AIR FRANCE KLM

Full Year Results
2007-08

22nd May 2008

Agenda

Introduction	Jean-Cyril Spinetta
Activity	Pierre-Henri Gourgeon
Results	Philippe Calavia
Strategy and Outlook	Jean-Cyril Spinetta Peter Hartman

Highlights of the Year

For the sector

- Oil price at record highs
- Sharp appreciation of the Euro against most major currencies
- Deterioration in the economic environment during the second half
- ‘Open Skies’ agreement comes into force
- Sector continues its consolidation attempts

For Air France-KLM

- Record operating income
- Inclusion in the CAC 40
- Air France-Delta joint-venture signed October 2007
- Favourable view on ATI from US authorities
- Launch of direct transatlantic flights from Heathrow
- New airport capacity at CDG

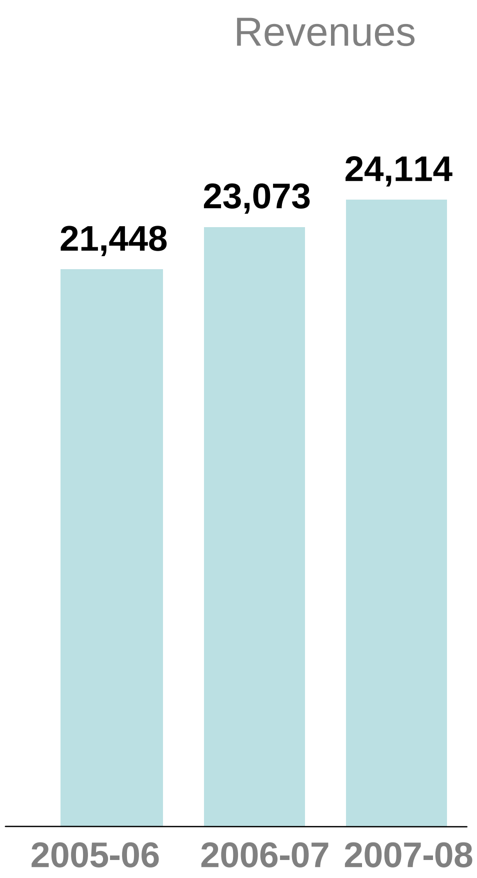
FY 2007-08: objectives achieved

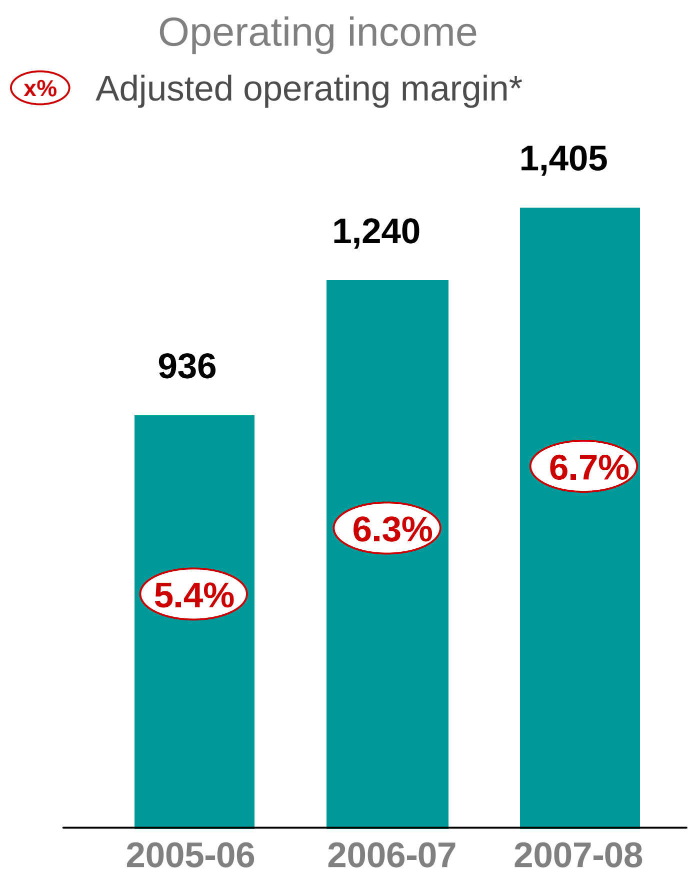
- Revenues: €24.11bn (+4.5%)
- Operating income: €1.41bn (+13.3%)
- Adjusted operating margin(*): 6.7% (+0.4 pts)
- RoCE: 7.1%
- Free cash flow: €820m
- Net income after €530m cargo investigation provision: €748m (-16%)
- Dividend: €0.58 (+21%)

(*) Adjusted for the portion of financial costs of operating leases (34%)

Further improvement in profitability

€ millions





* Adjusted for the portion of financial costs of operating leases (34%)

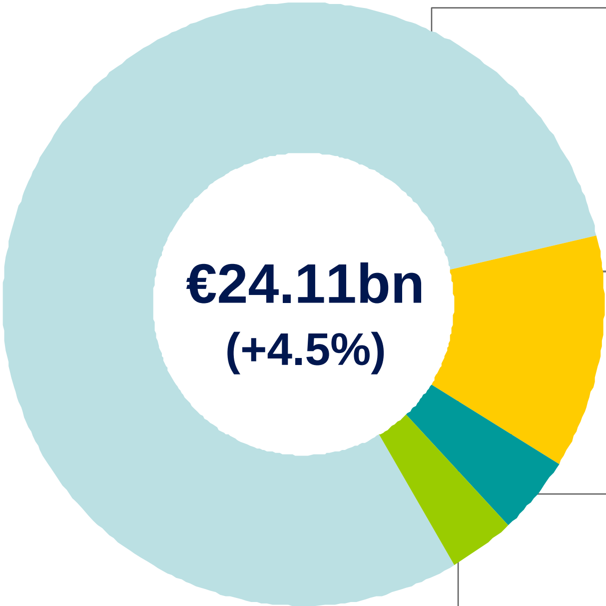
AIR FRANCE KLM

Robust activity during the year

Pierre-Henri Gourgeon

Key figures for the business

Revenues (€bn)
Full Year 2007-08



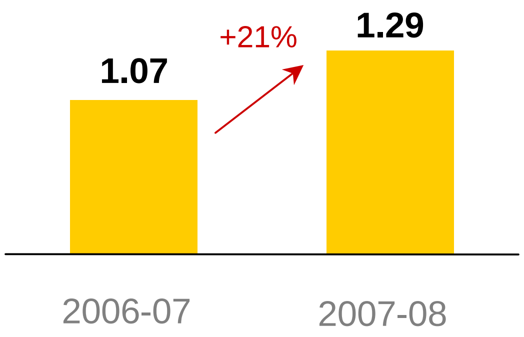
Revenues	Optg income (€ millions)
Passenger: **19.16** (+4.3%)	1,291 (+21%)
Cargo: **2.93** (+0.7%)	39 (-37%)
Maintenance: **0.97** (-0.9%)	63 (+43%)
Other: **1.06** (+29.2%)	12 (-82%)

Passenger activity: an excellent year

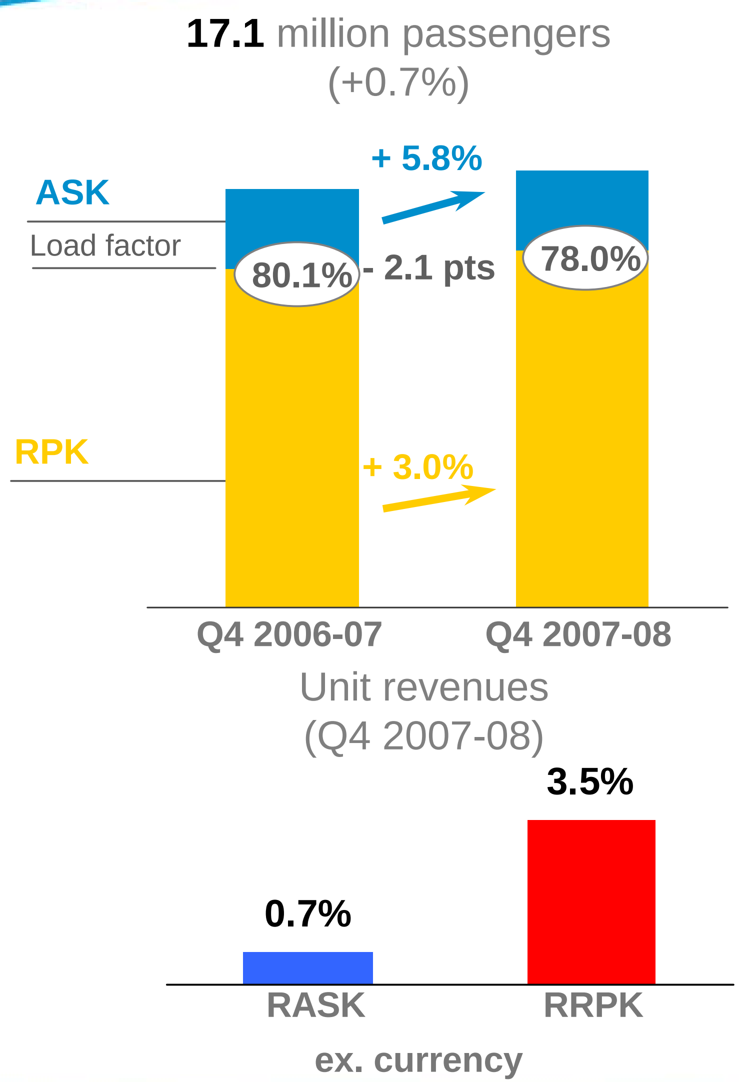
- A strong first half
- Less dynamic growth in the second half
  - Lower volumes in economy class
  - Premium class activity remains dynamic
- Rise in unit revenues thanks to a robust yield
- Dynamic Asia and Africa and Middle East networks offset weaker volumes on the Americas

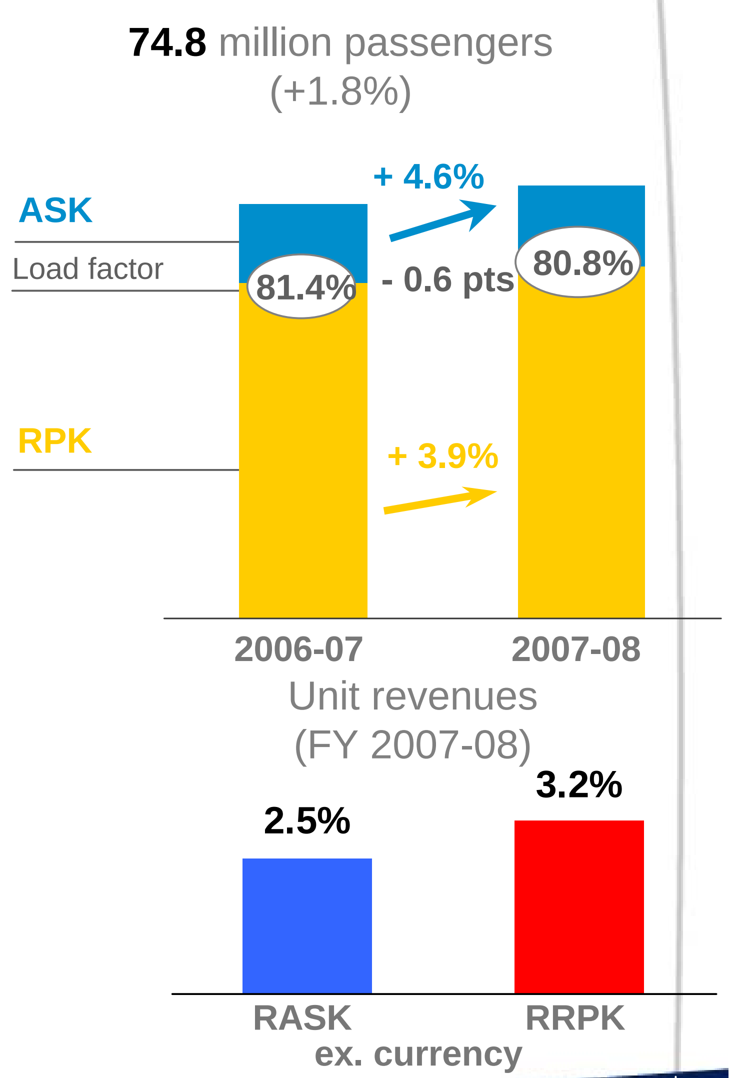
Total passenger revenues (€ billions)

Passenger operating income (€ billions)

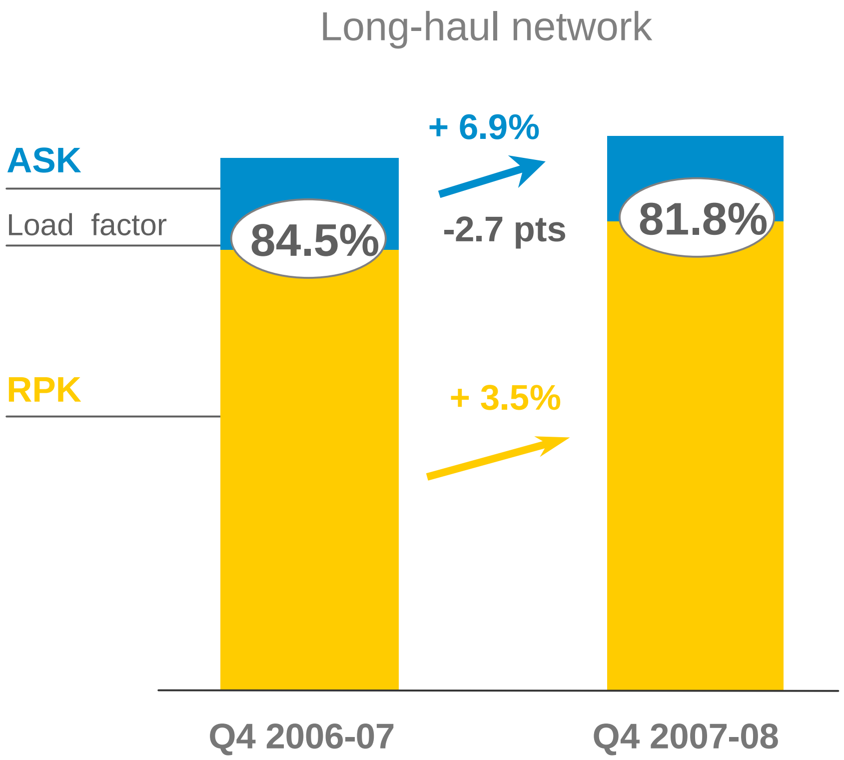


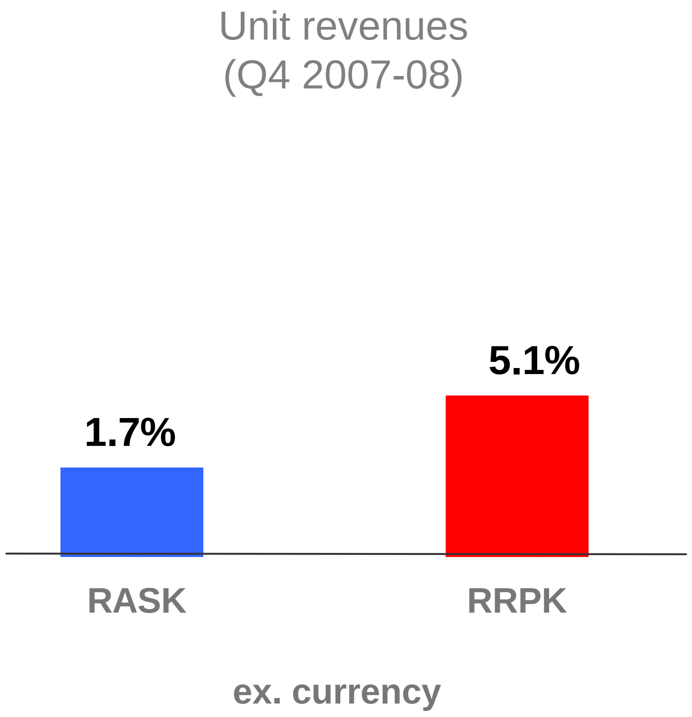
Yield remains strong in Q4…



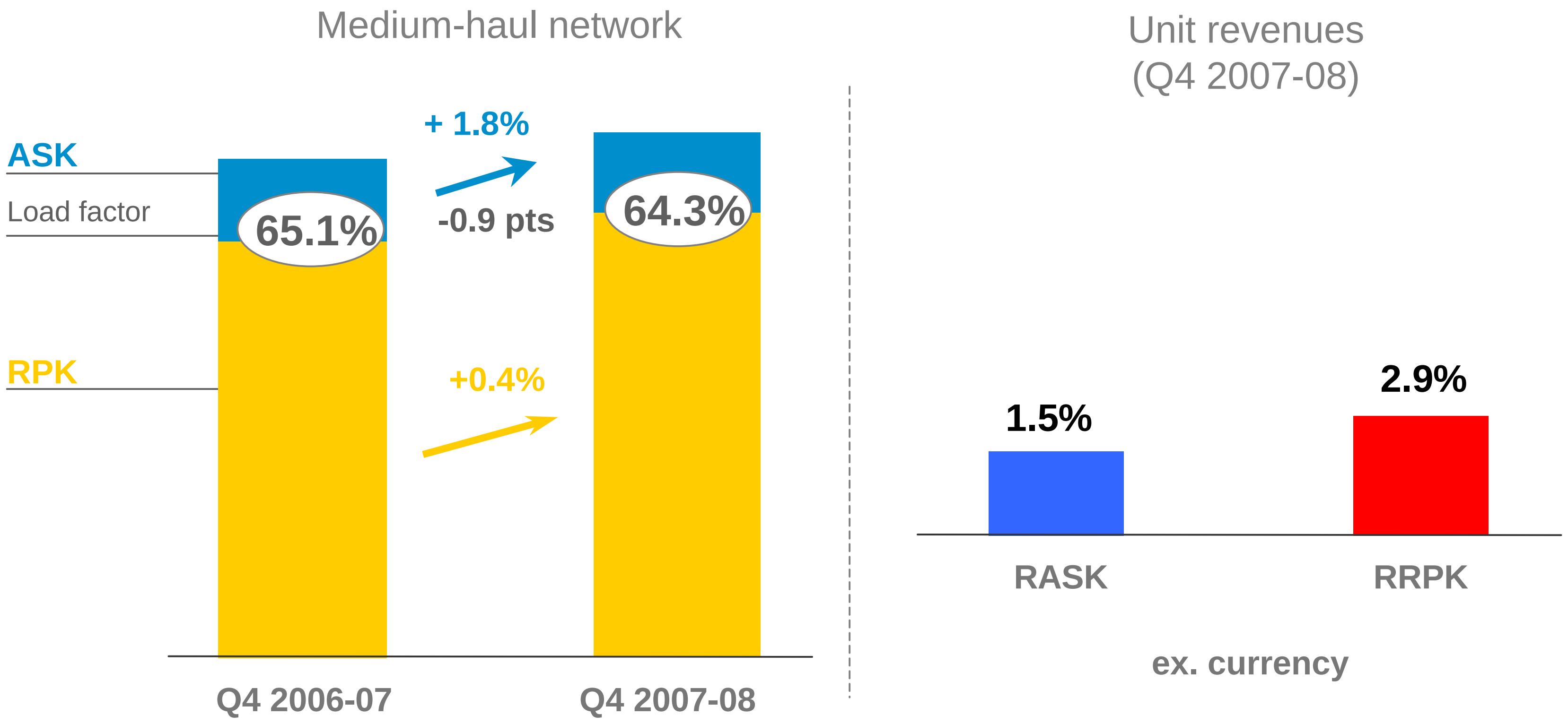


…on the long-haul network…

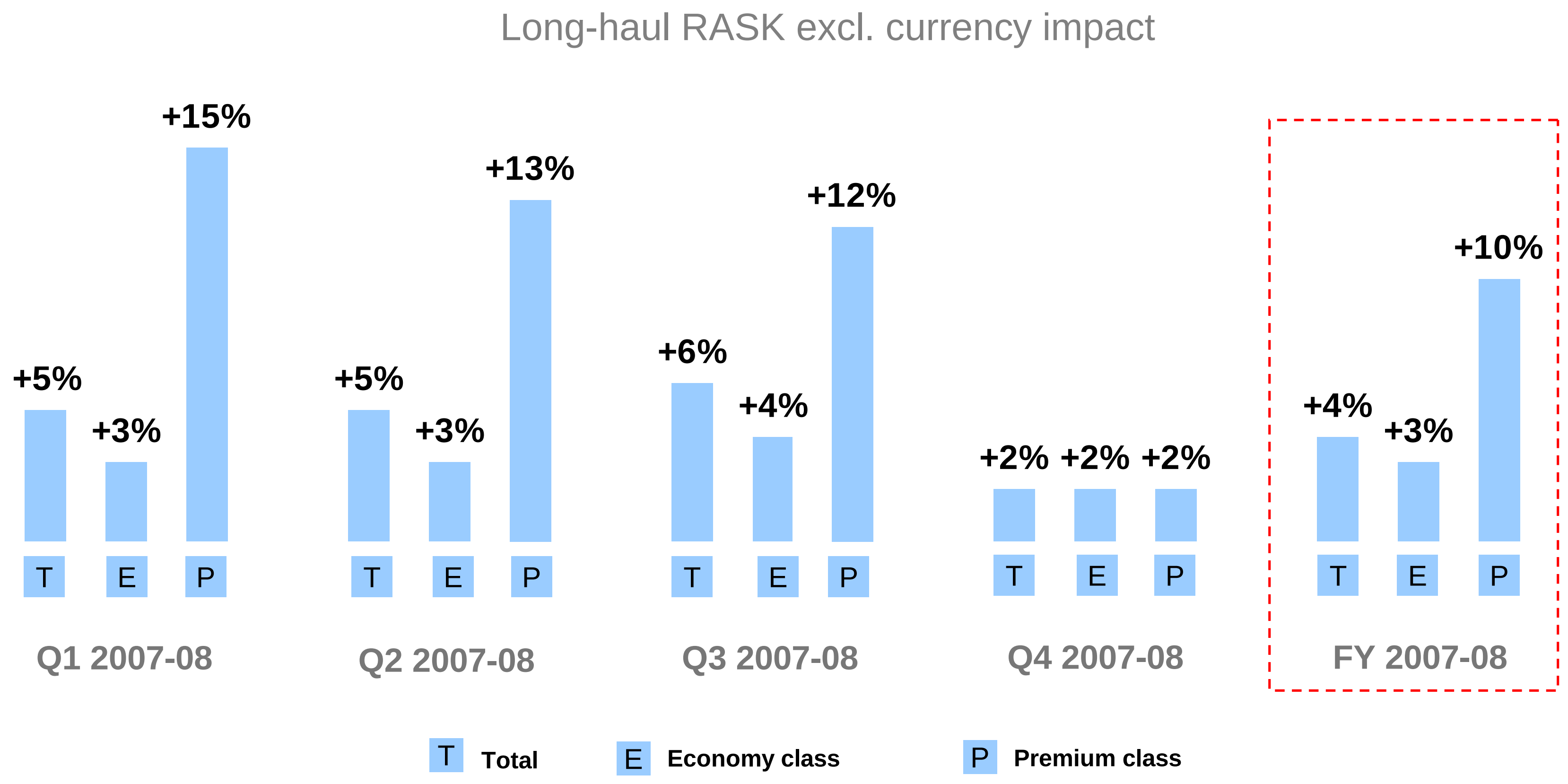




…and in medium-haul

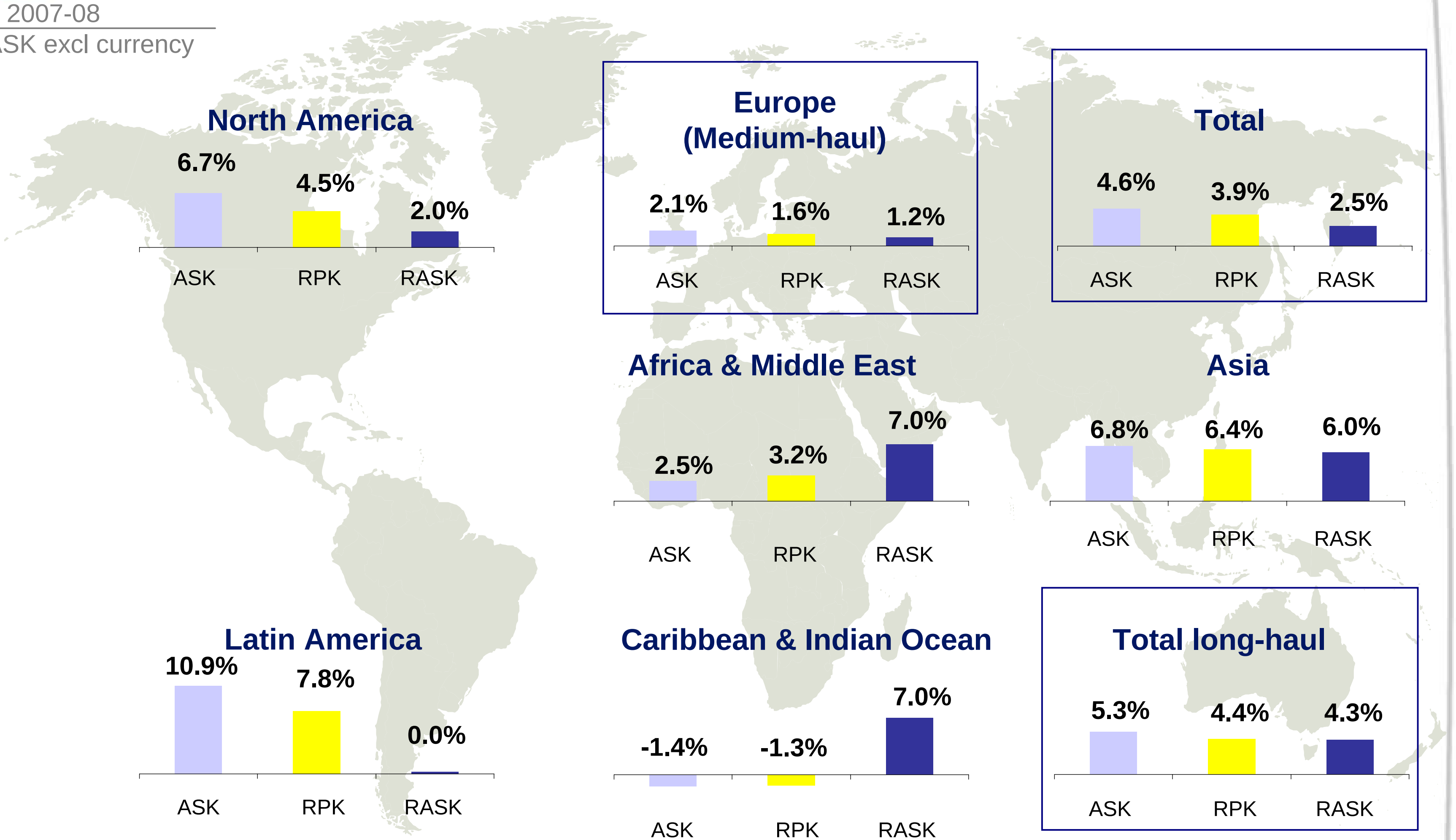


Dynamic premium class



Strong activity on all networks during the year

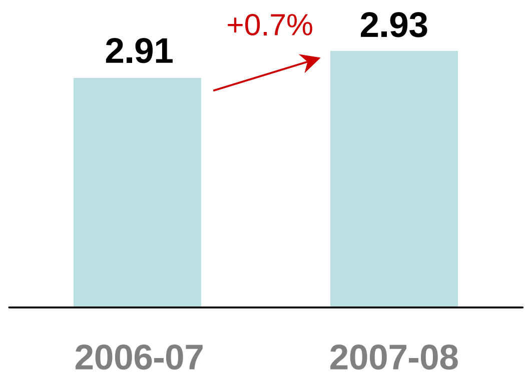
FY 2007-08
RASK excl currency



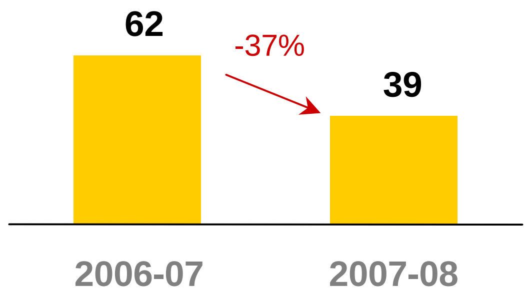
Cargo: profitability masked by fleet restructuring costs…

- Contrasted operating environment
  - Robust global demand (+4%)
  - Strong Euro weighed on European exports
  - Competition remained intense
- Air France-KLM: recovery as of Summer 2007 with an improvement in costs linked to the first effects of the Air France fleet renewal
- Provision in respect of cargo investigation of €530m

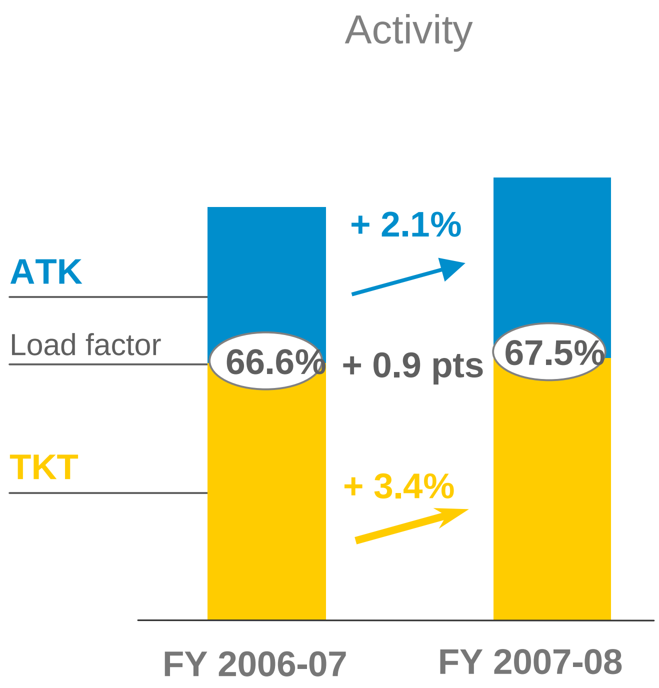
Total cargo revenues
(€ billions)

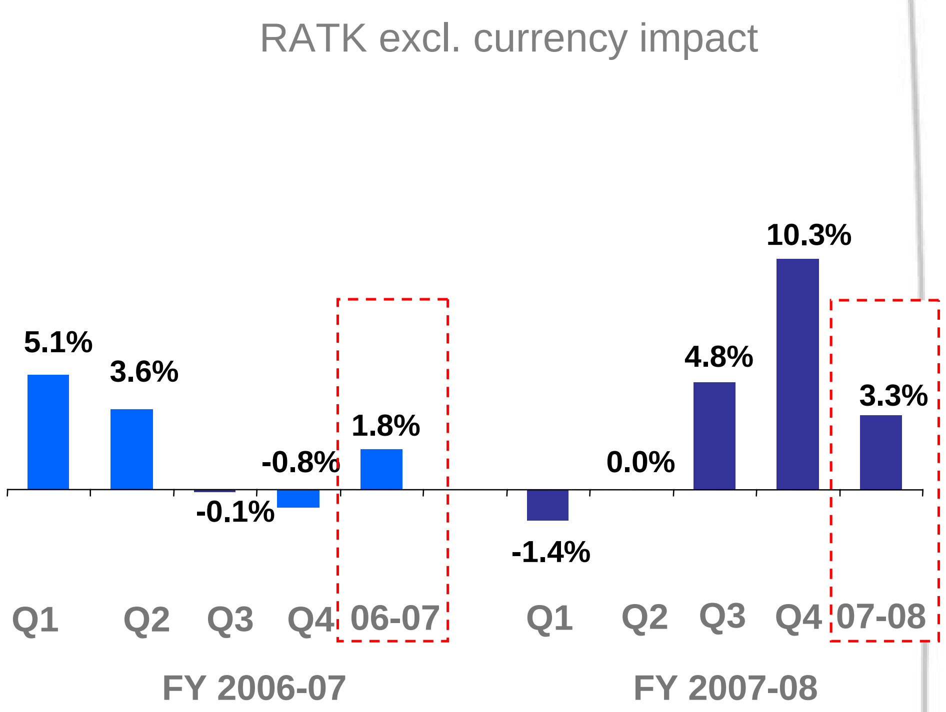


Cargo operating income
(€ millions)



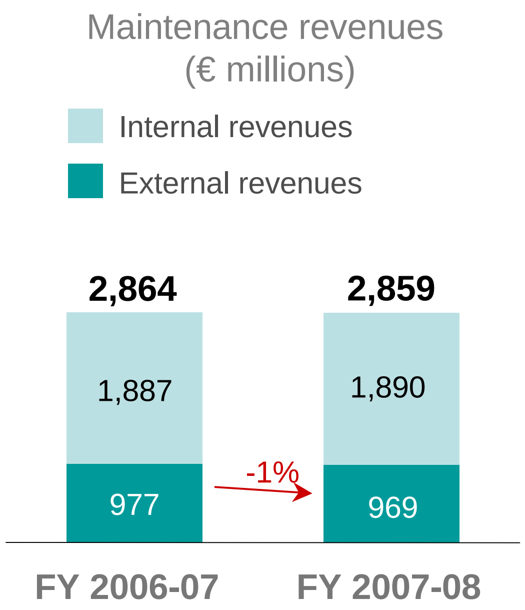
….but an improvement in activity since H2

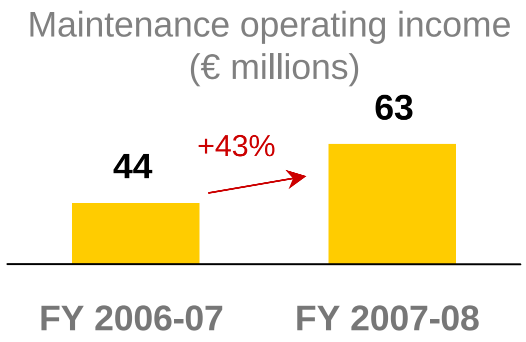




Maintenance business

- Dollar weakness weighed on revenue growth despite robust levels of activity
- Development of support services in the equipment segment one of the main drivers behind the improvement in operating income





Excellent results in 2007-08

Philippe Calavia

Fourth Quarter in line with our forecasts

€ millions	31 March 2008	31 March 2007	Change
Revenues	**5,704**	**5,389**	**+5.8%**
Current operating costs	(5,750)	(5,380)	+6.9%
Operating income	**(46)**	**9**	**nm**
*Adjusted operating margin**	*0.1*	*1.1*	*-1.0pt*
Other non-current income and charges	(486)	8	nm
O/w cargo provision	*(530)*		
Income from operating activities	**(532)**	**17**	**nm**
Net interest charge	(20)	(30)	(33.3%)
Other	(41)	77	nm
Income tax	51	(20)	nm
Net income, group share	**(542)**	**44**	nm
Net income, group share (excl Cargo provision)	**(49)**	**44**	**nm**

*Adjusted for the portion of financial costs of operating leases (34%)

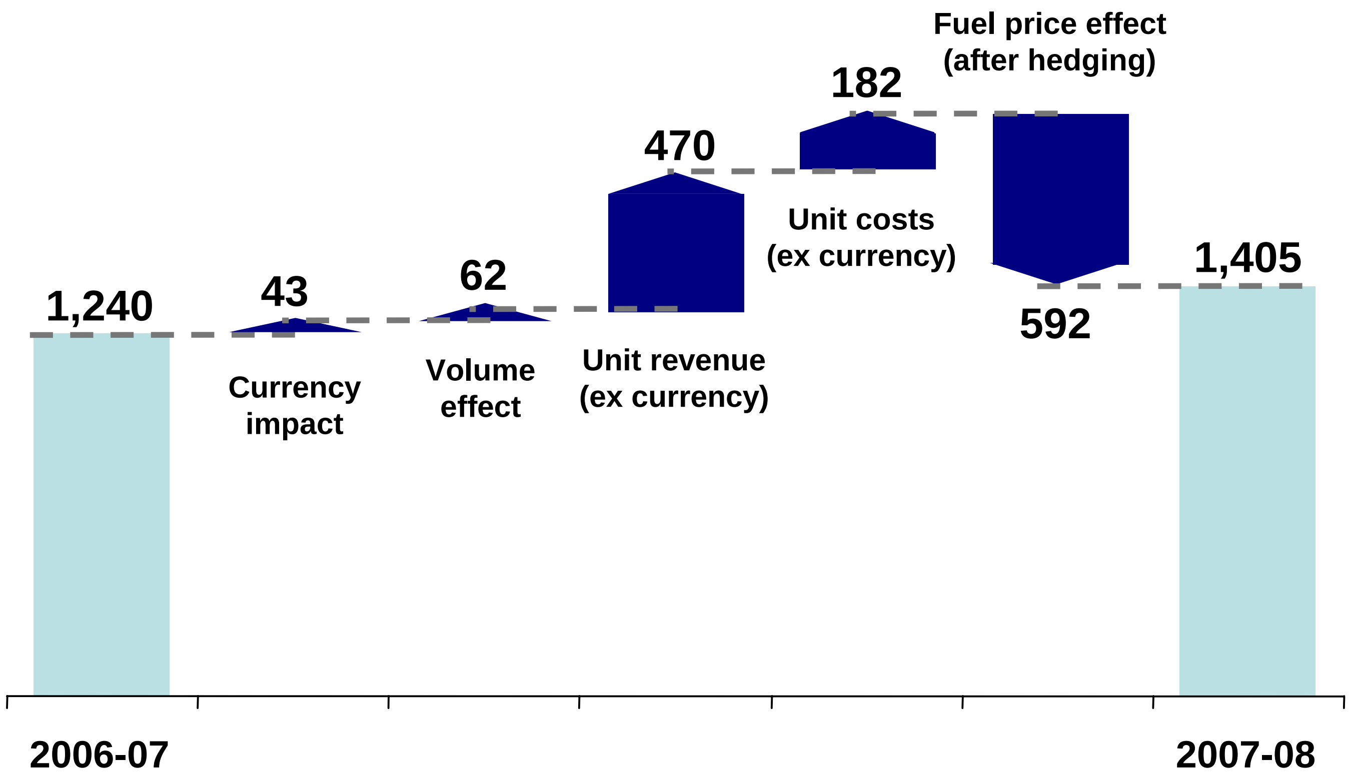
Strong progression over the Full Year

€ millions	31 March 2008	31 March 2007	Change
Revenues	**24,114**	**23,073**	**+4.5%**
Current operating charges	(22,709)	(21,833)	+4.0%
Operating income	**1,405**	**1,240**	**+13.3%**
*Adjusted operating margin**	*6.7%*	*6.3%*	*+0.4pts*
Other non-current income and charges	(133)	(7)	nm
O/w Amadeus disposal	*284*		
O/w cargo provision	*(530)*		
Income from operating activities	**1,272**	**1,233**	**+3.2%**
Net interest charge	(99)	(140)	(29.3%)
Other	(67)	46	nm
Income tax	(358)	(248)	+44.4%
Net income, group share	**748**	**891**	**(16.0%)**
Net income, group share (excl Cargo provision & Amadeus gain)	**987**	**891**	**+10.8%**

*Adjusted for the portion of financial costs of operating leases (34%)

Analysis of change in operating income

€ millions



Operating costs

In € millions
FY 2007-08

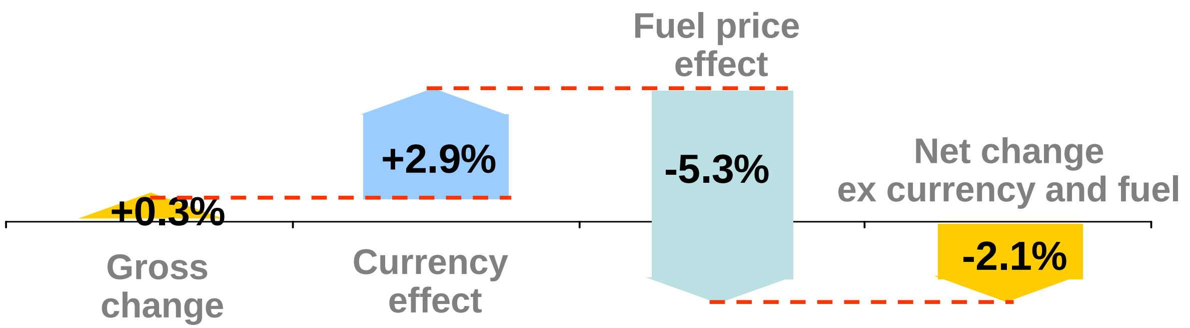
EASK	**4.8%**
Revenues	**4.5%**
Operating costs excl. fuel	**3.2%**

Fuel costs	4,572	7.4%
Employee costs	7,018	4.9%
Aircraft costs (amortisation and provisions, maintenance costs, operating leases and chartering)	3,930	0.0%
Landing fees and route charges	1,755	2.9%
Commercial and distribution costs	1,176	-2.1%
Handling charges	1,331	8.1%
Other	2,927	3.8%
Total operating costs	22,709	**4.0%**

Objective of annual reduction in unit costs met…

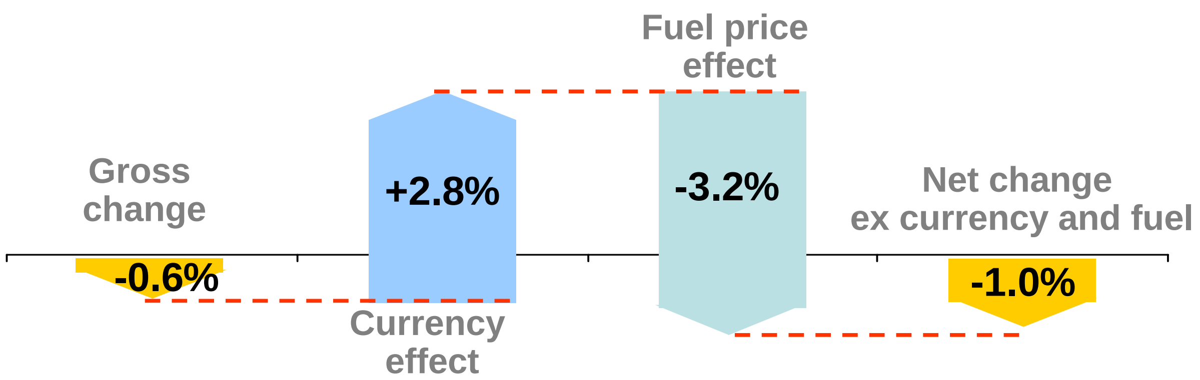
Q4 2007-08

Unit cost per EASK: **6.66 € cts**



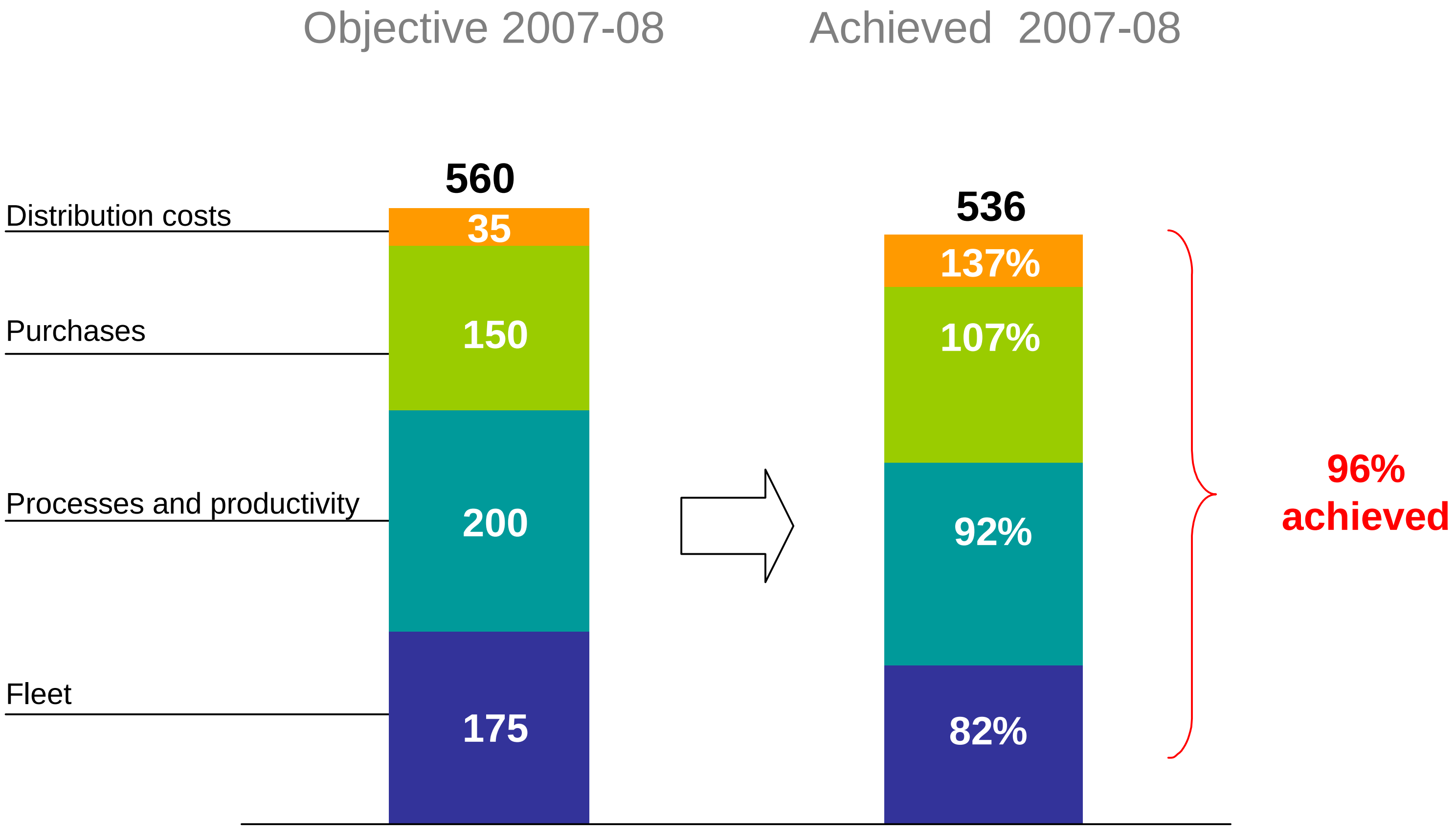
FY 2007-08

Unit cost per EASK: **6.36 € cts**



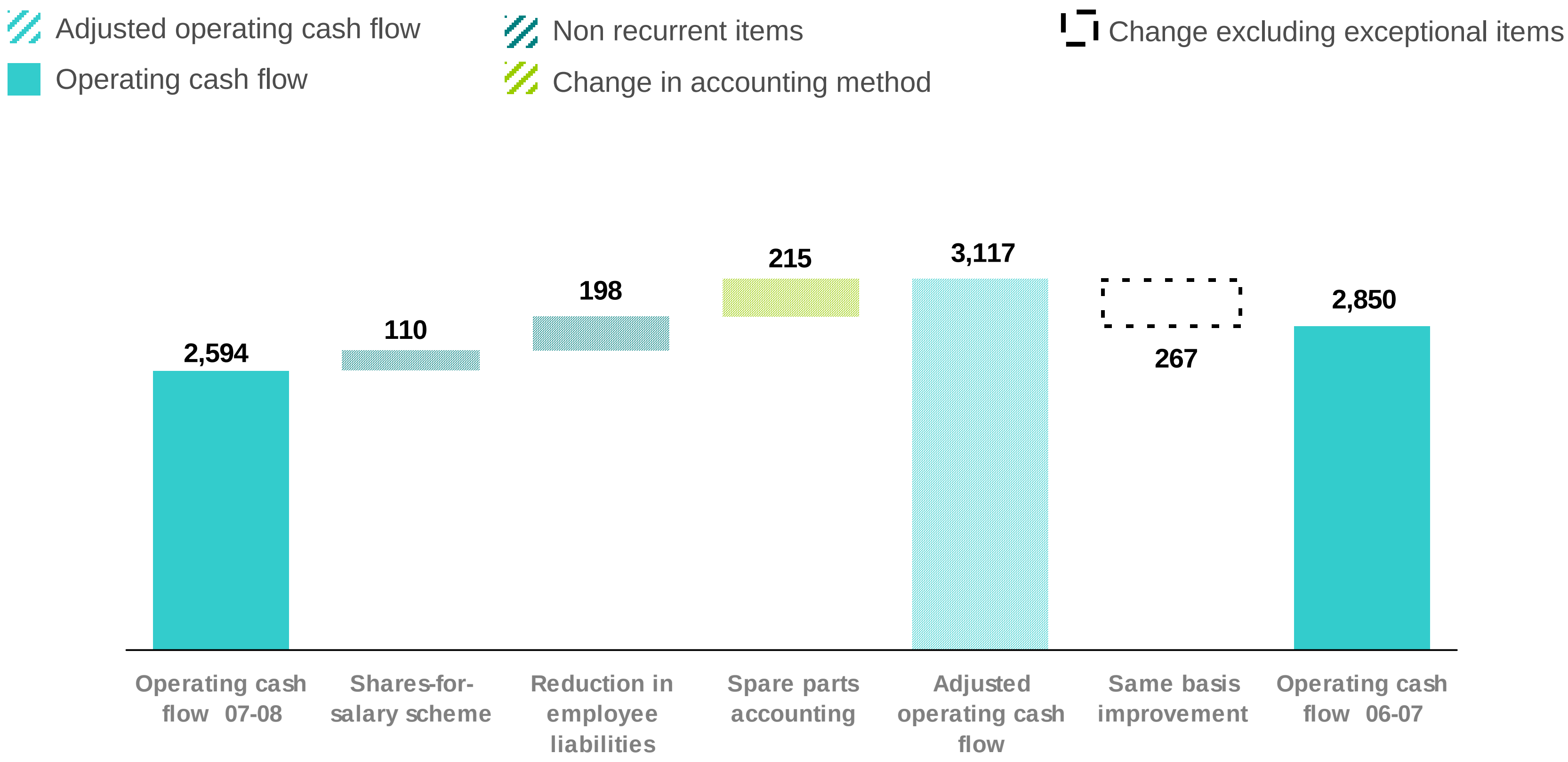
…thanks to the efficiency of the 'Challenge 10' cost-saving programme

€ millions

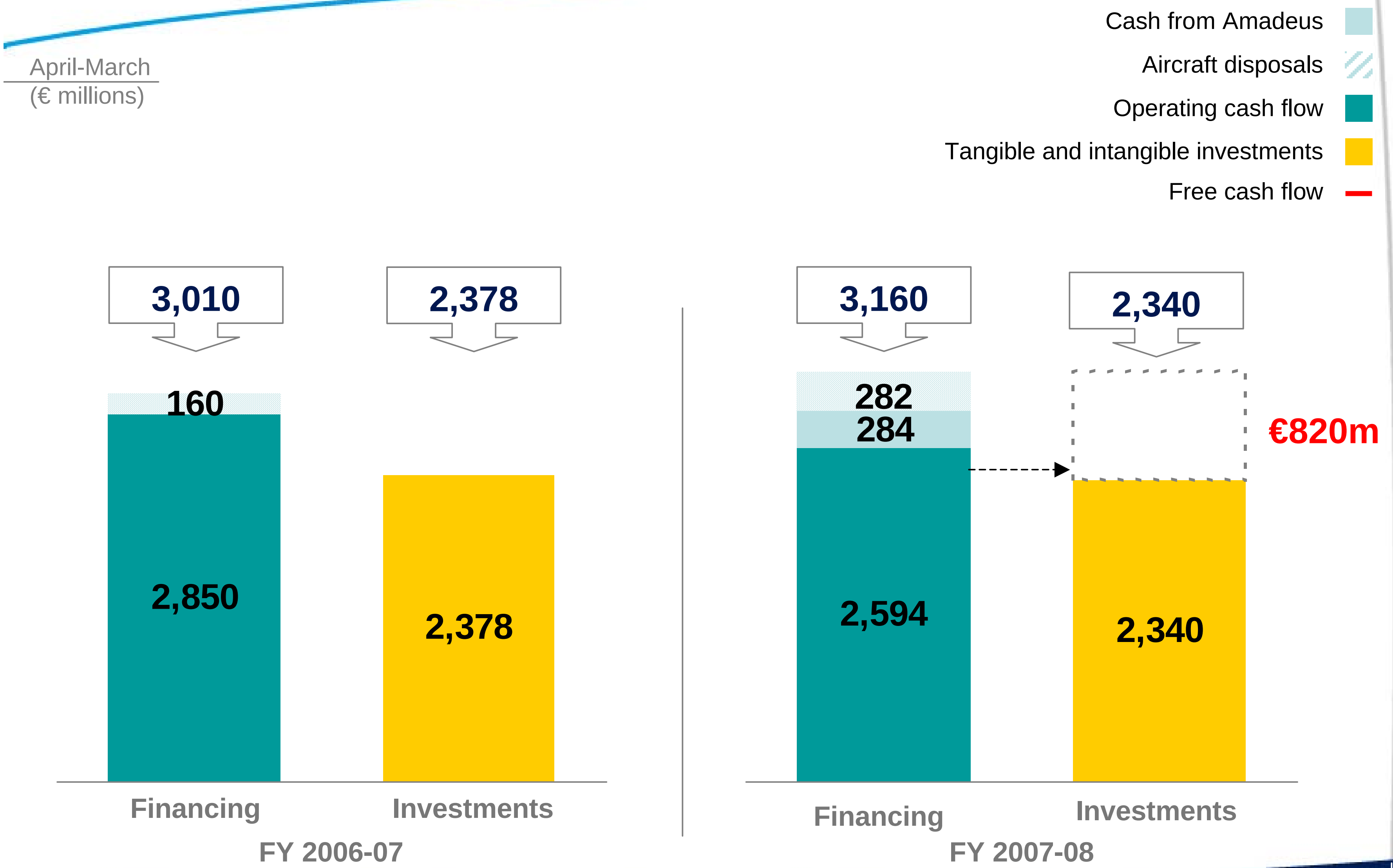


Cash flow rises excluding exceptional items

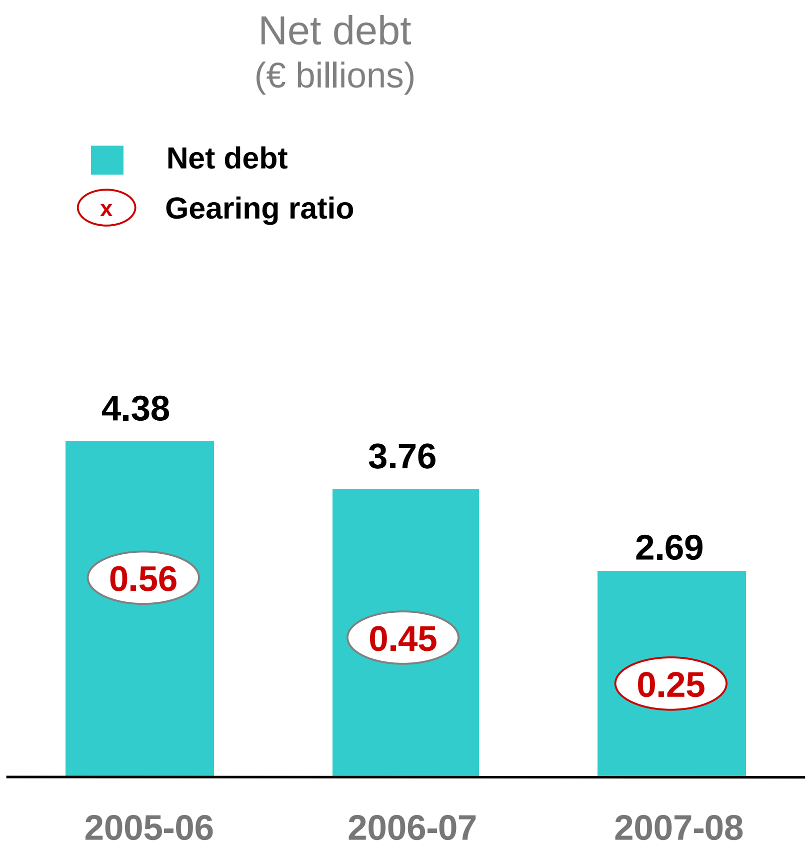
April to March
(€ millions)

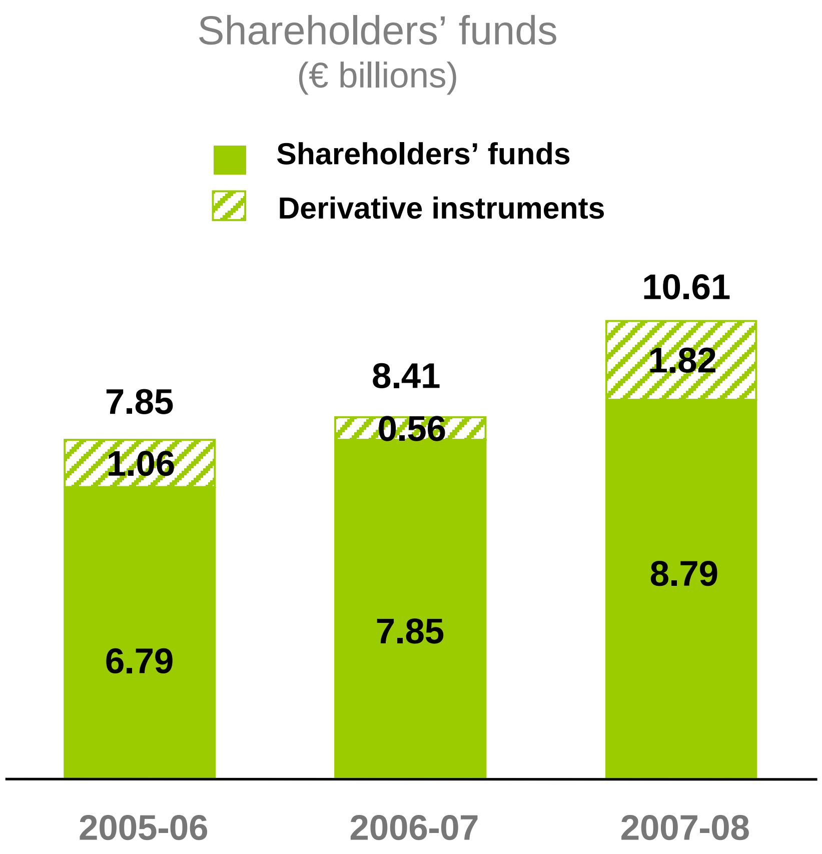


Free cash flow exceeds €800m



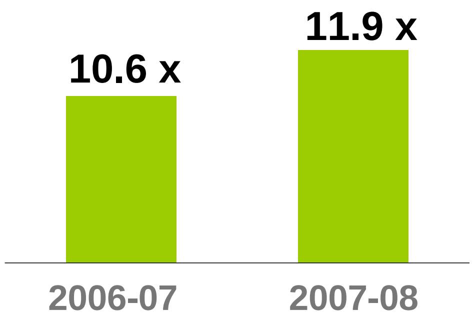
Balance sheet reinforced



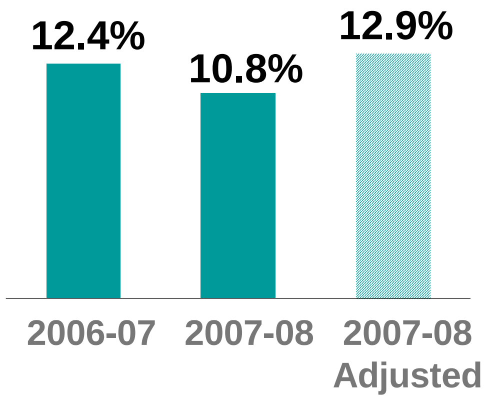


Further improvement in financial ratios

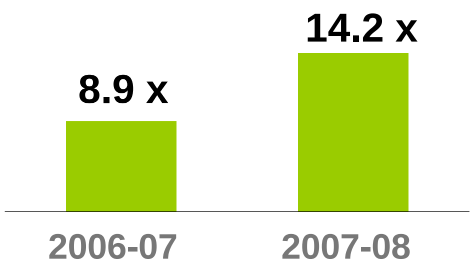
EBITDAR / net adjusted interest cost*



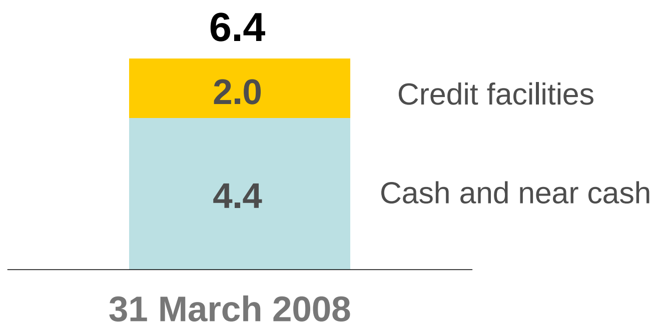
Operating cash flow margin



EBIT / net interest cost



Available cash (€ billions)



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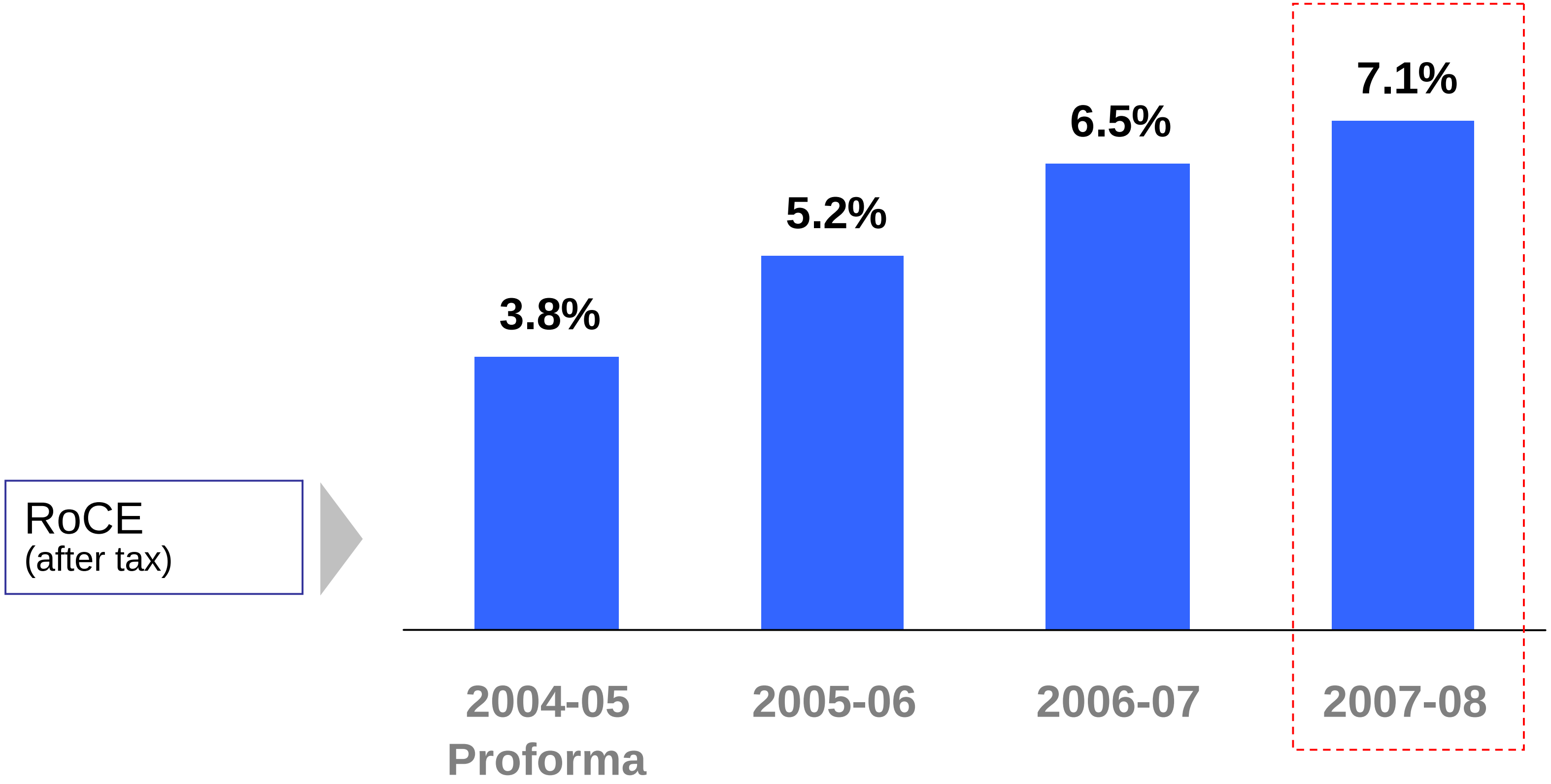
RoCE objective met

WACC: **~7%**



AIR FRANCE KLM

Strategy and outlook

Jean-Cyril Spinetta
Peter Hartman

Our current view of the sector

- World GDP growth forecast at 3.5% ex-inflation over the next five years, driven by emerging countries
- This should generate natural demand for long-haul traffic of some 6%, however…
- …the rise in fares to compensate for higher fuel costs will weigh on demand for the time being…
- …leading to a re-drawing of the airline industry landscape

Key features of the new landscape

- Capacity reductions
  - Varig, SAS, Alitalia, British Airways, US players
- Acceleration of mergers
  - Delta - Northwest, US Air – United, Vueling - Clickair
- Exit of some players
  - Five US domestic companies so far this year
  - MaxJet and Eos on the North Atlantic route
  - Oasis in the Asian market
- Reinforcement of the strongest players

Players at risk in this new environment

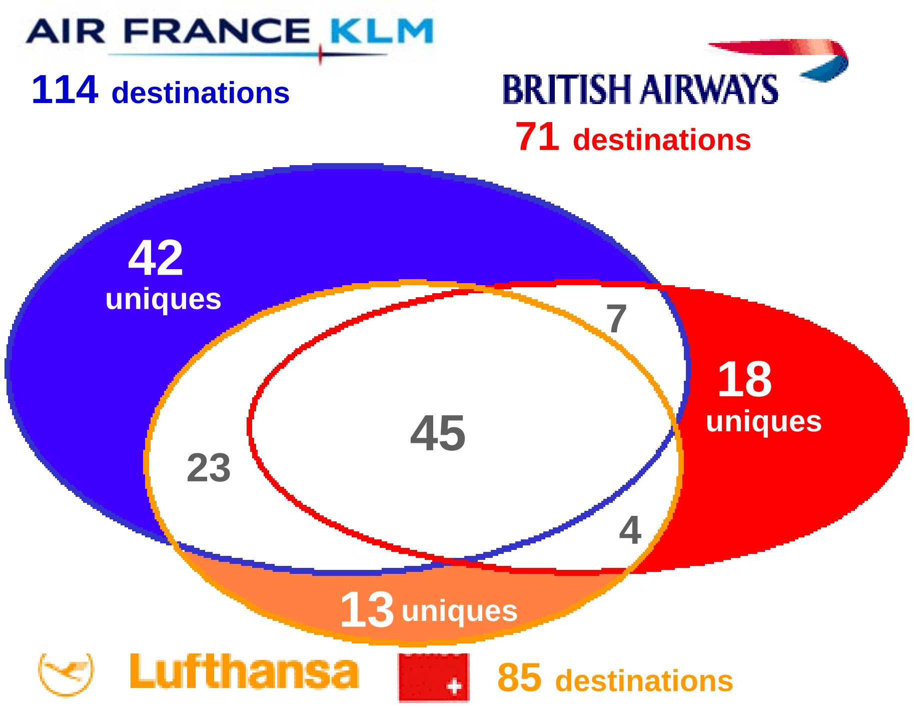
- Low cost carriers whose growth-based business model could be curtailed by massive increases in fares
- Carriers operating with older fleets
- Companies without the benefit of strong hubs

Air France-KLM: among the strongest players

- Key competitive advantages
  - Which are unique…
  - …combined with a balanced business model…
  - …and reinforced by a proactive customer strategy
- Positioning which is conducive to pursuing our development
- Further scope for cost cutting and synergy reserves thanks to the Air France-KLM merger
- A healthy balance sheet

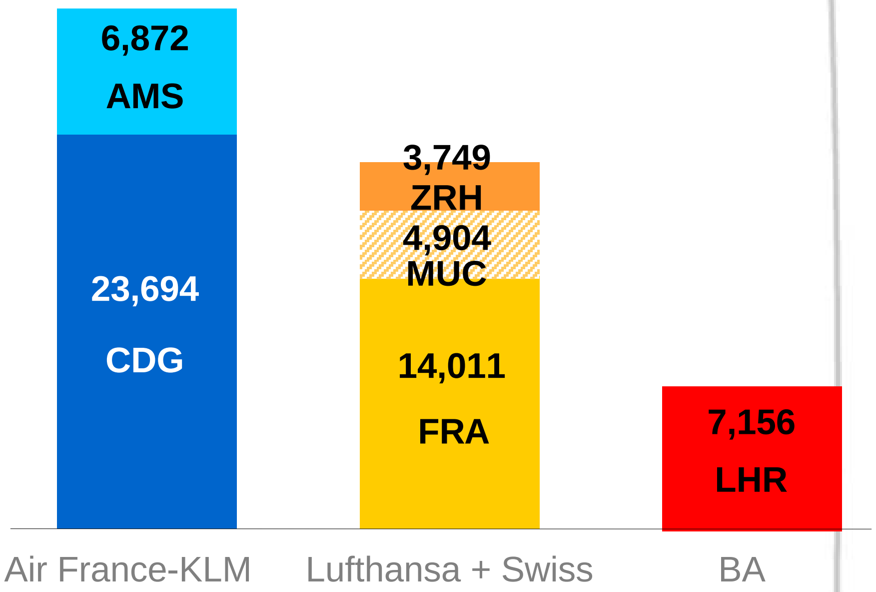
Unique competitive advantages…

The highest number of unique destinations



Long-haul destinations from Europe (Summer 2008)

The highest number of connection opportunities



Long-haul/medium-haul connection opportunities in under 2 hours (Summer 2008)

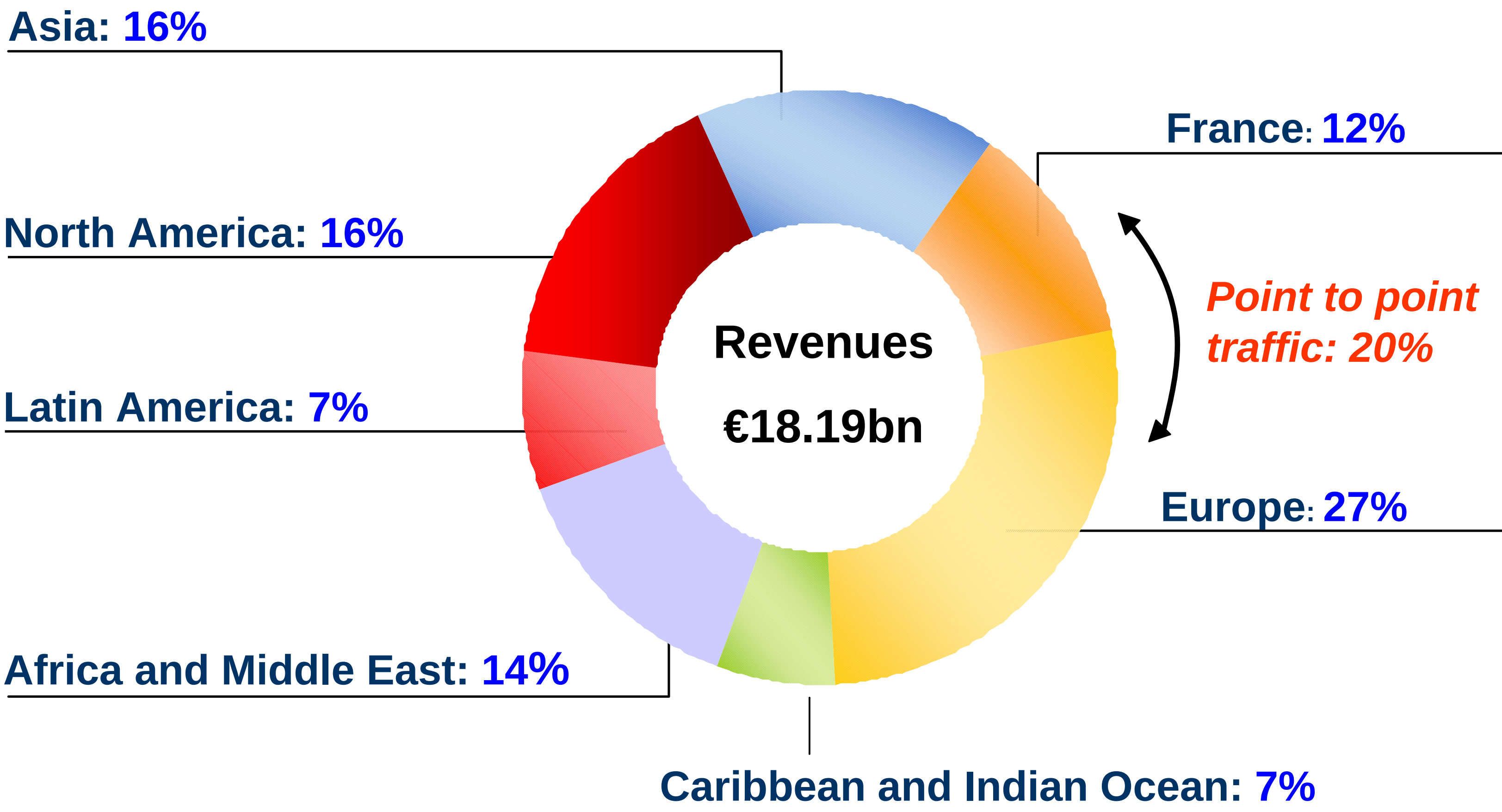
…at airports with further scope for development

- CDG and Schiphol both have strong reserves of growth

- CDG: new terminals in service since June 2007
  - Improved passenger experience
    - High level service for premium customers
    - Improved comfort in airport lounges
    - Simplified and integrated flight connection circuits
    - Further development of e-services

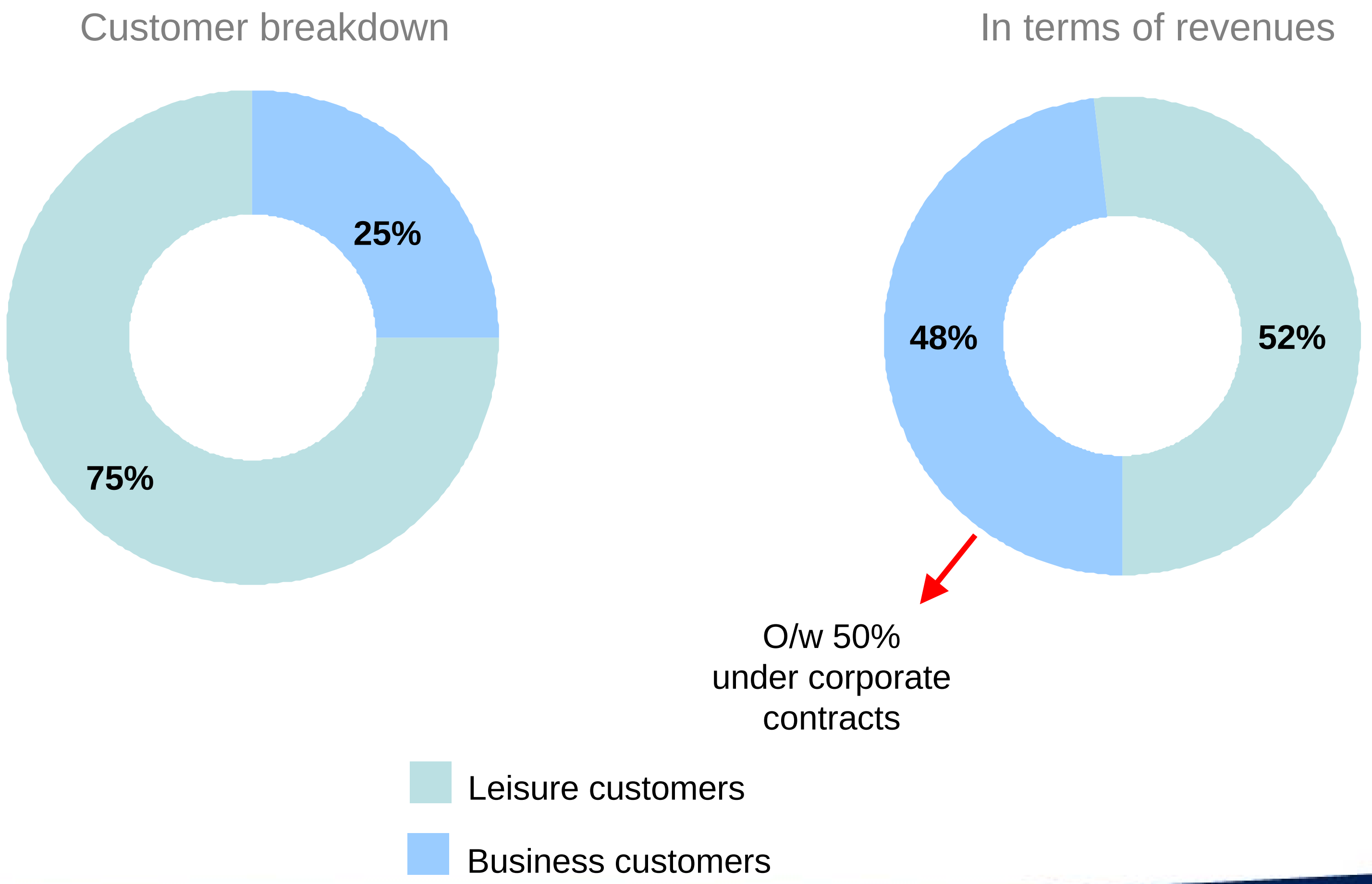
  - Contributing to improved productivity
    - Regrouping of operations
    - Strong improvement in level of direct contacts
      - Long-haul: from 53% to 85% (S 2008) and 92% (S 2012)

A balanced network in terms of markets, traffic…



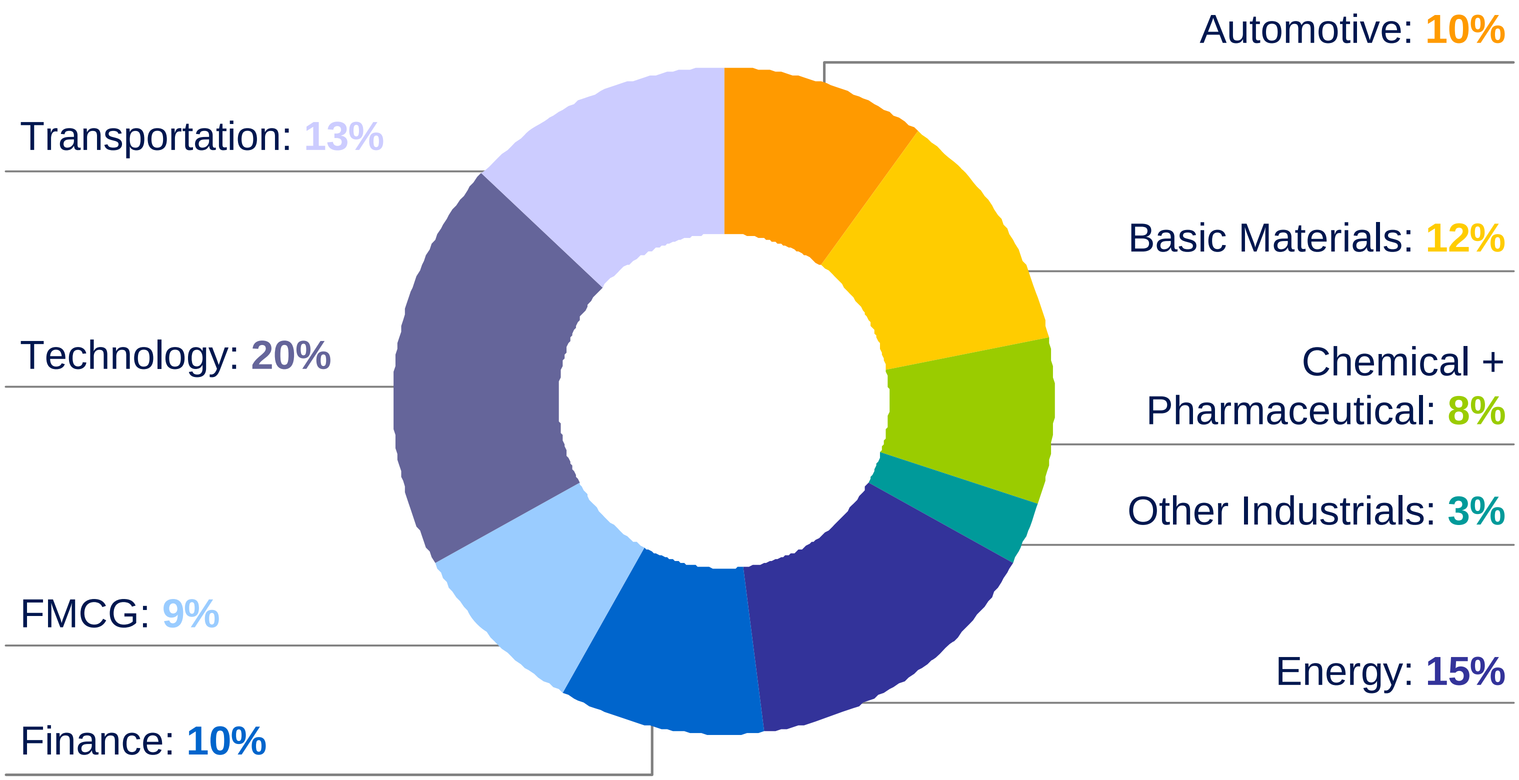
…and customer base

Air France-KLM: Customer analysis



Balanced sector split among our corporate customers

Breakdown of Air France-KLM global accounts by industry



A proactive customer approach on both product…

Air France long-haul product offer

Current offer			Planned offer	
Luxury			L'ESPACE PREMIÈRE	Luxury
High end	L'ESPACE PREMIÈRE	**Positioning 'l'Espace Première' as a genuine luxury product**		High end
Mid price	l'espace AFFAIRES	**Industry leading standards of comfort and efficiency**	l'espace AFFAIRES	Mid price
		Launch of a new class Winter 2009-10		
Economy	Tempo	**Improved comfort at still reasonable prices**	Tempo	Economy

…and pricing

Pricing policy in medium-haul

1- **New fare category: Eureka**
- Common to Air France and KLM
- Increased flexibility and more competitive

2- Reinforced position in the leisure market via transavia.com

An efficient tool in the leisure market

3- Ability to respond tactically

easyJet at Lyon: response in terms of scheduling and fares

Air France-KLM: among the strongest players

- Competitive advantages
  - Which are unique…
  - Combined with a balanced business model…
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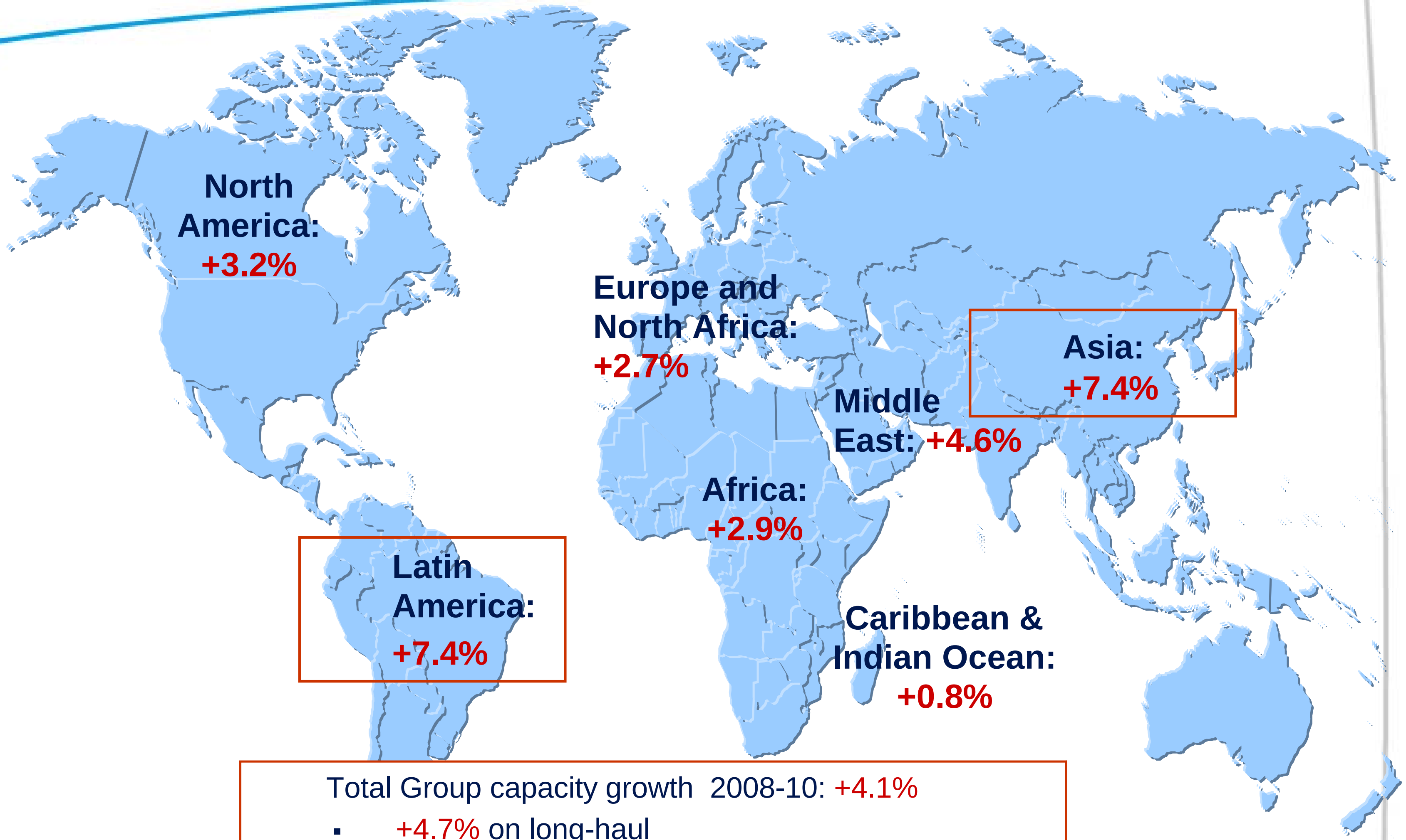
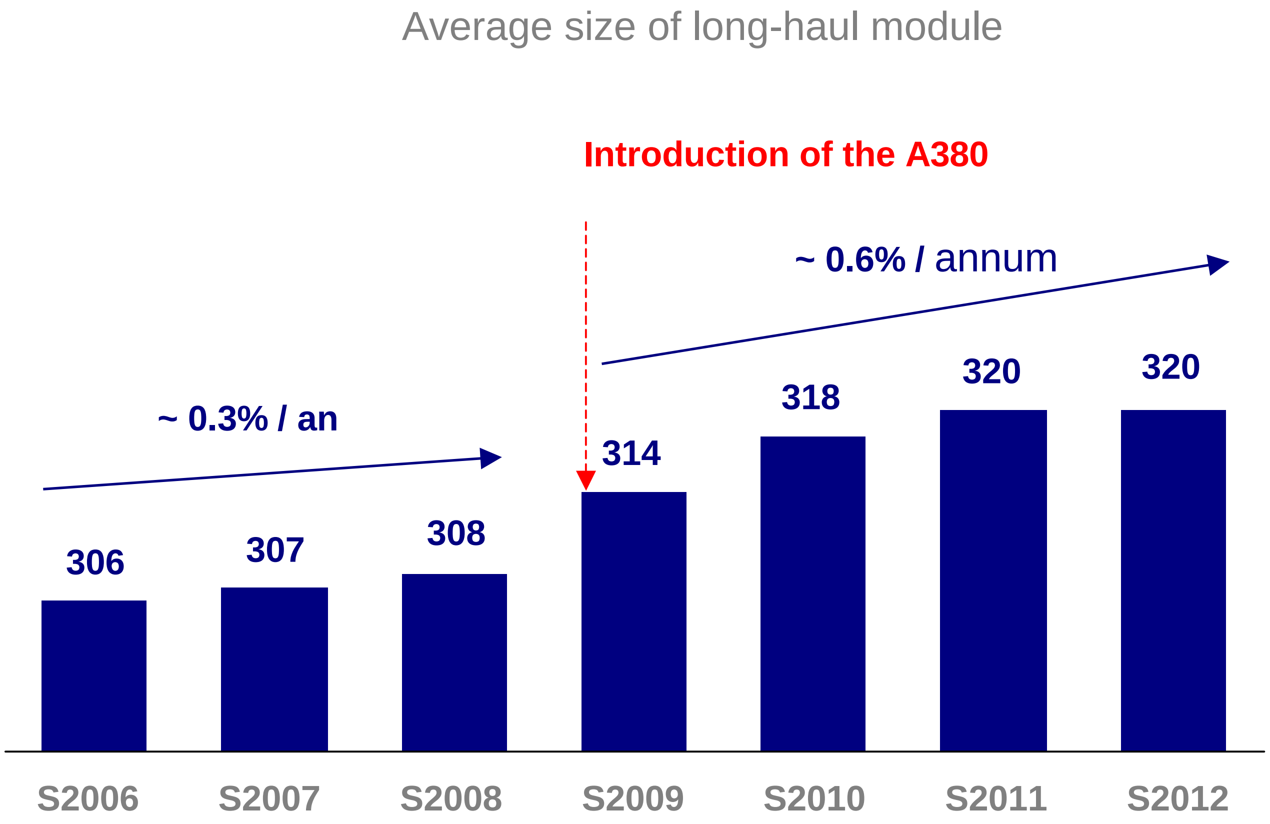
Air France-KLM: modest capacity growth…



Total Group capacity growth 2008-10: +4.1%

- +4.7% on long-haul
- +2.7% on medium-haul

…in a productive manner, via use of larger modules

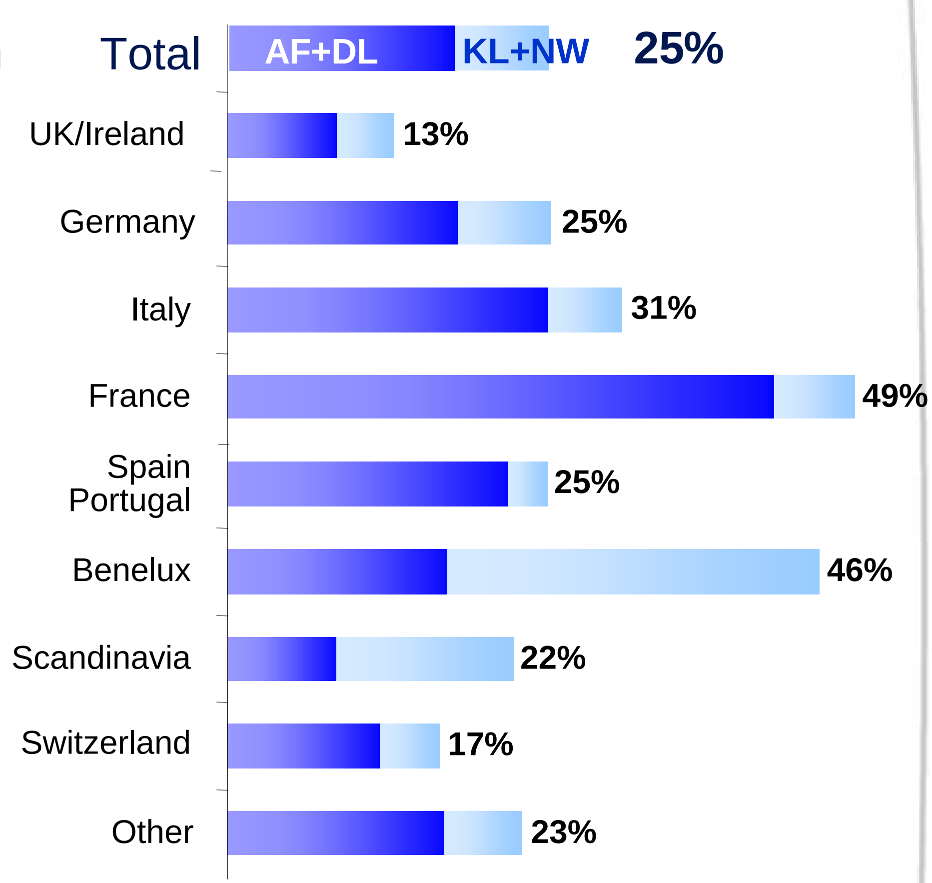


Estimate based on typical Summer week

The North Atlantic: a source of additional profitability…

- A ground-breaking organisation
- Launch of Air France / Delta joint-venture
- Favourable DOT view on ATI
- Four-way JV to be launched by end 2009
  - Revenues: $12bn
  - RASK: + 3 points

Both JVs: **25%** of flows between Europe and the US

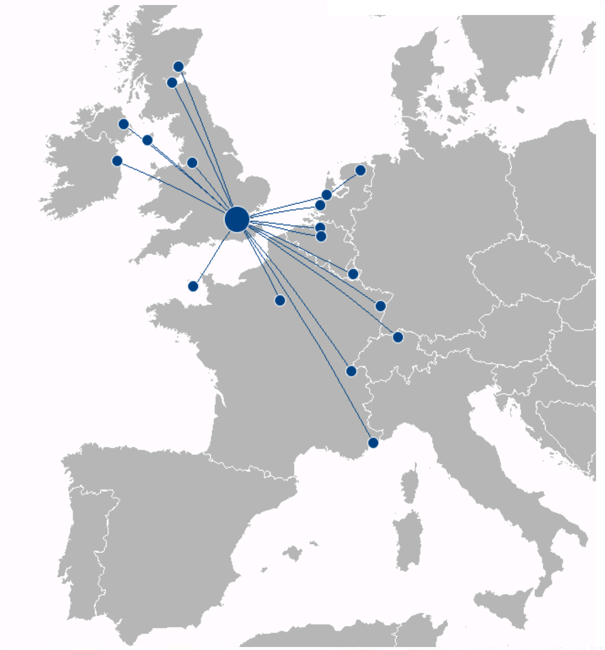


Source : base 2006 MIDT

Reinforced position in London

- Direct transatlantic flights from LHR in co-operation with our respective US partners, Northwest for KLM and Delta for Air France

- Point-to-point offer extended on short and medium-haul from LCY with the acquisition of VLM

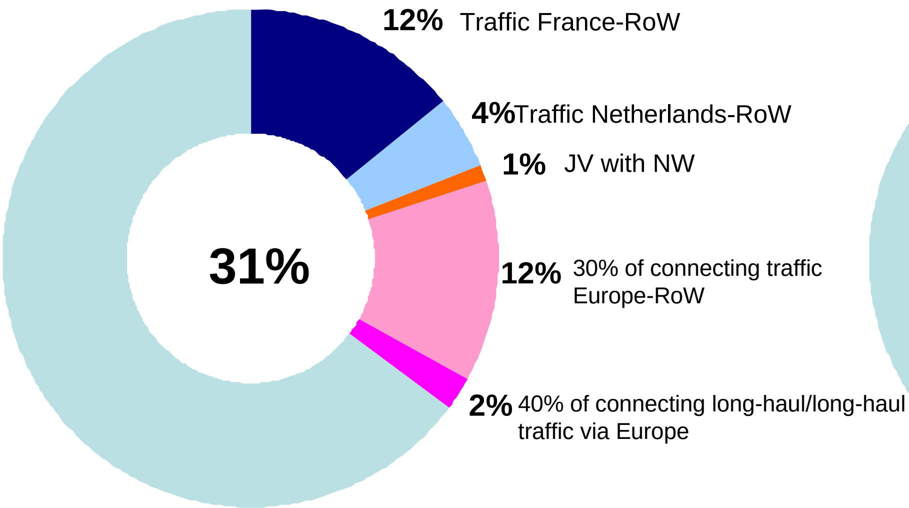


- Compelling offer on RoW via our two long-haul hubs

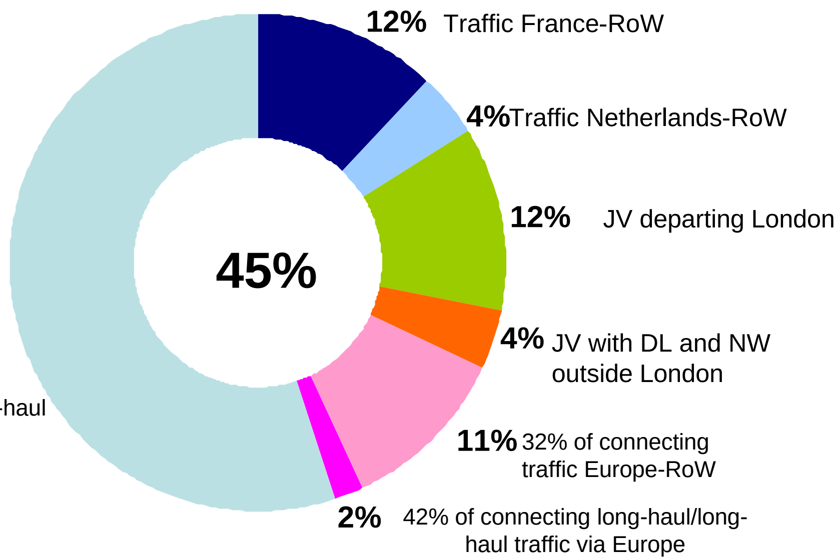
Reinforced position on the European market for premium traffic

Share of premium long-haul traffic connecting via Europe
(based on MIDT bookings, calendar year 2007)

Present on **31%** of premium long-haul traffic transiting via Europe



Rising to **45%** with the deployment in London and the JVs with Delta and Northwest



Air France-KLM: among the strongest players

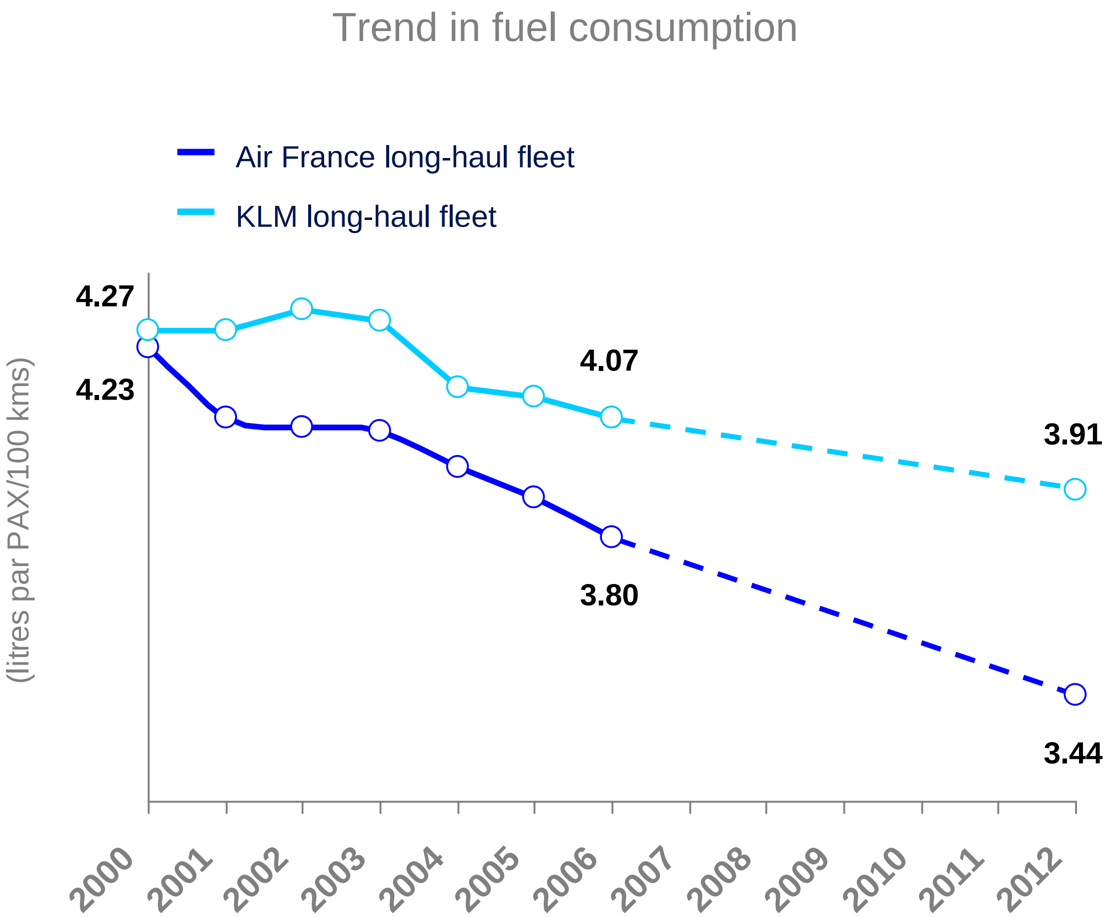
- Competitive advantages
  - Which are unique…
  - Combined with a balanced business model…
  - And reinforced by a proactive customer strategy
- Positioning which is conducive to pursuing our development
- Further scope for cost cutting and synergy reserves thanks to the Air-France-KLM merger
- A healthy balance sheet

A young fleet thanks to ongoing investment…

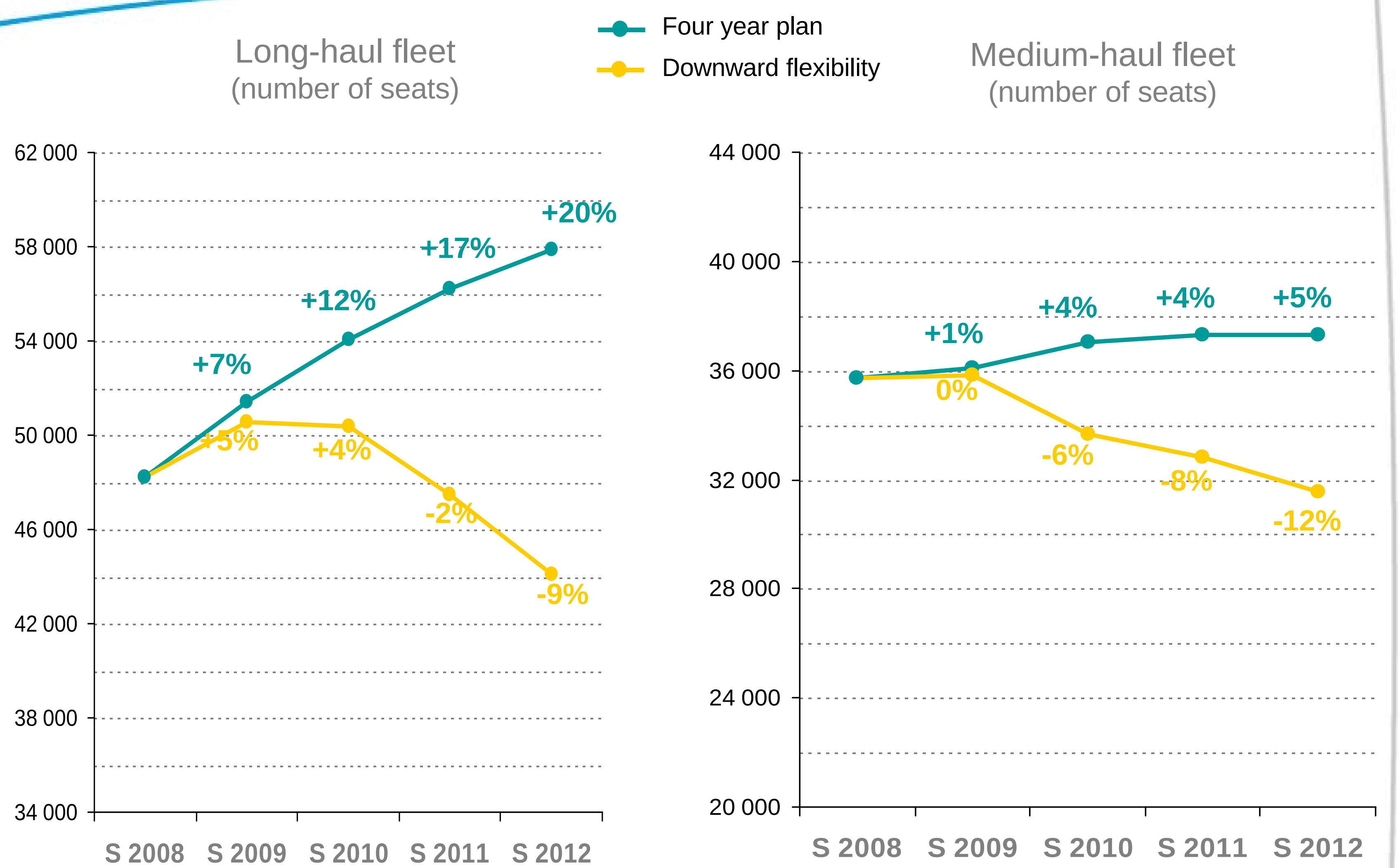
31 March 2008 → **4 years** → **31 March 2012**

31 March 2008		31 March 2012
Air France: 8.8 years	**6 months** →	Air France: 9.2 years
Long-haul: 7.2		Long-haul: 8.5
Medium-haul: 9.9		Medium-haul: 10.1
Cargo: 8.9		Cargo: 3.9
KLM: 9.7 years	**2 months** →	KLM: 9.9 years
Long-haul: 8.9		Long-haul: 10.7
Medium-haul: 11.1		Medium-haul: 9.1
Cargo: 4.7		Cargo: 7.8

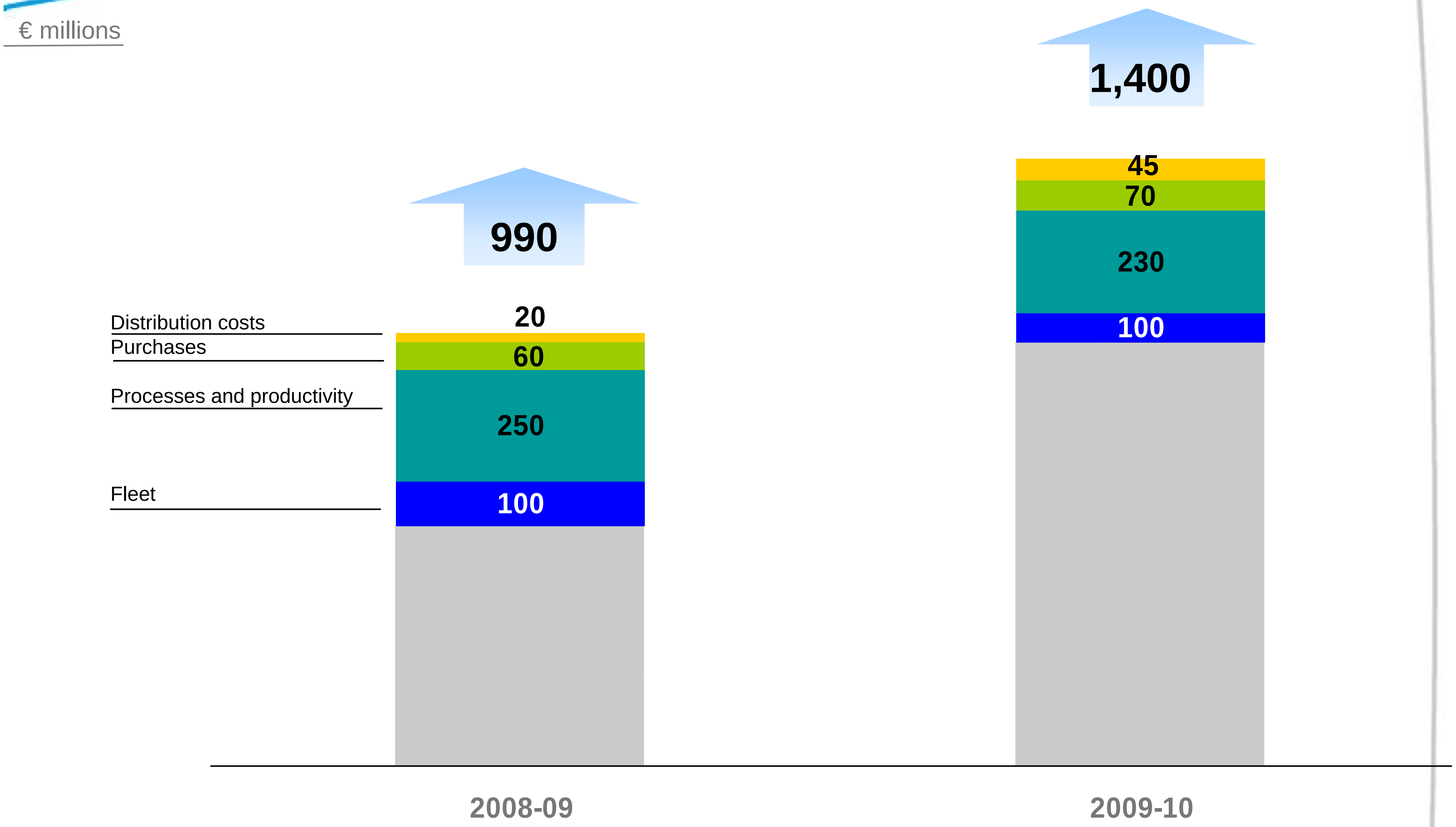
…and efficient in terms of fuel consumption



Significant flexibility to adjust capacity



A cost savings programme which will be reinforced

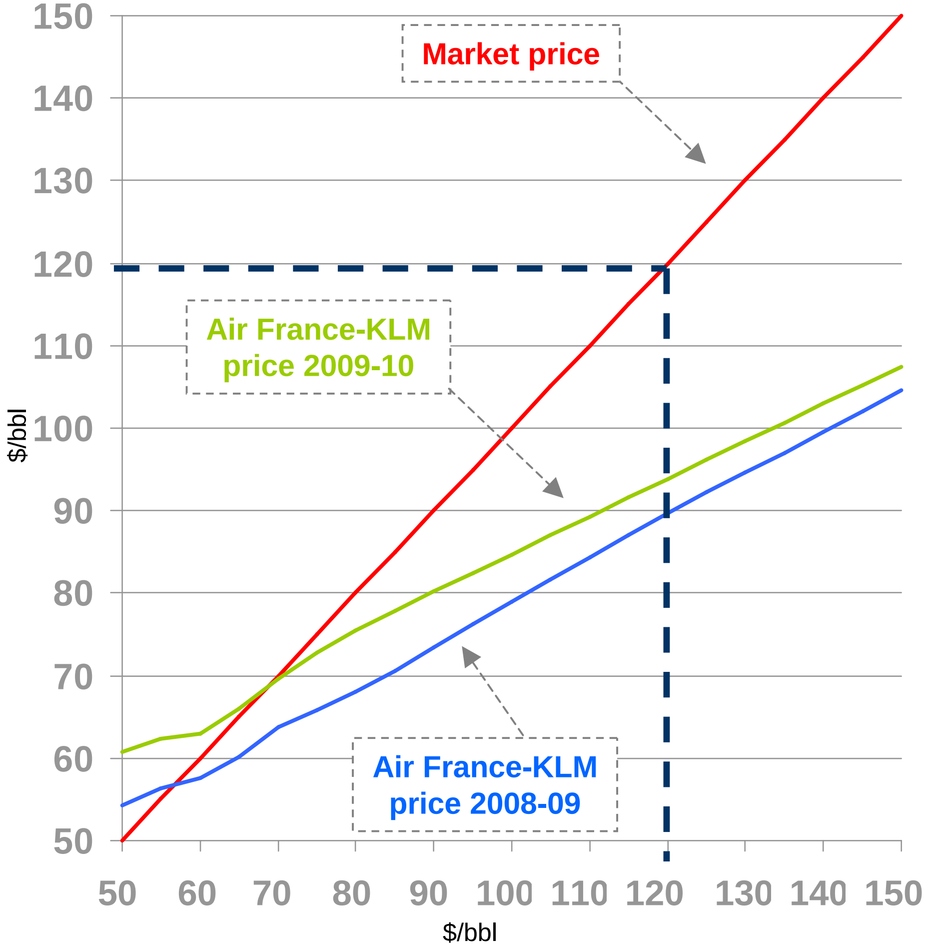


Reserves of future synergies

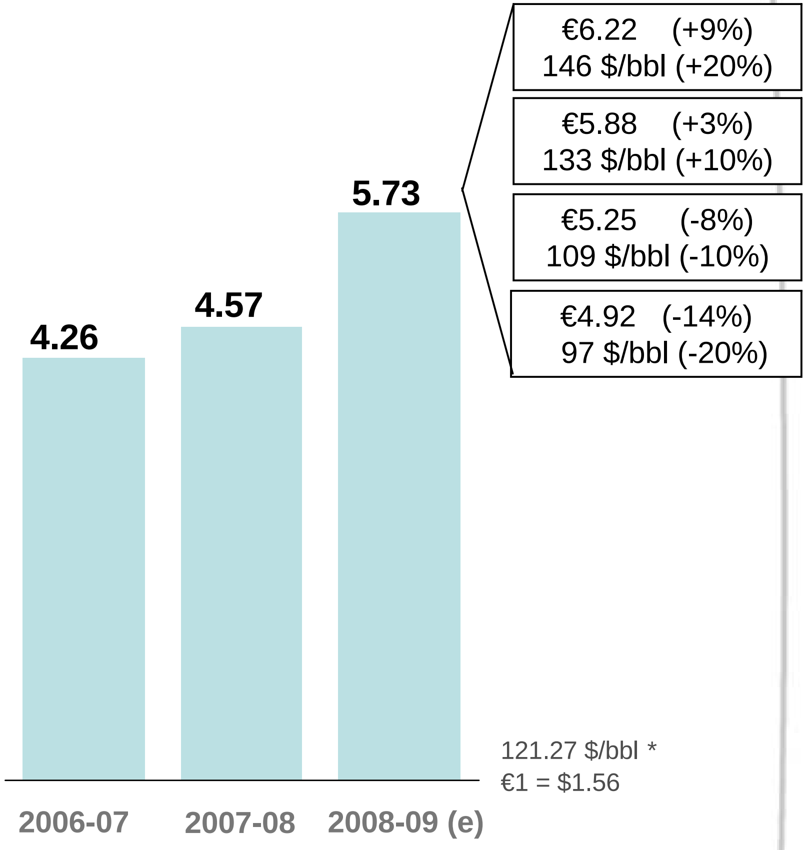
- New organisation in place since October 2007 will accelerate the integration of the Group
- New sources of synergies under review
  - Development of around 100 IT applications to improve current processes and develop new projects to generate synergies
  - Implementation of a new, common central buying organisation

Hedging policy softens the impact of higher oil price

Air France-KLM hedges
(in $/bbl)



Fuel cost after hedging
In € billions



*Spot price at 9 May 2008

To conclude

Air France-KLM has built competitive advantages which will allow it to strengthen its position relative to its competitors in the new economic environment

Objective for 2008-09

- Resilience of unit revenues confirmed
- Premium class bookings holding up well
- Objective of operating income in the region of 1 billion euros for Financial Year 2008-09, comfortably in profit

Appendices

Calculation of net debt

€ millions	31 March 08	31 March 07
Current and non current financial debt	7,819	8,517
- Interest not yet due	71	96
- Deposits on leased aircraft	816	933
+ Debt currency hedging instruments	151	169
= Gross financial debt	**7,083**	**7,657**
Cash and cash equivalents	4,381	3,497
+ Investments over 3 months	185	533
- Bank current accounts	172	133
= Net cash	**4,394**	**3,897**
Net debt	**2,689**	**3,760**
Consolidated shareholders' funds	**10,614**	**8,412**
Net debt / Shareholders' funds	**0.25**	**0.45**
Net debt / Shareholders' funds excl derivatives	***0.31***	***0.48***

Simplified RoCE calculation

	31 March 08	31 March 07
Shareholders' funds restated for KLM pension fund (€928m) and derivative instruments	7,862	6,927
Operating leases x 7	4,277	4,200
Net debt	2,689	3,591
Capital employed	**14,828**	**14,705**
Adjusted operating income	**1,613**	**1,444**
RoCE before tax	10.9	9.8
RoCE after tax	**7,1**	**6,5**