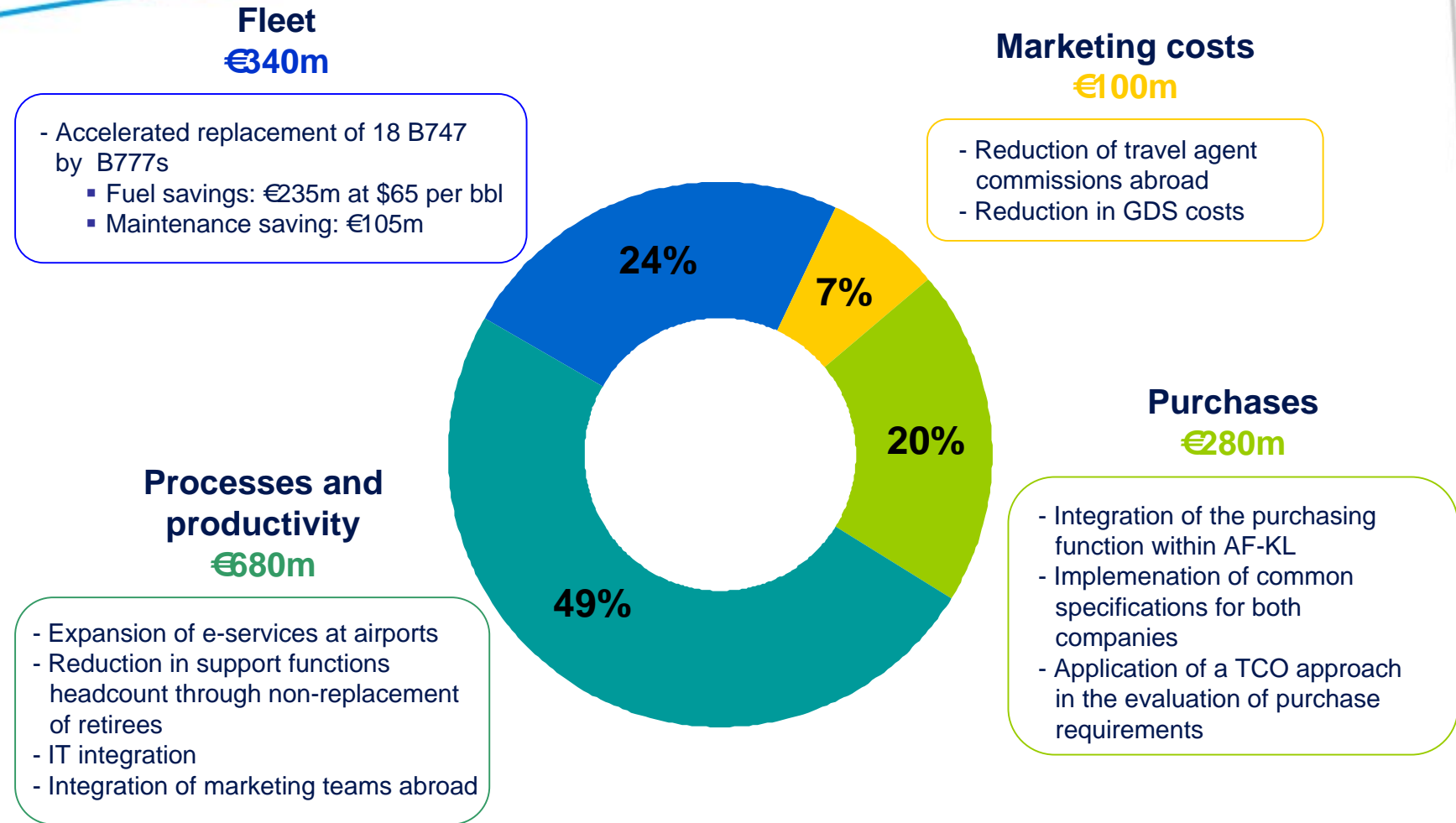
* Forward price at 5 October 07

Hedging gains remain considerable



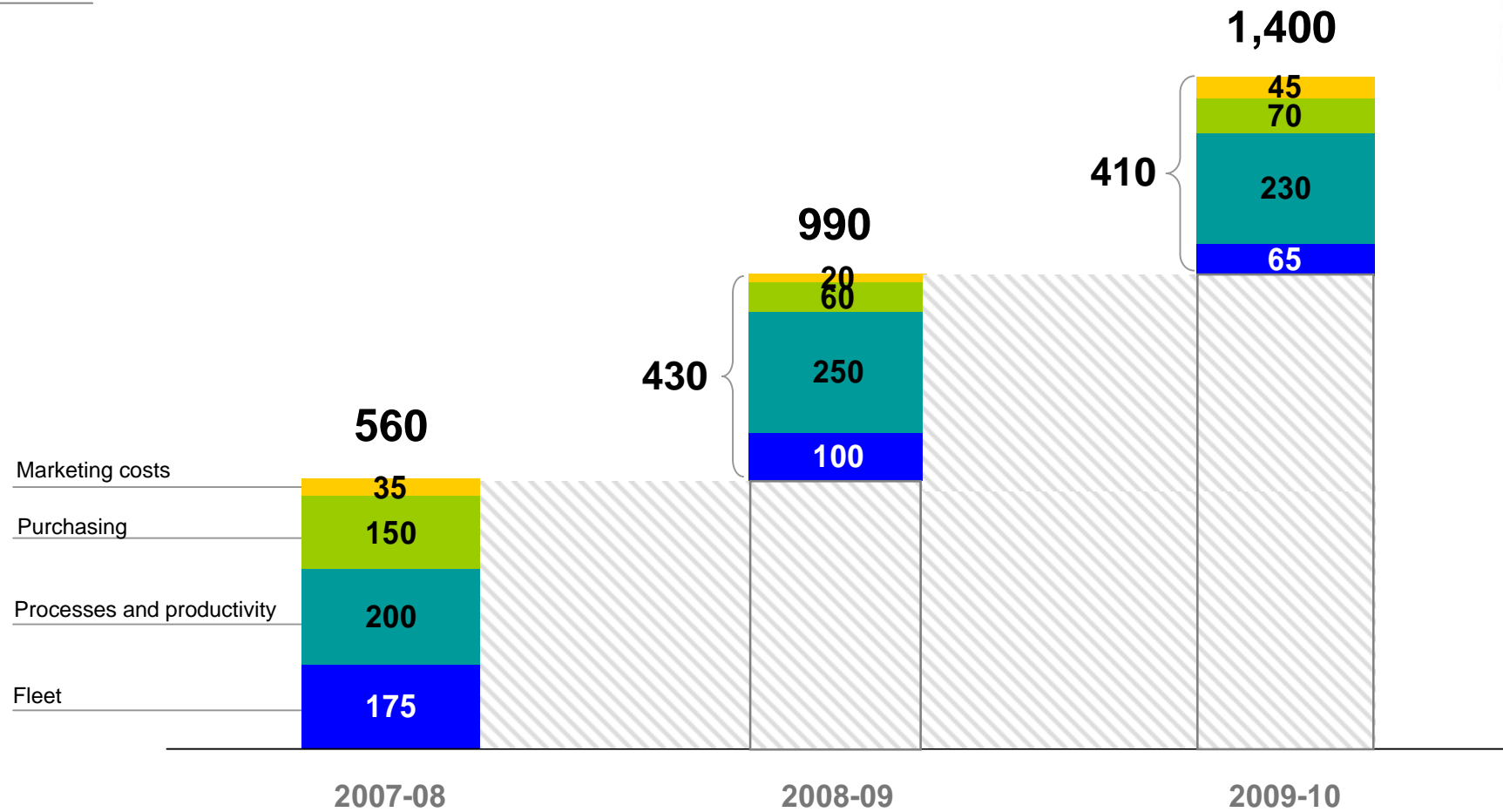
* Based on futures prices at 5 October 2007

Reminder: "Challenge 10", an ambitious cost-savings program



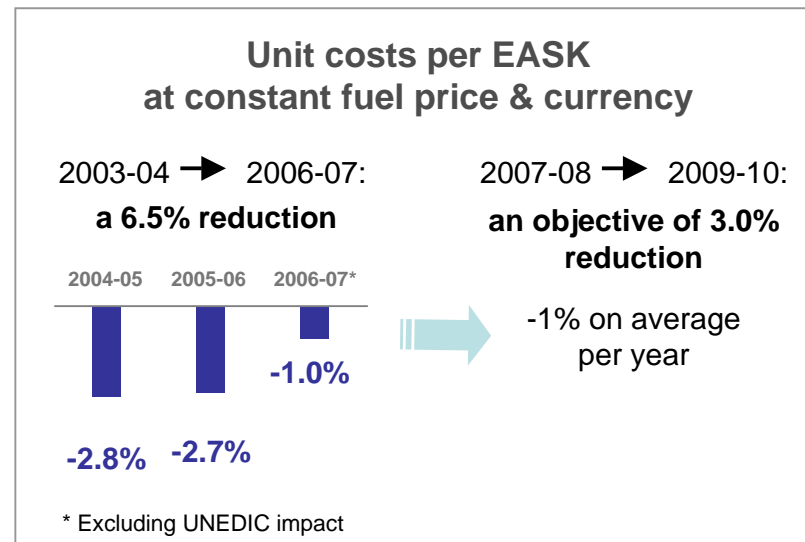
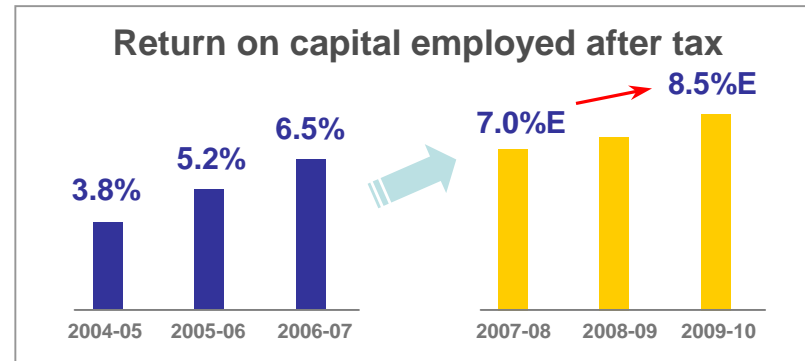
Significant savings in each of the next three years

In €m



"Challenge 10": Three key objectives

- ★ Underpinning our objective of 8.5% return on capital by 2009-10
- ★ Enhancing the group's resilience in the face of unforeseen events or crises
- ★ Focusing management effort on optimising our cost structure



Fleet Strategy

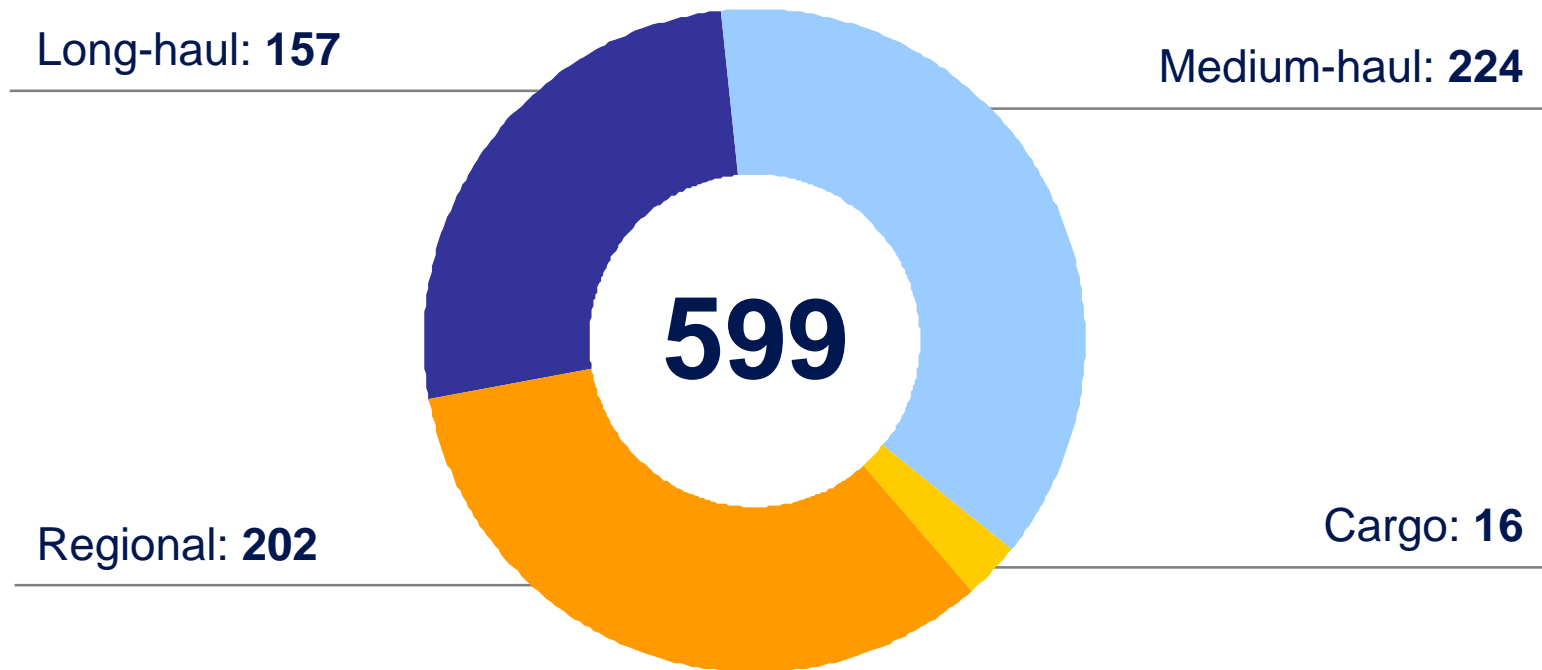
Pierre Vellay

Senior Vice President Fleet Management, Air France
Head of Fleet Strategy, Air France-KLM

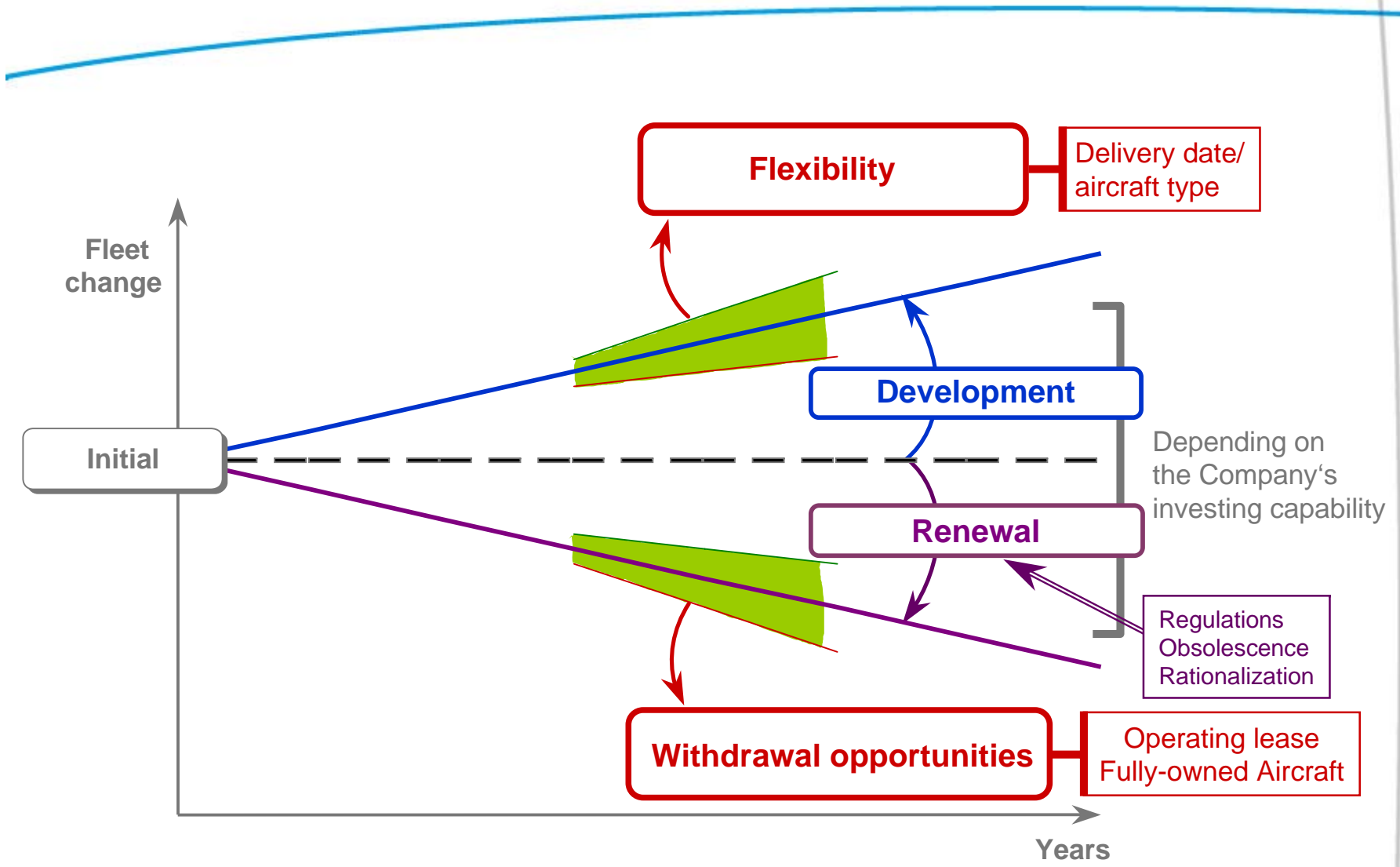
Embarquement / Boarding



Air France-KLM: one the largest fleets in the world



Fleet management at a glance



Fleet policy: our five core principles

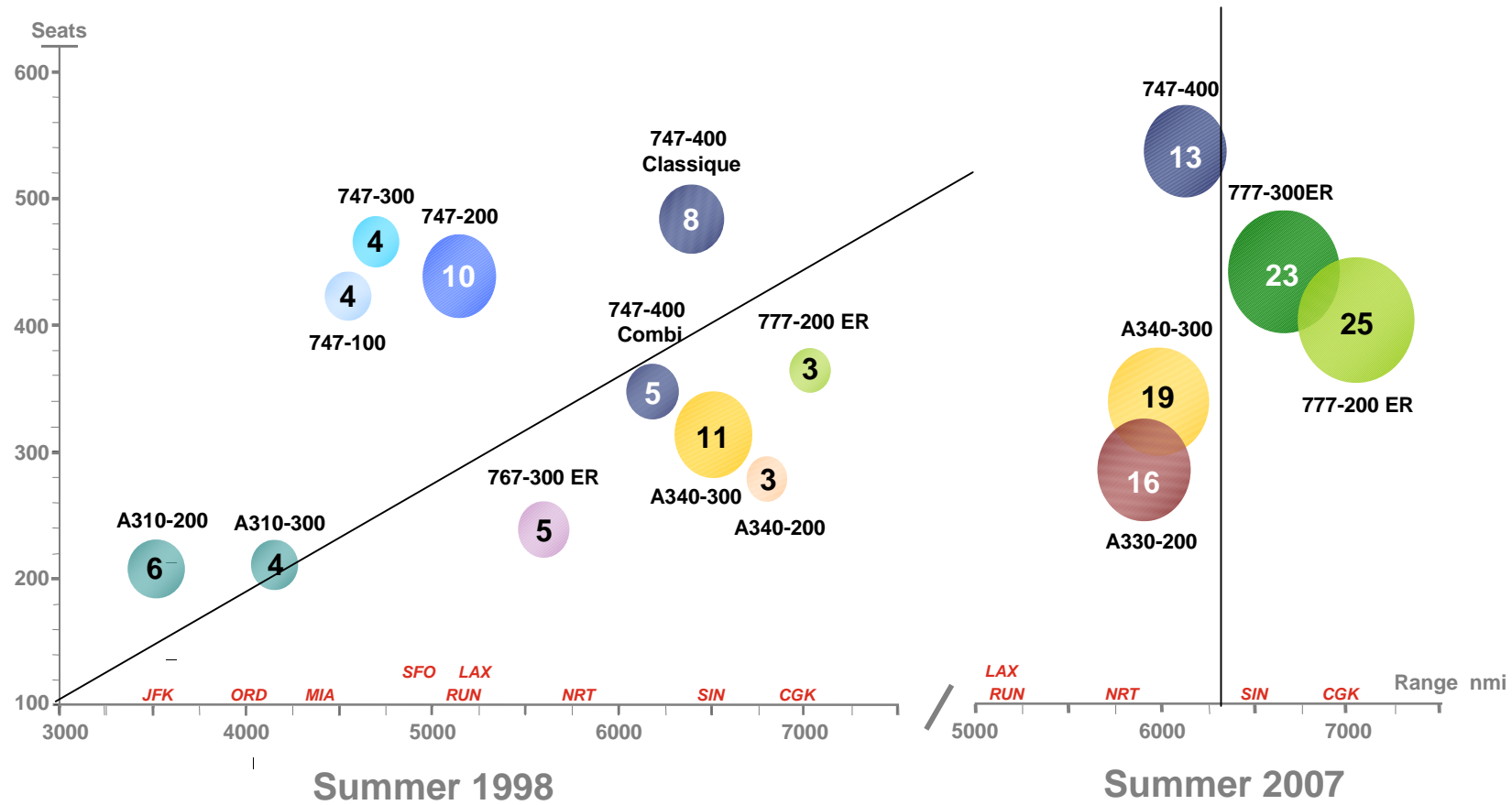
- ✦ **Simplicity**
 - ▶ Commonality, technical coherence, operational interchangeability
- ✦ **Flexibility**
 - ▶ Fleet financing: adjustment through flexibility devices
 - ▶ Financing: purchasing, finance lease, operating lease
- ✦ **Profitability**
 - ▶ Economies of scale, cost-effective fleet size
 - ▶ Efficiency analysis, DOC, profitability benchmarking
- ✦ **Modernity**
 - ▶ State of the art technology, fuel efficiency
 - ▶ Limitation of environmental impact
- ✦ **Credibility**
 - ▶ Leader status in choices

Simplicity: the medium-haul fleet is the perfect example

	Summer 1997	Summer 2008	
		Air France	KLM
	A300 A321 A320 A319 B732 B733 B735 F100	A321 A320 A319 A318	B739 B738 B737 B734 B733
Aircraft family:	3	1	1
Crew qualifications:	4	1	1
Aircraft type:	7	4	5
Engine type:	4+0.5	1+0.5	2
Total MH Fleet:	124	147	75
Numbers / aircraft type:	17.7	36.7	15

Long-haul fleet: simplicity leads to flexibility

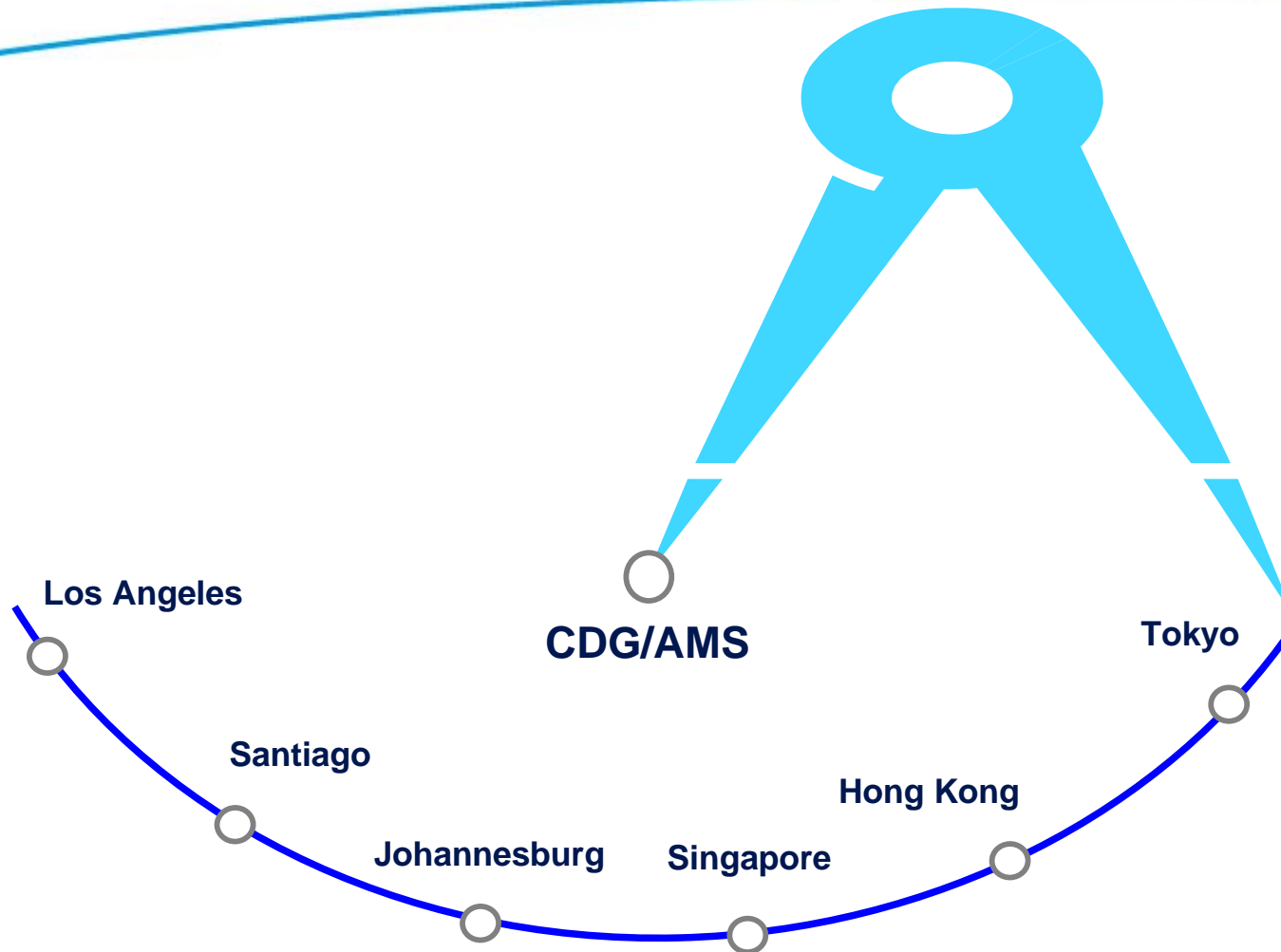
Fleet size versus range and seat capacity



Fleet policy: our five core principles

- + Simplicity
 - ▶ Commonality, technical coherence, operational interchangeability
- + **Flexibility**
 - ▶ **Fleet: size adjustment through flexibility devices**
 - ▶ **Financing: purchasing, finance lease, operating lease**
- + Profitability
 - ▶ Economies of scale, cost-effective fleet size
 - ▶ Efficiency analysis, DOC, profitability benchmarking
- + Modernity
 - ▶ State of the art technology, fuel efficiency
 - ▶ Limitation of environmental impact
- + Credibility
 - ▶ Leader status in choices

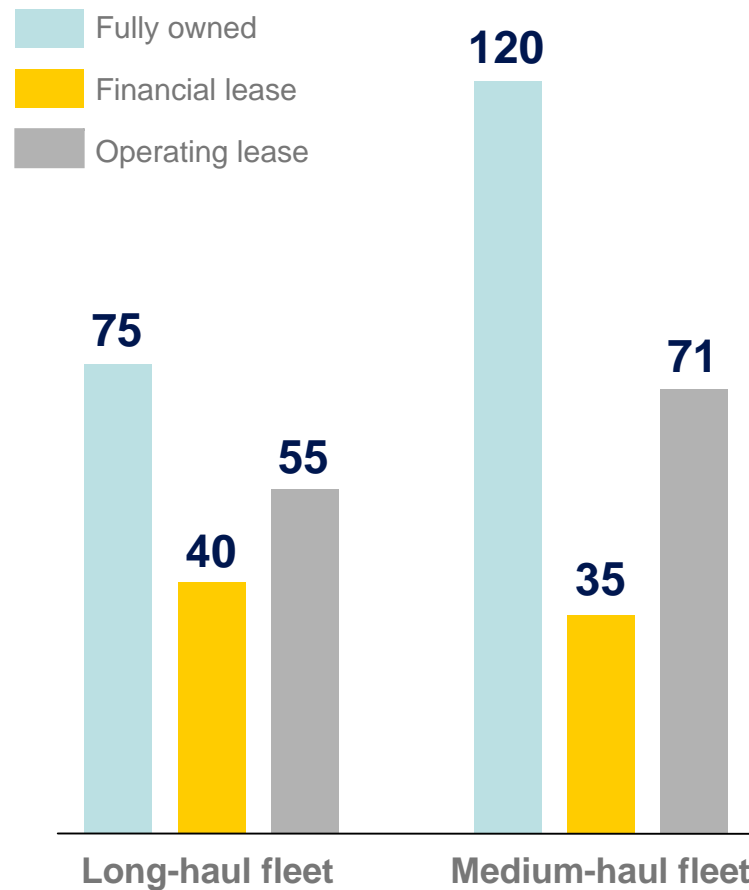
All our long-haul aircraft can serve all our destinations



Flexibility: arbitrage in selection of financing method

- + Fully owned
 - ▶ Freedom of disposal according to market demand
 - ▶ Ability to leverage the assets
 - ▶ Favored when euro is strong
- + Operating lease
 - ▶ Progressive operating lease concept to create a reserve of adjustment
 - ▶ Favored when dollar is strong
- + Financial lease
 - ▶ Specifically dedicated to long term investments

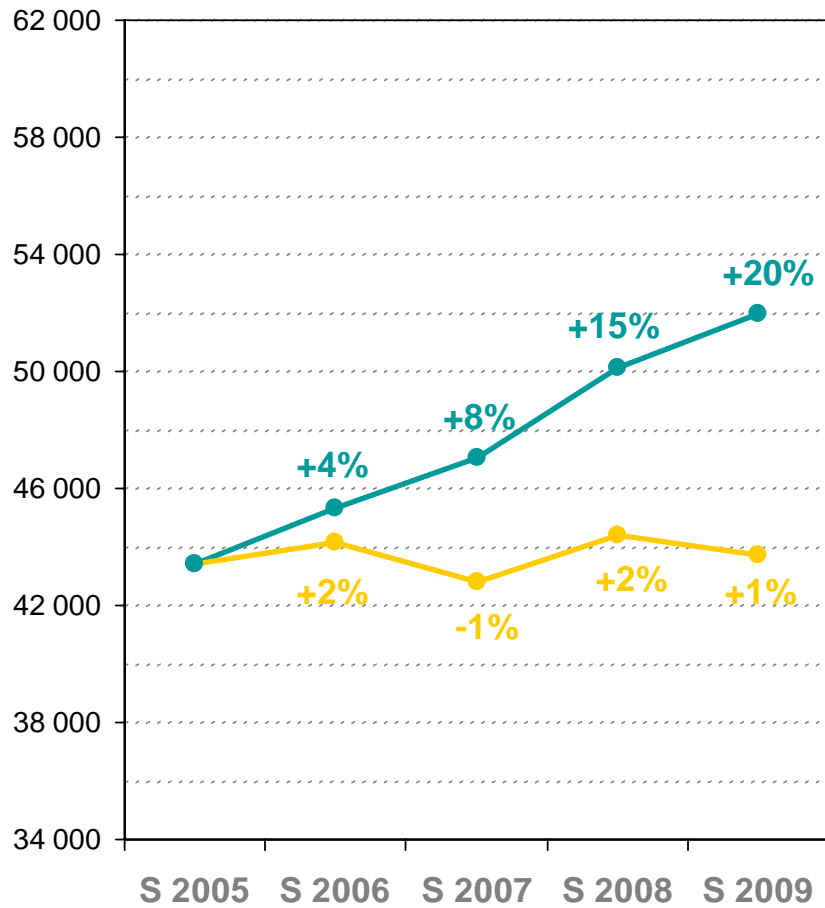
Air France-KLM fleet by financing type



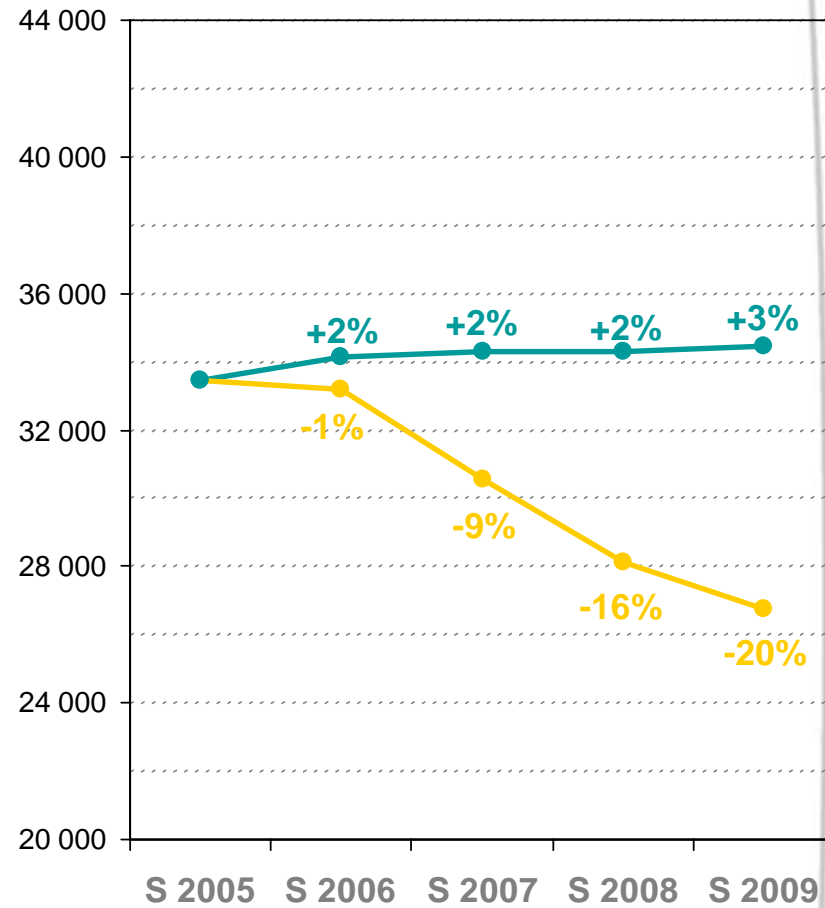
Fleet flexibility increases our responsiveness

Long-haul fleet
(in number of seats)

● 4 year plan
● down flexibility



Medium-haul fleet
(in number of seats)



Fleet policy: our five core principles

- + Simplicity
 - Commonality, technical coherence, operational interchangeability
- + Flexibility
 - Fleet: size adjustment through flexibility devices
 - Financing: purchasing, finance lease, operating lease
- + **Profitability**
 - Economies of scale, cost-effective fleet size
 - Efficiency analysis, DOC, profitability benchmarking
- + Modernity
 - State of the art technology, fuel efficiency
 - Limitation of environmental impact
- + Credibility
 - Leader status in choices

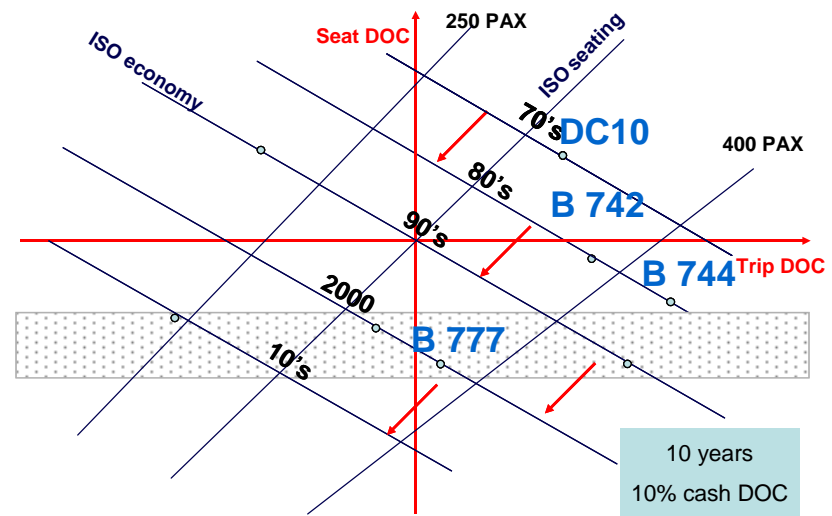
Profitability: ongoing focus on value creation

- ✦ DOC evaluation
- ✦ Scale effect contribution
- ✦ Parameter prioritisation
 - ▶ Fuel, noise, emissions, maintenance costs, technology upgrade

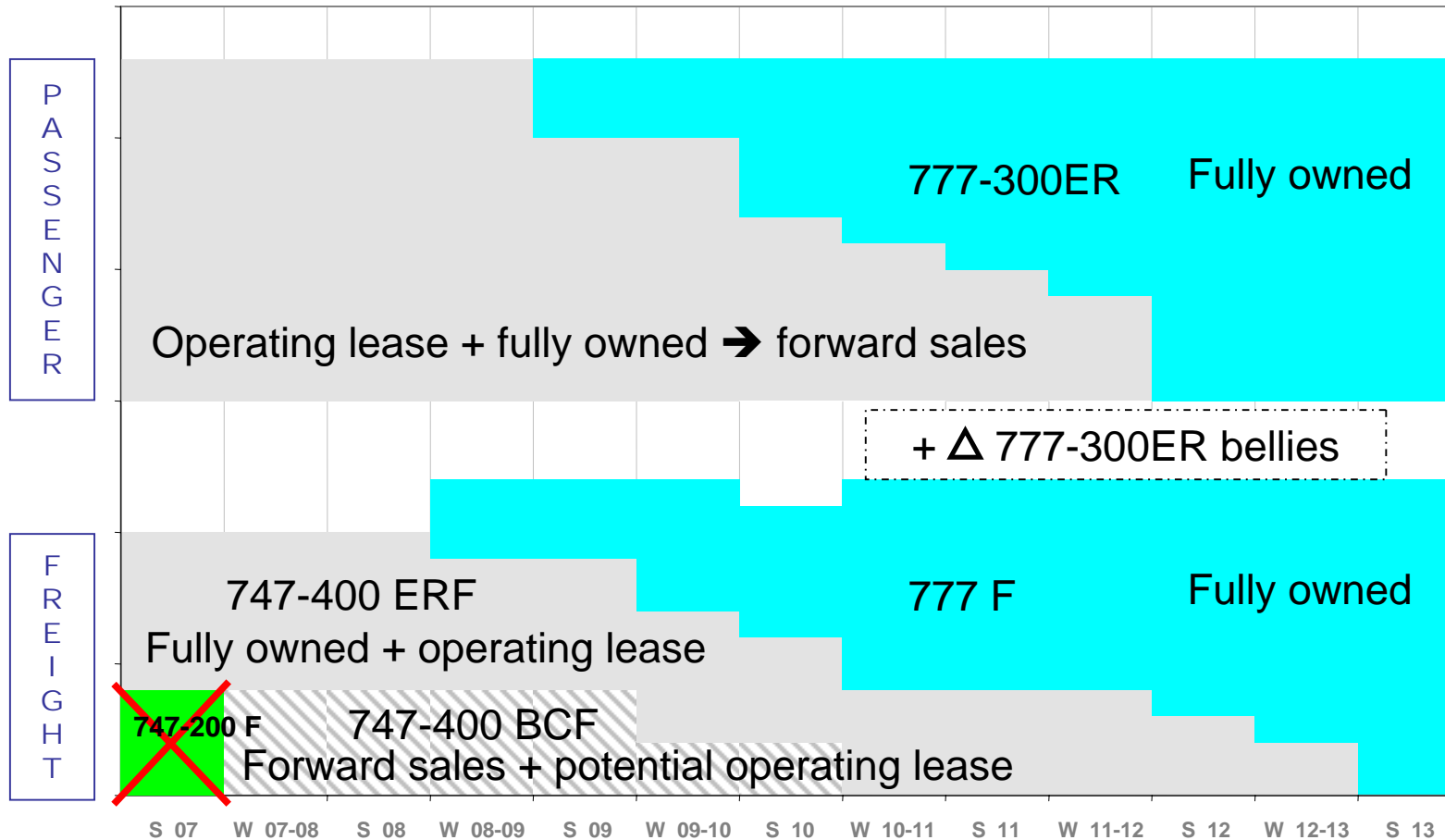


Leading, for example, to the decision to accelerate phase-out of the 747 fleet

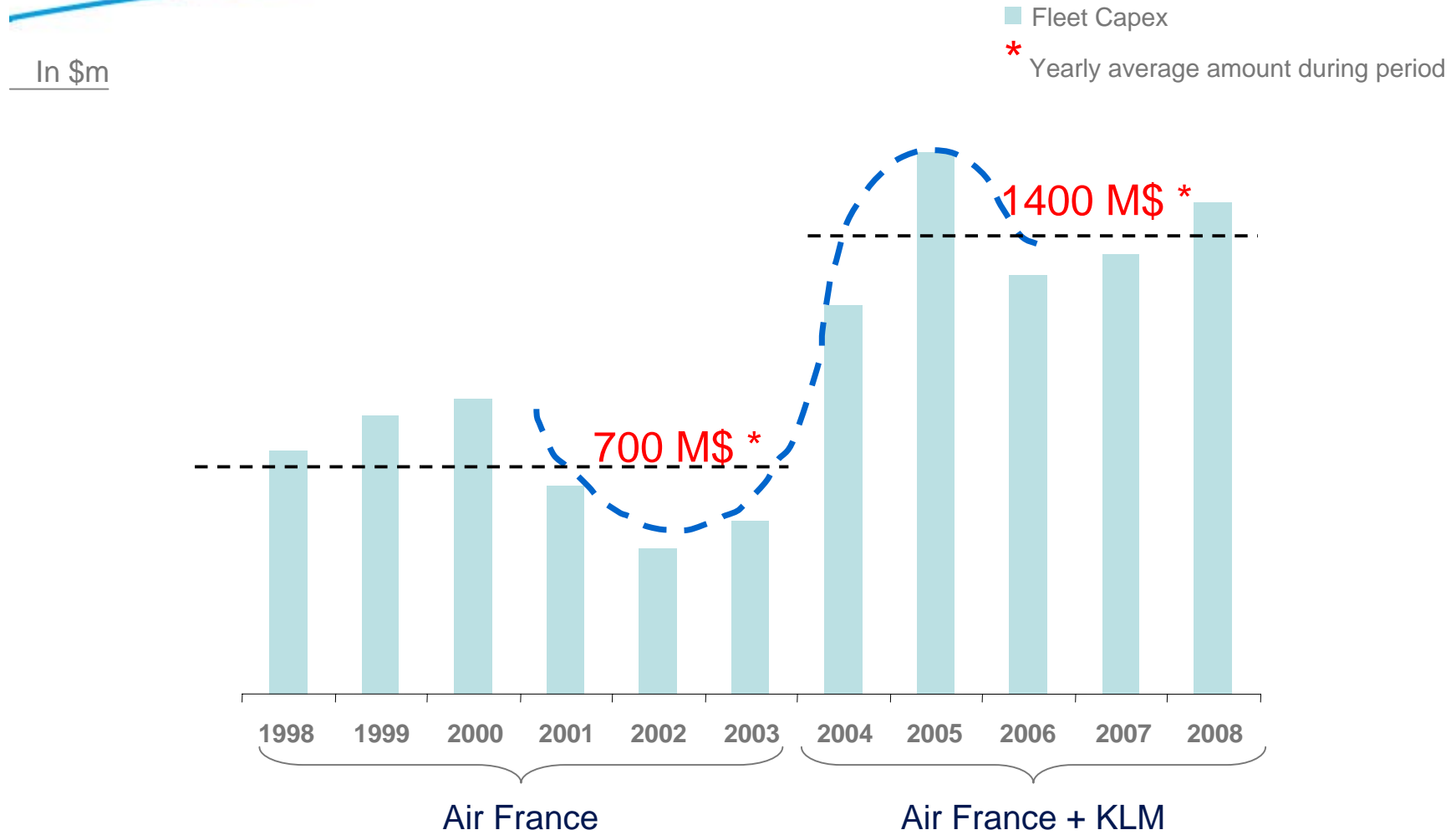
Trend in DOC reduction



The 744 example: transition between sub-fleets at optimum financial conditions



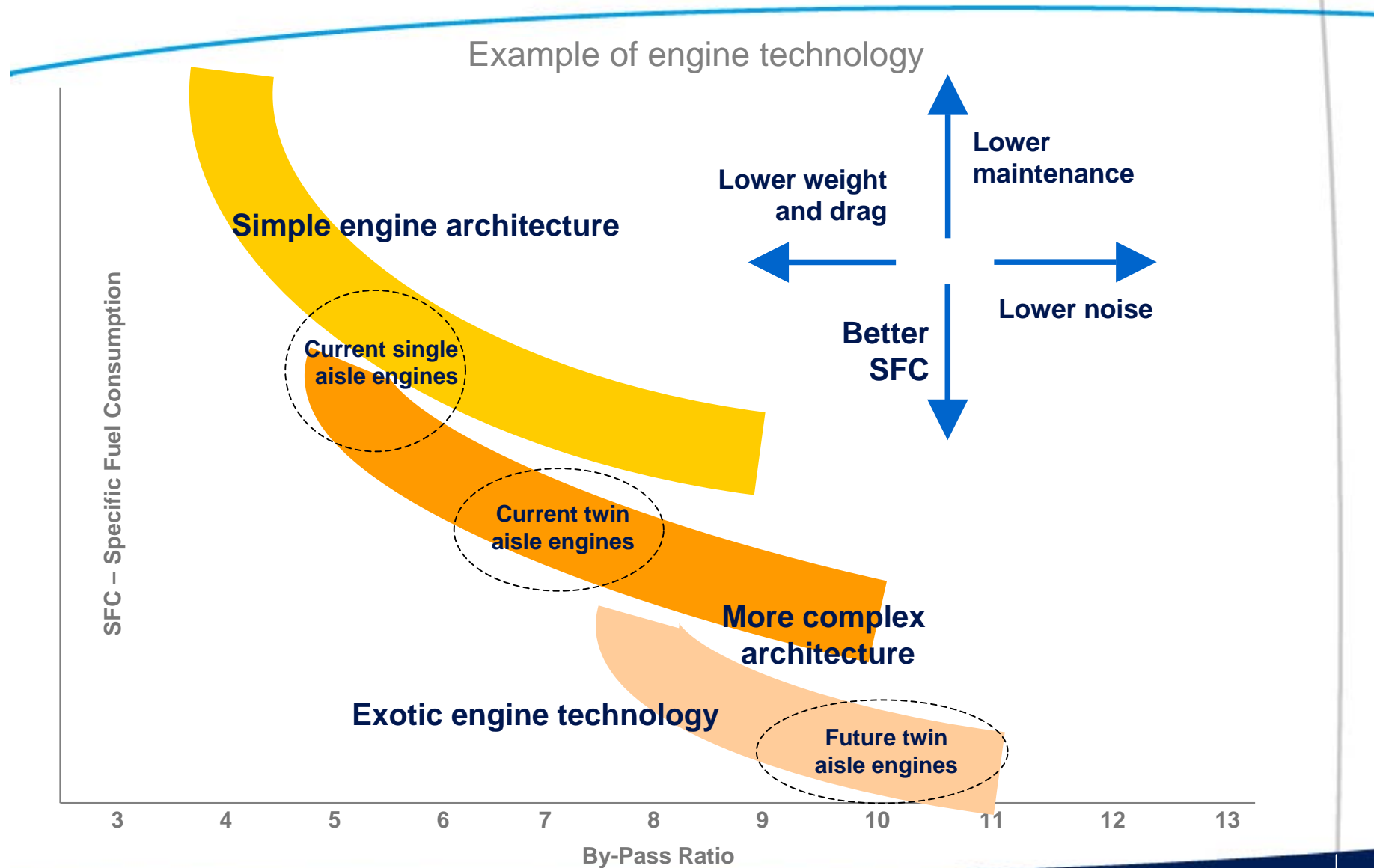
Protecting our cash position during crises



Fleet policy: our five core principles

- + Simplicity
 - Commonality, technical coherence, operational interchangeability
- + Flexibility
 - Fleet size adjustments through flexibility devices
 - Purchasing, finance lease, operating lease
- + Profitability
 - Economies of scales, cost-effective fleet size (> 12 units)
 - Efficiency analysis, DOC compared profitability
- + **Modernity**
 - **State of the art technology, fuel efficiency**
 - **Limitation of adverse environmental impact**
- + Credibility
 - Leader status in choices

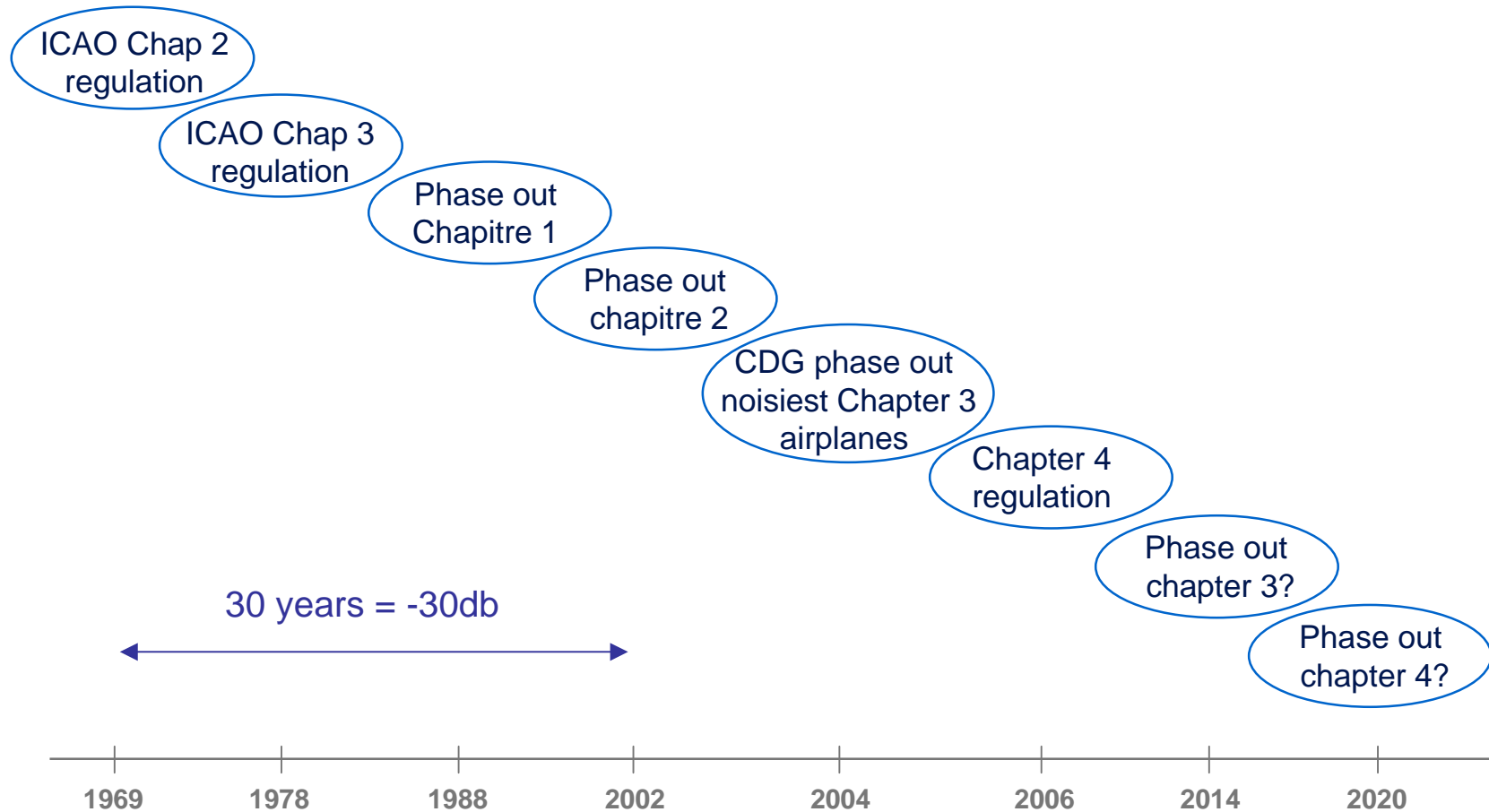
Modernity: technology trade-off and contradictions



Modernity supports our commitments

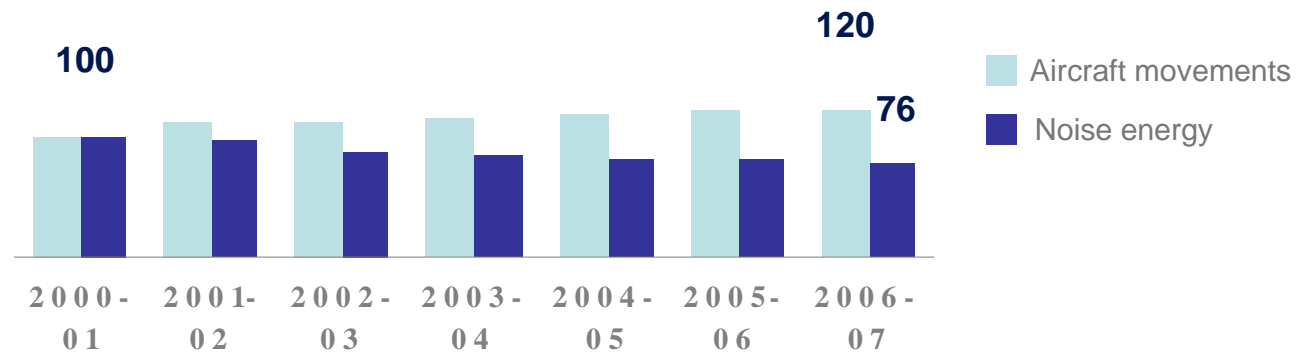
- ✦ Dispatch reliability and punctuality
- ✦ Passenger comfort
- ✦ Reducing maintenance costs
- ✦ Protecting the environment

Noise regulation becoming ever more restrictive

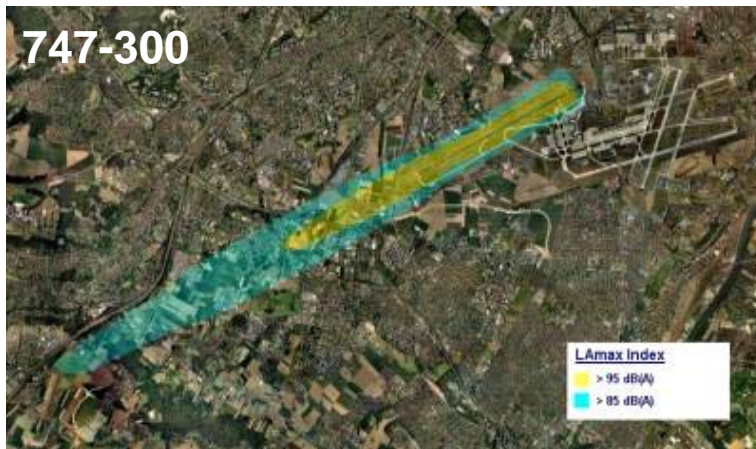


Modern fleet leads to significant reduction in noise energy...

Evolution of noise energy and number of aircraft movements Air France-KLM

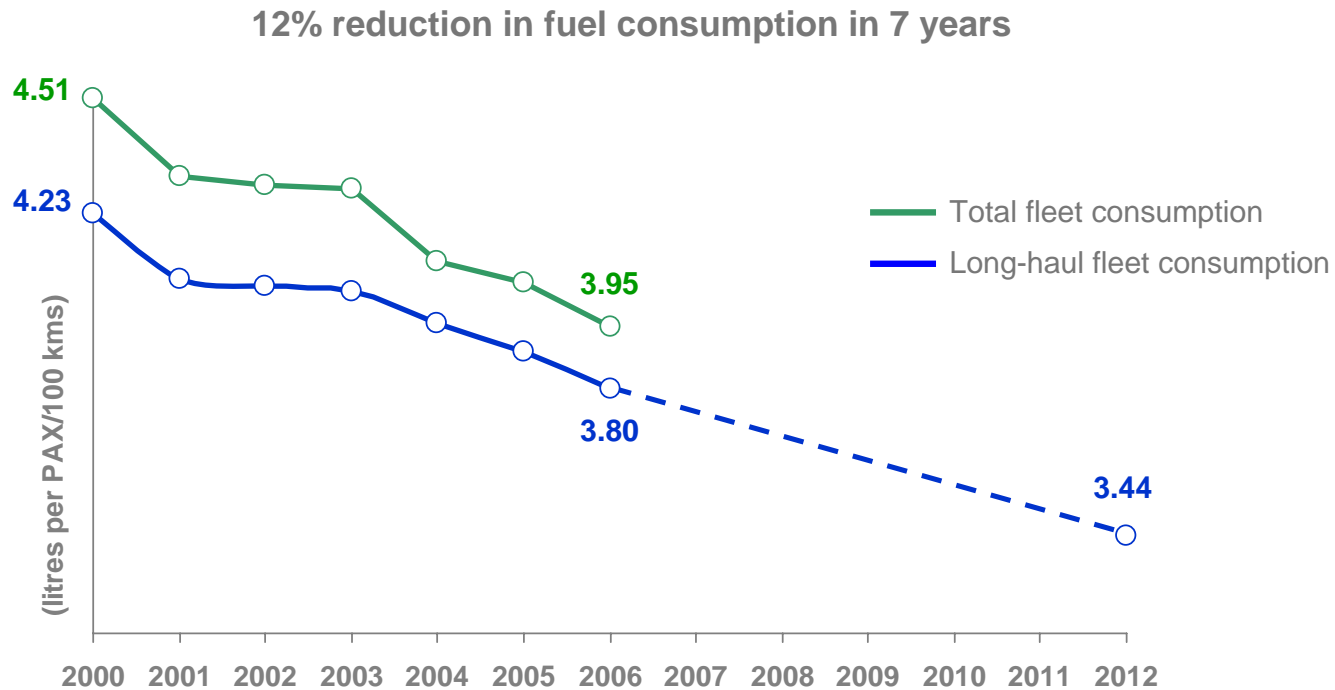


Comparison of noise energy footprint



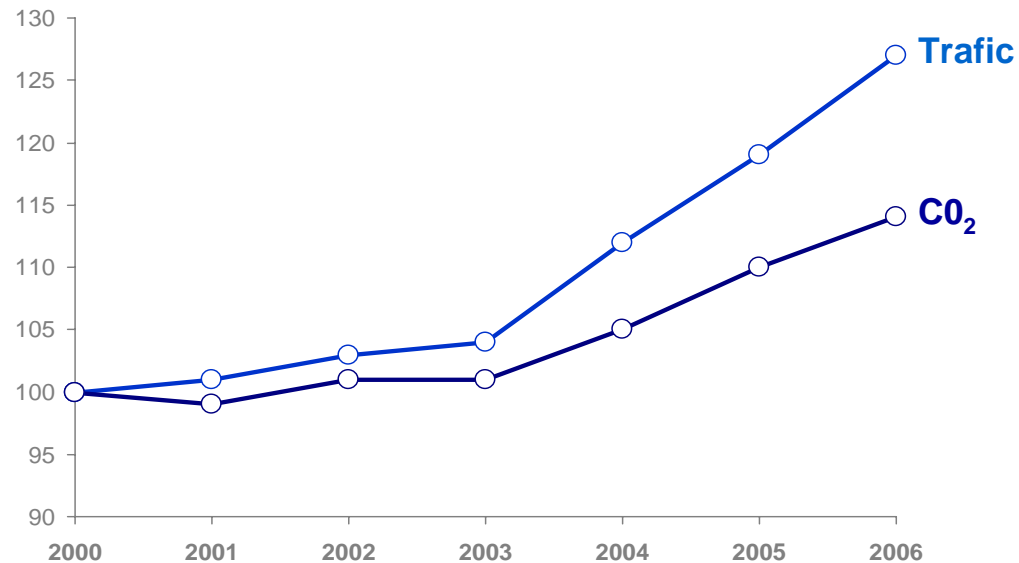
... fuel consumption...

- ✦ To increase the energy efficiency of the Air France fleet



... and therefore in CO₂ emissions

Evolution of CO₂ emissions versus passenger/ cargo traffic Air France-KLM



★ To accelerate the reduction in emissions

▶ On the Caribbean Indian Ocean network:

▶ Replacement of B747-300/400s

▶ Replacement of B747-400s by B777s



-21% in CO₂ in 2006
-28% in CO₂ in 2007

Our future technology challenges

- + Deriving maximum benefit from state of the art technology (eg: fuel burn, environmental performance, cabin comfort, maintenance costs, asset protection)
- + Avoidance of "perishable technologies"
- + Avoidance of "patchwork technology", which could be counterproductive
- + Time synchronization between engineering, maintenance and regulation
- + Long term development taking account of regulatory constraints

Fleet policy: our five core principles

- + **Simplicity**
 - ▶ Commonality, technical coherence, operational interchangeability
- + **Flexibility**
 - ▶ Fleet size adjustments through flexibility devices
 - ▶ Purchasing, finance lease, operating lease
- + **Profitability**
 - ▶ Economies of scales, cost-effective fleet size (> 12 units)
 - ▶ Efficiency analysis, DOC compared profitability
- + **Modernity**
 - ▶ State of the art technology, fuel efficiency
 - ▶ Limitation of adverse environmental impact
- + **Credibility**
 - ▶ **Leader status in choices**

Credibility: mutually beneficial relationships with aircraft and engine manufacturers

+ Proactive cooperation:

- ▶ Market evaluation
- ▶ Baseline specification
- ▶ BFE (buyer furnished equipment) policy
- ▶ Technology insertion
- ▶ Product support
- ▶ Maintenance and overhaul programme/policy

Leads to the development of generic products which are more closely tailored to our requirements

Air France-KLM, one of the leading launching airlines

Since 2000

Aircraft

- ✦ A318
- ✦ A319ER
- ✦ A330-200 (233 t MTOW)
- ✦ A380-800
- ✦ 777-300ER
- ✦ 747-400ERF
- ✦ 777 F
- ✦ CRJ700
- ✦ CRJ1000

Engines

- ✦ GE 90-94
- ✦ CF6-80E1
- ✦ GE90-115
- ✦ GP7200 (A380-800)
- ✦ CFM56-5B/P on A318

Air France-KLM: Harmonized group fleet policy

- ✦ Principle of common technical specification for every acquisition
 - ▶ Scale effect
 - ▶ Increased negotiation power
 - ▶ Wider allocation basis for fixed cost:
 - ▶ Support, spare, cabin configuration engineering
 - ▶ Fleet interchangeability
 - ▶ Flexibility (substitution rights with manufacturers)
 - ▶ Asset residual value
 - ▶ Limitation of transition cost between Air France and KLM
- ✦ Reduction in operating costs
- ✦ Sequential scheduling of fleet investments
- ✦ First joint order: 20 firm orders and 18 options on Embraer aircraft

Glossary

+ DOC

- ▶ Direct Operating Cost, (including ownership cost)

+ SFC

- ▶ Specific Fuel Consumption, measures the specific consumption of an engine (i.e. not installed under the wing of an aircraft)

+ Fuel burn

- ▶ Consumption performances of an aircraft type equipped with an engine type, results from combination of engine's SFC and aircraft specific characteristics (aerodynamics, weight...)

+ By-Pass Ratio

- ▶ Ratio between the total air flow going through the engine fan and the flow going through the core of the engine

Passenger Activity

Bruno Matheu

Executive VP, Marketing, Revenue
Management & Network, Air France-KLM

Pieter Bootsma

VP Revenue Management, KLM

Embarquement / Boarding



Agenda



- ✦ Balance is at the heart of our strategy
- ✦ 5-year supply and demand balance
- ✦ Revenue Management

Agenda



- ✦ Balance is at the heart of our strategy
- ✦ 5-year supply and demand balance
- ✦ Revenue Management

A balanced network

Air France-KLM turnover breakdown
by geographic area
April – August 2007

Asia: **16%**

France p2p: **6%**

North America: **18%**

France cnx: **6%**

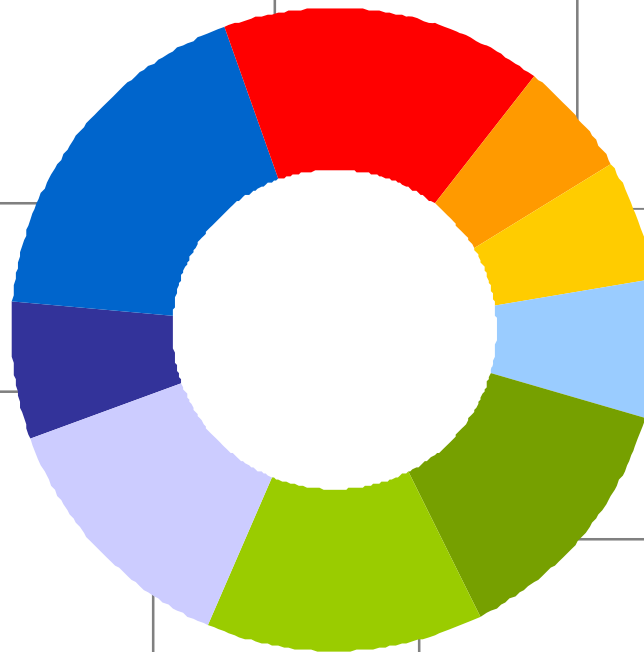
Latin America: **7%**

Caribbean &
Indian Ocean: **7%**

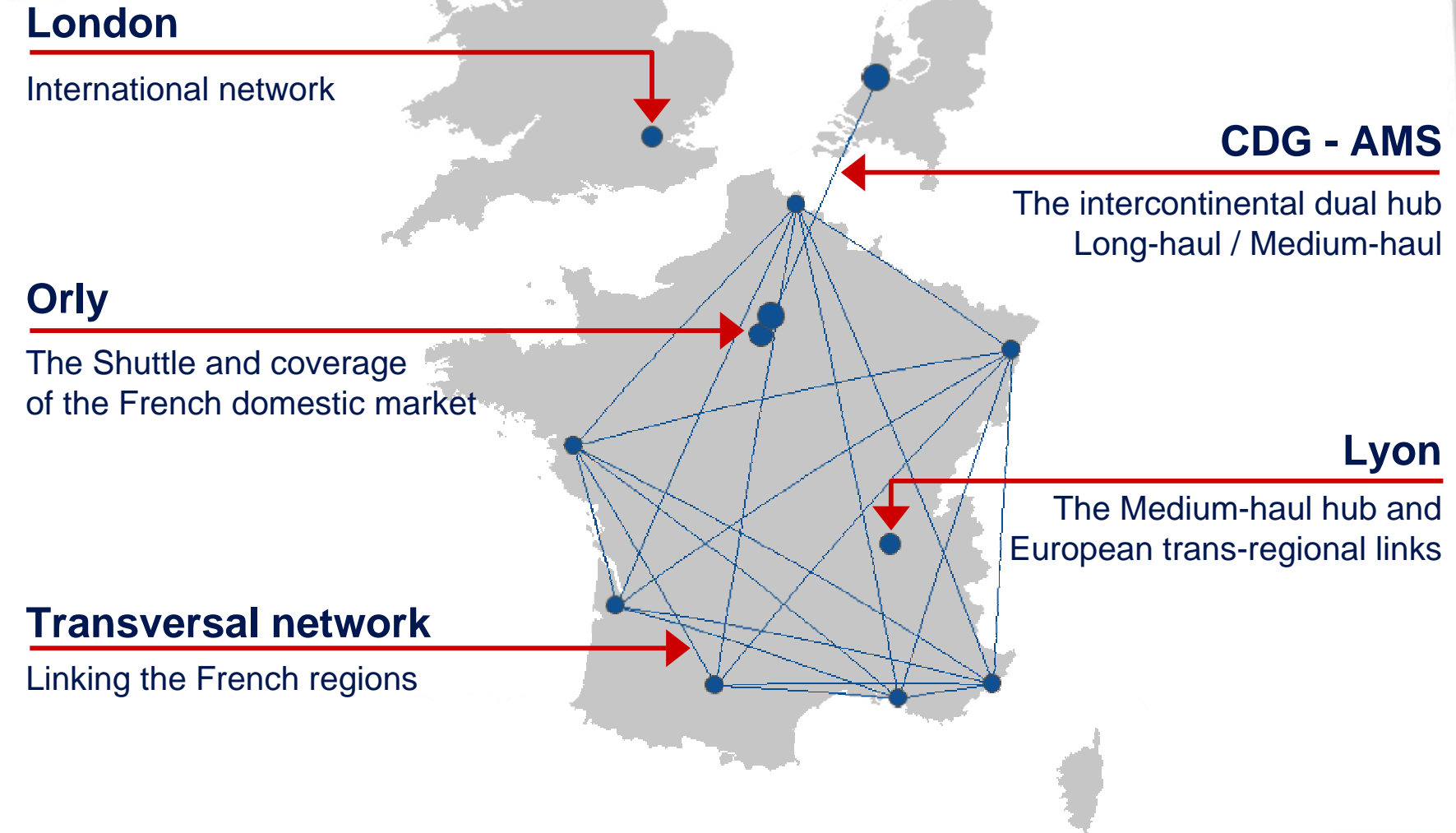
Africa & Middle-East: **13%**

Europe p2p: **13%**

Europe cnx: **14%**



A balanced network

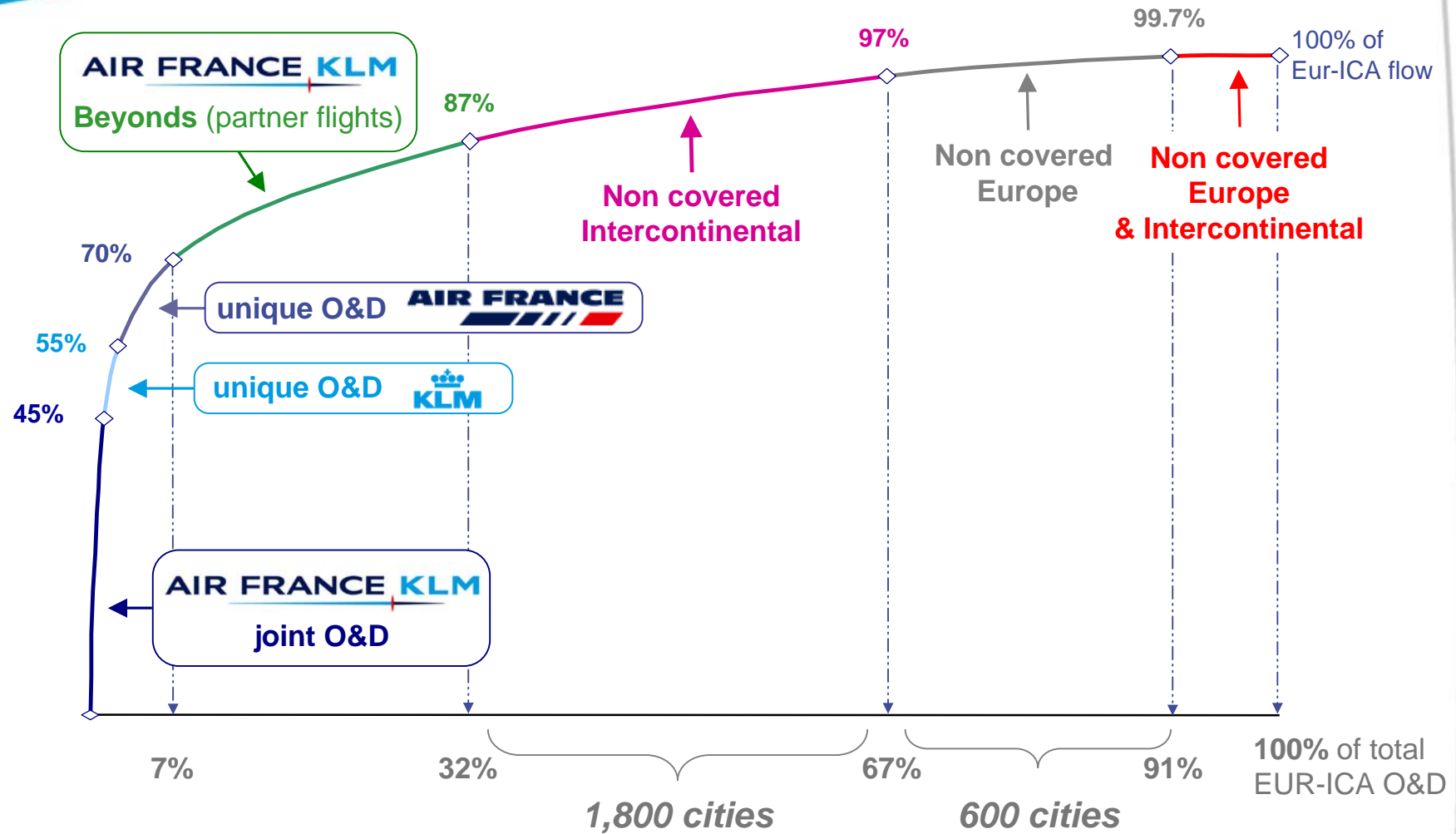


The dual hub strategy

- ✦ 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 offer our customers a wider choice of schedules and fares.

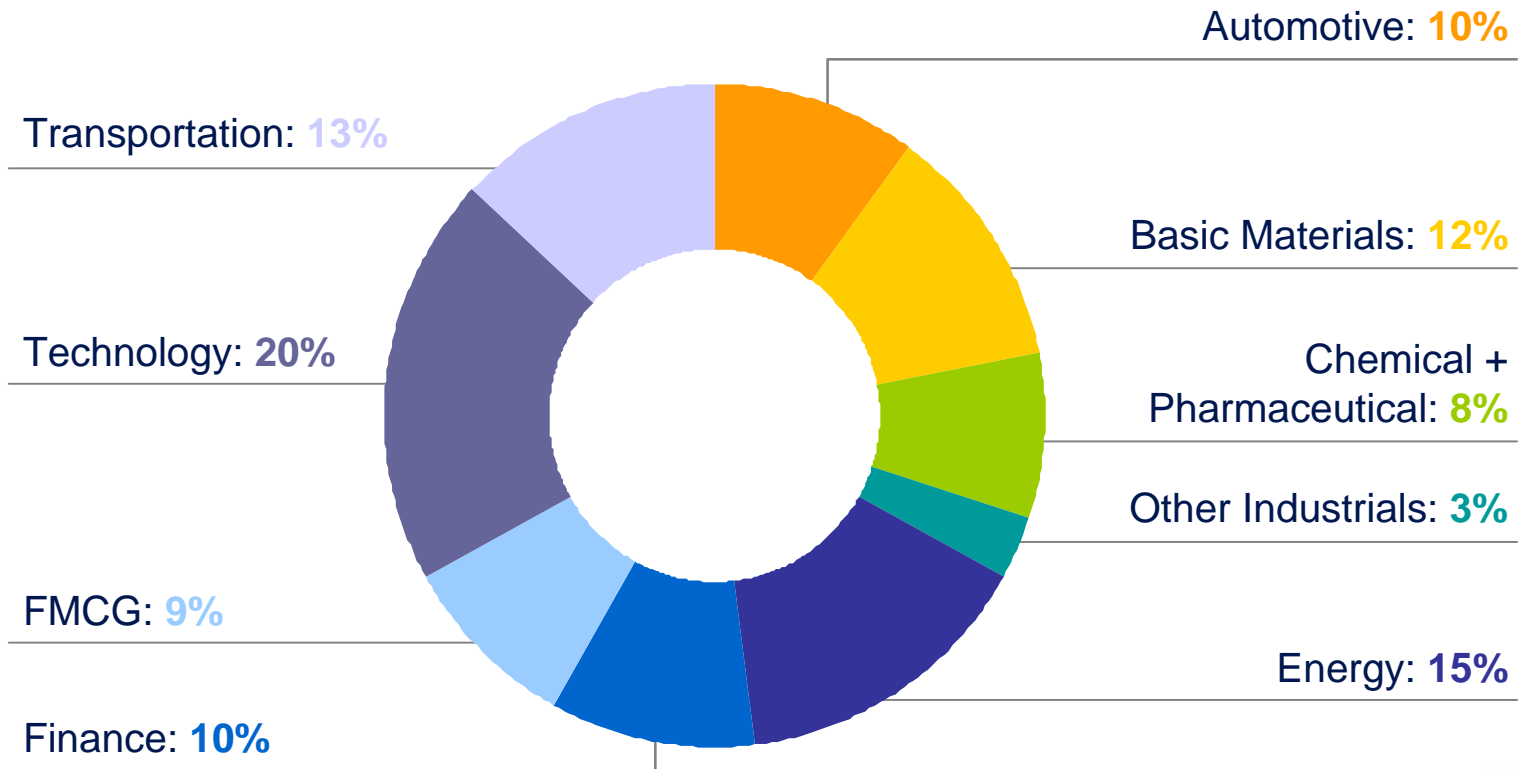
Air France-KLM: a combined network already covering 87% of Europe – long-haul flows



Balance in our customer segmentation

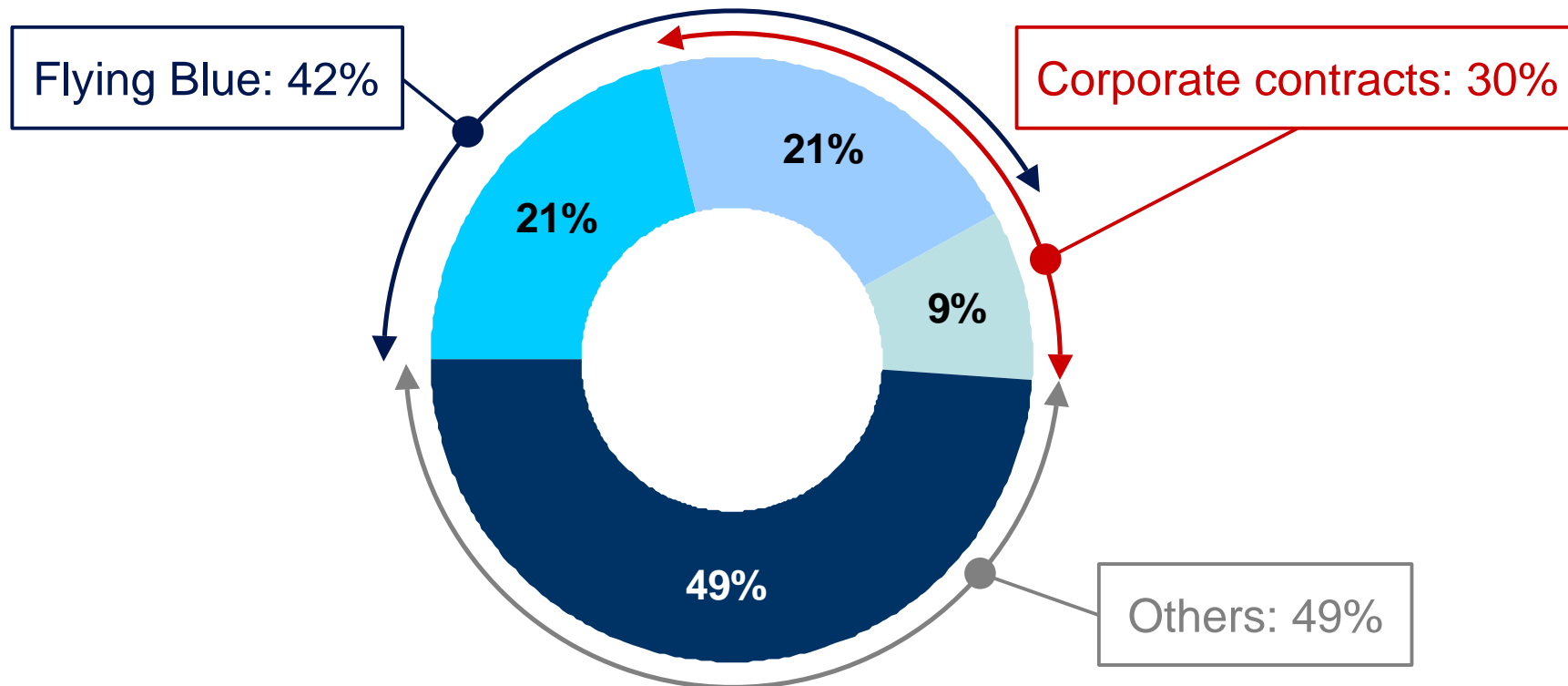
52% of our customers travel for **leisure**
and **48%** for **business** purposes

Breakdown of Air France-KLM
global accounts by industry



Balance in our customer segmentation

51% of our revenues generated through “loyal” customers

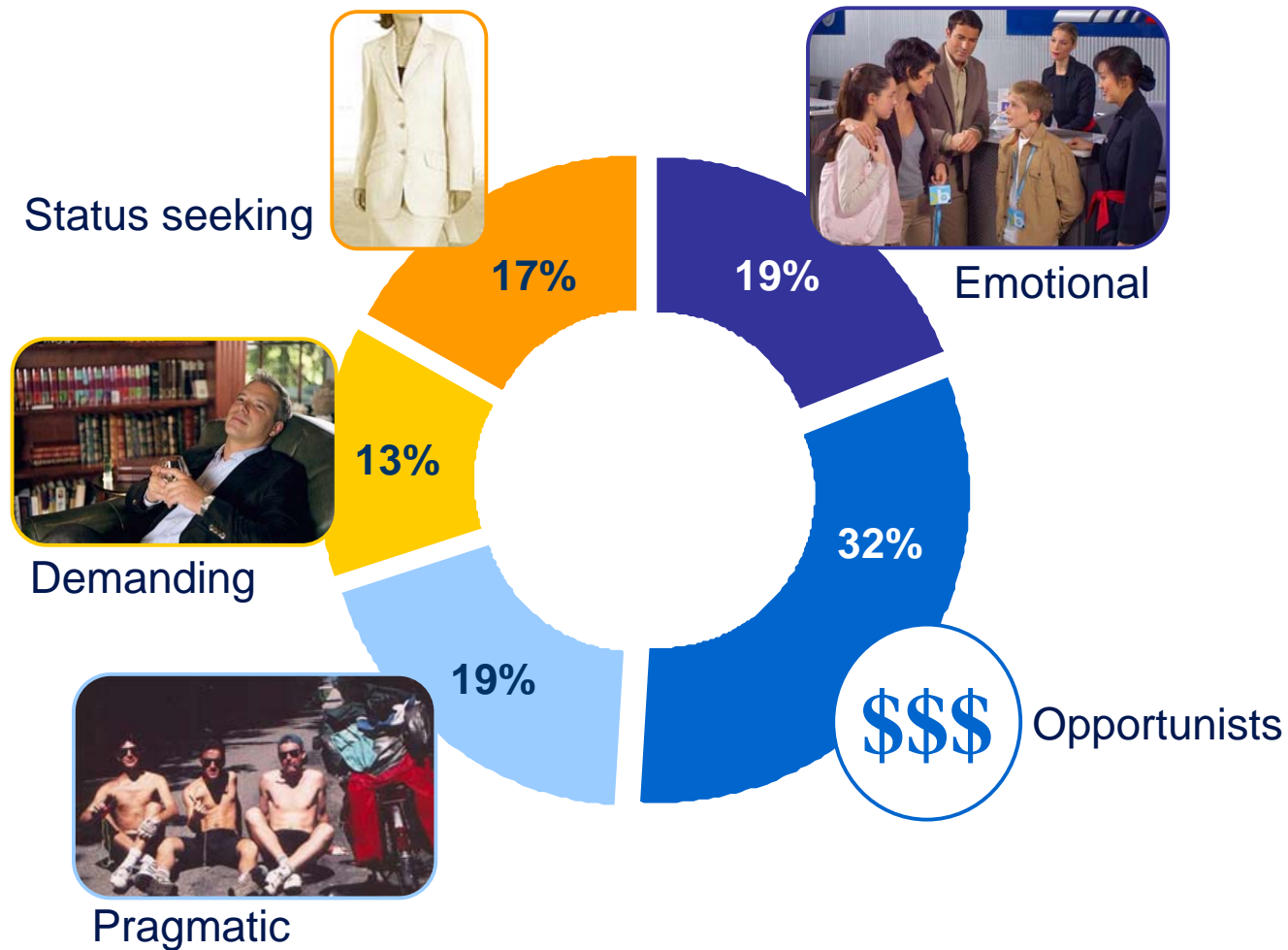


Balance in our customer segmentation

- + 56% of our customers at Roissy and Amsterdam are **connecting** passengers and 44% **point to point**.
- + Breakdown per market feeding the hubs:
 - ▶ 28% from France and Benelux
 - ▶ 25% other European countries including:
 - ▶ 20% from UK
 - ▶ 16% from Germany
 - ▶ 13% from Italy
 - ▶ 10% from Spain...
 - ▶ 47% long-haul markets

Balance in our customer segmentation

Attitude segmentation



Balance in our product range

Budget

"Haute Couture"



transavia.com

A new leisure company

Leisure travel

Air France-KLM
core business

L'ESPACE PREMIÈRE
A new, personalised ground service

CITYJET
for AIR FRANCE

A network at the heart of the City

Business travel

DEDICATE une offre sur-mesure



*A made to measure service
for professionals*

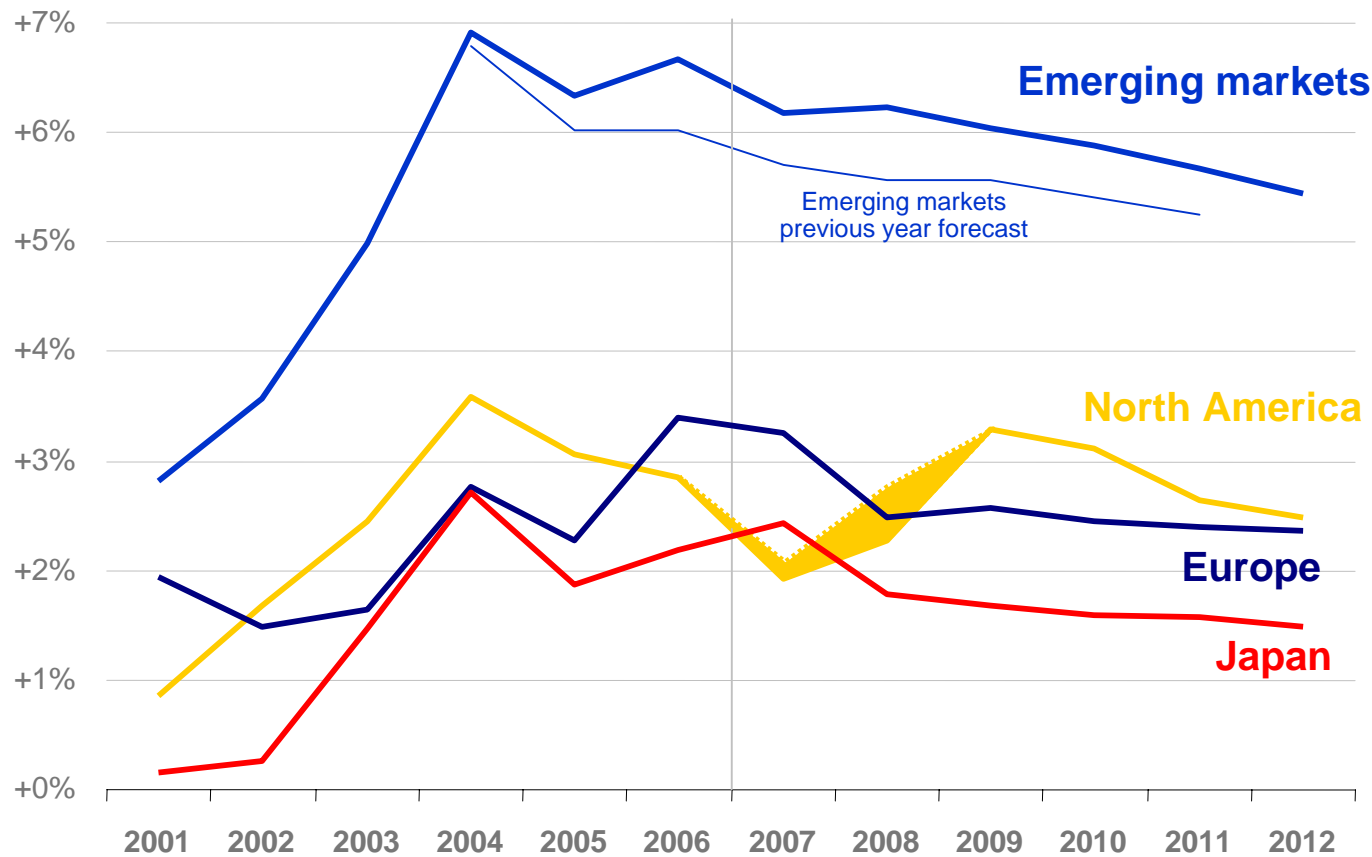
Agenda



- + Balance is at the heart of our strategy
- + 5-year supply and demand balance
- + Revenue Management

After 3 years of exceptionally strong growth, emerging markets will keep driving world GDP growth

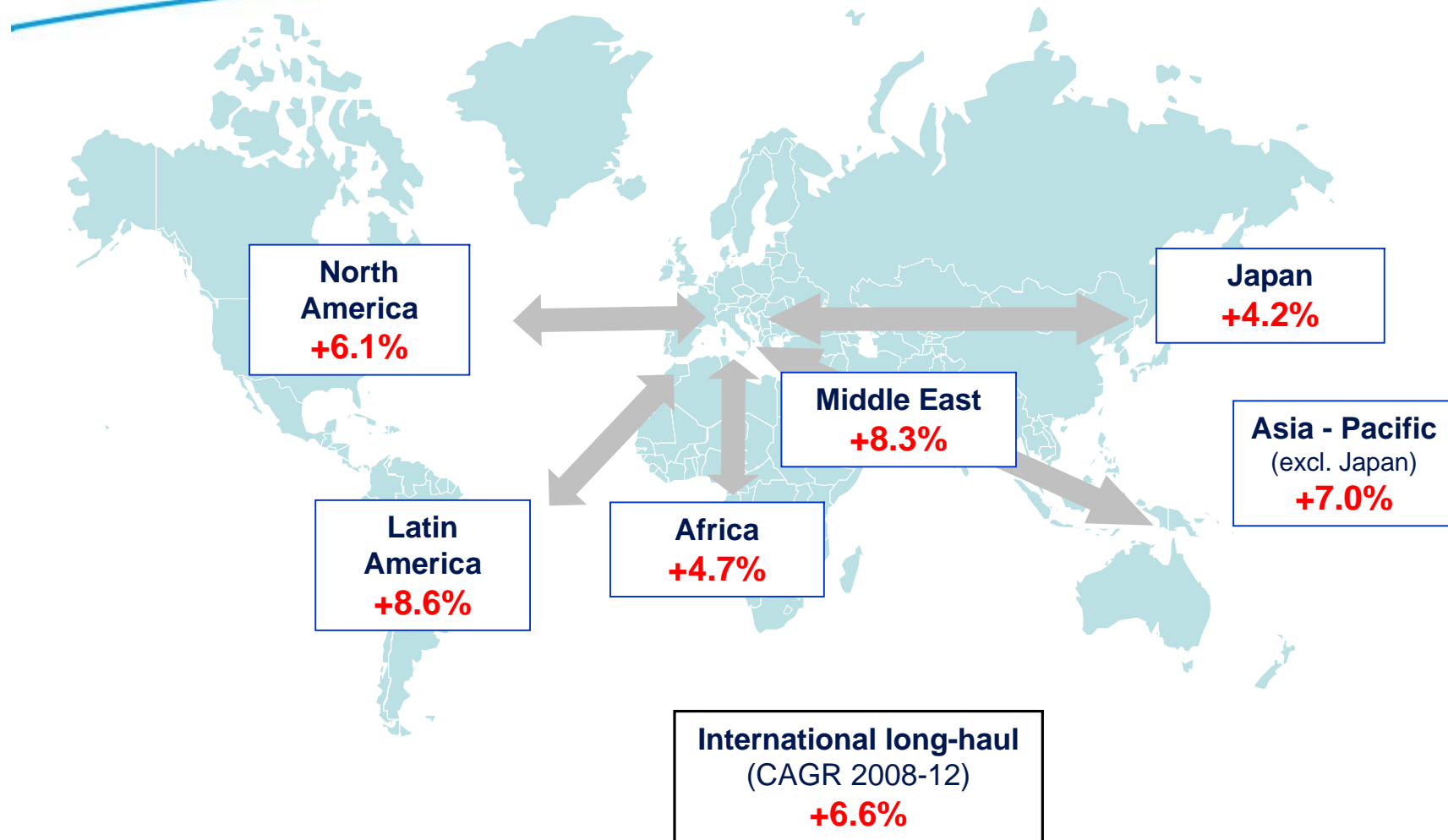
World Real GDP growth



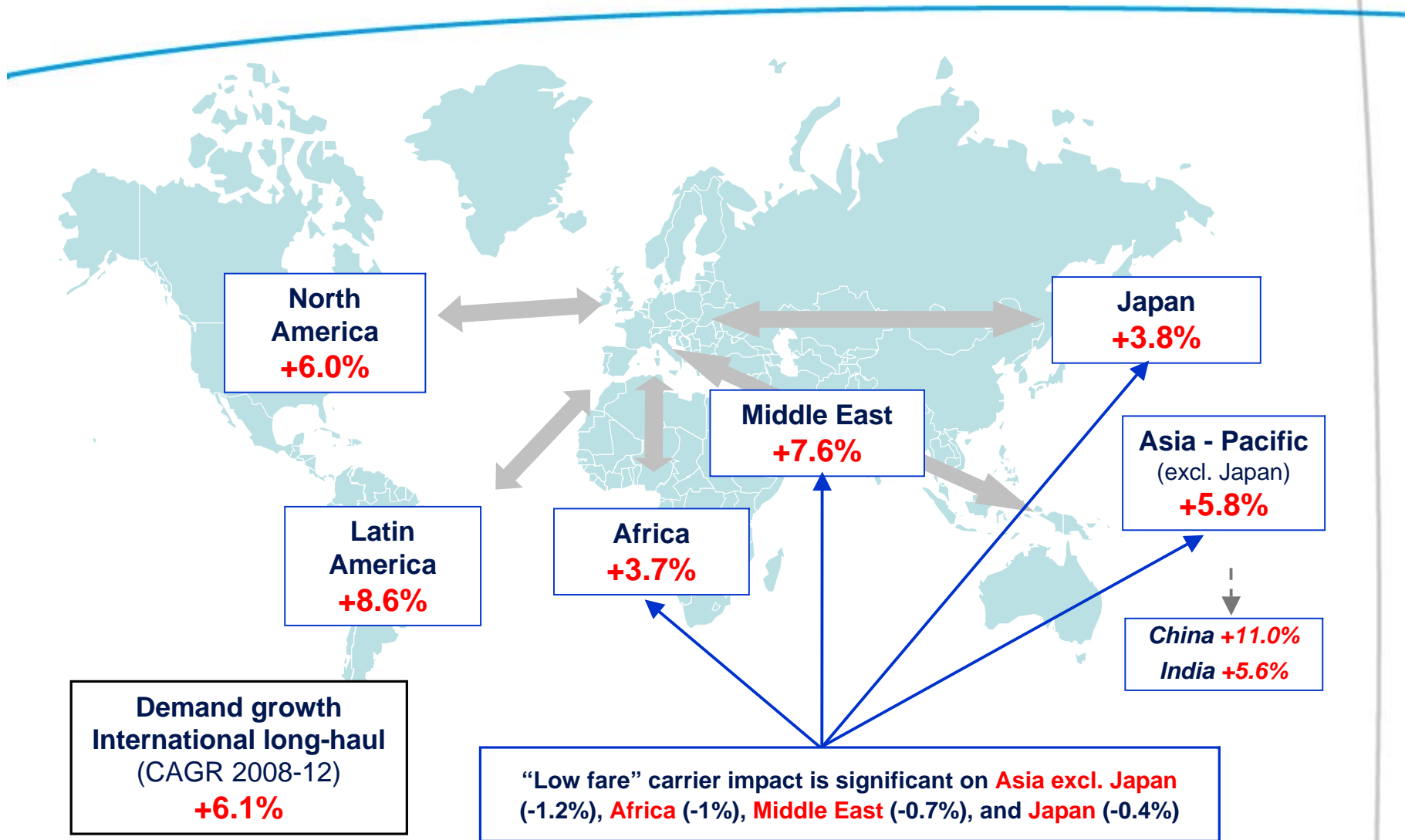
Sept 07 update for North America:
 -0.2% in 2007
 -0.5% in 2008

Sources: Global Insight, April 2007, IMF, Consensus Forecast

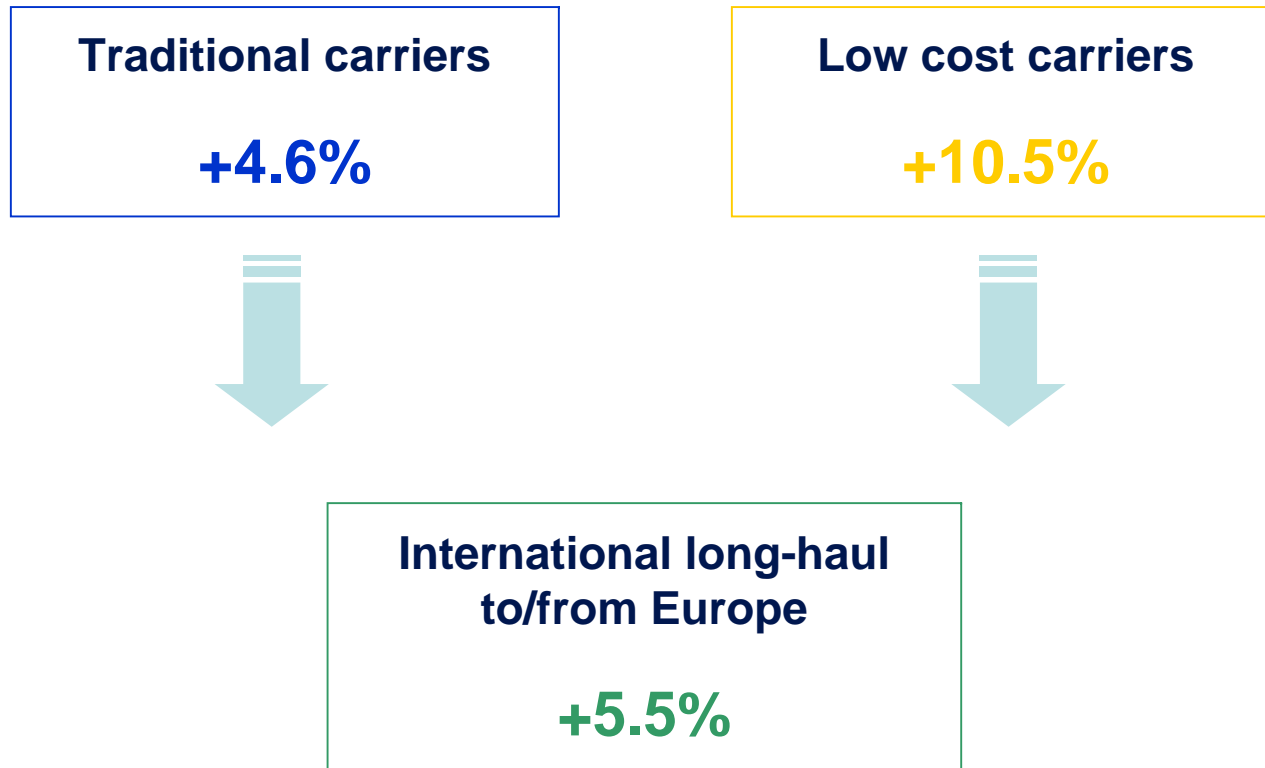
Underlying long haul demand to/from Europe is expected to remain strong



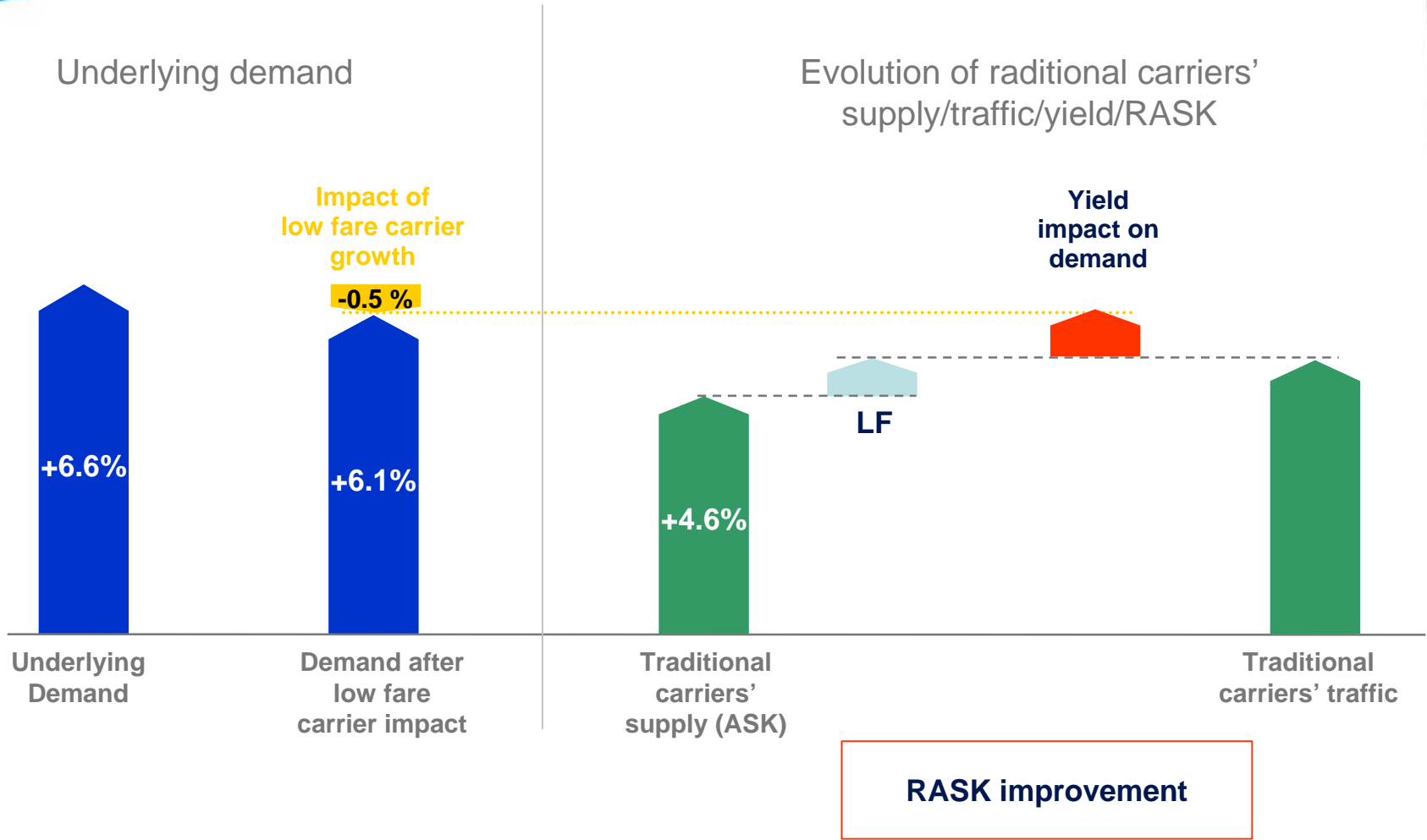
Demand growth forecast for traditional carriers



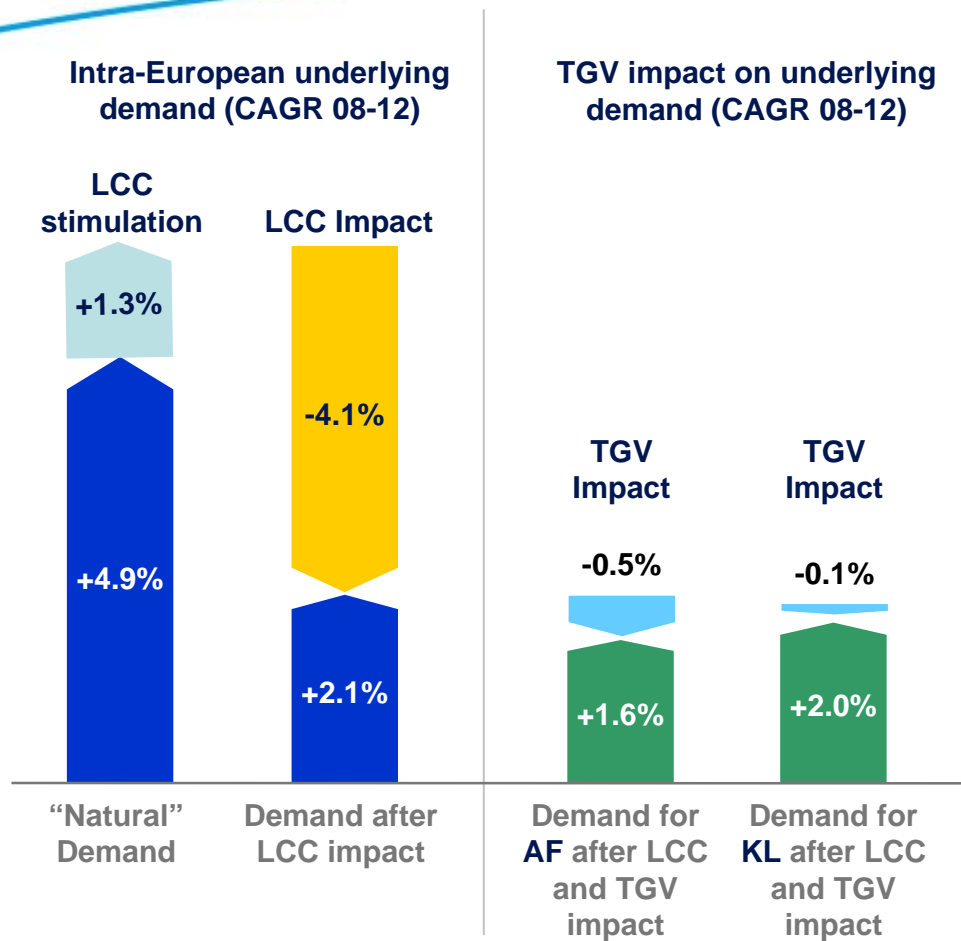
Industry supply growth



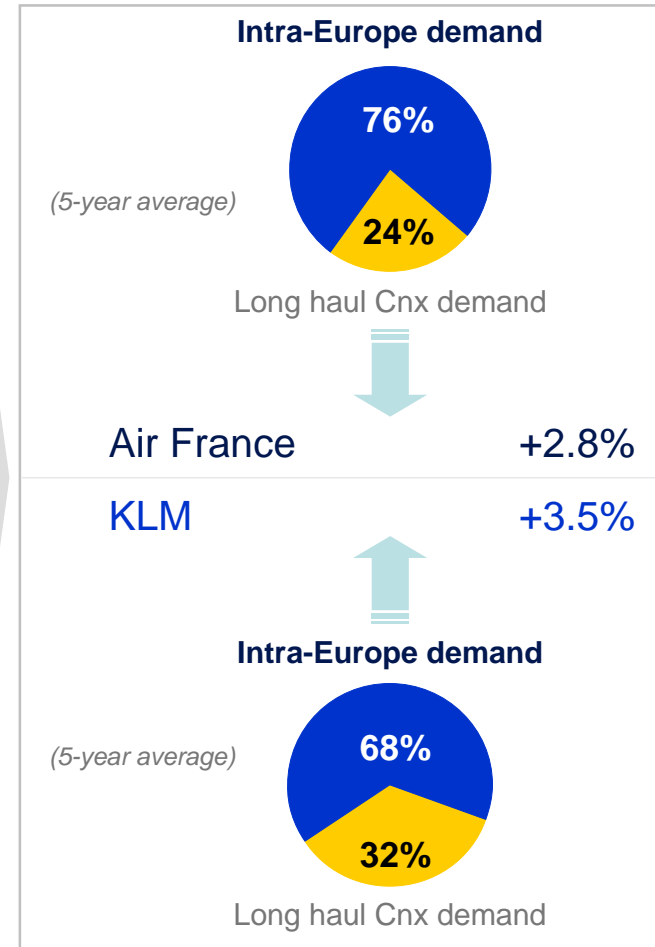
The five-year outlook for long-haul remains attractive



Medium-haul demand specific to AF and KL



Intra-European demand

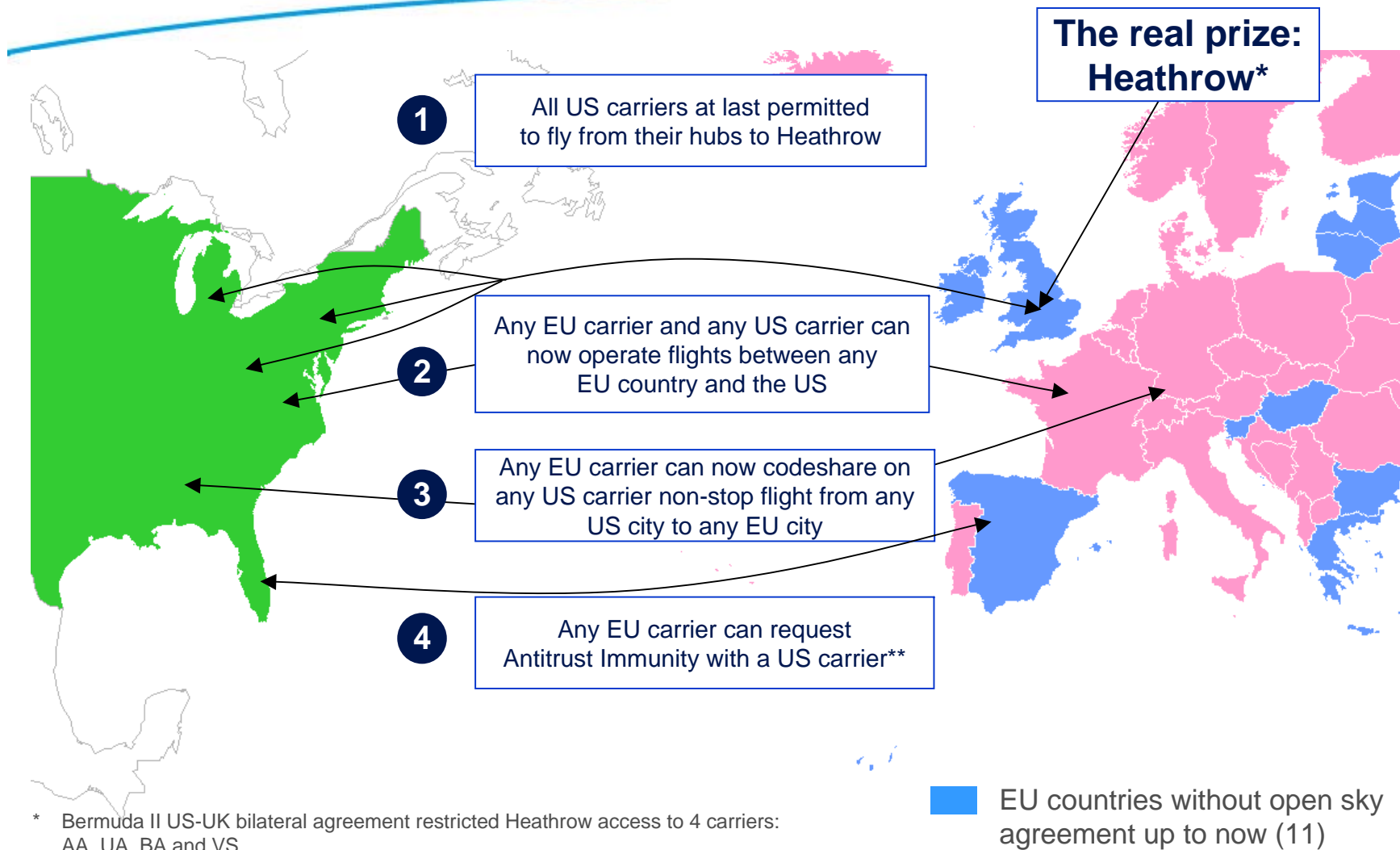


Intra-European + connecting long-haul demand

Air France-KLM network developments 2008-2010

- ✦ Air France KLM growth plans for 2008-2010: **+4.1%** per year
 - ▶ +4.7% on Intercontinental
 - ▶ +2.7% on Europe
- ✦ Regions with highest planned growth:
 - ▶ Latin America
 - ▶ Asia
- ✦ Strong influence of **EU-US “Open Skies”** agreement

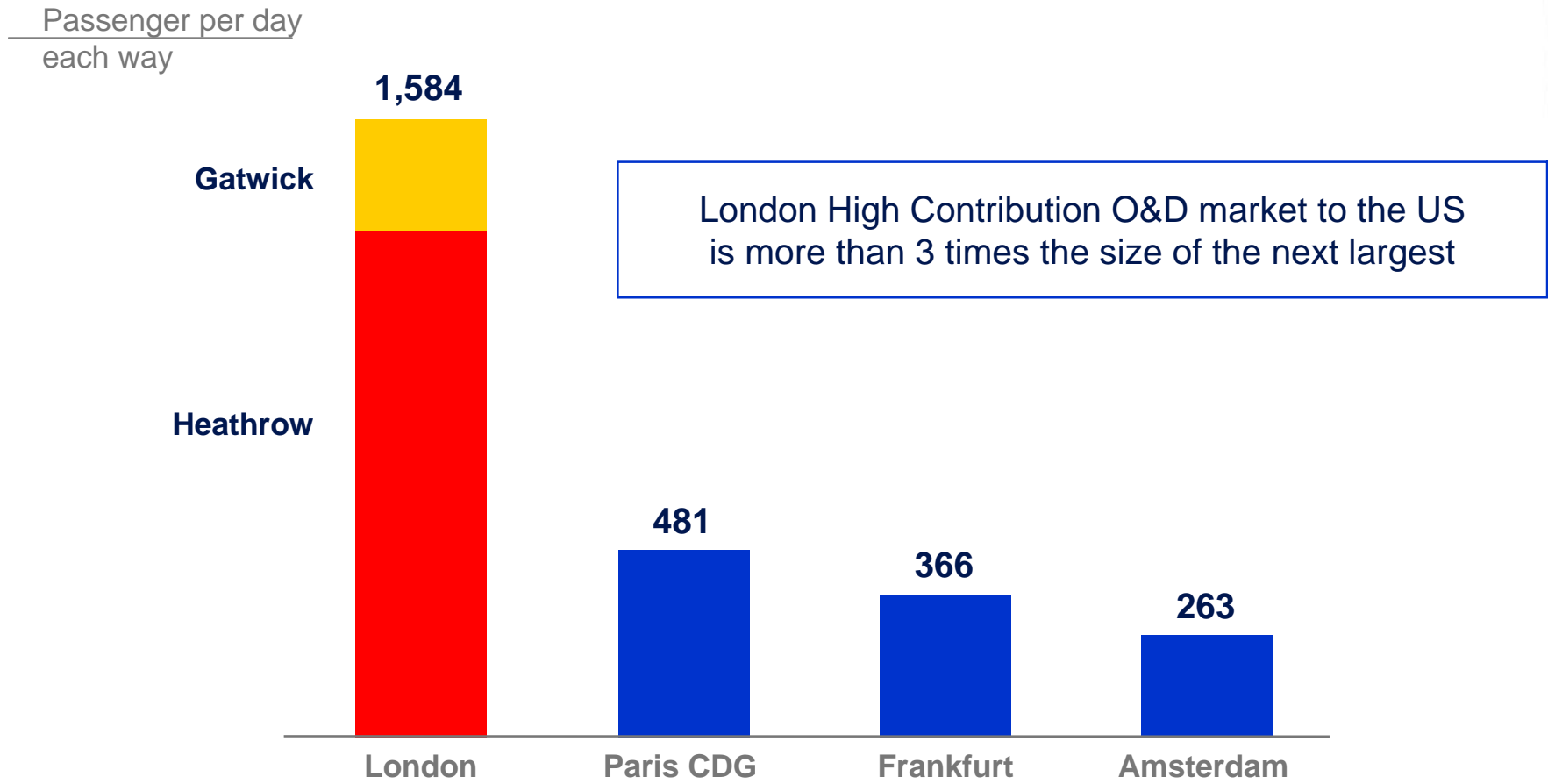
The US-EU Open Skies agreement: new opportunities



* Bermuda II US-UK bilateral agreement restricted Heathrow access to 4 carriers: AA, UA, BA and VS

** The US government does not allow carriers from non open-sky countries to request ATI with their US partners

What is so special about Heathrow?



USA high contribution O&D traffic

SkyTeam position in London - Summer 2008

- + 9 non-stop US destinations from London



- + Other SkyTeam long-haul destination:
 - Seoul

- + Rest of the world via our hubs

- + 13 AF-KL European destinations:
 - From Heathrow: CDG and AMS
 - From London City: Paris, Amsterdam, Edinburgh, Dublin, Dundee, Belfast, Frankfurt, Geneva, Zurich, Madrid, Milan, Strasbourg, Nice



- + 3 other SkyTeam European destinations:
 - Moscow, Rome, Prague

- + SkyTeam partners regrouped at Heathrow T4 (Q3 2008)

Agenda



- + Balance is at the heart of our strategy
- + 5-year supply and demand balance
- + **Revenue Management**

Revenue management integration: one of the drivers of our profitability

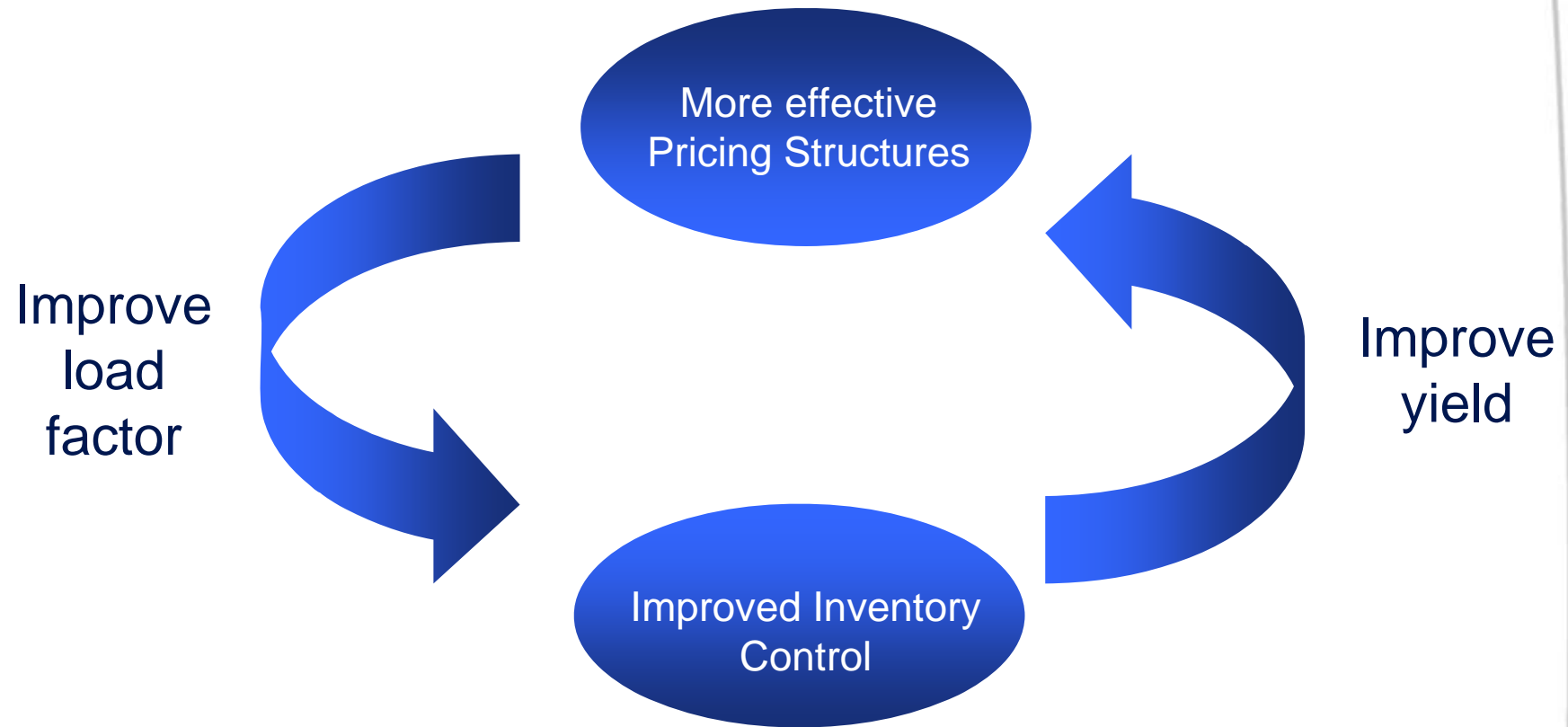
- + Positioning Pricing & Revenue Management
- + RASK improvement strategies
- + Profitable growth through positive RASK
- + Revenue synergies from joint corporate and global contracting
- + Increased market effectiveness through new European Pricing Structure
- + Advanced revenue management through system innovation

Positioning Pricing & Revenue Management



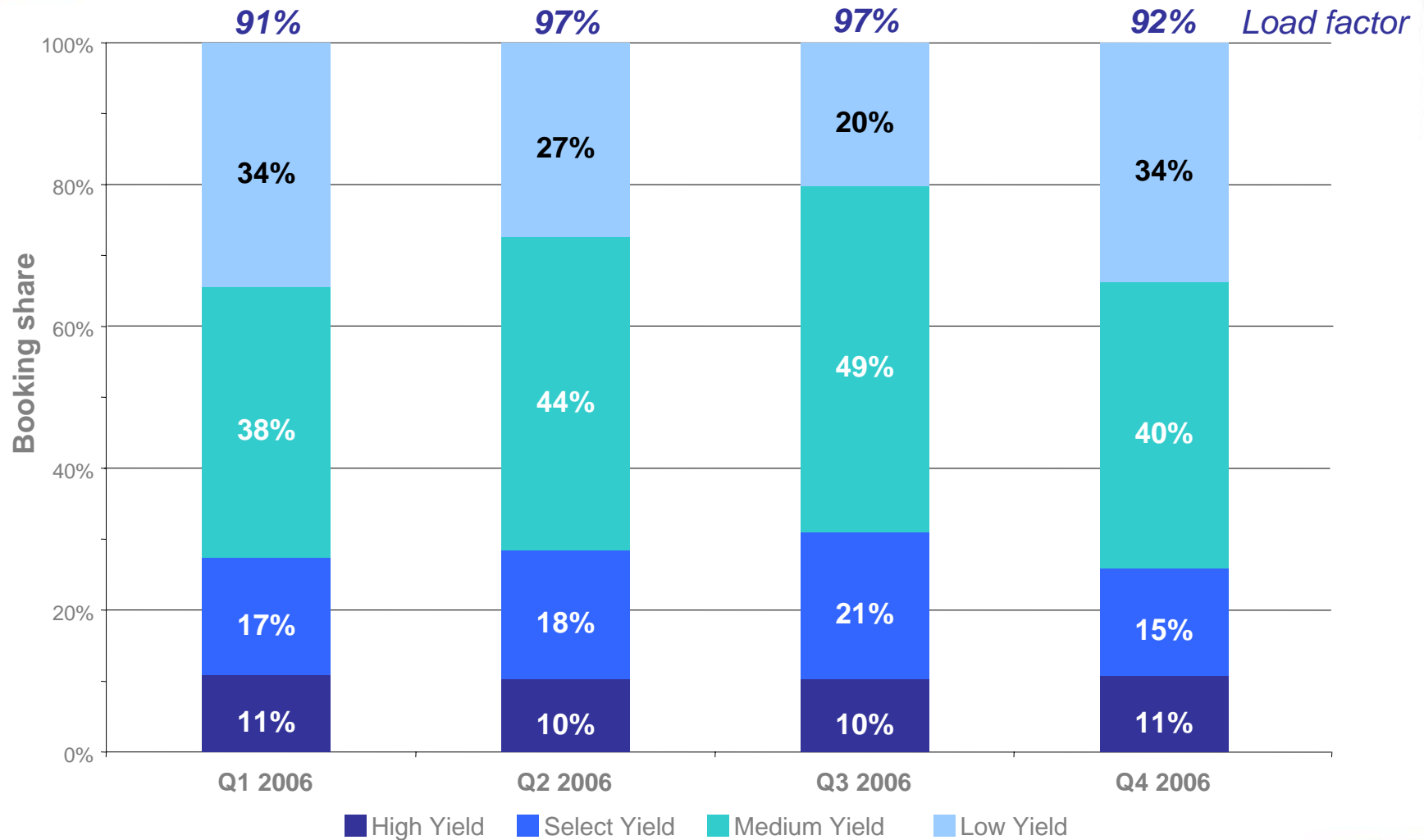
- + RASK = revenue per available seat kilometer
- + Key aim is to maximize RASK on a given network
- + Effective pricing strategy
 - ▶ Product definition
 - ▶ Price-level drivers
 - ▶ Pricing programs
- + Optimal inventory control, deciding on
 - ▶ Number of seats to sell on each flight
 - ▶ At what price
 - ▶ At each point in time during life-cycle

RASK improvement strategies



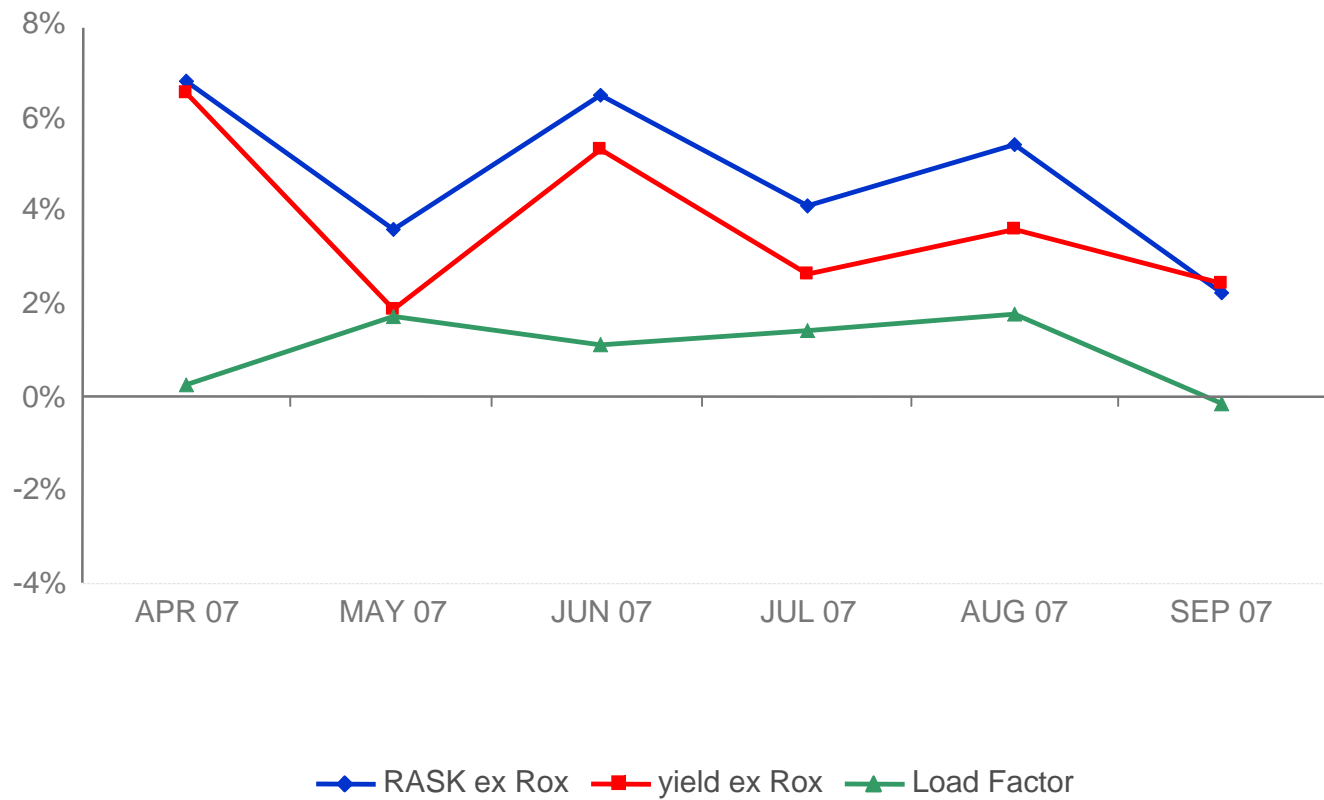
RASK improvement strategies

Yield steering effect at high loads



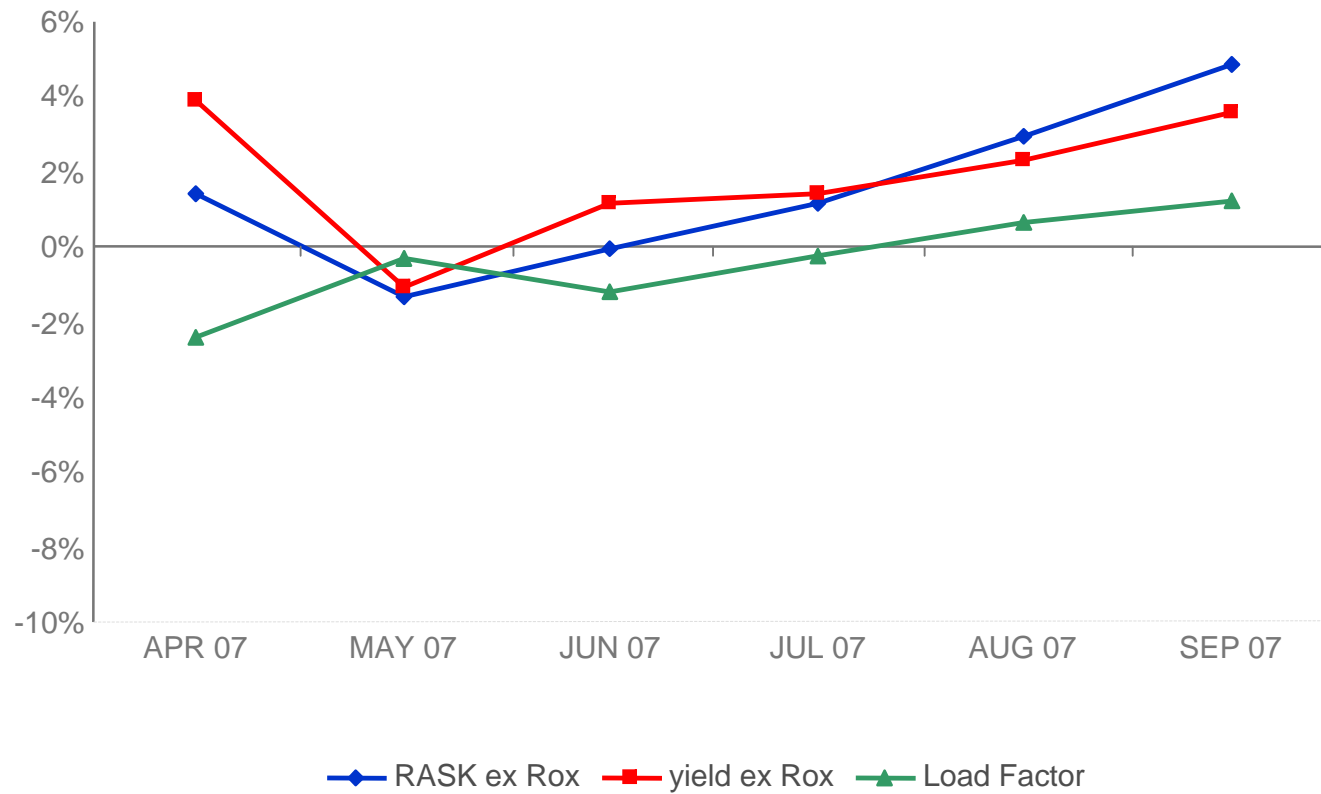
Profitable growth through positive RASK

Y°Y Air France Intercontinental



Improving European RASK by balancing capacity

Y°Y KLM Europe

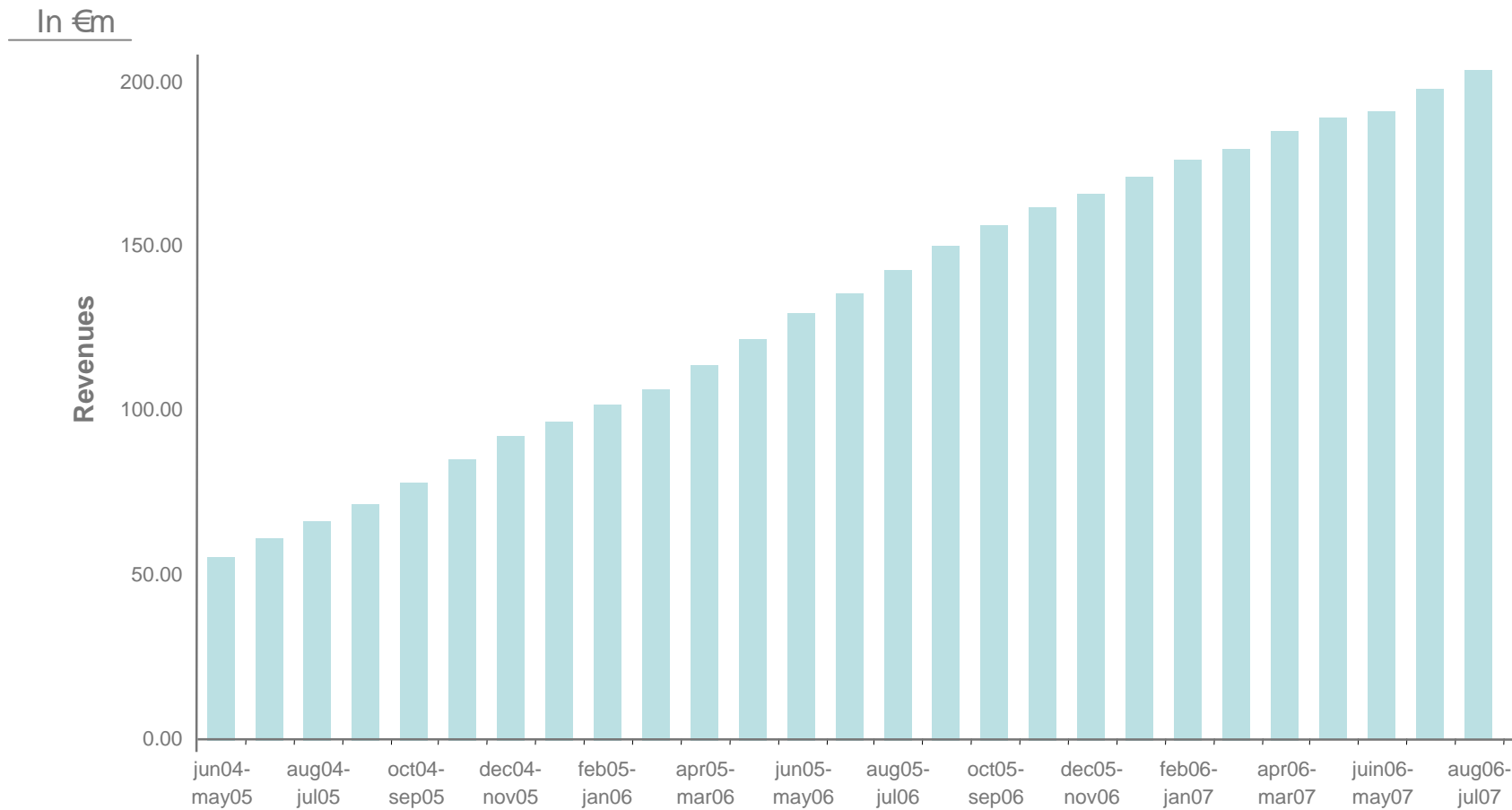


Revenue synergies through joint corporate and global contracts

- ✦ Alignment on corporate (reference) fares
- ✦ Alignment on corporate terms and conditions
- ✦ Alignment on discounts
- ✦ Alignment on distribution policy
- ✦ All corporate fares fully combinable
- ✦ Single contract

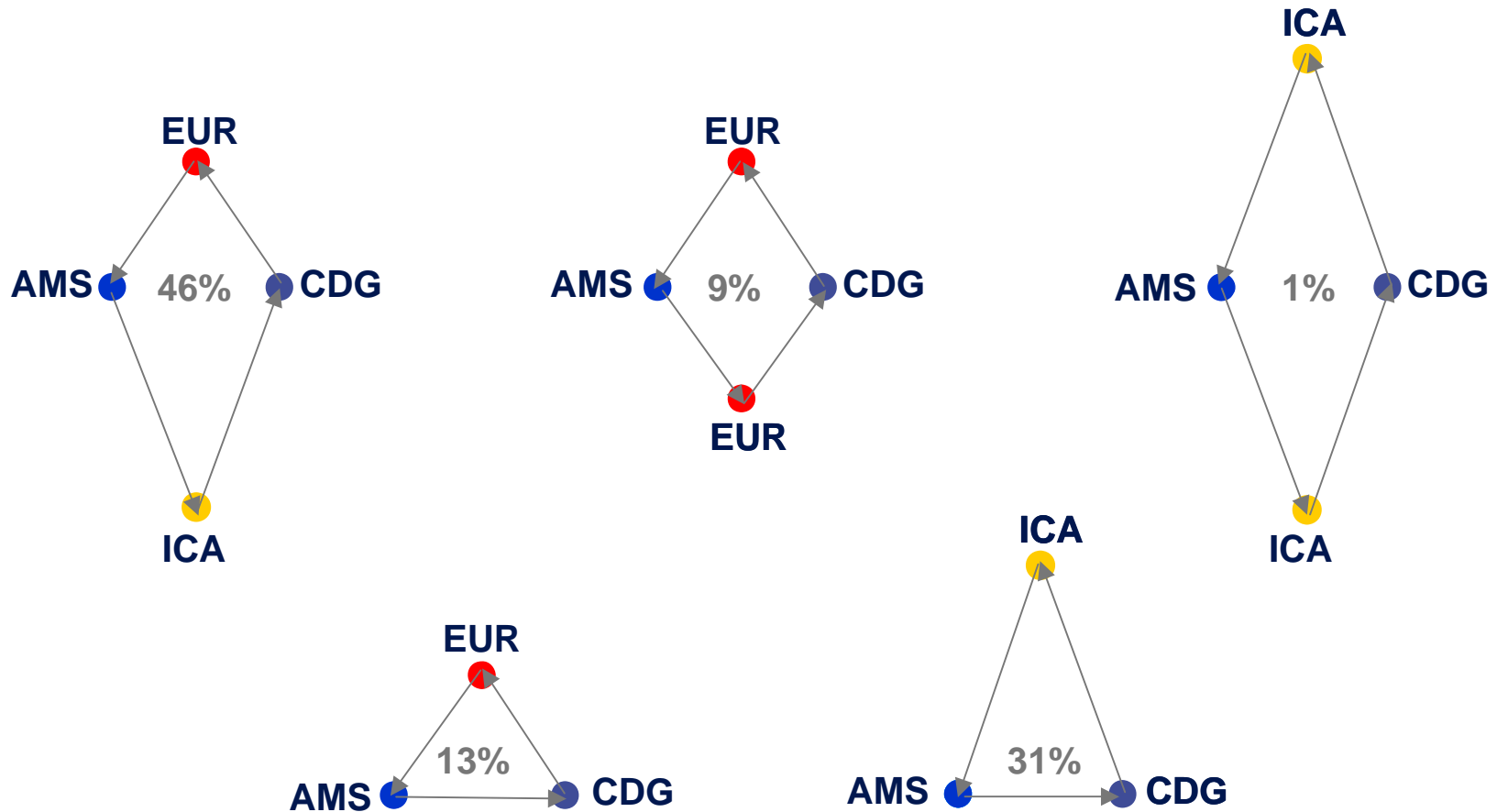
Over €200m in revenues per year from fare combinability

Revenue on Air France and KLM tickets (€m) per transport period



Fare combinability increases journey options

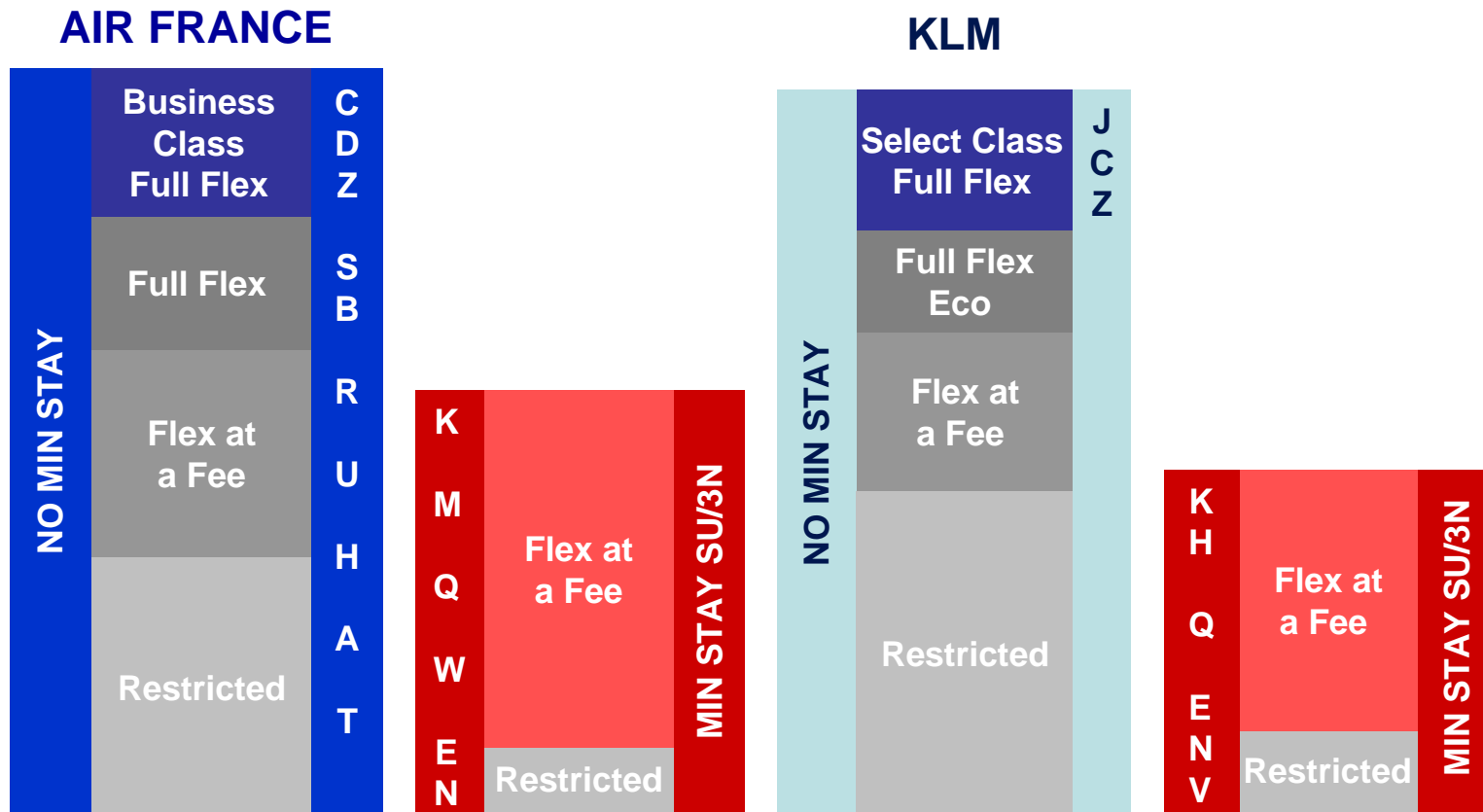
Breakdown of fare combinability revenue per itinerary category



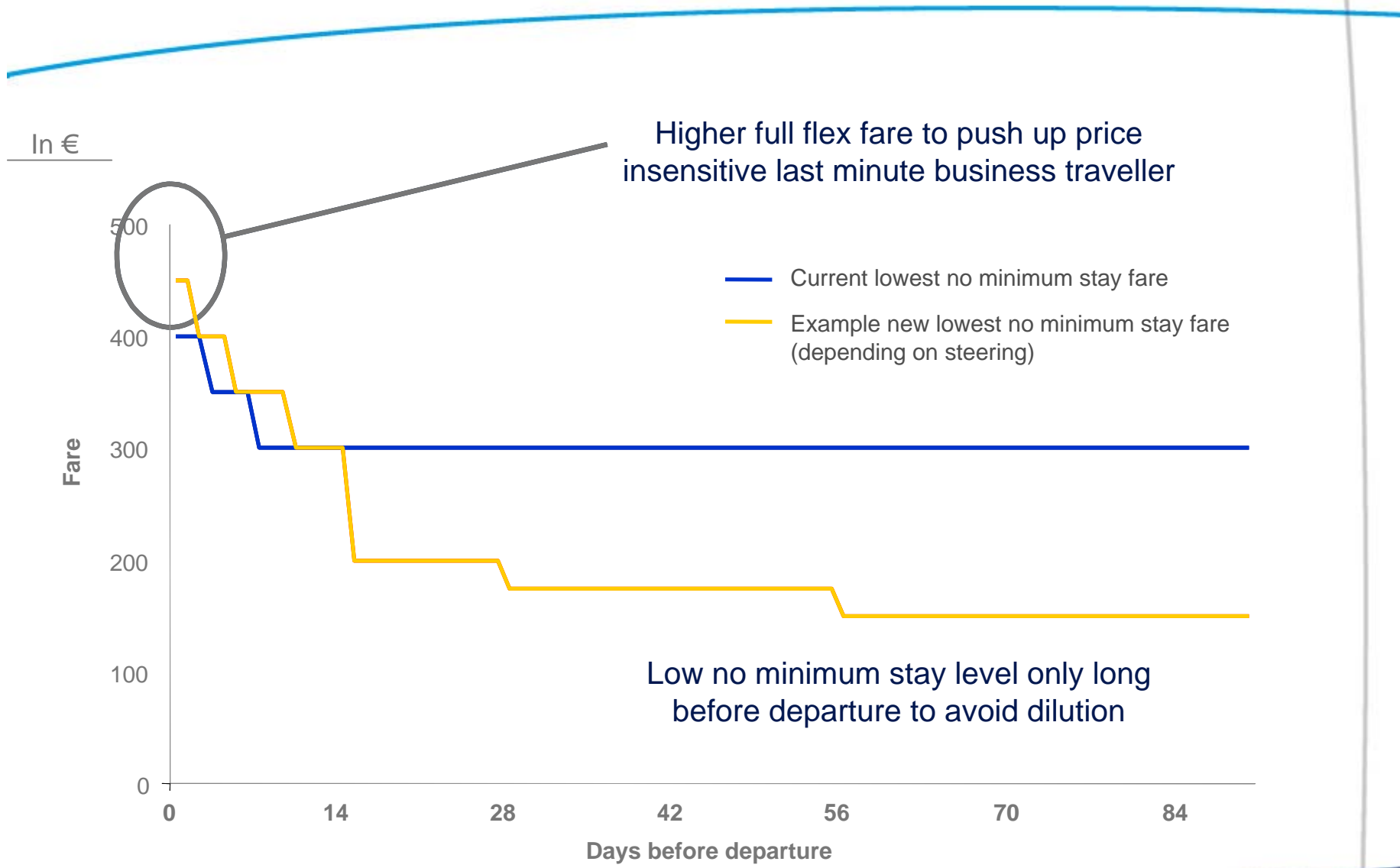
Pricing structure development at a glance

Fare Type	Availability	Flexibility	Services
Full Fare	Last available seat	For free: Bkg change, Refund, Spec. Itinerary	For free: Extra bag allowance, Lounge access
Option Fare	Willingness to pay	For a fee: Booking change (ltd), time to think, partial refund, Open-jaw/ Stopover	For a fee: Seat choice, Excess luggage
Fully restricted Extreme low fares	Limited	No flexibility	Basic services

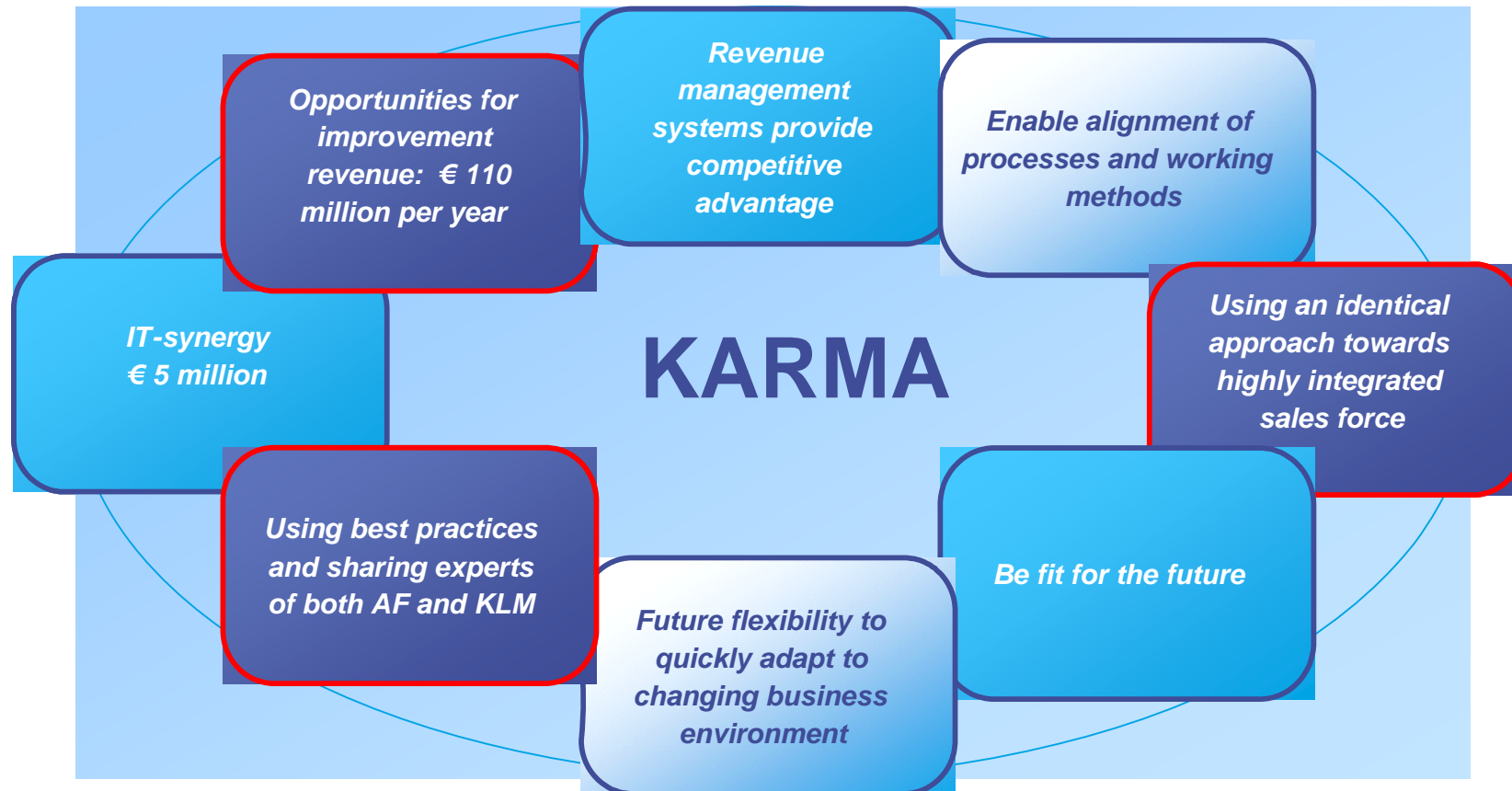
Air France-KLM: New joint European pricing structure



Enhanced inventory control behind the scenes



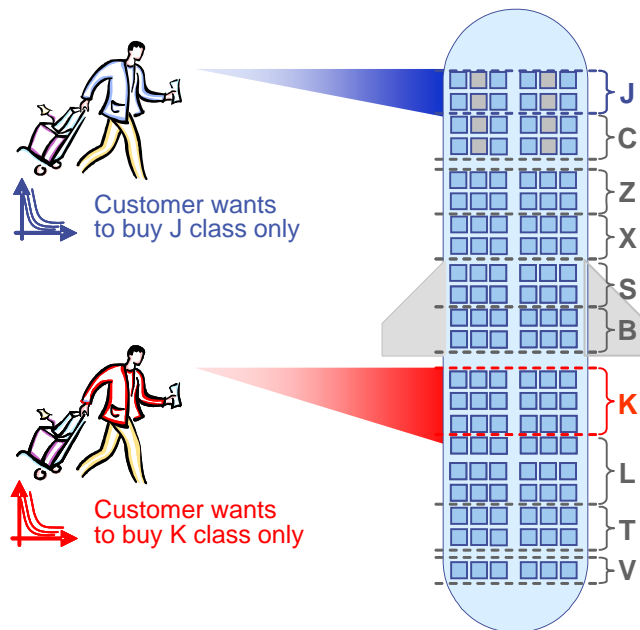
Advanced revenue management through system innovation



Effective control of de-segmented pricing environment

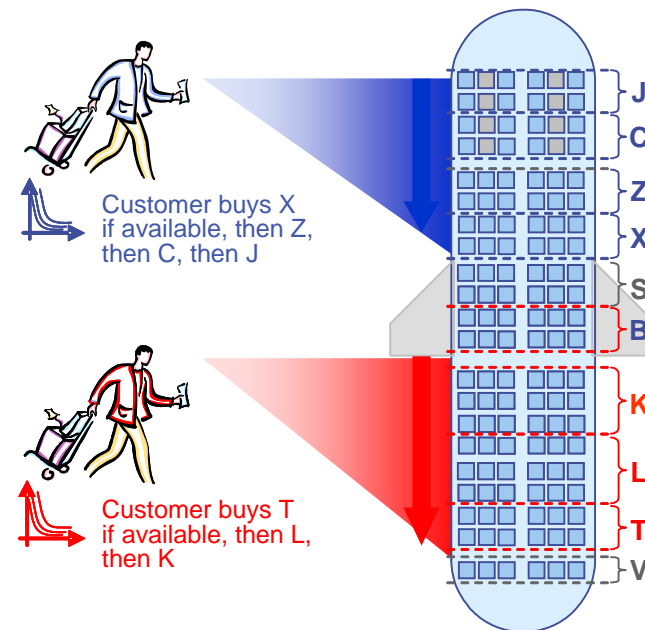
Traditional approach

Customers are expected to book in one, and only one, class: the market is considered as perfectly segmented



Sell-up approach

Customers are expected to have preferences for a set of classes, and to choose the cheapest class available in their set of classes



To sum up

- + Balance is at the heart of our passenger business and gives us an advantage in all market conditions
- + Integrated revenue management: one of the key drivers of enhanced profitability
- + The supply and demand environment remains positive
- + Open Sky offers us significant opportunities which we have lost no time in exploiting



We are on track to continue
to create value through the cycle