

FINANCIAL YEAR 2006-07

FIRST QUARTER 2006-07

- Operating income up 84.3% to 411 million euros,
- > Excellent activity levels with strong growth in unit revenues in both passenger and cargo
- Adjusted operating margin of 8.0%, up 2.7 points
- Full year objective revised upwards

The board of Air France-KLM met on August 30th, 2006 under the chairmanship of Jean-Cyril Spinetta to approve the financial statements for the First Quarter of 2006-07.

Consolidated figures

	First C	Quarter to June 3	30 th
(in millions of euros)	2006	2005	Change
Revenues	5,802	5,186	+11.9%
Current operating income	411	223	+84.3%
Income from operating activities	388	228	+70.2%
Pretax income of fully integrated companies	310	149	+108.0%
Net income, Group share	244	112	+117.9%

First Quarter 2006-07: Operating income of 411 million euros, up 84.3%

Activity was dynamic in the First Quarter, in both Passenger, which saw a 2 point increase in load factor, and Cargo, which also recorded a slight improvement in its load factor. These robust levels of activity were accompanied by a strong increase in unit revenues. Revenues rose 11.9% to 5.80 billion euros, on capacity measured in EASK up 4.6%. Unit revenue measured in EASK was up 7.3%, and by 5.6% excluding the currency impact. Operating costs rose 8.6% to 5.39 billion euros. Excluding the fuel charge, the rise would have been 5.5%. Unit costs, measured in EASK were up 3.8%, and fell by 0.6% on a constant currency and fuel price basis.

The main variations in operating costs were as follows:

• The fuel charge amounted to 1.0 billion euros (+201 million euros), a rise of 24.8%, composed of a volume effect of 3%, an unfavorable currency impact of 4%, a fuel price rise of 24%, and a positive hedging effect of 6%;

• Employee costs rose 4.2% to 1.66 billion euros, mainly as a result of a 10% rise in social contributions, linked to Air France's contribution to the general redundancy insurance scheme. Headcount rose slightly to 103,100 (+1.2%);

• Aircraft costs (operating leases, chartering, amortization and maintenance costs) were up by 7.6% to 953 million euros. An increase in the number of fully-owned aircraft and aircraft under financial leases impacted amortization charges, which were up 8.4%, while operating leases charge remained stable;

• Commercial and distribution costs rose slightly by 1.9%. Commissions to travel agents continued to fall, while other costs evolved in line with activity levels.

Internet site: www.airfranceklm-finance.com

Investor contact: Dominique Barbarin – +33 (0)1 41 56 88 60 – <u>dobarbarin@airfrance.fr</u> Analyst contact: Fabrice Andriveau – +33 (0)1 41 56 72 59 – <u>faandriveau@airfrance.fr</u> Operating income was up 84.3% to 411 million euros at June 30th 2006 versus 223 million euros a year earlier. The operating margin (operating income over revenues) rose 2.8 points, from 4.3% at June 30th 2005 to 7.1%. The adjusted operating margin¹ stood at 8%, up 2.7 points.

After other income and charges amounting to a negative 23 million euros, versus a positive 5 million euros a year earlier, income from operating activities amounted to 388 million euros, up 70.2% year on year.

Net interest charges amounted to 46 million euros versus 60 million euros a year earlier, a 23.3% reduction, in line with the decrease in net debt. Pretax income of fully integrated companies was 310 million euros compared with 149 million euros a year earlier.

After a tax charge of 87 million euros (52 million euros at June 30th 2005) and a contribution from associates of a negative 0.3 million euros (versus a positive contribution of 17 million euros a year earlier), net income, Group share amounted to 244 million euros, up from 112 million euros at June 30th 2005, a rise of 117.9%. Earnings per share amounted to 0.91 euros (0.43 euros at June 30th 2005).

Information by business

Passenger

During the First Quarter to June 30th 2006, traffic rose by 7.7% on capacity up by 5.0%, leading to a 2 point rise in the load factor to 81.5%. Total passenger revenues amounted to 4.61 billion euros, up 12.1% after a positive currency impact of 1.6%. Operating income more than doubled from 176 million euros to 363 million euros.

	First Quarter to June 30 th					
	2006	2005	Change			
Total passenger revenues (in € m)	4,613	4,117	+12.1%			
Revenues from scheduled passenger business (in € m)	4,345	3,859	+12.6%			
Unit revenues per RPK (in € cts)	8.76	8.38	+4.5%			
Unit revenues per ASK (in € cts)	7.14	6.66	+7.2%			
Unit costs per ASK (in € cts)	6.47	6.29	+2.9%			
Operating income (in € m)	363	176	+106.2%			

On a constant currency basis, unit revenues per RPK and per ASK increased by 2.9% and 5.6% respectively. Unit costs per available seat kilometer fell by 0.9% on a constant currency and fuel price basis.

Cargo

In an environment which remains highly competitive, the cargo activity saw a rebound in the First Quarter, with a 3.7% rise in traffic for a 2.6% increase in capacity, leading to a 0.7 point improvement in the load factor to 66.2%.

Total revenues for the cargo activity amounted to 729 million euros, up 10.5% after a favorable currency impact of 2.5%. Operating income was 28 million euros verus 11 million euros at June 30th 2005.

¹ Operating income adjusted for the portion of operating leases corresponding to financial charges (34%)

	First Quarter to June 30 th							
	2006	2005	Change					
Total cargo business revenues (in € m)	729	660	+10.5%					
Revenues from transportation of cargo (in € m)	674	610	+10.5%					
Unit revenues per RTK (in € cts)	24.69	23.17	+6.5%					
Unit revenues per ATK (in € cts)	16.34	15.18	+7.6%					
Unit costs per ATK (in € cts)	15.51	14.76	+5.1%					
Operating income (in € m)	28	11	+154.5%					

On a constant currency basis, the yield (RTK) was up by 4.0% and unit revenues per available tonkilometer (ATK) by 5.1%. Unit costs were down by 0.6% on a constant currency and fuel price basis.

Maintenance

The maintenance activity generated third party revenues of 231 million euros, up 8.3%. Operating income declined from 14 million euros to 3 million euros as a result of the postponement of certain contracts.

Other activities

Revenues from other activities amounted to 229 million euros, of which 170 million euros relating to Transavia (+19%) and 45 million euros to the catering business (+16.8%). Operating income amounted to 17 million euros (22 million euros at June 30th 2005), of which 19 million euros was from Transavia (18 million euros at June 30th 2005).

Financial structure: further reduction in net debt

Operating cash flow amounted 1.36 billion euros at June 30th 2006 while capital expenditure was 655 million euros.

The financial structure improved further, with net debt standing at 3.72 billion euros (compared with 5.5 billion euros at June 30th 2005 and 4.38 billion euros at March 31st 2006), while shareholders' equity amounted to 8.21 billion euros (up from 7.85 billion euros at March 31st 2006) of which 1.18 billion euros relating to the valuation of derivative instruments.

The gearing ratio was thus reduced from 0.56 at March 31st 2006 to 0.45 at June 30th 2006.

Objective for Full Year operating income raised

On the basis of the current robustness of both activity levels and unit revenues, and on condition that these trends persist, Air France-KLM's objective for the Full Year is to generate a significant increase in operating income compared to last year.

Agenda

Thursday, August 31st 2006:

- audio-web conference at 4:00 pm (CET) to connect to the conference call, please dial:
 - UK 00 44 207 162 0125 (password: AKH)
 - US 1 334 323 6203 (password: AKH)
- to see the presentation, go to the following website: http://airfranceklm.momentys.com (password: AKHQ1)
- for instant replay, please dial:
 - UK 00 44 207 031 4064 (code: 709113)
 - US 1 954 334 0342 (code: 709113)

Monday, October 9th 2006:

Investor Day at Roissy at 9h30h CET

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-KLM's Securities and Exchange Commission filings, including its Annual Reports on Form 20-F for the year ended March 31. 2006. 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.

THIS FORM 6-K REPORT IS HEREBY INCORPORATED BY REFERENCE INTO THE PROSPECTUS CONTAINED IN AIR FRANCE KLM'S REGISTRATION STATEMENT ON FORM F-3 (REGISTRATION STATEMENT NO. 333-114188). AND SHALL BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED. TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

AIR FRANCE KLM GROUP

INCOME STATEMENT

in millions of euros	1 st q	uarter (April to Jur	ne)
	2006-07	2005-06	variation
SALES	5 802	5 186	11,9%
Other revenues	0	0	na
EXTERNAL EXPENSES	(3 242)	(2 899)	11,8%
Aircraft fuel	(1 010)	(809)	24,8%
Chartering costs	(166)	(138)	20,3%
Aircraft operating lease costs	(156)	(155)	0,6%
Landing fees and en route charges	(433)	(403)	7,4%
Catering	(103)	(101)	2,0%
Handling charges and other operating costs	(319)	(292)	9,2%
Aircraft maintenance costs	(201)	(182)	10,4%
Commercial and distribution costs	(321)	(315)	1,9%
Other external expenses	(533)	(504)	5,8%
Salaries & related costs	(1 661)	(1 594)	4,2%
Taxes other than income tax	(64)	(58)	10,3%
Charge to depreciation/amortization, net	(424)	(391)	8,4%
Charge to operating provisions, net	(6)	(20)	-70,0%
Other income and charges, net	6	(1)	na
OPERATING INCOME	411	223	84,3%
Gain on disposal of flight equipment, net	6	_	na
Amortization of negative goodwill	-	2	na
Other non-current income and expenses, net	(29)	3	na
INCOME FROM OPERATING ACTIVITIES	388	228	na
Gross cost of financial debt	(97)	(87)	11,5%
Income from cash & cash equivalent	51	27	88,9%
Net cost of financial debt	(46)	(60)	-23,3%
Other financial income and expenses	(32)	(19)	na
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	310	149	108,1%
Income tax	(87)	(52)	67,3%
NET INCOME OF CONSOLIDATED COMPANIES	223	97	129,9%
Share of profits (losses) of associates	-	17	na
NET INCOME FROM CONTINUING OPERATIONS	223	114	95,6%
Net income from discontinued operations	-	-	
INCOME BEFORE MINORITY INTERESTS	223	114	95,6%
Minority interests	21	(2)	na
NET INCOME - GROUP SHARE	244	112	117,9%

CONSOLIDATED BALANCE SHEET

	in	millions of euros
ASSETS	30 June	31 March
	2006	2006
Goodwill	206	208
Intangible assets	428	428
Flight equipment	11 294	11 017
Other property, plant and equipment	1 965	1 955
Investments in equity associates	194	204
Pension assets	1 961	1 903
Other financial assets	1 179	1 182
Deferred tax assets	1	7
Other non current assets	1 187	1 082
Total non-current assets	18 415	17 986
Other short term financial assets	1 276	932
Inventories	353	340
Account receivables	2 694	2 518
Income tax receivables	1	1
Other current assets	1 888	1 756
Cash and cash equivalents	3 193	2 946
Total current assets	9 405	8 493
Total assets	27 820	26 479

LIABILITIES AND EQUITY	30 June	31 March
	2006	2006
Issued Capital	2 290	2 290
Additional paid-in capital	430	430
Treasury shares	(57)	(58)
Reserves and retained earnings	5 443	5 072
Equity attributable to equity holders of Air France KLM SA	8 106	7 734
Minority interests	105	119
Total Equity	8 211	7 853
Provisions and retirement benefits	1 467	1 453
Long-term debt	7 770	7 826
Deferred tax	999	839
Other non-current liabilities	656	417
Total non-current liabilities	10 892	10 535
Provisions	200	192
Short term portion of long-term debt	1 143	1 260
Trade payables	2 154	2 039
Deferred revenue on ticket sales	2 462	2 062
Current tax liabilities	123	167
Other current liabilities	2 557	2 269
Bank overdrafts	78	102
Total current liabilities	8 717	8 091
Total liabilities and equity	27 820	26 479

STATEMENT OF CONSOLIDATED CASH FLOW

	in millio	ons of euros
Period from April 1 to June 30,	2006	2005
Income for the period	223	114
Amortization, depreciation and operating provisions	430	411
Financial provisions	7	-
Gain on disposals of tangible and intangible assets	(6)	-
Gain on disposals of subsidiaries and associates	(2)	-
Derivatives	11	(4)
Unrealized foreign exchange gains and losses, net	2	20
Negative goodwill	-	(2)
Share of profits (losses) of associates	-	(17)
Deferred taxes	108	52
Other non-monetary items	37	21
Subtotal	810	595
Changes in working capital	546	239
Net cash flow from operating activities	1 356	834
Acquisitions of subsidiaries and investments in associates, net of cash acquired	(24)	(28)
Purchase of property plant and equipment and intangible assets	(655)	(730)
Proceeds on disposal of subsidiaries and investments in associates	2	-
Proceeds on disposal of property plant and equipment and intangible assets	11	13
Dividends received	1	4
Decrease (increase) in investments, net between 3 months and 1 year	(289)	(30)
Flux net de trésorerie lié aux opérations d'investissements	(954)	(771)
Issuance of long-term debt	207	443
Repayments on long term debt	(175)	(109)
Payment of debt resulting from finance lease liabilities	(151)	(69)
Decrease (increase) in loans, net	(11)	(56)
Dividends paid	(2)	(1)
Net cash flow from financing activities	(132)	208
Effect of exchange rate on cash and cash equivalents	1	
Change in cash and cash equivalents	271	271
Cash and cash equivalents at beginning of period	2 844	2 192
Cash and cash equivalents at end of period	3 115	2 463

FLEET AS OF 30 JUNE 2006



AIR FRANCE FLEET

Aircraft	Owned Finance lease Operating lease		TOTAL		In operation					
	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06
B747-400	8	8	1	1	7	7	16	16	16	16
B747-300/200	6	6					6	6	4	3
B777-200/300	19	22	4	4	15	15	38	41	37	40
A340-300	10	10	3	3	7	7	20	20	20	20
A330-200	6	6	1	1	9	9	16	16	16	16
Long-haul fleet	49	52	9	9	38	38	96	99	93	95
B747-400	2	2			3	3	5	5	5	5
B747-200	5	5	1	1	1	1	7	7	7	7
Cargo	7	7	1	1	4	4	12	12	12	12
A321	11	11			2	2	13	13	13	13
A320	49	49	3	3	16	15	68	67	66	67
A319	20	20	4	4	21	21	45	45	44	45
A318	12	13					12	13	12	13
B737-500	3	3			9	8	12	11	11	9
Medium-haul fleet	95	96	7	7	48	46	150	149	146	147
Total Air France fleet	151	155	17	17	90	88	258	260	251	254

REGIONAL FLEET

BRIT AIR

Aircraft	Owned		Financ	e lease	Operatii	ng lease	TO	TAL	In ope	eration
	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06
Canadair Jet 100	2	2	11	11	6	6	19	19	19	19
Canadair Jet 700	2	2	10	10			12	12	12	12
F100-100	5	5			8	8	13	13	13	13
Total	9	9	21	21	14	14	44	44	44	44

CITY JET

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06
BAE146-200/300*	5	5	1	1	13	14	19	20	19	20
Total	5	5	1	1	13	14	19	20	19	20

sub-leased by KLM

REGIONAL

Aircraft	Ow	ned	Finance lease		Operating lease		TOTAL		In operation	
	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06
BEECH 1900	3	3	1	1	1	1	5	5		
EMB145-EP/MP	2	2	17	17	9	9	28	28	28	28
EMB135-ER	2	2	3	3	4	4	9	9	9	9
EMB120-ER	8	8	1	1	2	2	11	11	9	9
F100-100	1	3	1	1	7	6	9	10	9	10
F70-70			5	5			5	5	5	5
SAAB 2000					5	4	5	4	5	4
Total	16	18	28	28	28	26	72	72	65	65
Total Regional fleet	30	32	50	50	55	54	135	136	128	129

Air Ivoire

Aircraft	Owned		Owned Finance lease		Operating lease		TOTAL		In operation	
	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06
F28	3	3					3	3	3	3
A321					1	1	1	1	1	1
Total	3	3			1	1	4	4	4	4

TOTAL Air France Group	184	190	67	67	146	143	397	400	383	387
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KLM AND TRANSAVIA FLEET

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06
B747-400	6	6	16	16			22	22	22	22
B777-200			5	6	6	7	11	13	11	13
MD11			8	8	2	2	10	10	10	10
A330-200			3	4			3	4	3	4
B767-300					8	5	8	5	8	5
Long-haul fleet	6	6	32	34	16	14	54	54	54	54
B747-400			3	3			3	3	3	3
Cargo			3	3			3	3	3	3
B737-900			2	2	3	3	5	5	5	5
B737-800	3	3	23	23	4	5	30	31	30	31
B737-700			5	5	5	5	10	10	10	10
B737-400	6	6			7	7	13	13	13	13
B737-300	6	6	1	1	7	7	14	14	14	14
Medium-haul fleet	15	15	31	31	26	27	72	73	72	73
Total KLM fleet	21	21	66	68	42	41	129	130	129	130

REGIONAL FLEET

KLM Cityhopper

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06
F70	18	18	3	3			21	21	21	21
F50	2	6	4		2	2	8	8	8	8
Total KLM Cityhopp	20	24	7	3	2	2	29	29	29	29

KLM Cityhopper UK

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06	3/31/06	6/30/06
F100	7	7	11	11			18	18	18	18
F50					6	6	6	6	6	6
Total KLM Cityhopp	7	7	11	11	6	6	24	24	24	24
Total Regional fleet	27	31	18	14	8	8	53	53	53	53

	48	52	84	82	50	49	182	183	182	183
TOTAL KLM Group				-			-			