

AIR FRANCE KLM

First quarter results 2005-06

Analyst presentation
2 September 2005



KLM



Forward-Looking Statements

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

Highlights of Q1 2005-06

+ Background

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

+ Air France-KLM

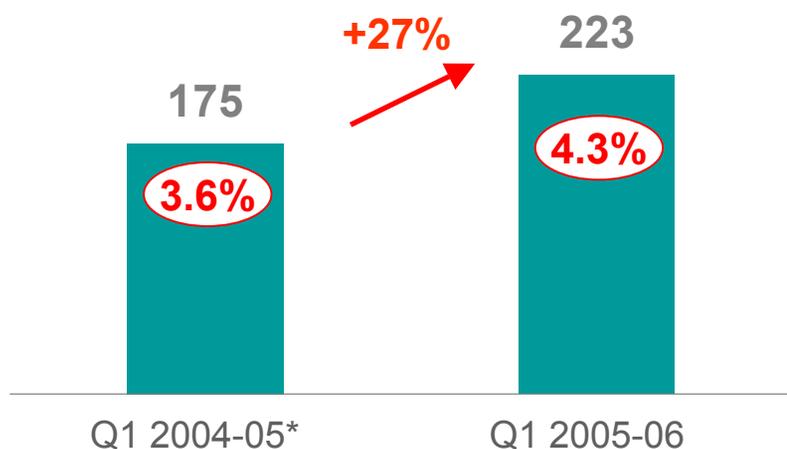
- ▶ Passenger activity: strong performance in terms of traffic and unit revenue
- ▶ Cargo: strong rise in unit revenue despite weaker European export activity
- ▶ Improvement in operating performance

Improvement in the operating performance

in € millions

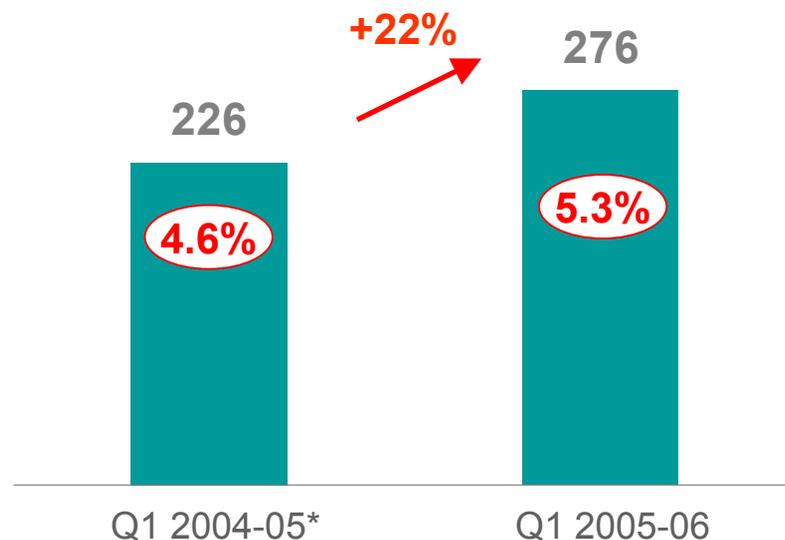
Operating profit

X Operating margin



Adjusted operating profit**

X Adjusted operating margin**



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

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

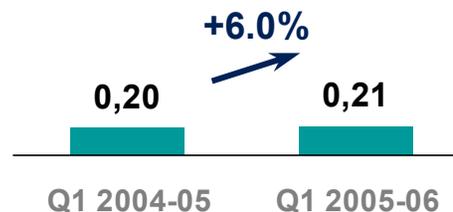
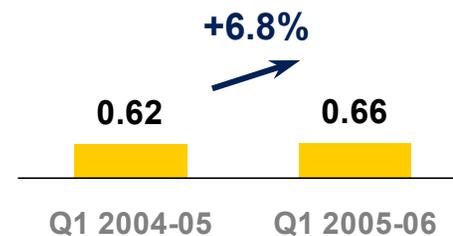
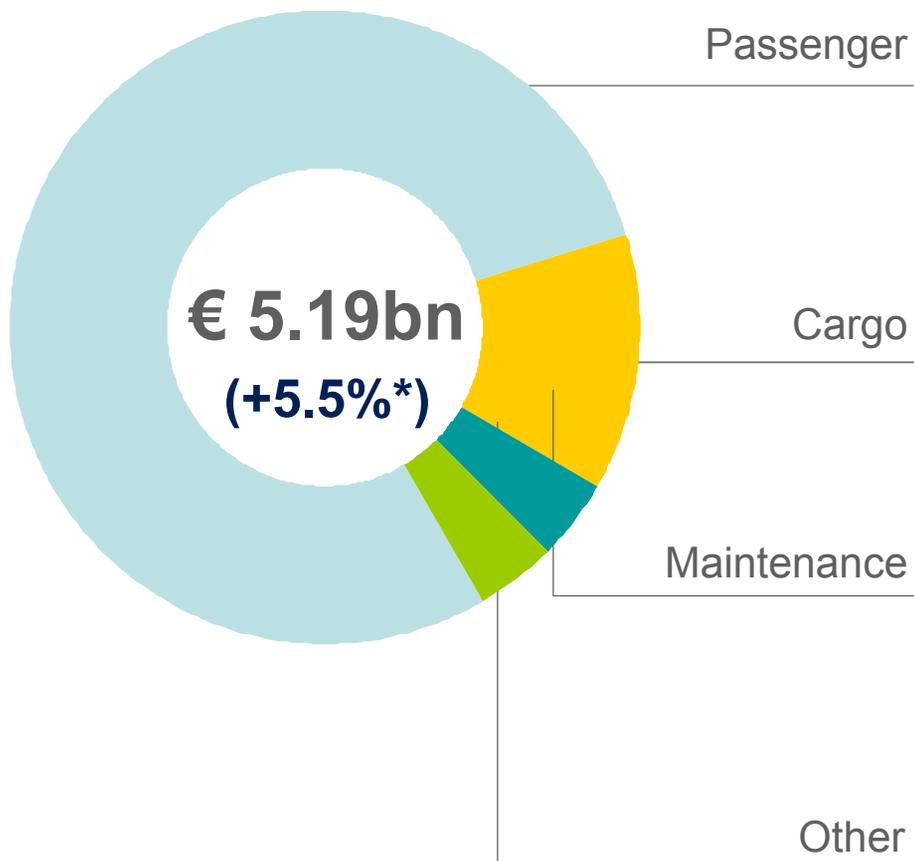
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Increased levels of activity



Increased activity across all businesses

Turnover in €bn
Q1 2005-06

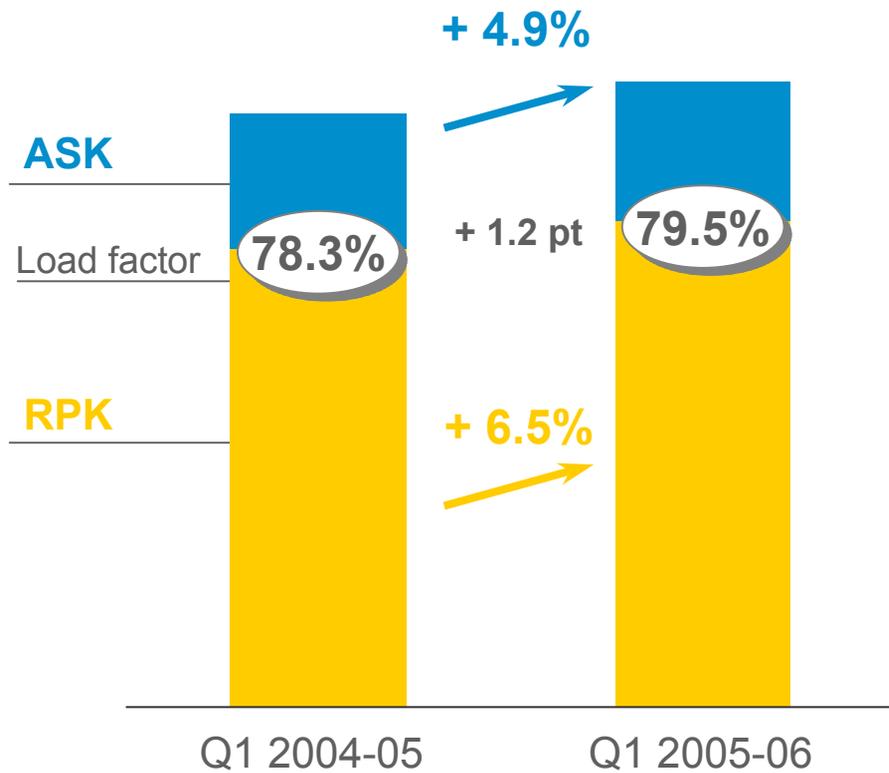


* +6.4% excl. Servair impact (consolidation of 6 months of Servair in Q1 2004-05)

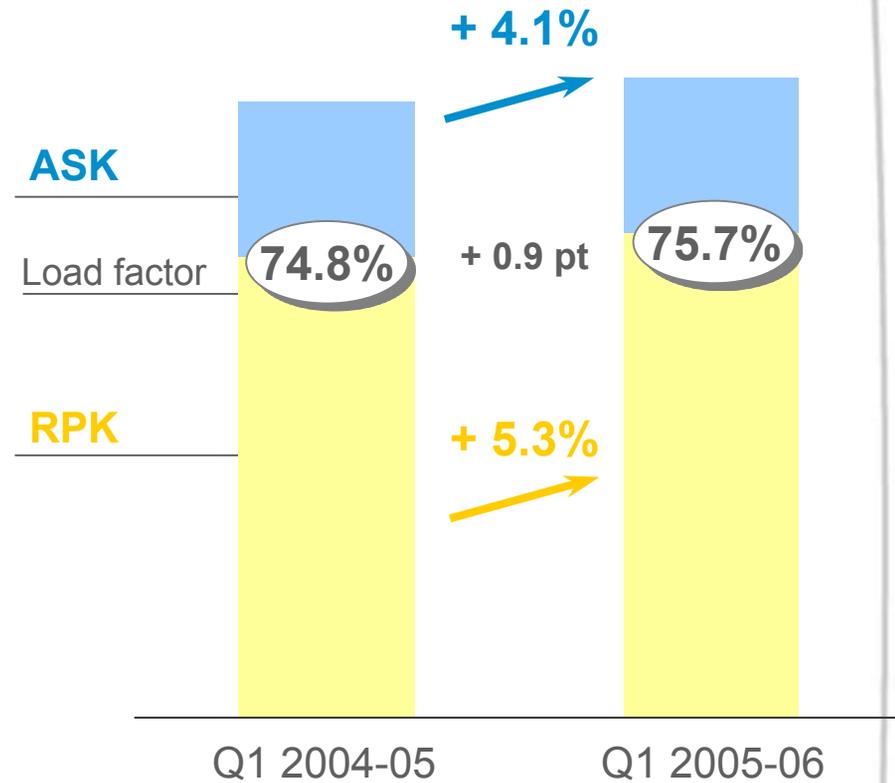
** +4.6% excl. Servair impact (consolidation of 6 months of Servair in Q1 2004-05)

Passenger business: sustained rise in traffic...

Air France-KLM

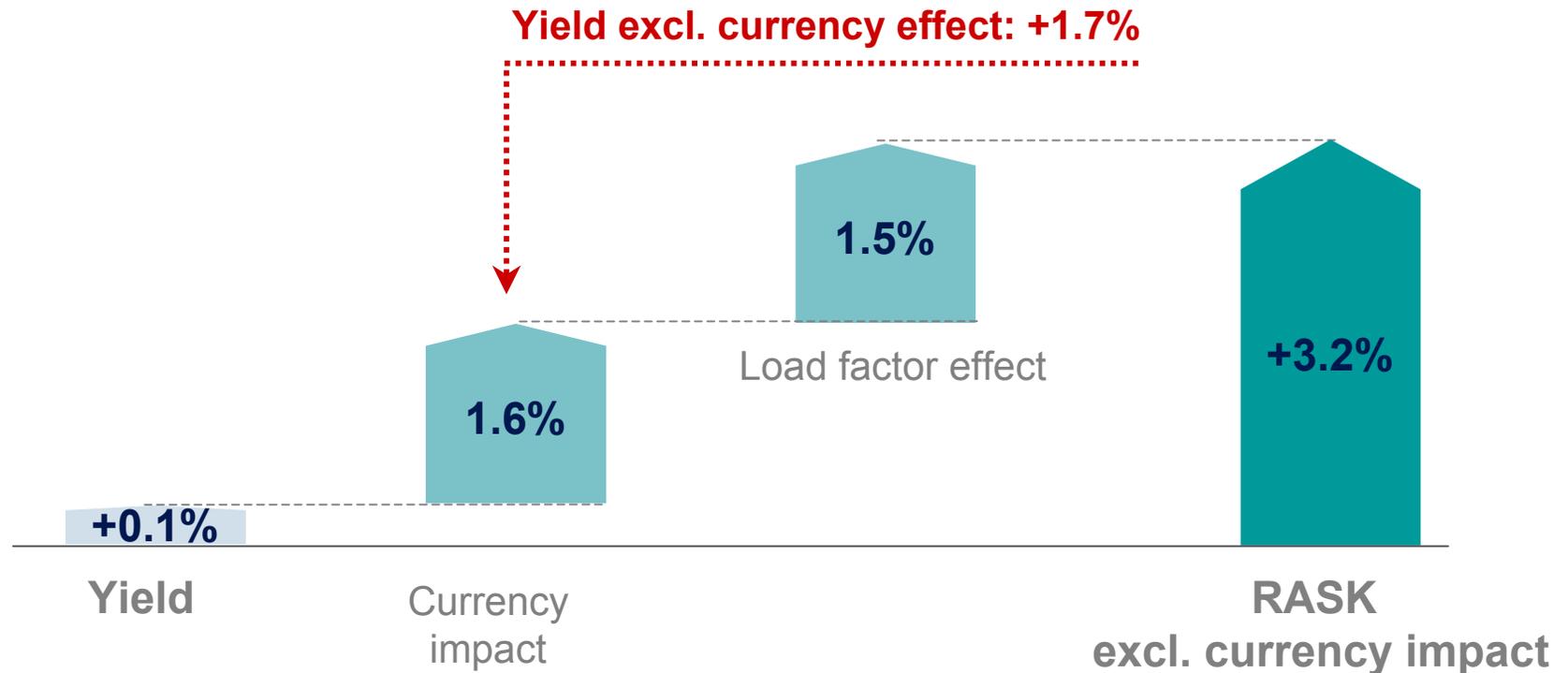


AEA



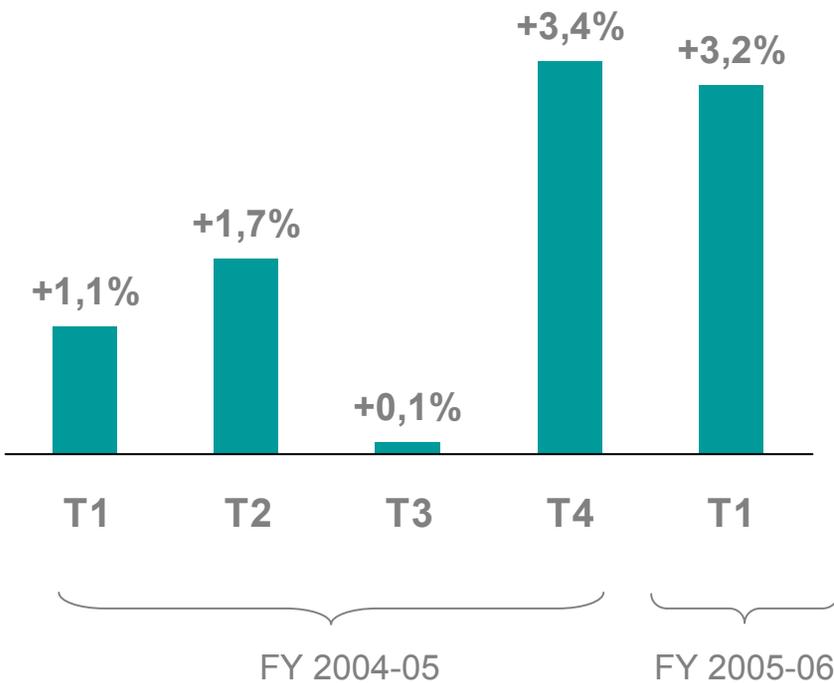
Source: AEA

...and in unit revenue excluding currency effect

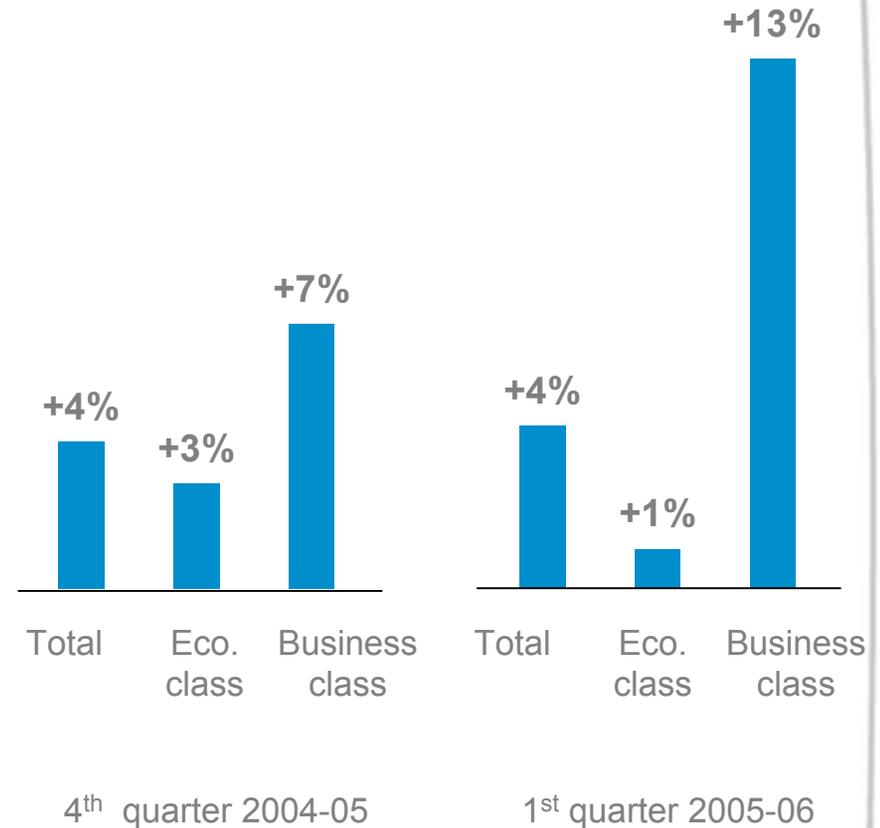


Increase in unit revenue driven by business traffic

■ RASK excl. currency (total network)

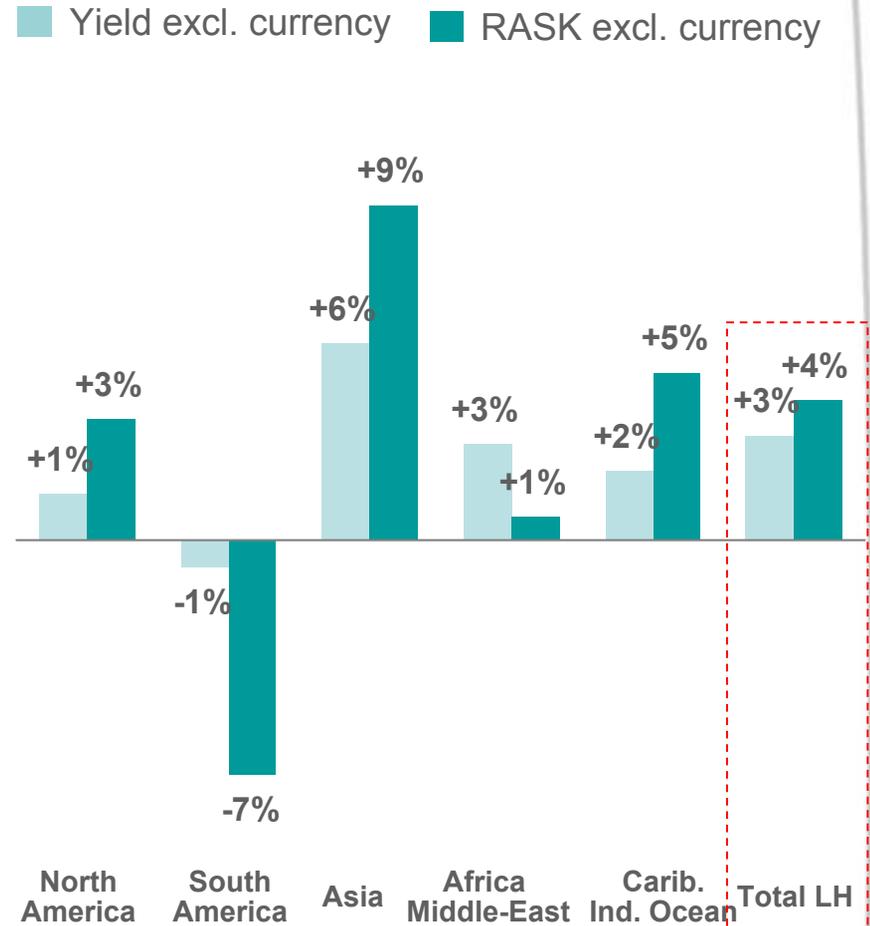
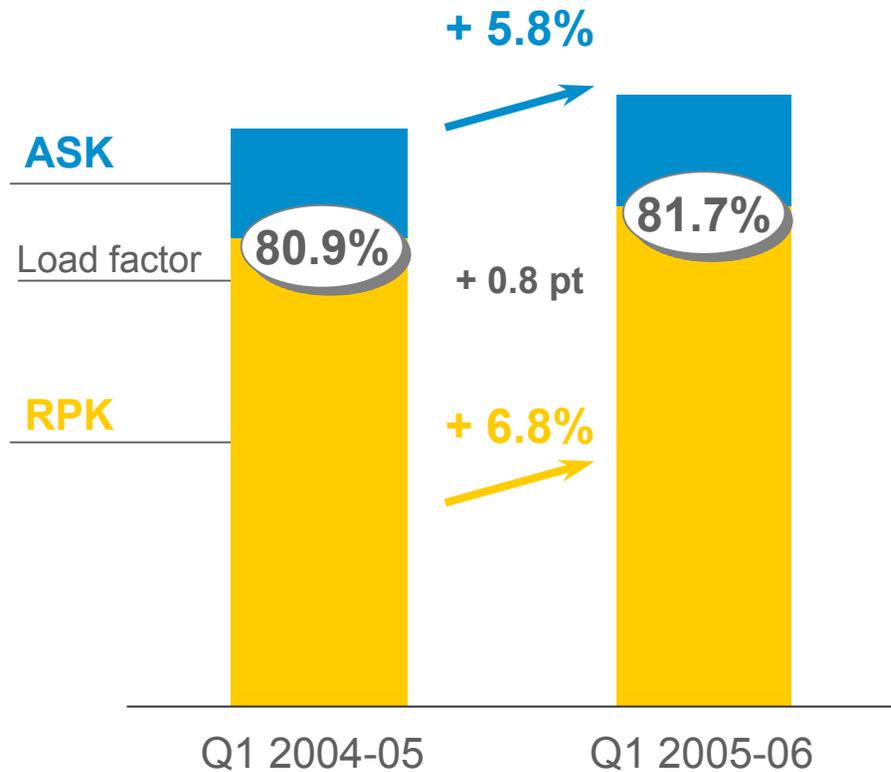


■ RASK excl. currency (long-haul network)



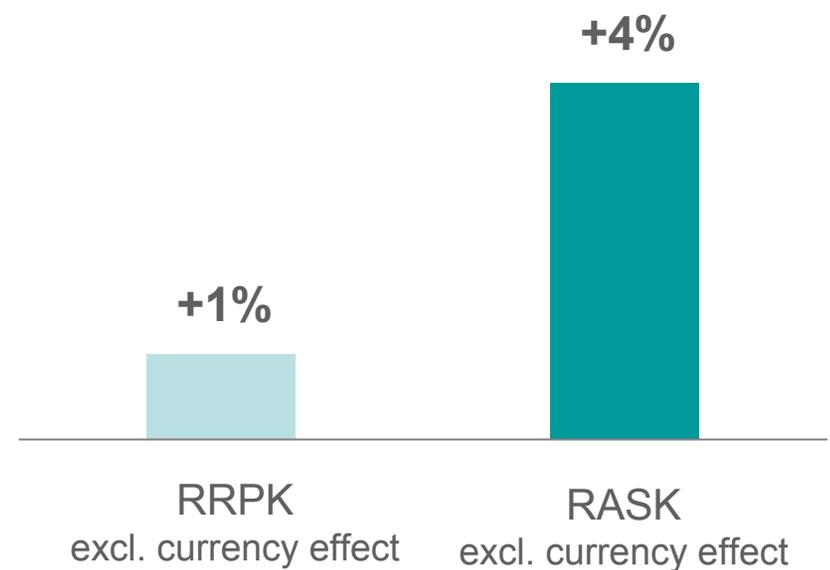
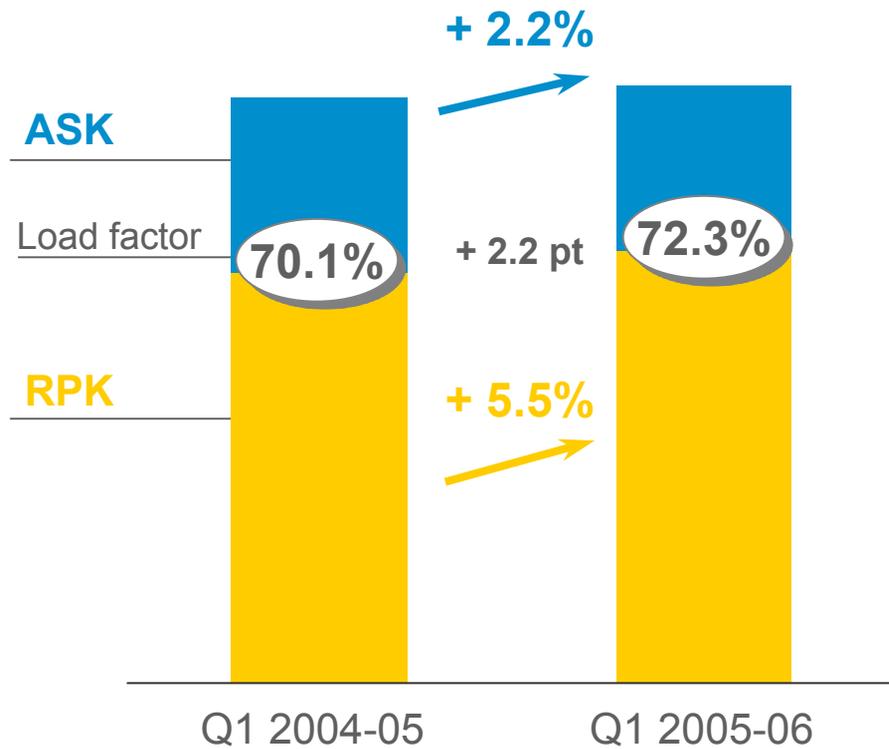
Long-haul network remains dynamic

Long-haul

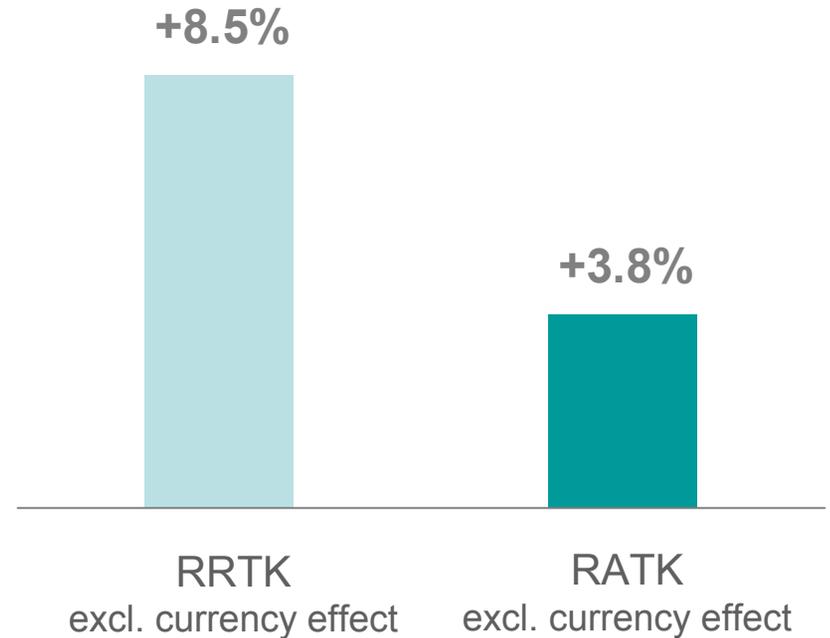
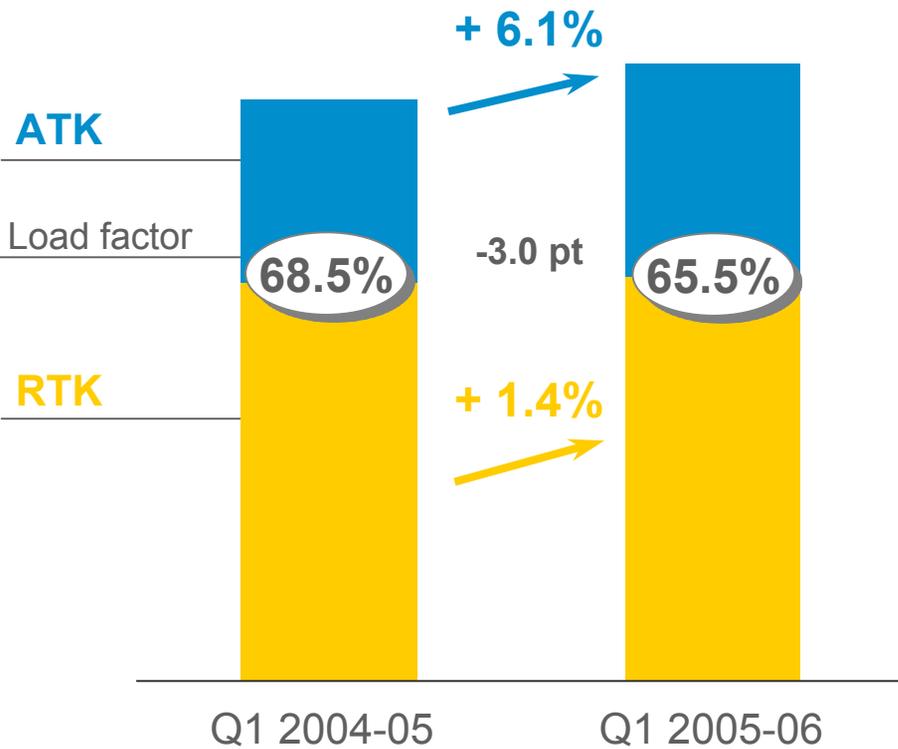


Strong performance in medium-haul

Medium-haul
(incl. France)



Cargo: strong increase in unit revenue in a challenging environment



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Improvement in Q1 results



Q1 results

(1/2)

In € millions

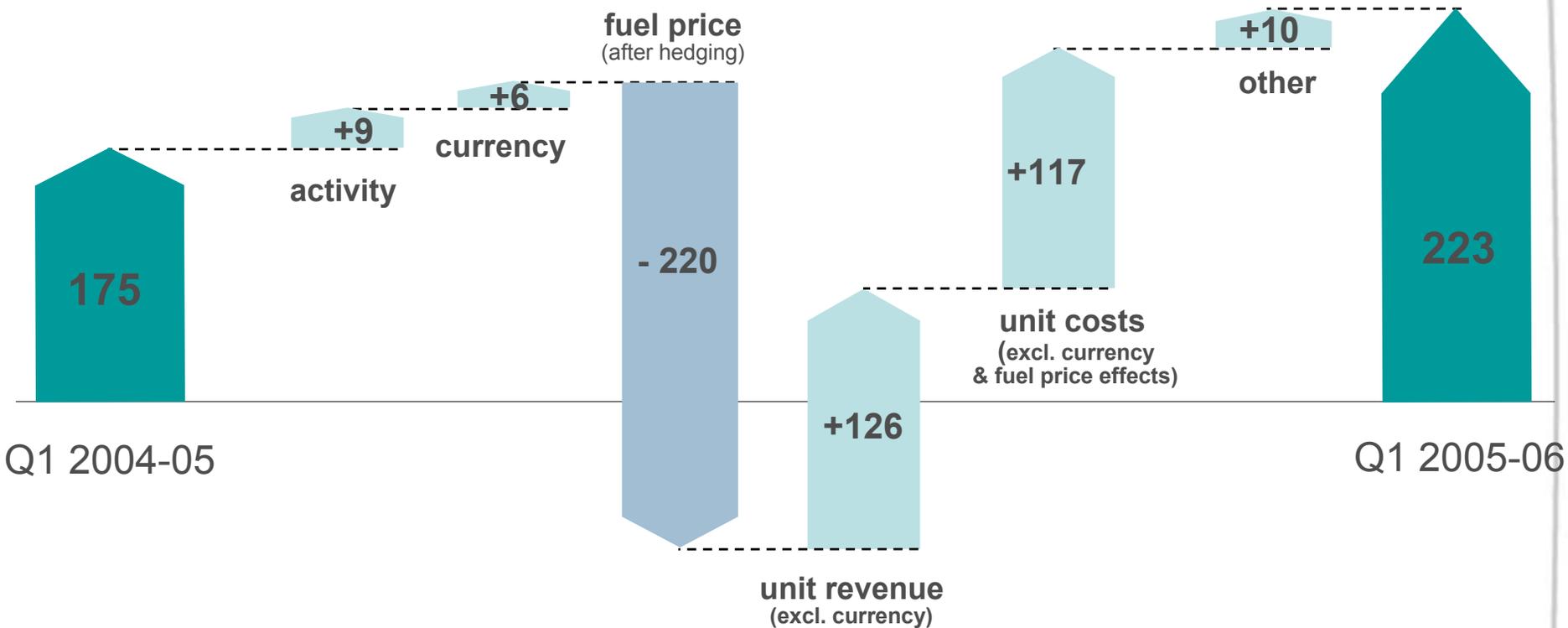
	30 June 2005	30 June 2004*	Change
Turnover	5 186	4 917	+5.5%
Current operating charges	4 963	4 742	+4.7%
Operating income	223	175	+27.4%
Operating margin	4.3%	3.6%	+0.7 pt
Adjusted operating margin**	5.3%	4.6%	+0.7 pt
Other non-current income and charges	5	475	ns
Aircraft sales	-	3	
Write-back of negative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

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

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

Change in operating income

In €m



Q1 results

(2/2)

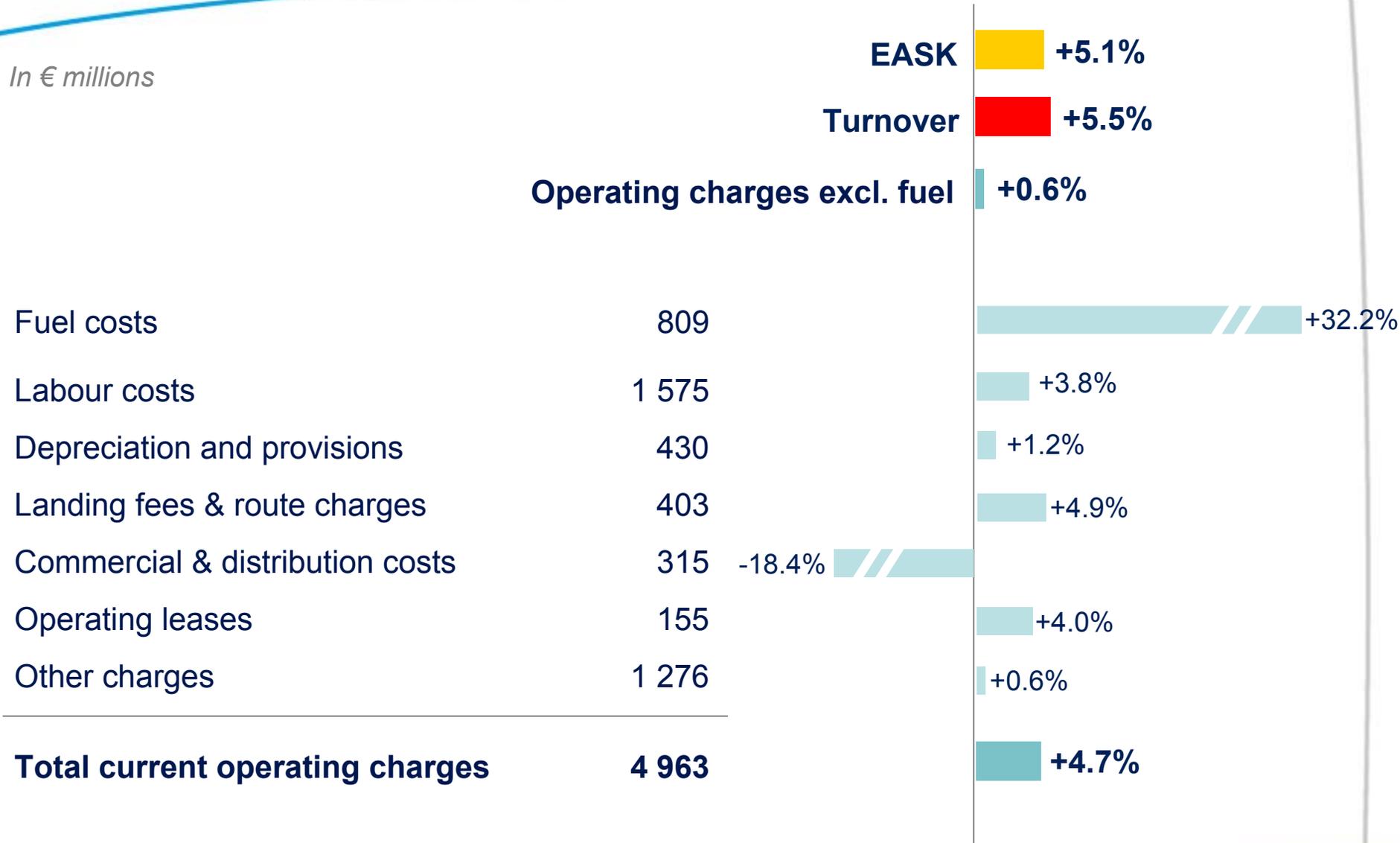
In € millions

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

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

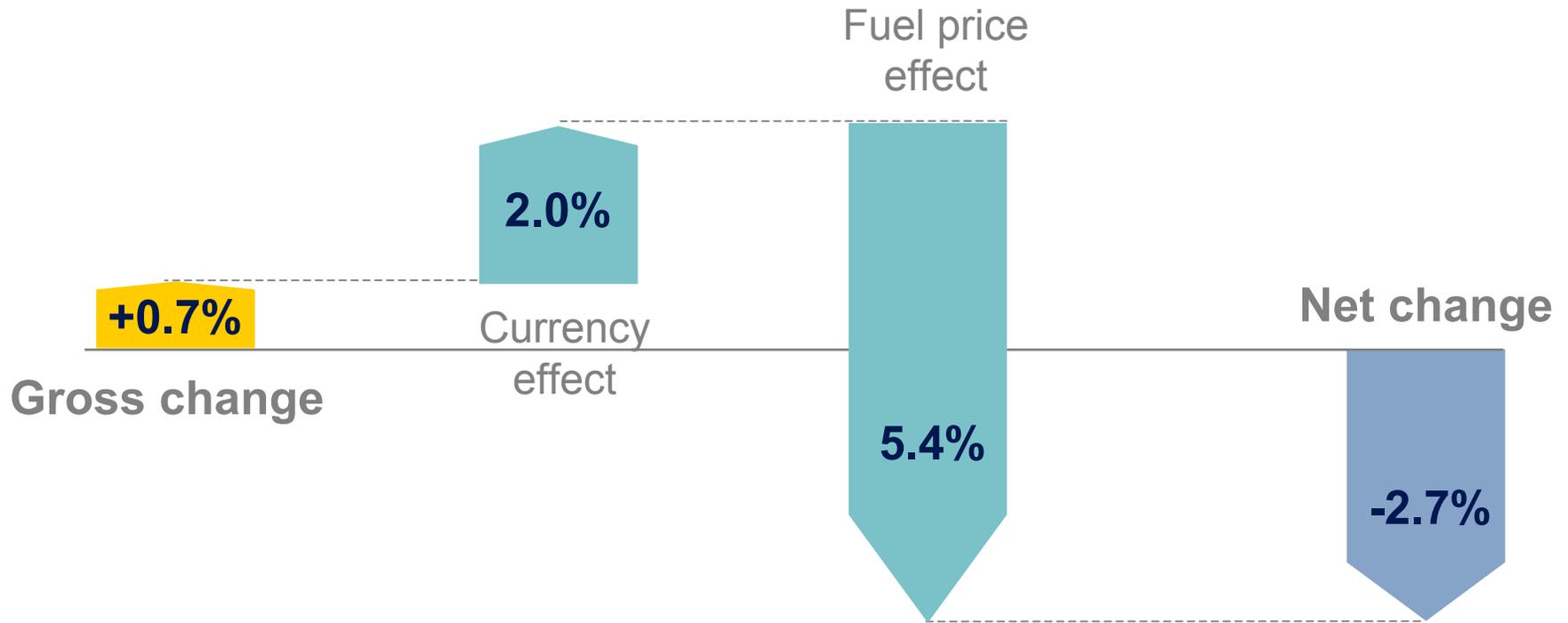
Stable operating charges excluding fuel

In € millions



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

Unit costs per EASK: 6.16 € cts

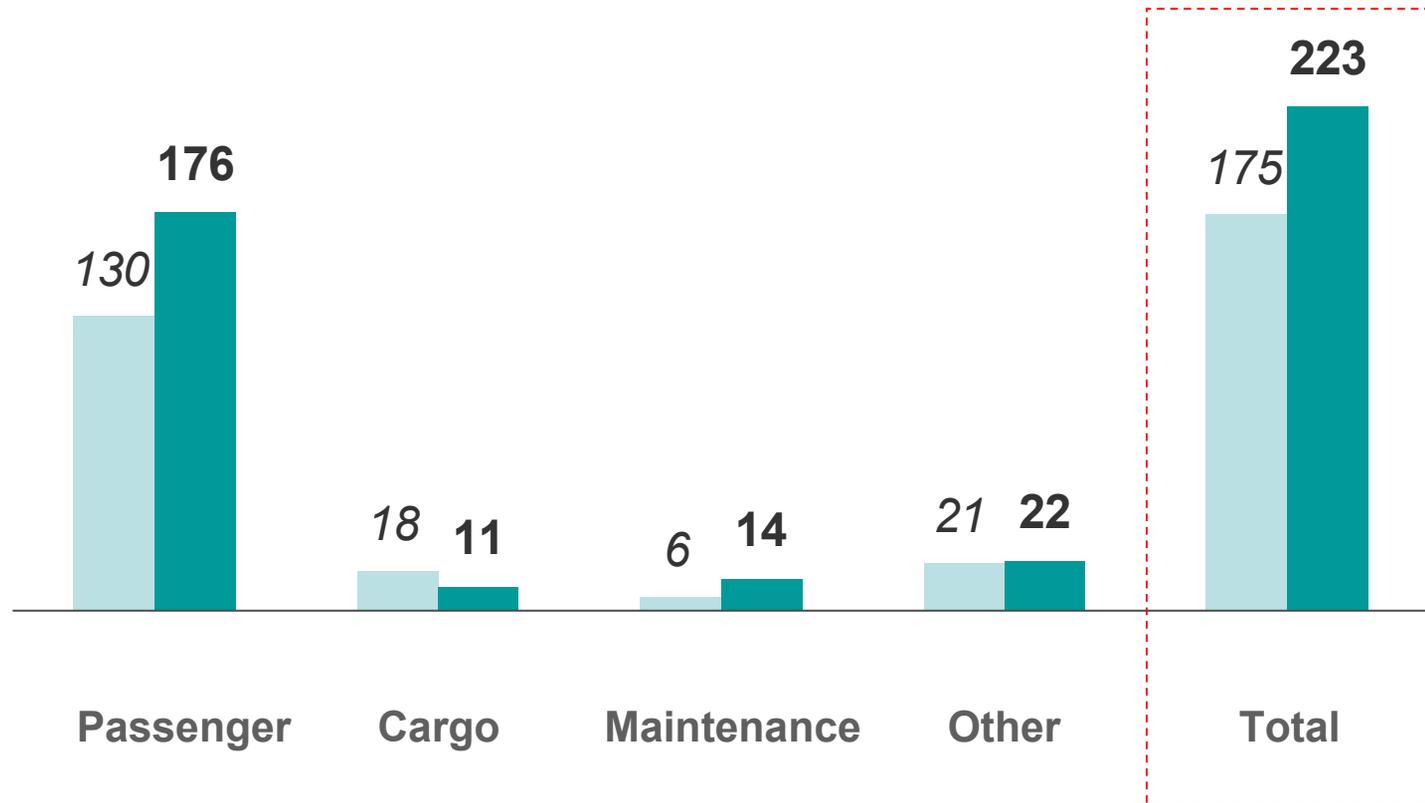


Positive contribution from all businesses

Operating income (in €)

■ Q1 2004-05

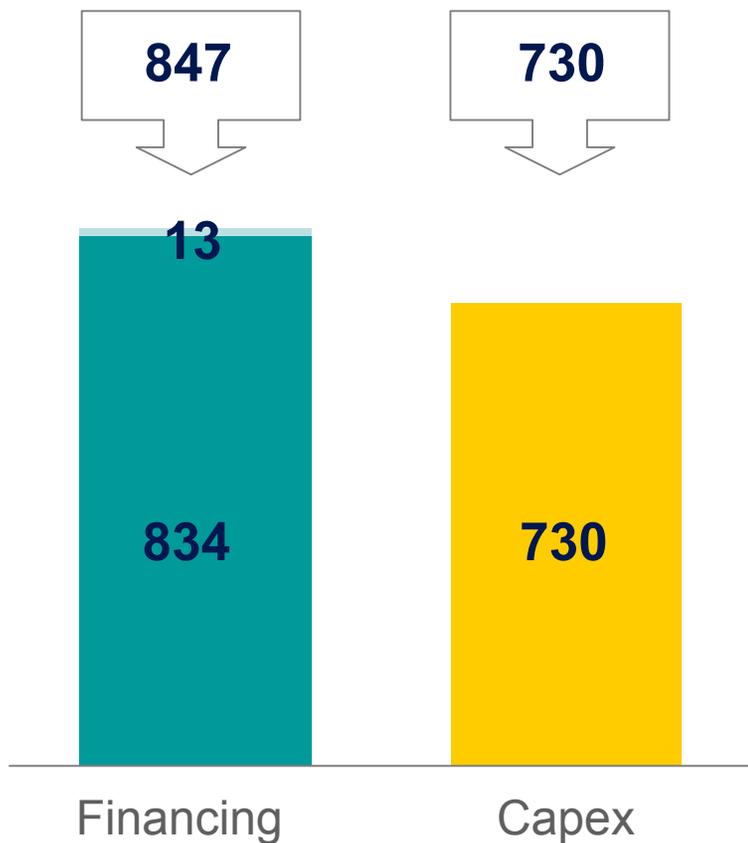
■ Q1 2005-06



Financial structure

■ Aircraft
 ■ Tangible & intangible capex

■ Operating cash flow

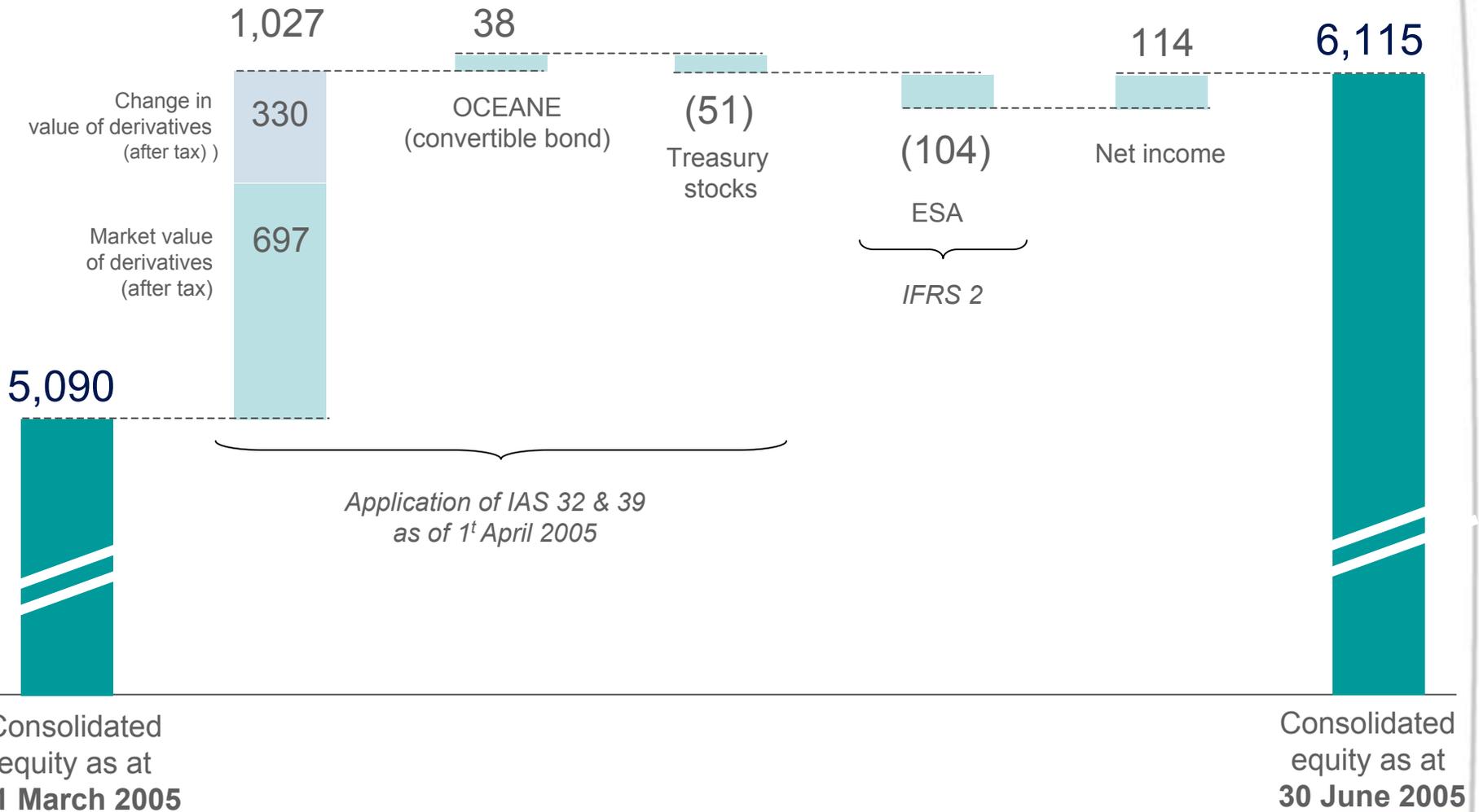


■ Net debt in € billions
 x Gearing ratio



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

Evolution of equity



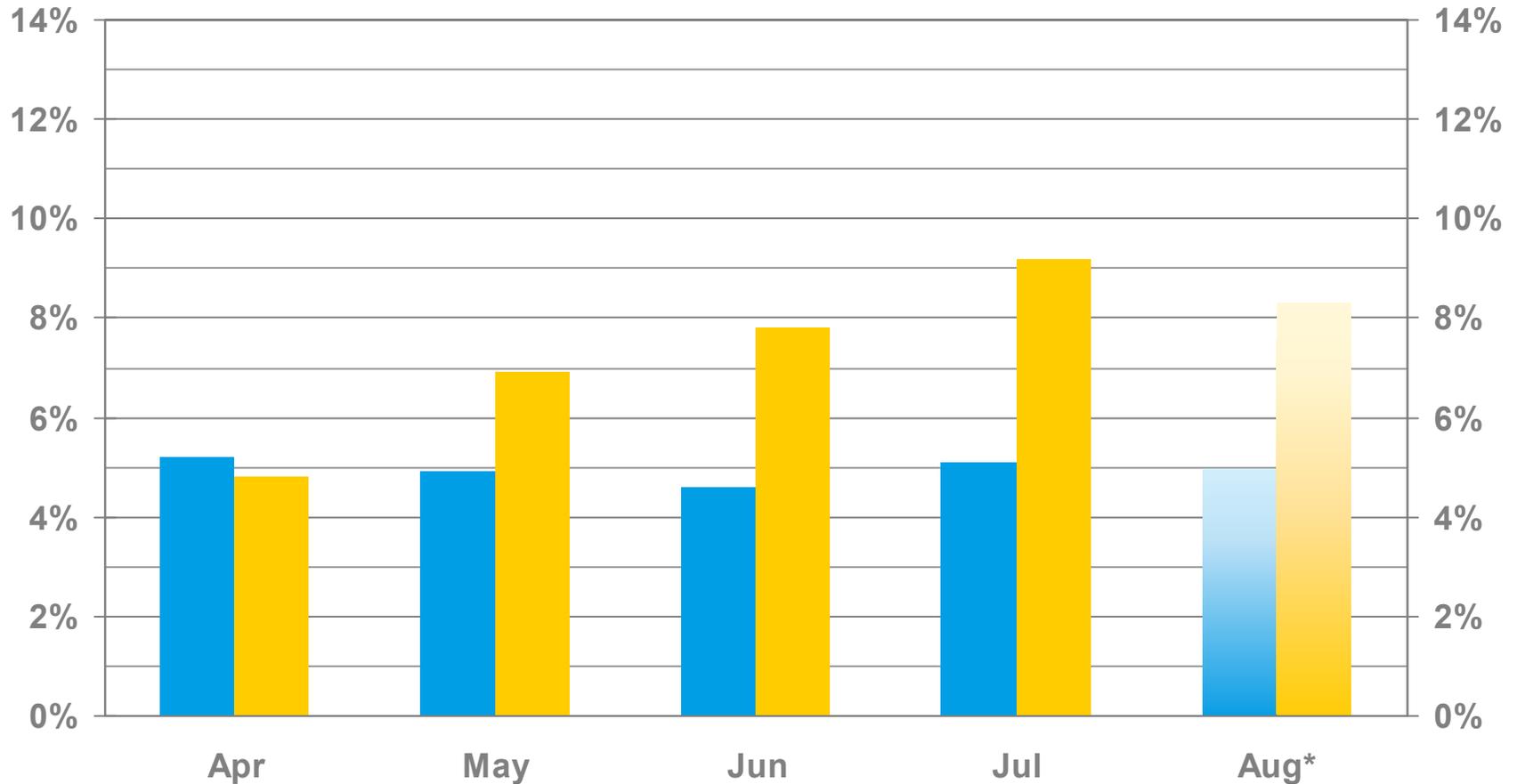
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Outlook



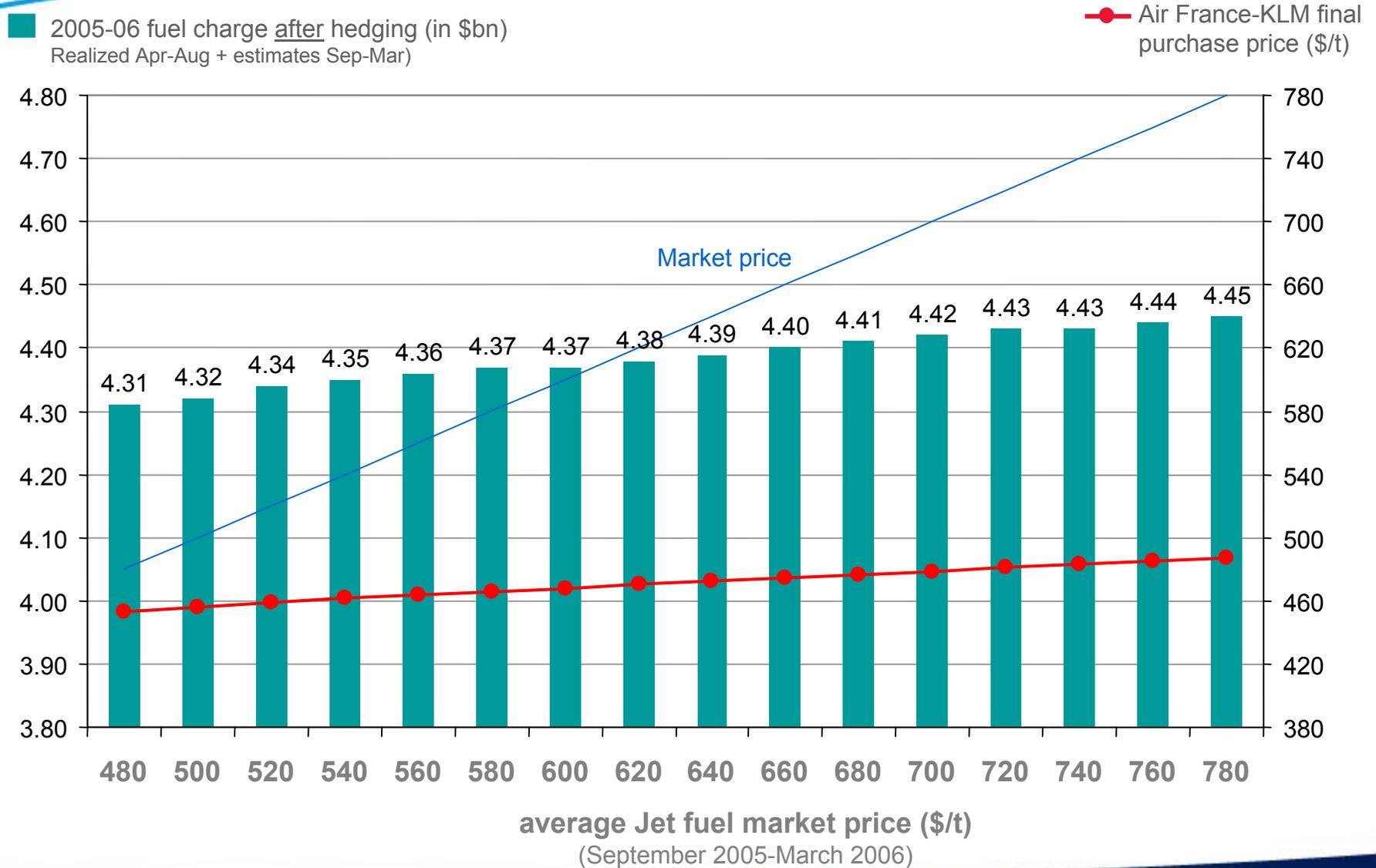
Positive outlook for passenger activity

■ Capacity ■ Traffic



* From 1st to 28th August

Fuel charge sensitivity



A systematic fuel hedging policy

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

* Futures prices as at 26th August 2005

Objective for 2005-06 revised upwards

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