

AIR FRANCE KLM

First Half Results 2006-07

23 November 2006



KLM

Agenda



Introduction

Jean-Cyril Spinetta

Activity

Pierre-Henri Gourgeon

Results

Philippe Calavia

Strategy and outlook

Jean-Cyril Spinetta
Leo van Wijk

Main features of the First Half

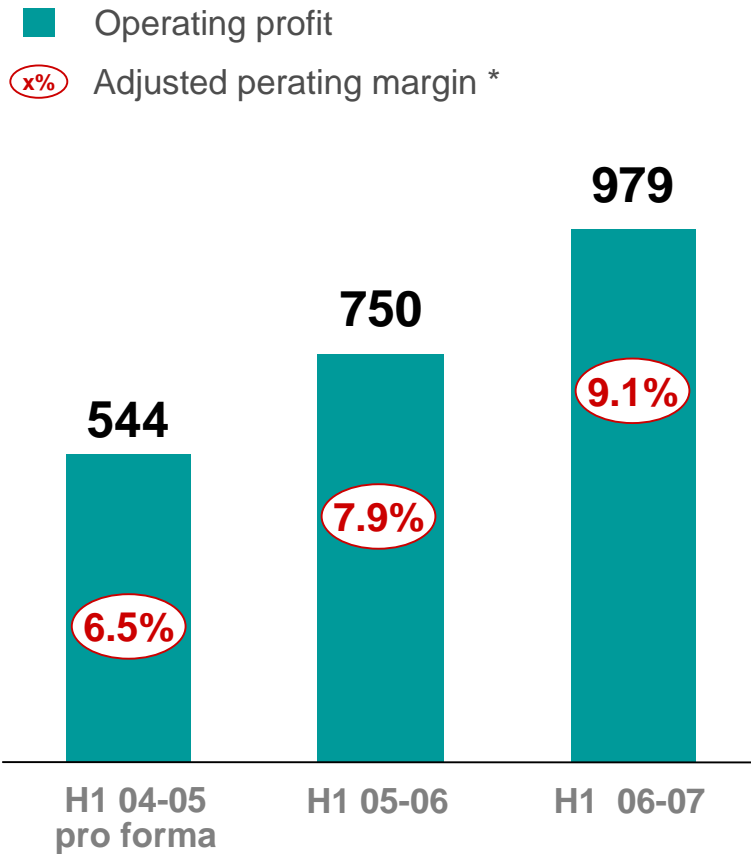
- ✦ Resilient global economy
- ✦ Improved market context in Europe
- ✦ Strong rise in demand in passenger activity
- ✦ After peaking at \$78/bbl, the oil price is back at year lows

Air France-KLM: excellent First Half performance

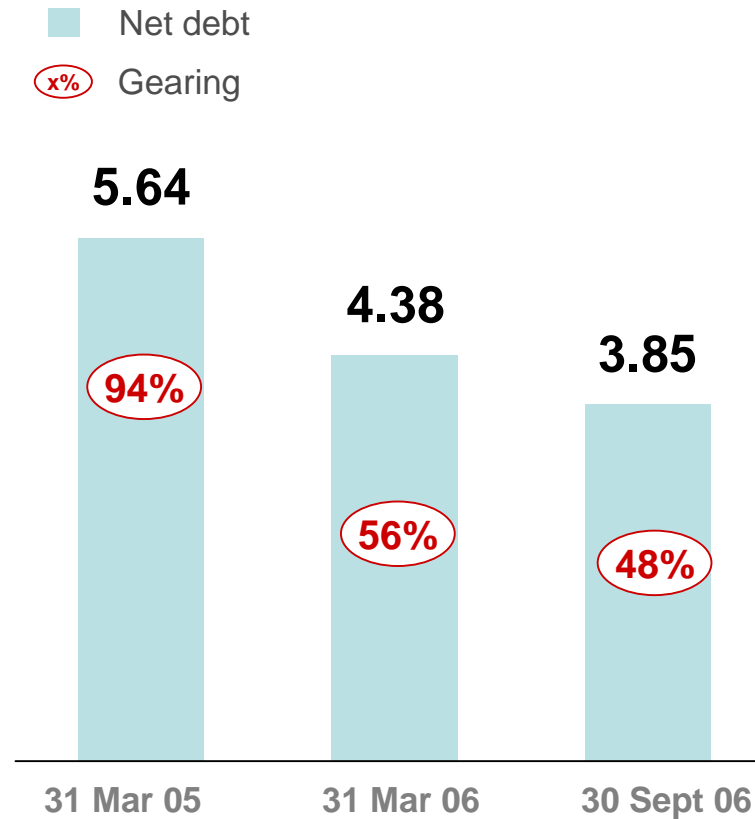
- ✦ Revenues up 10% to €11.9 billion
 - ▶ Driven by a strong rise in both Passenger and Cargo revenues
- ✦ Operating profit up 30% to €979 million
 - ▶ With a 1.2 point improvement in adjusted operating margin to 9.1%
- ✦ Net profit of €618 million
 - ▶ Up by over 50% excluding the capital gain on Amadeus booked in 2005-06
- ✦ Operating cash flow up 24% to €1.63 billion
 - ▶ With free cash flow of €573 million

Our profitability continues to improve

Higher margins



Reinforced financial position



* Adjusted by the share of financial charges in operating leases (34%)

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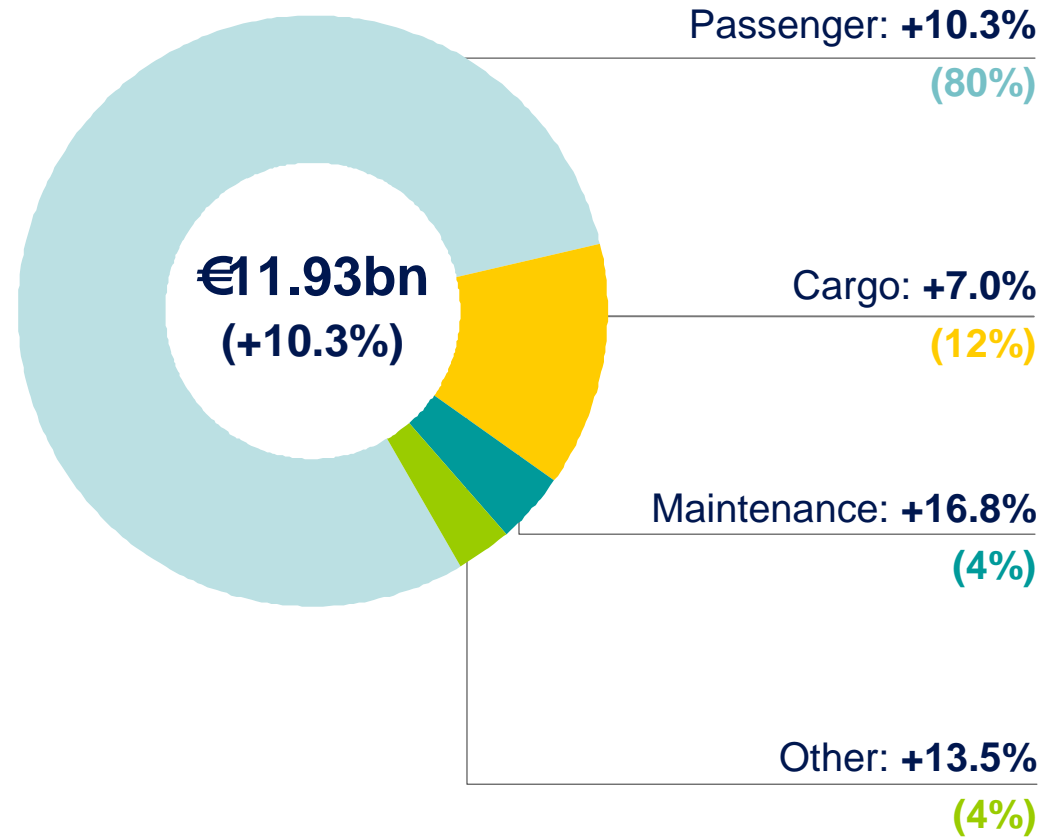
Activity

Pierre-Henri Gourgeon

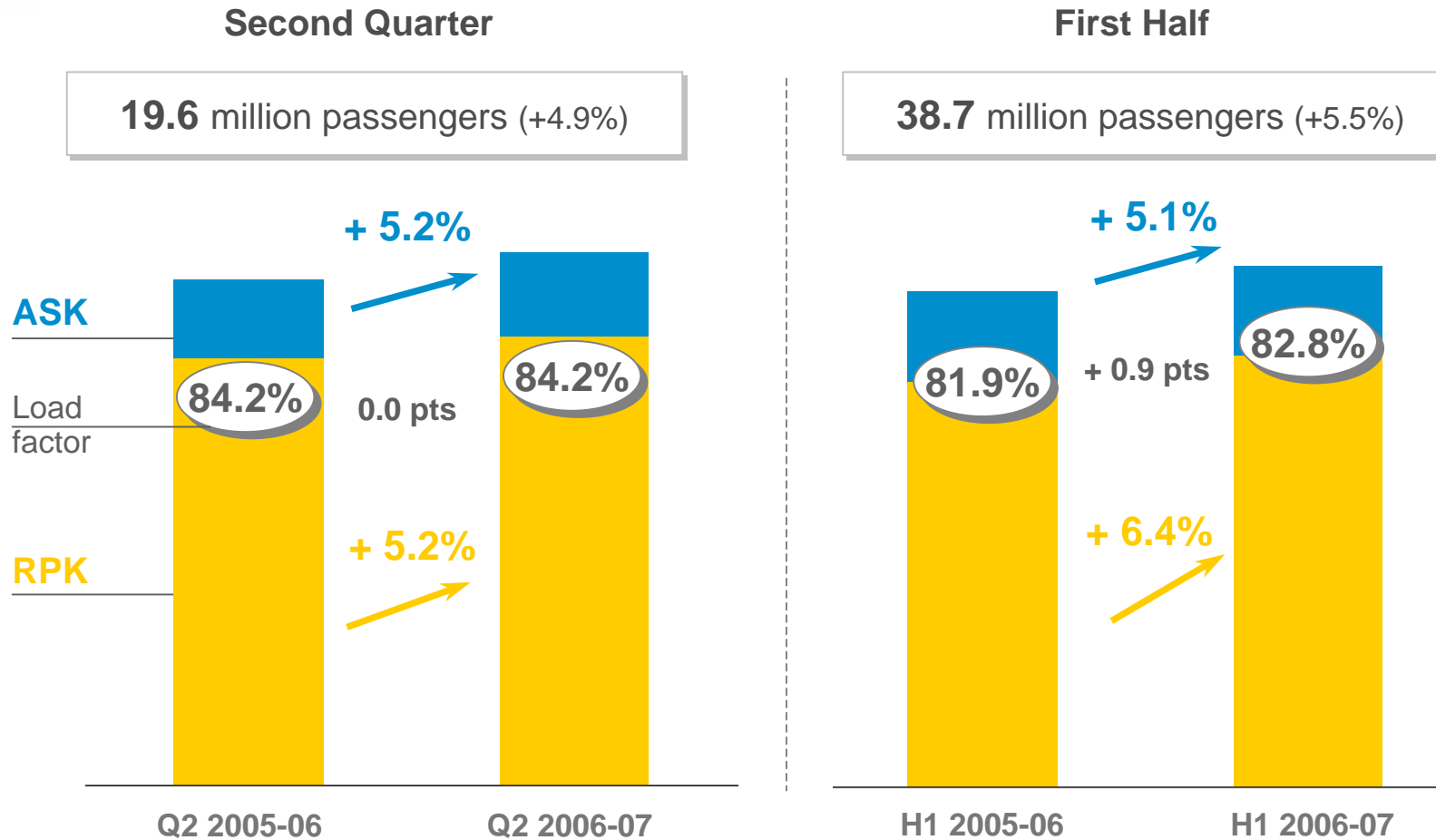


Revenues rise in all the businesses

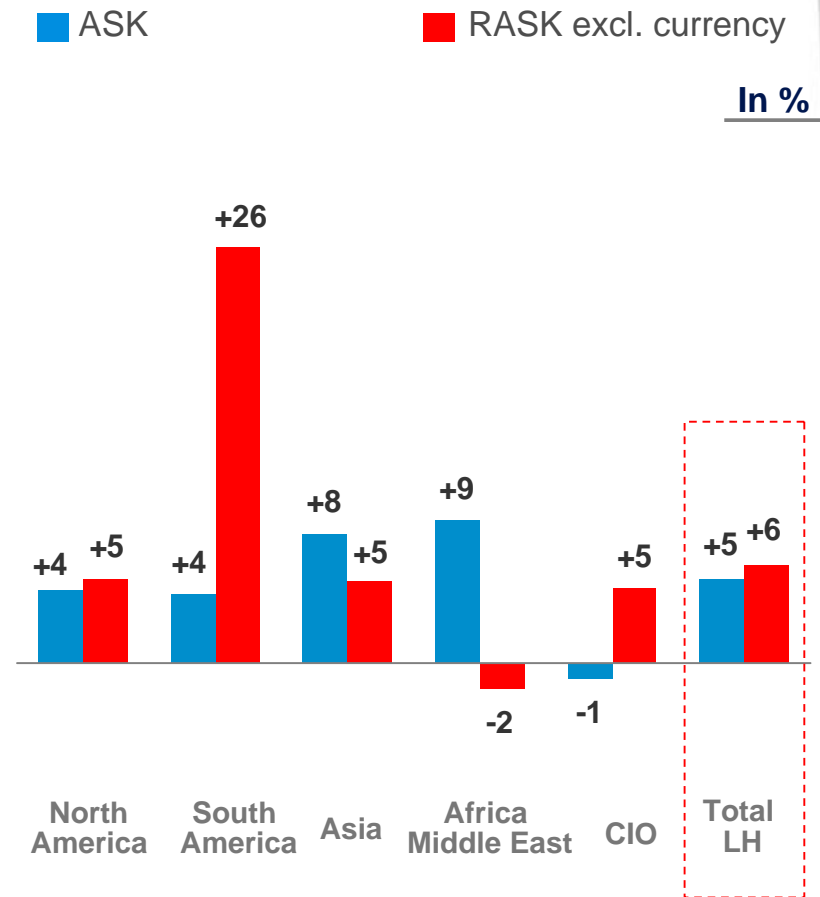
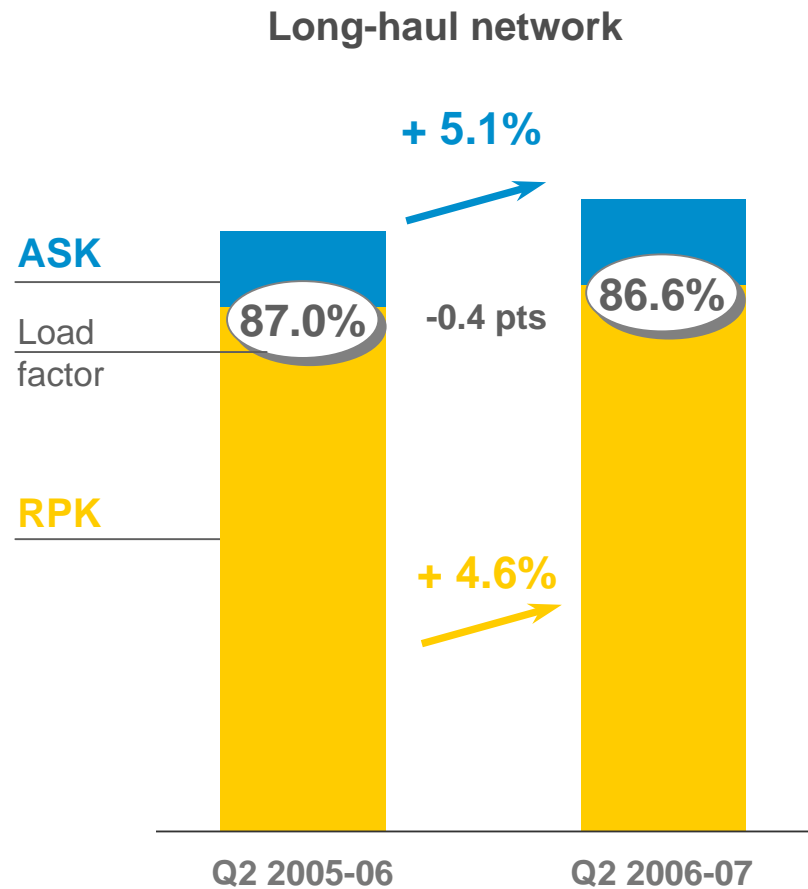
First half 2006-07



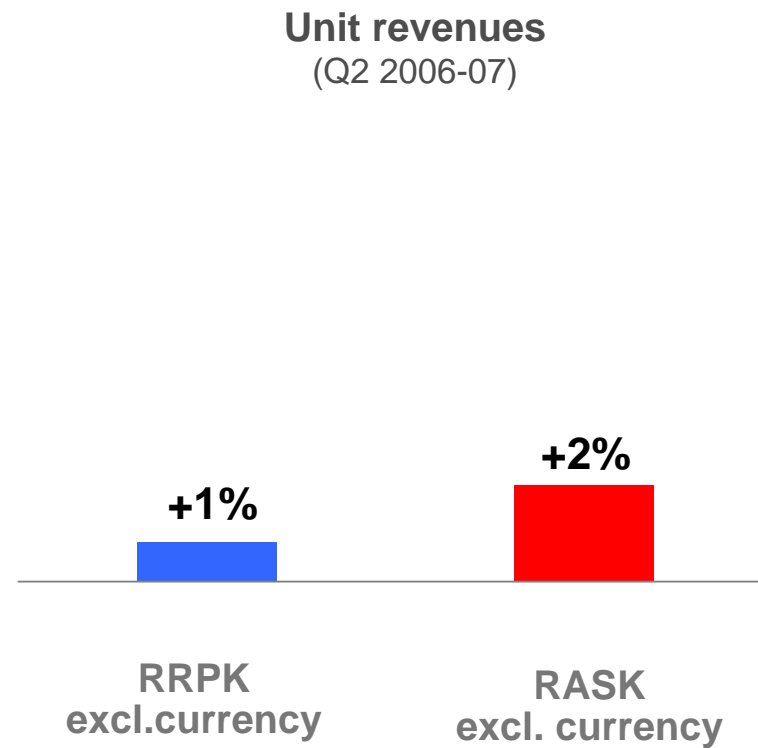
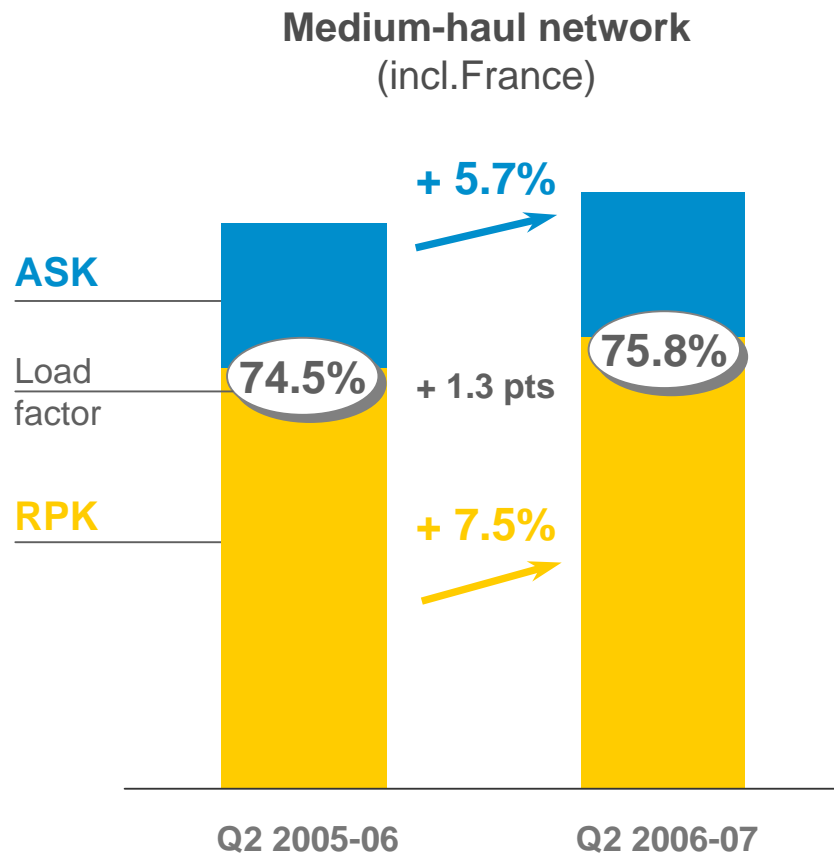
Passenger: dynamic activity and high load factors



Long-haul: sustained activity and strong rise in unit revenues

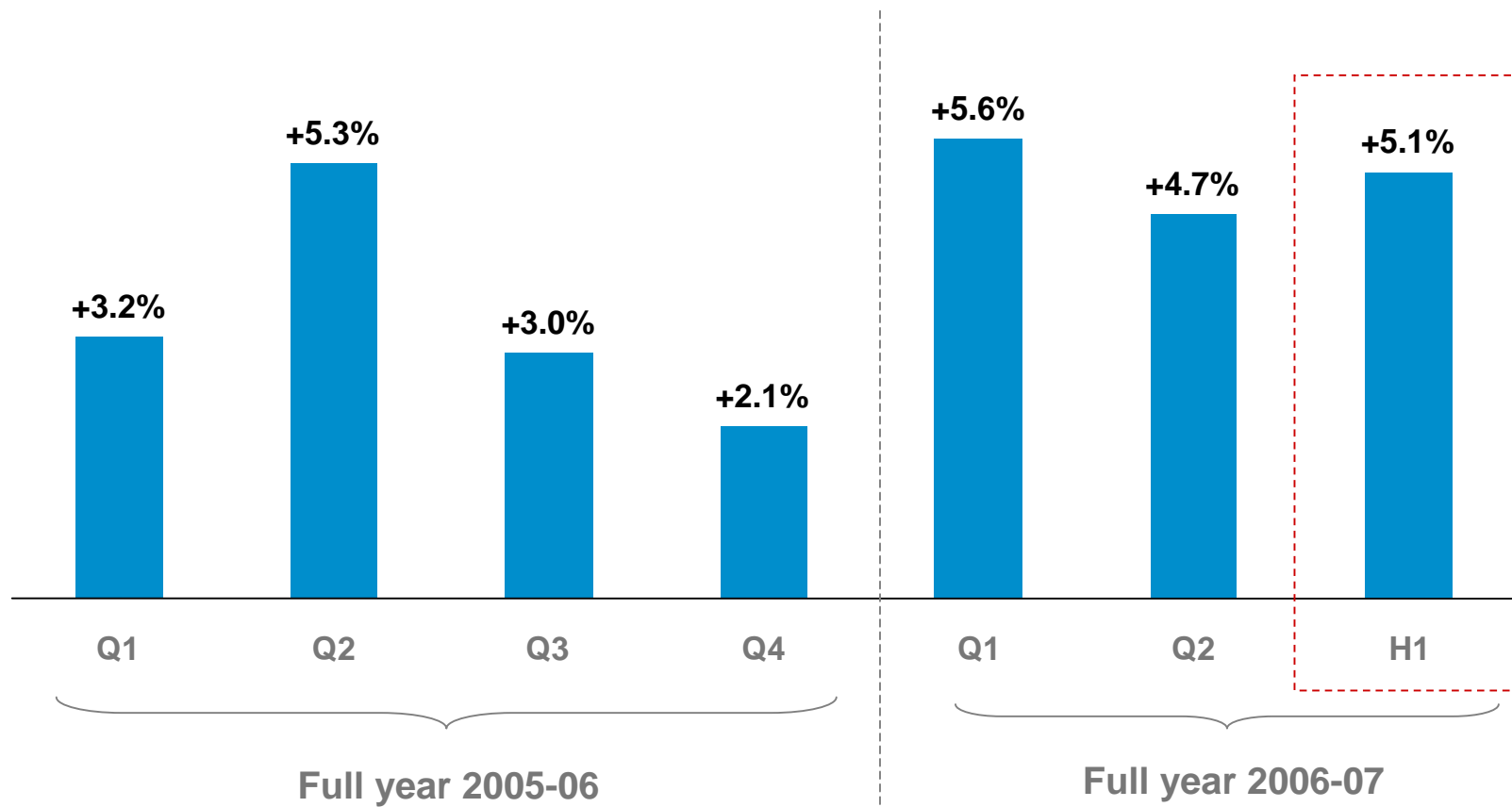


European network: strong increase in demand



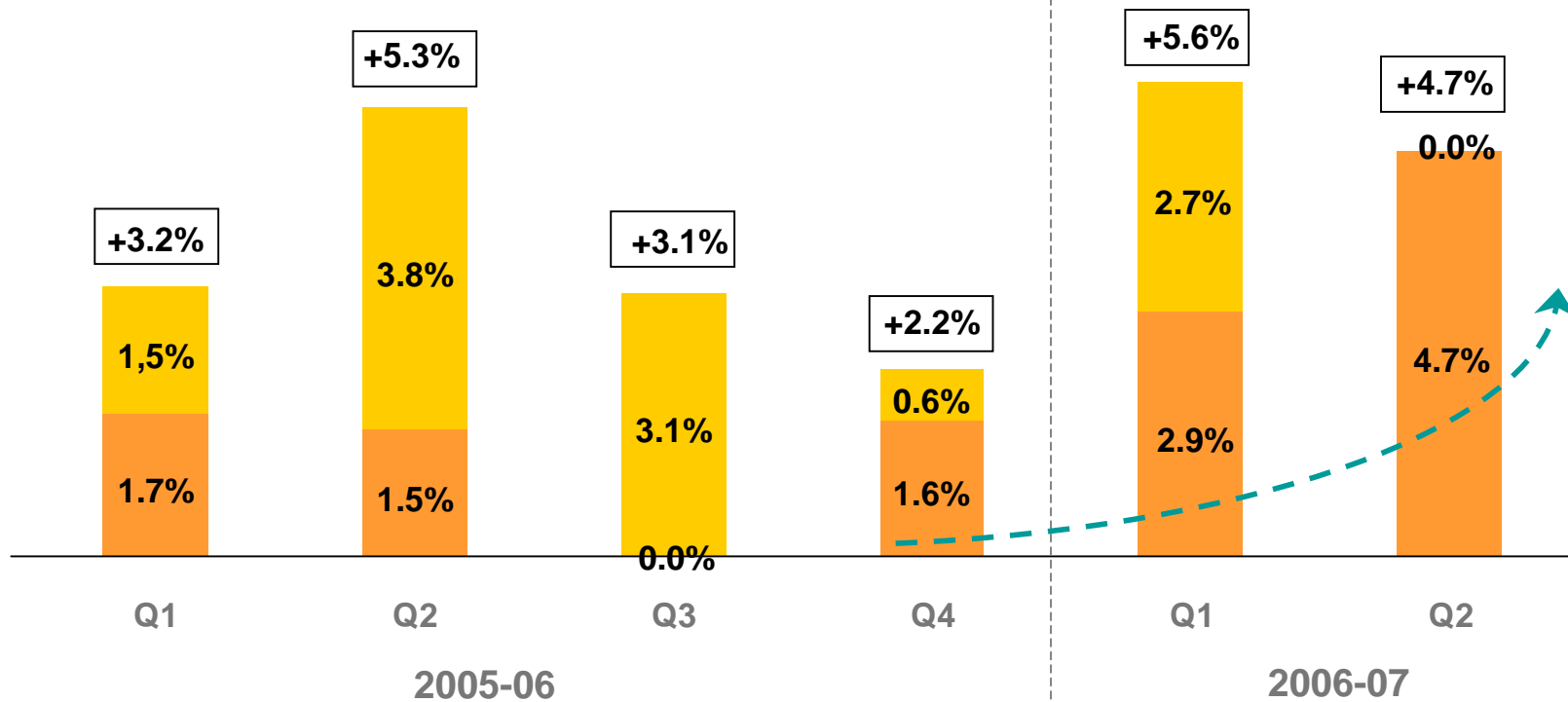
Unit revenue continues to rise...

■ RASK excl. currency (total network)



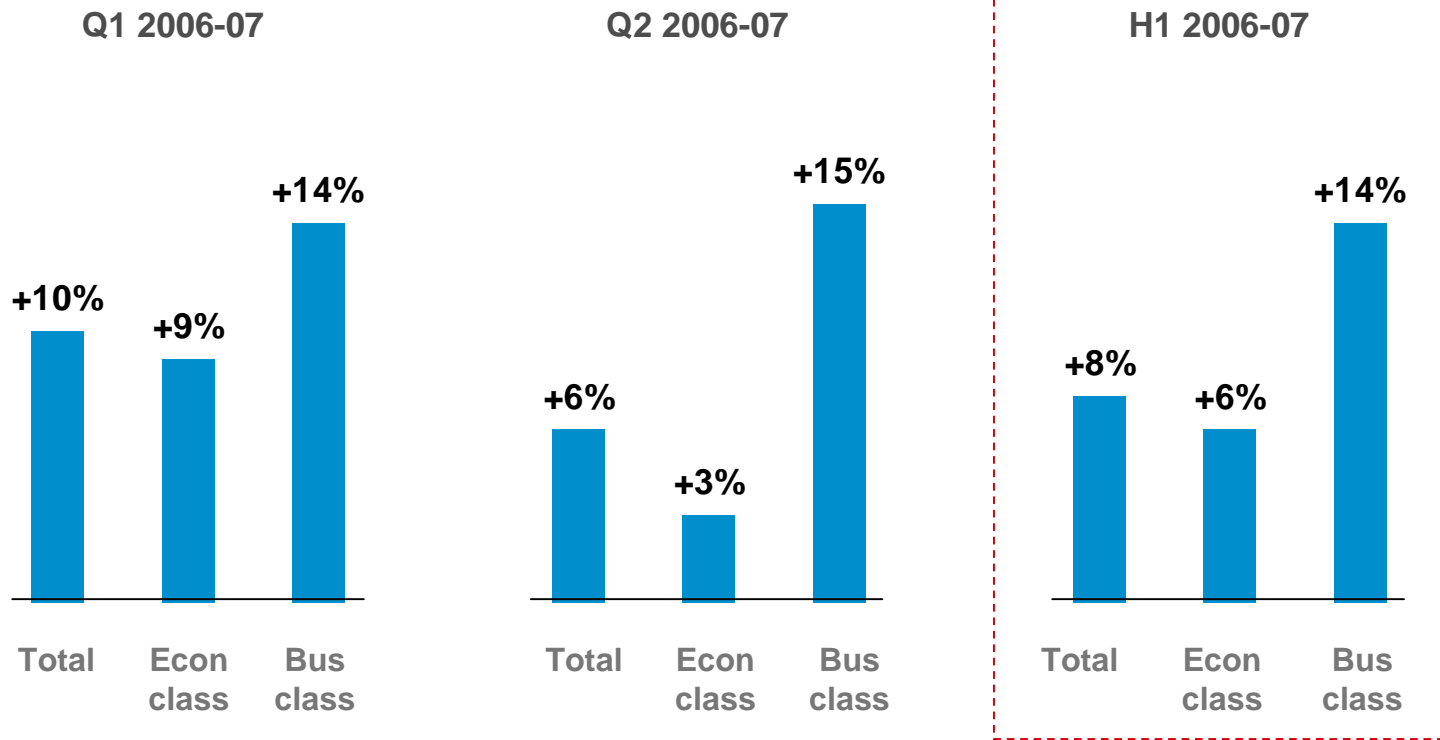
...with a marked improvement in yield

- RASK (excl. currency)
- Contribution of the load factor to the change in RASK
- Contribution of the yield to the change in RASK ex-currency



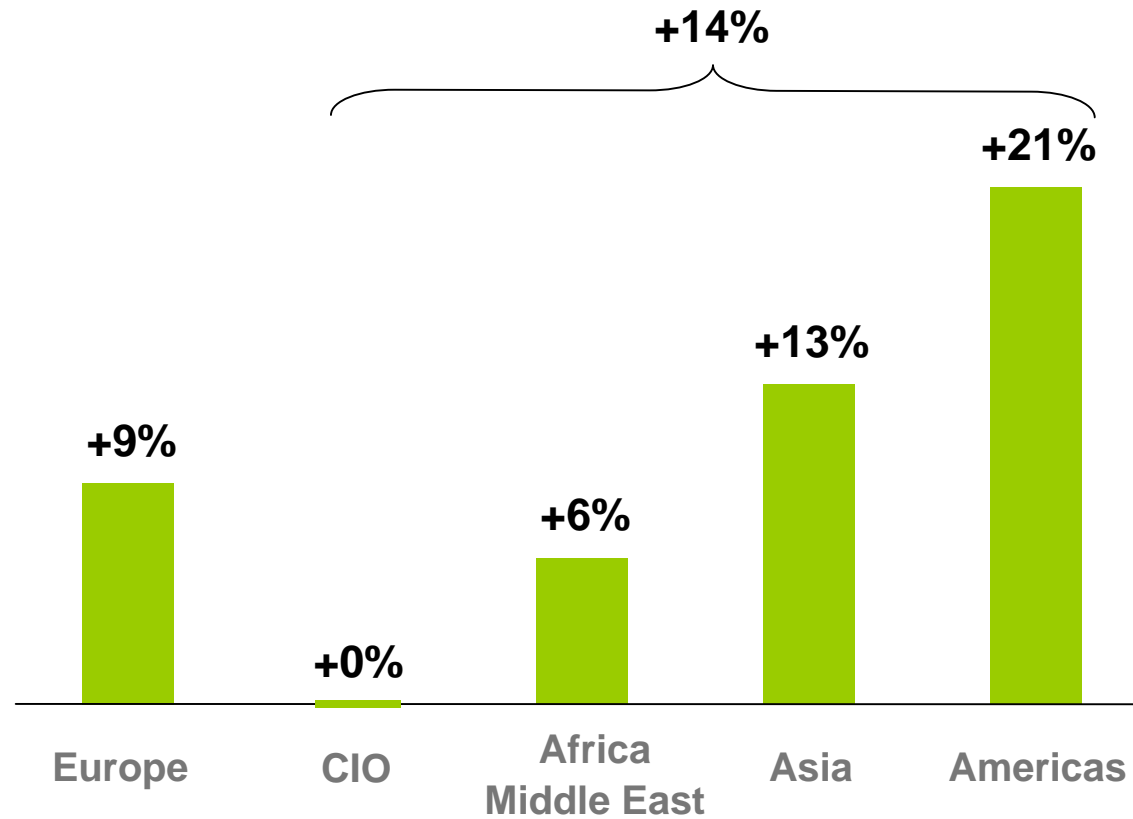
Unit revenue rises in all segments

■ RASK excl. currency (long-haul network)



Strong rise in international sales

Evolution of passenger revenues by geographic zone
H1 2006-07

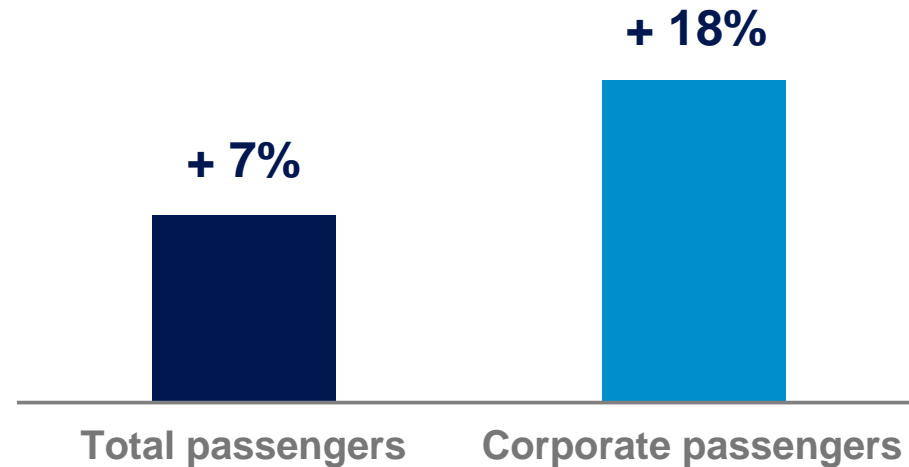


Fixed contracts: a key driver behind the development of our long-haul business

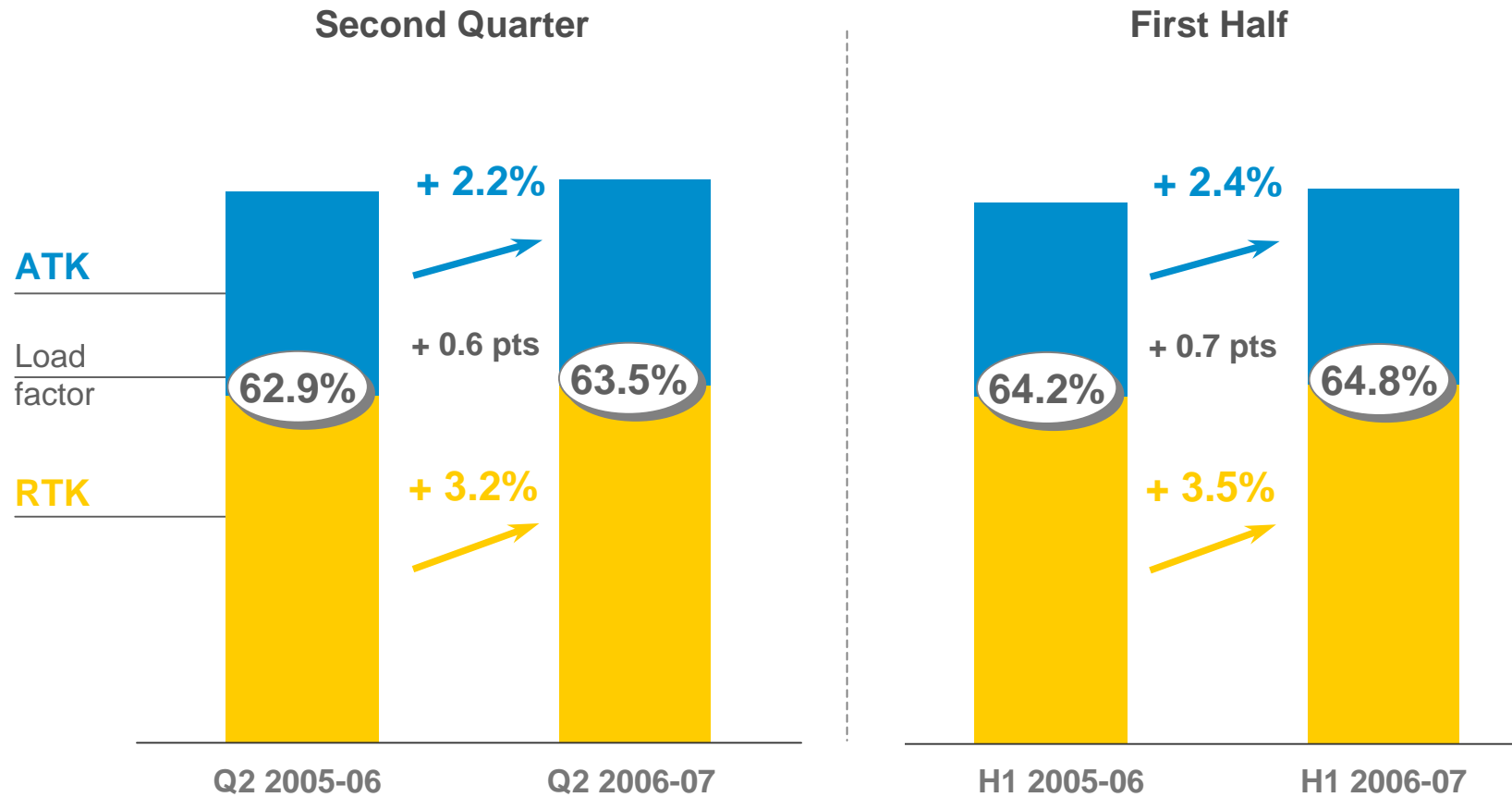
Long-haul passengers AF-KL

April-September 2006 yoy

Fixed contracts account for 49% of business class revenues

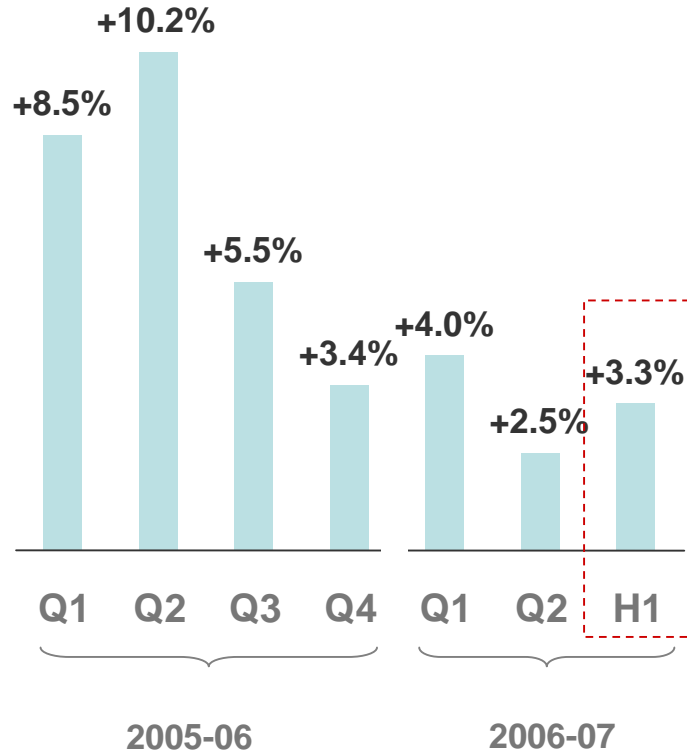


Cargo activity: Load factor remains at modest levels

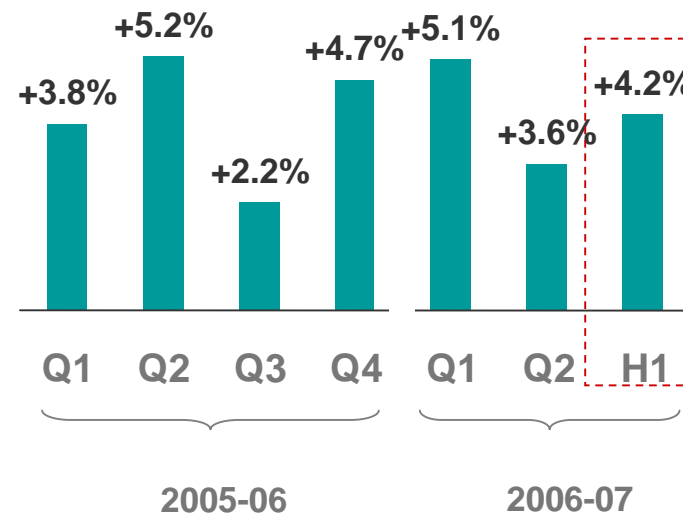


Cargo: slow down in unit revenue growth

Unit revenue per RKT excl.currency



Unit revenue per ATK excl.currency



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Results

Philippe Calavia



Very good results in Q2

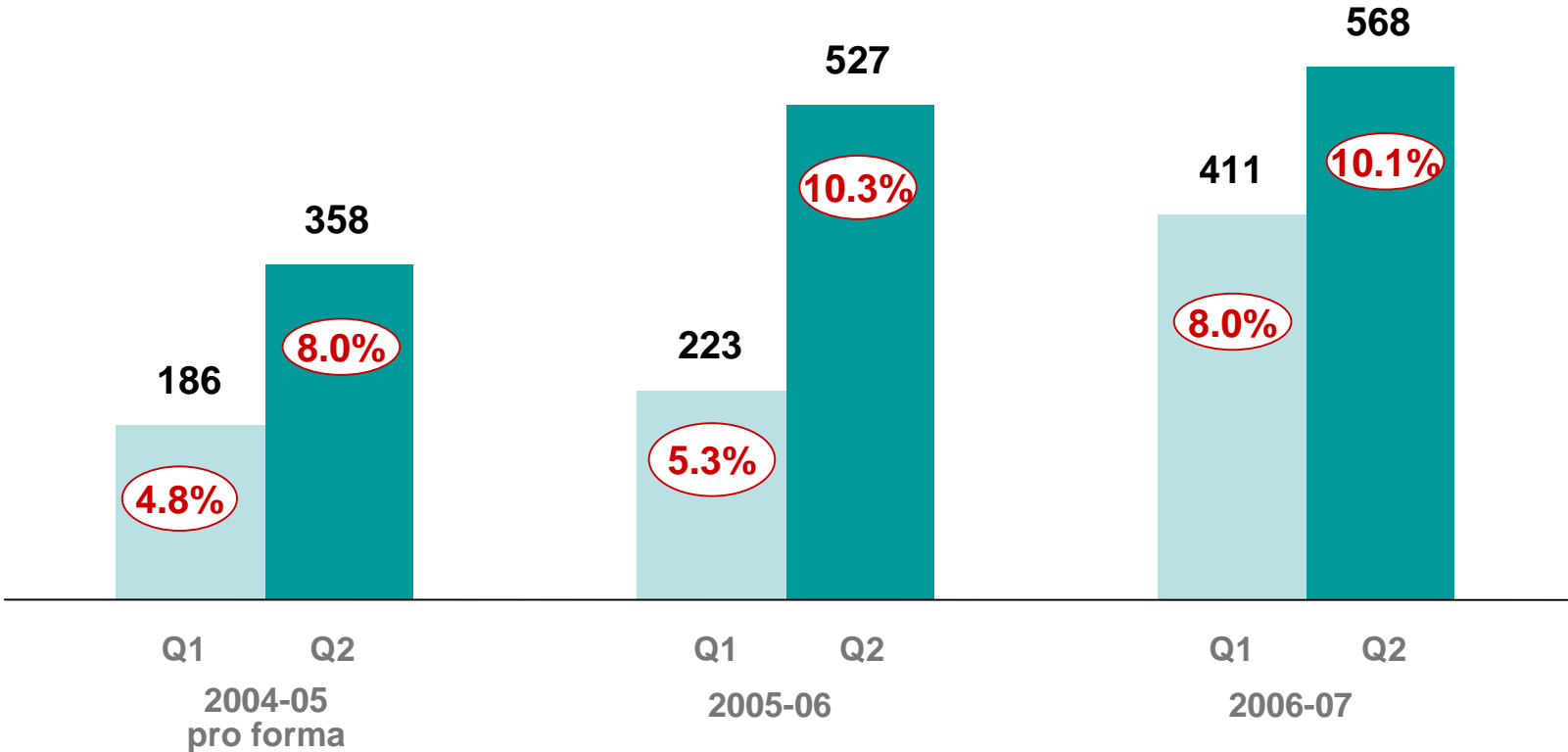
In € millions	30 Sep 2006	30 Sep 2005	Change
Revenues	6,131	5,636	+8.8%
Current operating charges	(5,563)	(5,109)	+8.9%
Operating income	568	527	+7.8%
<i>Operating margin</i>	9.3%	9.4%	-0.1 pts
<i>Adjusted operating margin*</i>	10.1%	10.3%	-0.2 pts
Other non-current income and charges	(2)	534	ns
Income from operating activities	566	1,061	ns
Net interest charge	(39)	(54)	
Income tax	(151)	(240)	
Net income, group share	374	717	ns
Net income, group share (excl. Amadeus)	374	298	+25.5%

* Adjusted by the share of financial charges in operating leases (34%)

A sustained improvement in results

Operating income in € millions

%x Adjusted operating margin*



* Adjusted by the share of financial charges in operating leases (34%)

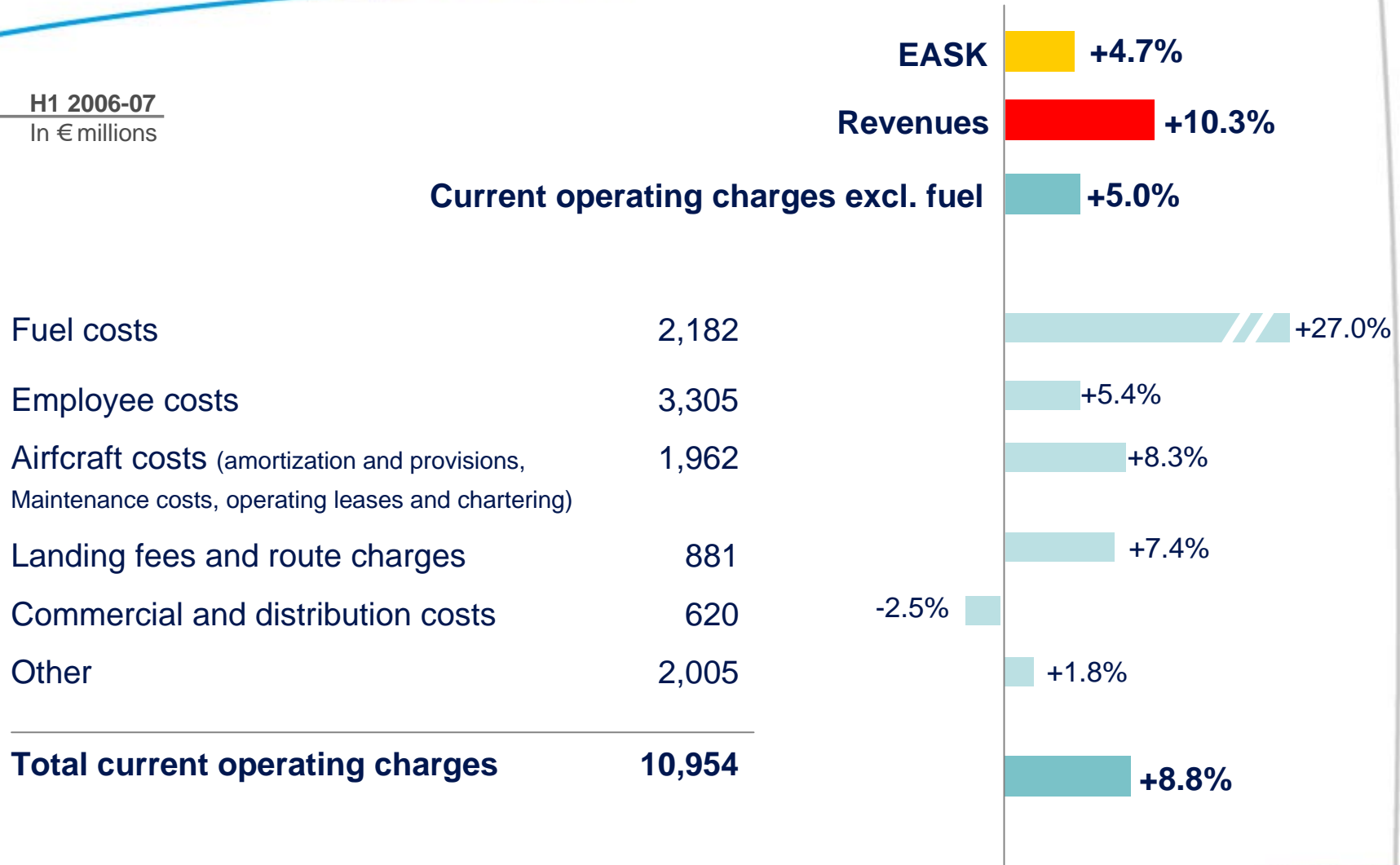
Excellent performance in the First Half

In € millions	30 Sep 2006	30 Sep 2005	Change
Revenues	11,933	10,822	+10.3%
Current operating charges	(10,954)	(10,072)	+8.8%
Operating income	979	750	+30.5%
<i>Operating margin</i>	8.2%	6.9%	+1.3 pts
<i>Adjusted operating margin*</i>	9.1%	7.9%	+1.2 pts
Other non-current income and charges	(24)	539	ns
Income from operating activities	954	1,289	ns
Net interest charge	(85)	(114)	
Income tax	(238)	(292)	
Net income, group share	618	829	ns
Net income, group share (excl.Amadeus)	618	410	+50.7%

* Adjusted by the share of financial charges in operating leases (34%)

Evolution of our operating charges

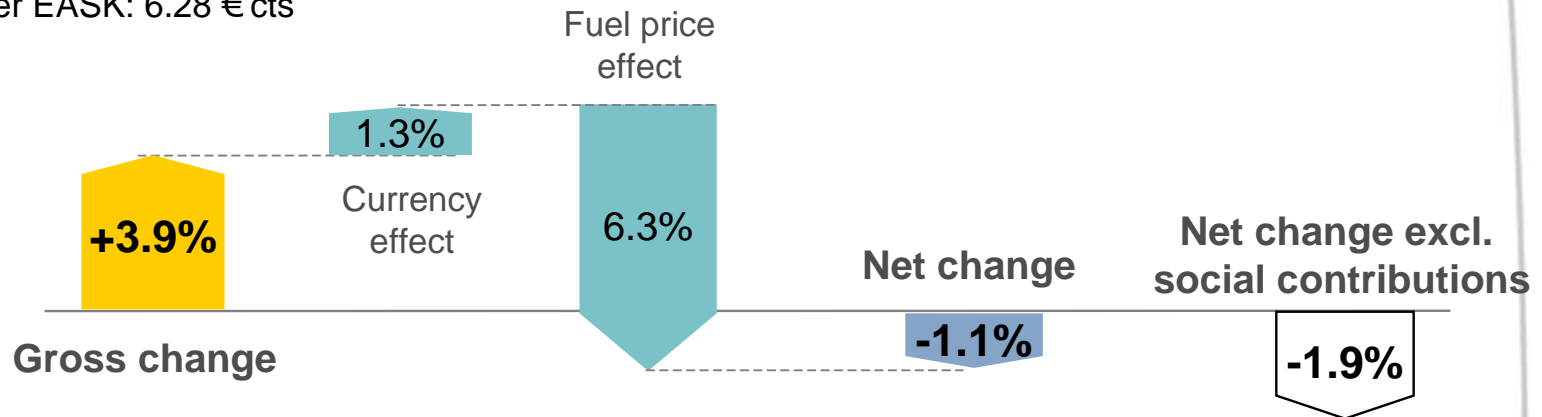
H1 2006-07
In € millions



Change in unit costs

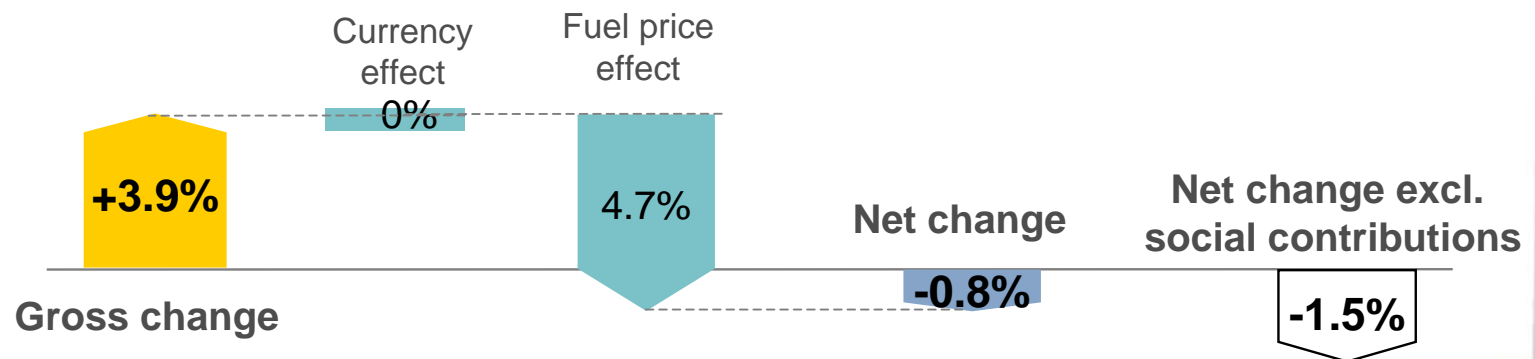
2nd quarter 2006-07

Unit cost per EASK: 6.28 € cts



1st half 2006-07

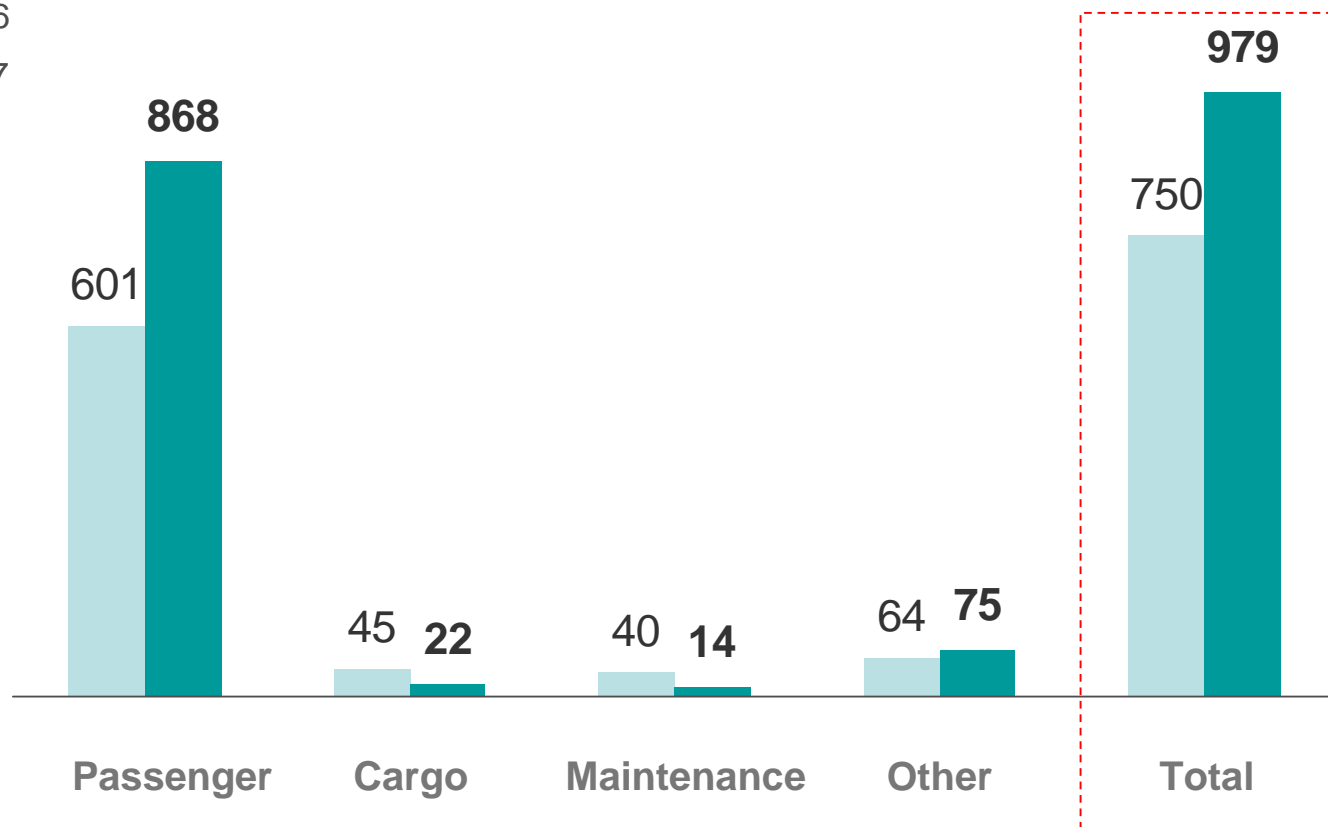
Unit cost per EASK: 6.33 € cts



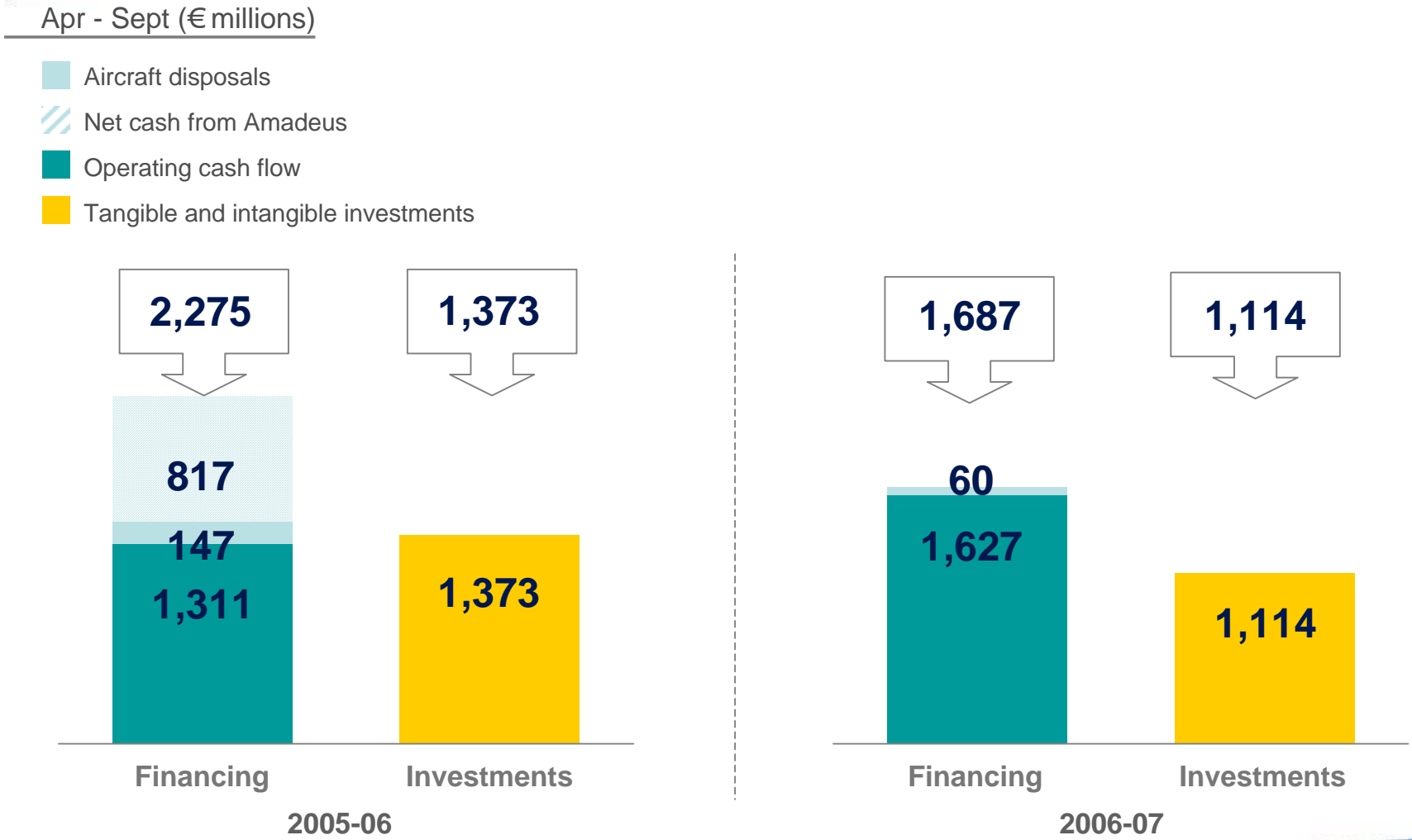
Contribution by business to operating income

Operating income (€ millions)

■ H1 2005-06
■ H1 2006-07



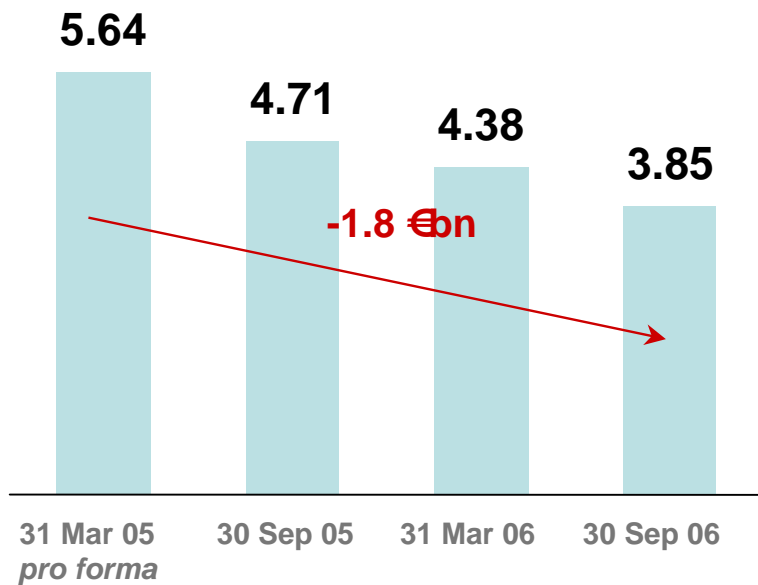
24% rise in operating cash flow



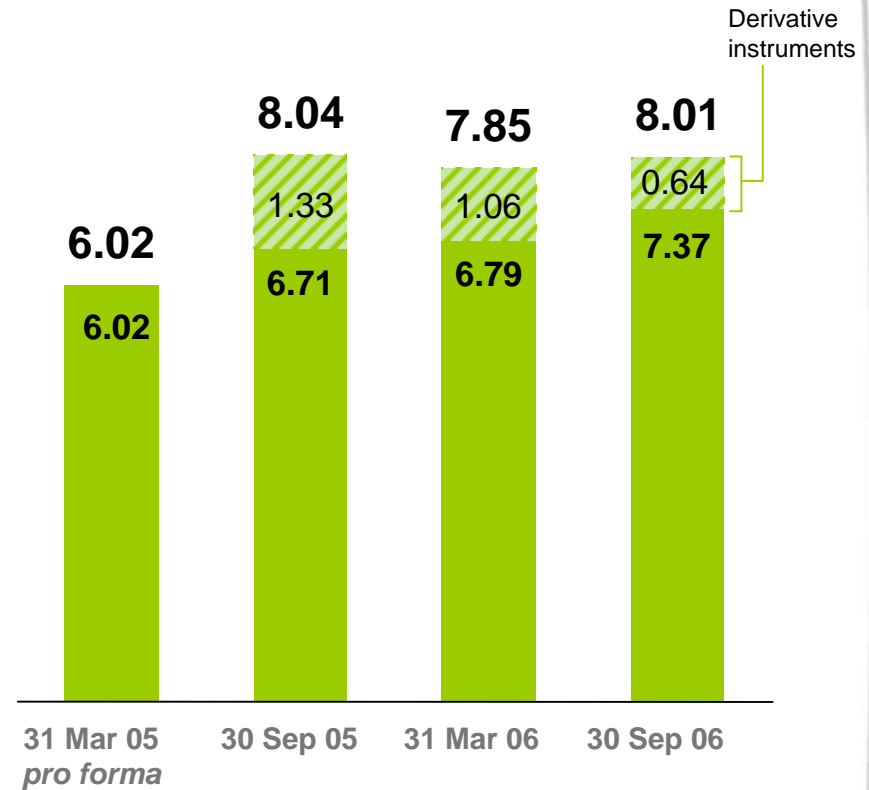
Net debt continues to fall...

Gearing ratio at 30 September 2006: **0.48**
 (31 March 2006: 0.56)

Net debt
 (In € billions)

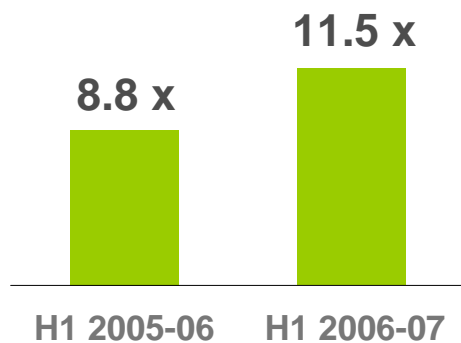


Shareholders' equity
 (In € billions)

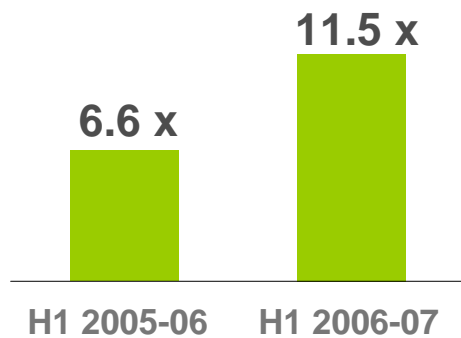


...and the financial position improves further

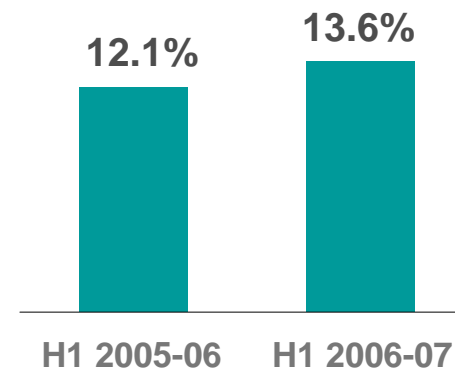
EBITDAR / net adjusted interest costs*



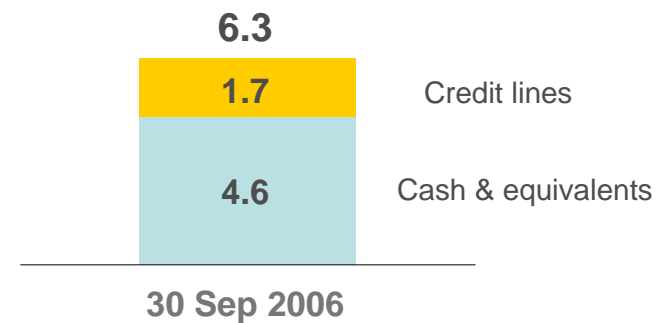
EBIT / net interest costs



Operating cash flow margin



Cash at hand (€ billions)



* Adjusted by the share of financial charges in operating leases (34%)

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Strategy and outlook

Jean-Cyril Spinetta
Leo van Wijk



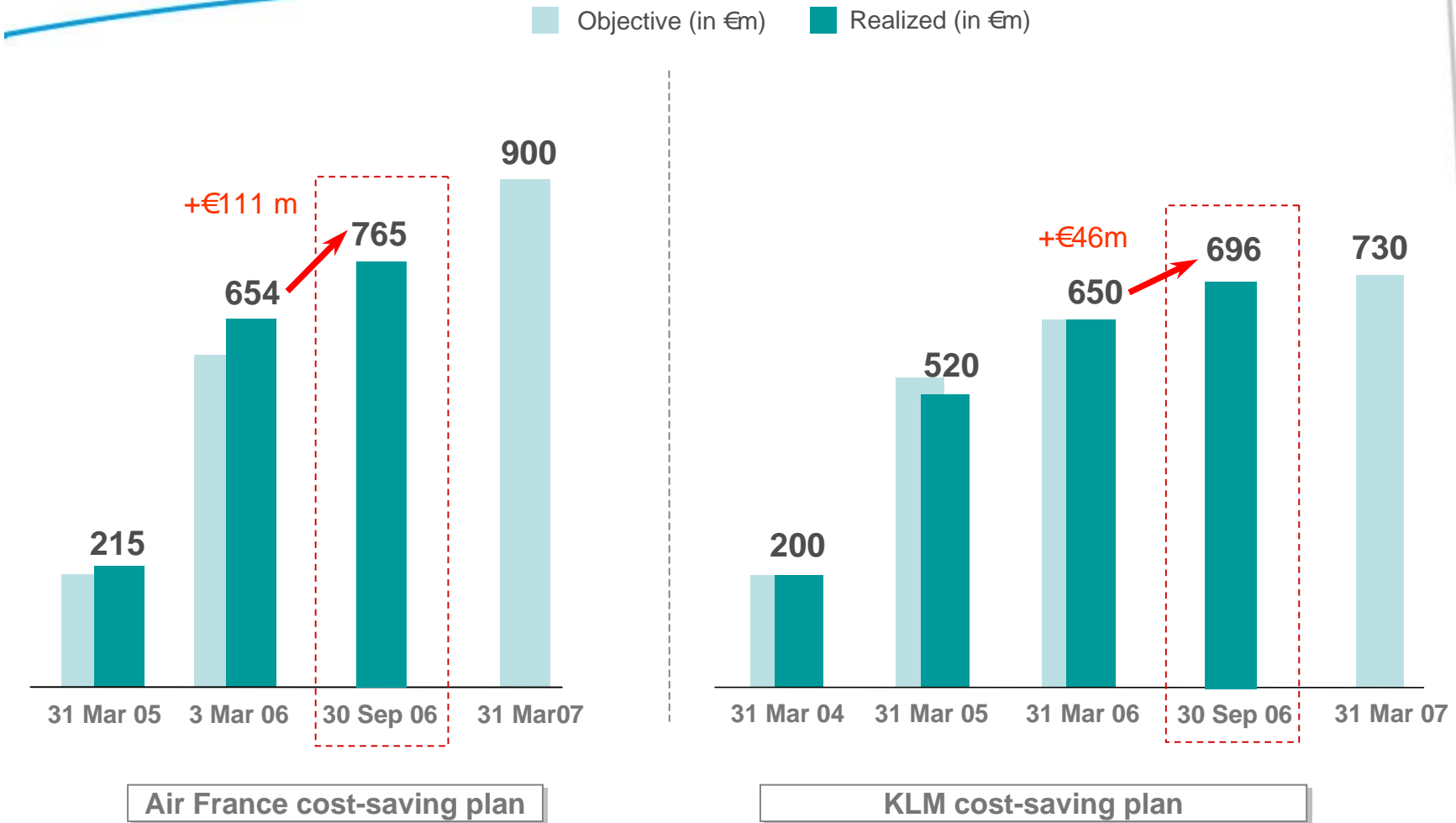
KLM

Our priorities



- ✦ Reinforce cost control and focus on generating further synergies
- ✦ Pursue our strategy of profitable growth across all our businesses
- ✦ Continue to play our role in future industry consolidation

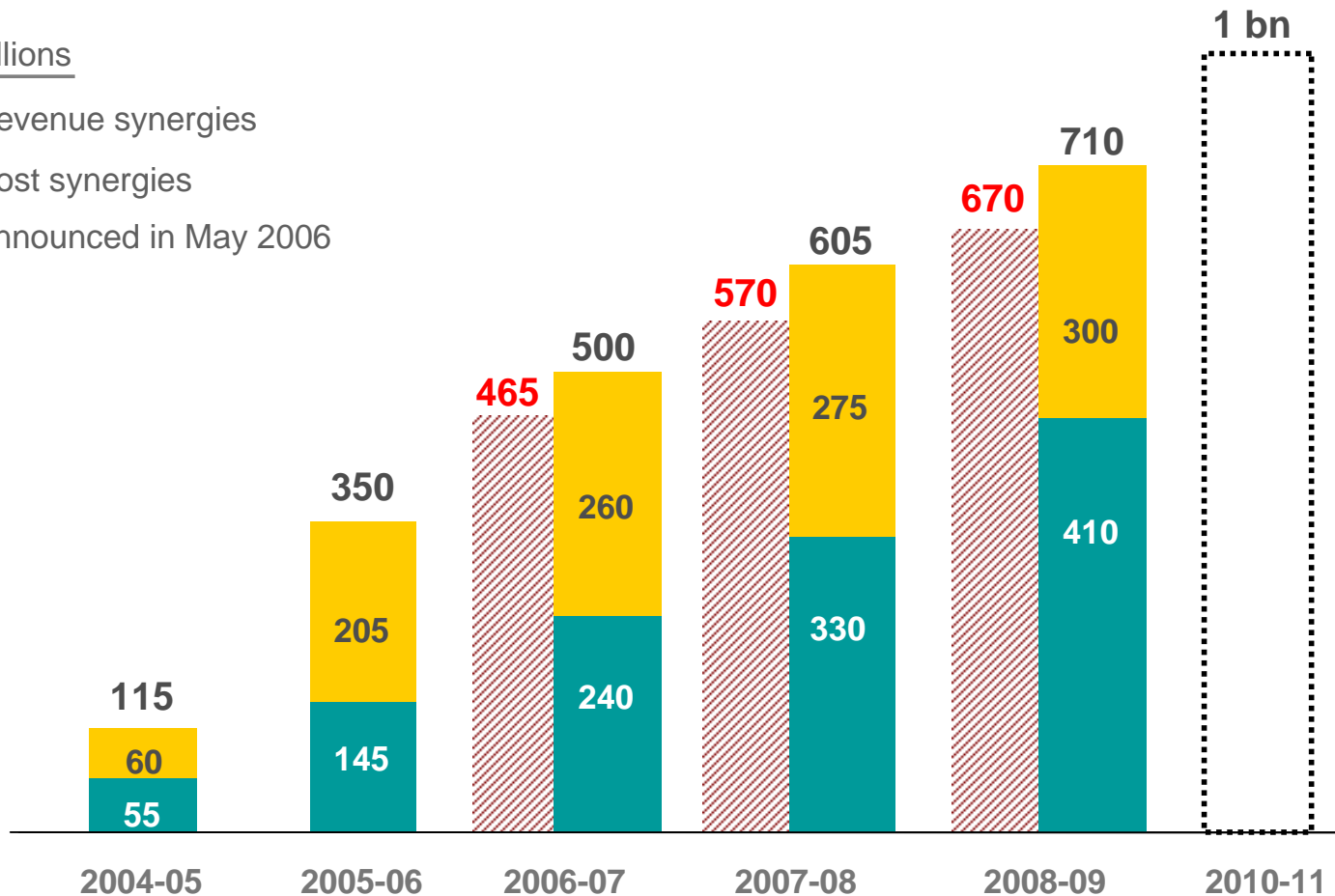
Savings programmes are reaching their objectives



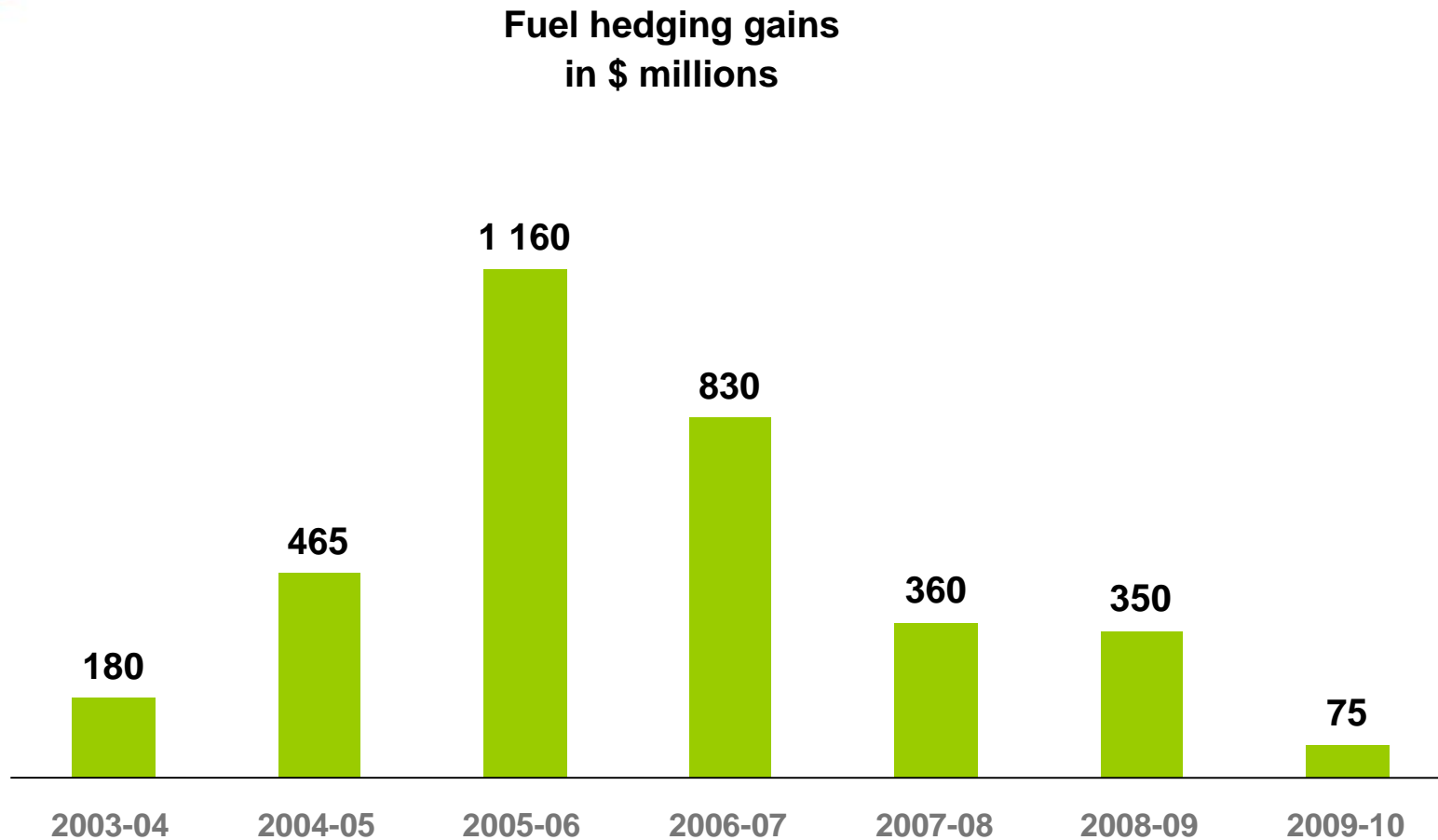
Integration of IT and revenue management systems will create new sources of synergies

In € millions

- Revenue synergies
- Cost synergies
- Announced in May 2006



Fuel hedging: a short-term competitive advantage...



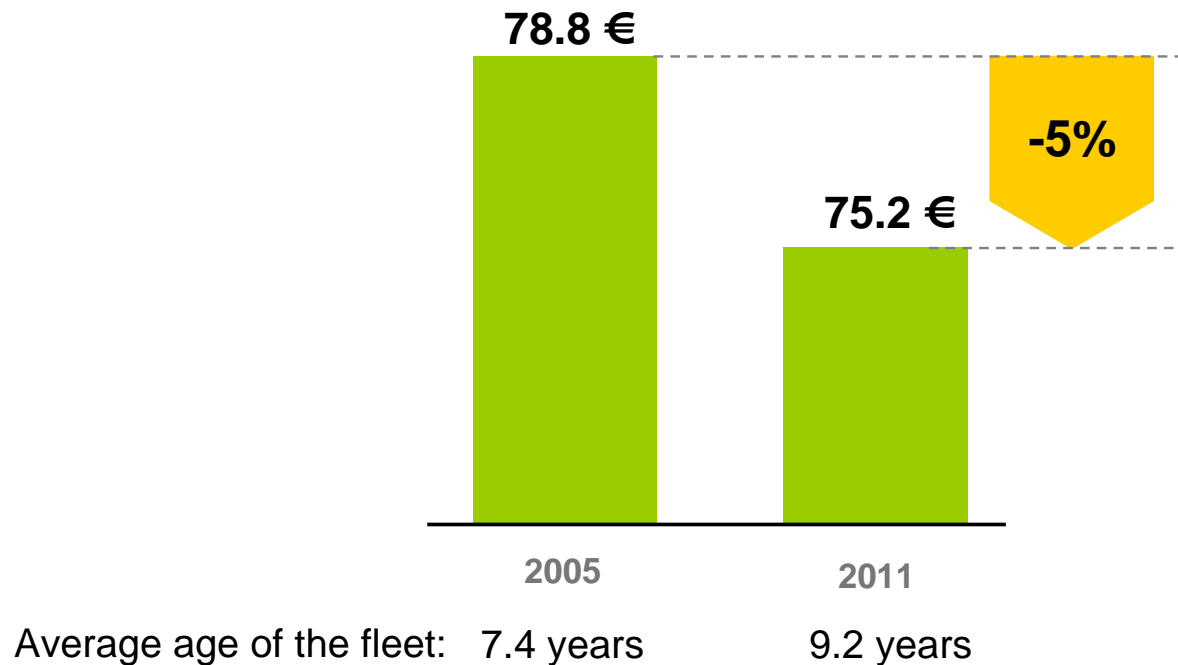
* Based on futures prices at November 10, 2006

...which is being gradually replaced by a durable one

Estimated cost-savings linked to the renewal of the fleet

Average fuel cost per seat (€)

based on a leg of 4,000 Km and an oil price of \$60/bbl



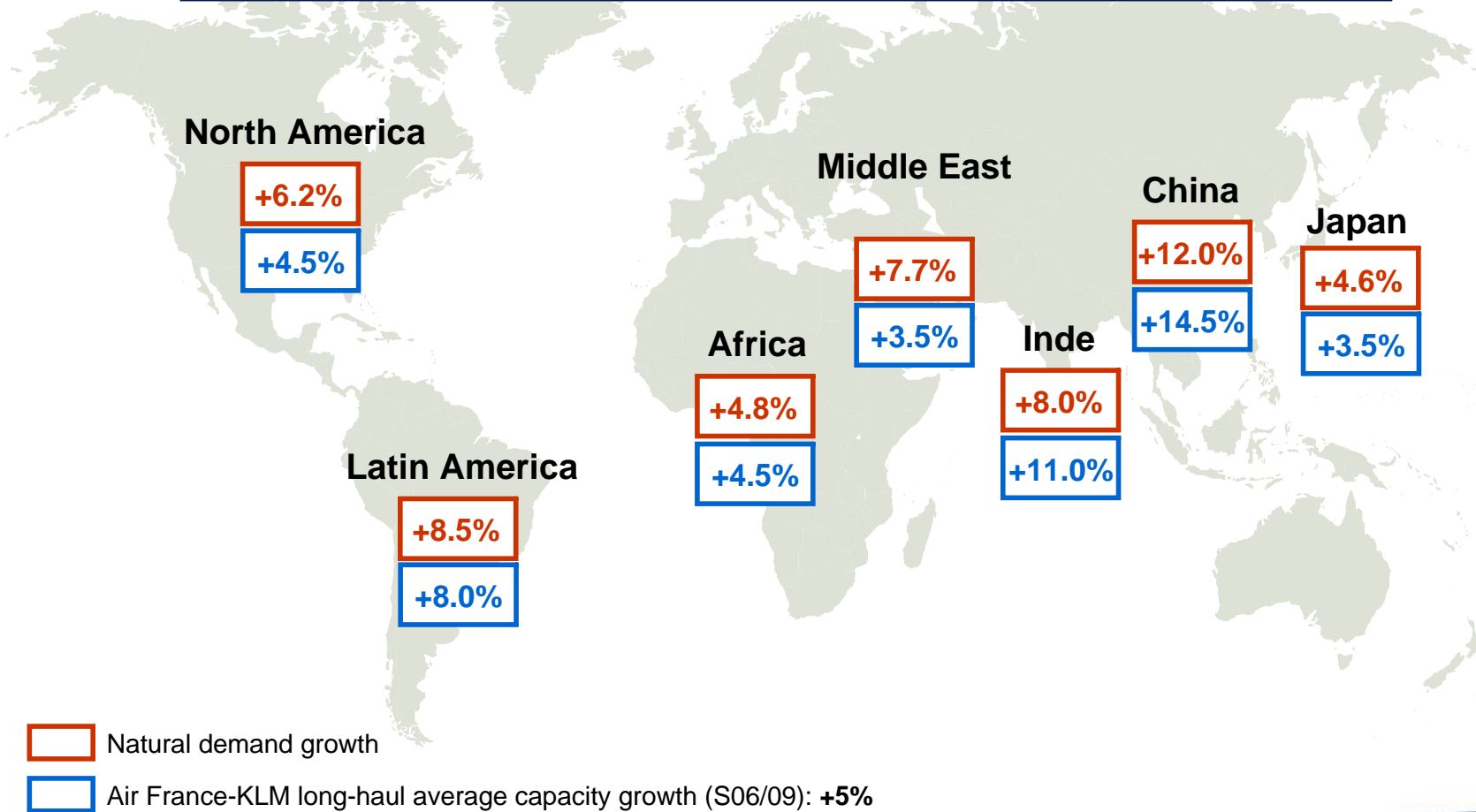
Our priorities



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Make the most of strong demand on the long-haul segment...

Growth in long-haul demand Europe / international
Average annual growth 2007-2011: +6.1%



...and developing segments: the medium-haul leisure market

- ✦ A developing market
 - ▶ Operators favor companies with a recognized brand and franchise
 - ▶ There is an absence of major players in the French market
- ✦ An opportunity to use KLM's know-how via its subsidiary, transavia.com which is already operating in this market
 - ▶ Creation of transavia.com France, a joint-subsiidiary between Air France and transavia.com

transavia.com France: a specialized business model

- ✦ Regular and charter flights to major European leisure destinations, distinct from those of Air France
 - ▶ 9 destinations by Summer 2007
 - ▶ 16 destinations by Summer 2008
- ✦ Competitive unit costs
- ✦ A planned fleet of some 10 B737-800 aircraft
- ✦ An investment of some €20m, with an expected return within two years

Cargo: a rapidly evolving economic environment

- ✦ A good first quarter followed by a more difficult second quarter
 - ▶ Competition becomes more aggressive
 - ▶ Current fleet not efficient enough

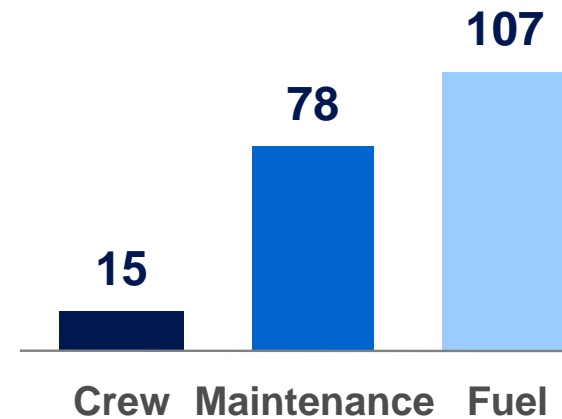
- ✦ Our responses
 - ▶ Accelerate synergy generation
 - ▶ A progressive fleet renewal program which will generate significant productivity gains

Cargo fleet renewal program 2006-11

✦ Air France

- ▶ **2006-08:** withdrawal of 3 cargo B 747-200s, replaced by converted B 747-400s
- ▶ **2008-11:** delivery of cargo B 777-FRs

Projected productivity gains by 2011
(Air France Group)



Maintenance: key areas of development

- ✦ Expansion of third-party business through...
- ✦ ...refocusing on high value-added services (equipment and engines)...
- ✦ ...leveraging the synergies created by the merger...
- ✦ ...developing strategic partnerships in high-growth markets

Our priorities



- ✦ Reinforce cost control and focus on generating further synergies
- ✦ Pursue our strategy of profitable growth across all our businesses
- ✦ Continue to play our role in future industry consolidation

Airline sector consolidation

- ✦ The enlargement of the single European market triggered the consolidation process in the sector
 - ▶ Air France and KLM
 - ▶ Lufthansa and Swiss
- ✦ Consolidation has played a major role in improving the economic performance of European carriers
 - ▶ Air France-KLM proves that mergers between flag carriers are value creating
- ✦ This evolution in the European sector is not yet complete

Alitalia

- ✦ A buoyant Italian market
- ✦ A long-standing and profitable co-operation for Air France and Alitalia
- ✦ Where do we stand?

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Objective for Full Year 2006-07



KLM

Objective for Full Year 2006-07



- ✦ On the basis of current robust traffic levels and forward bookings for the coming months, Air France-KLM maintains its objective for the full year to generate a significant increase in operating income compared to 2005-06

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.

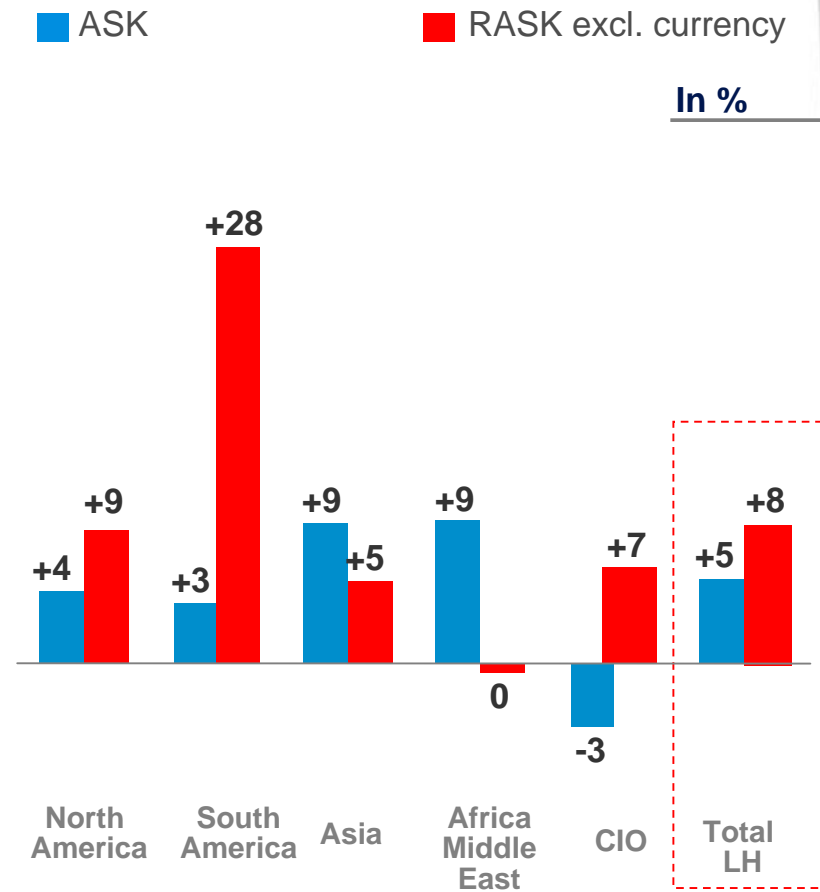
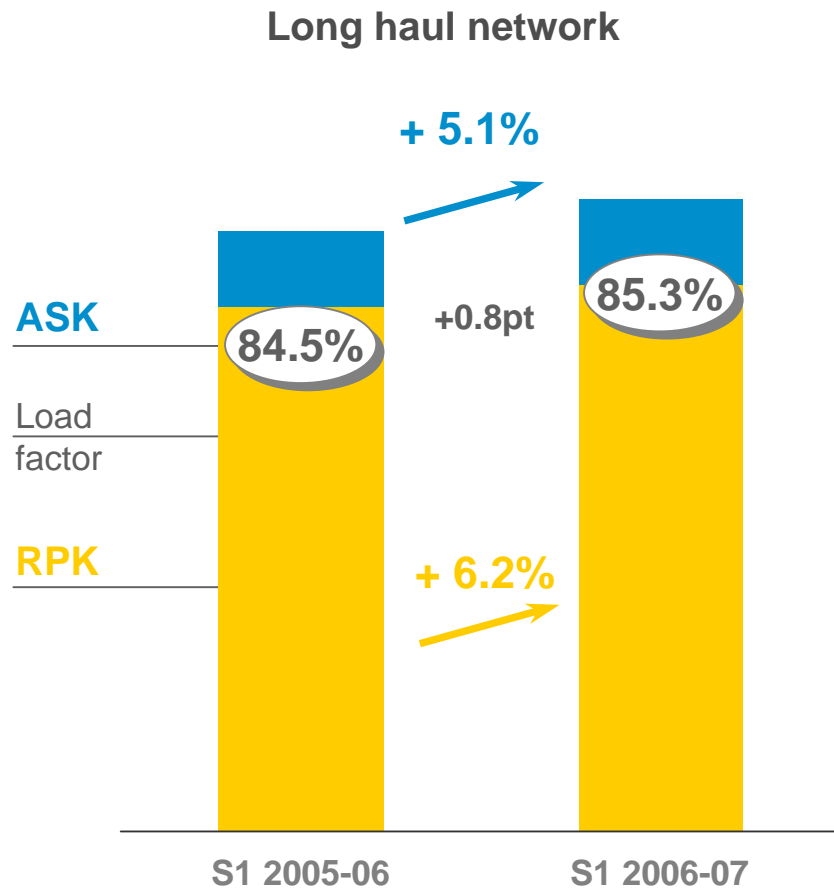
THIS FORM 6-K REPORT IS HEREBY INCORPORATED BY REFERENCE INTO THE PROSPECTUS CONTAINED IN AIR FRANCE-KLM'S REGISTRATION STATEMENT ON FORM F-3 (REGISTRATION STATEMENT NO. 333-114188), AND SHALL BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS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

AIR FRANCE KLM

Annexes



Long-haul network in First Half

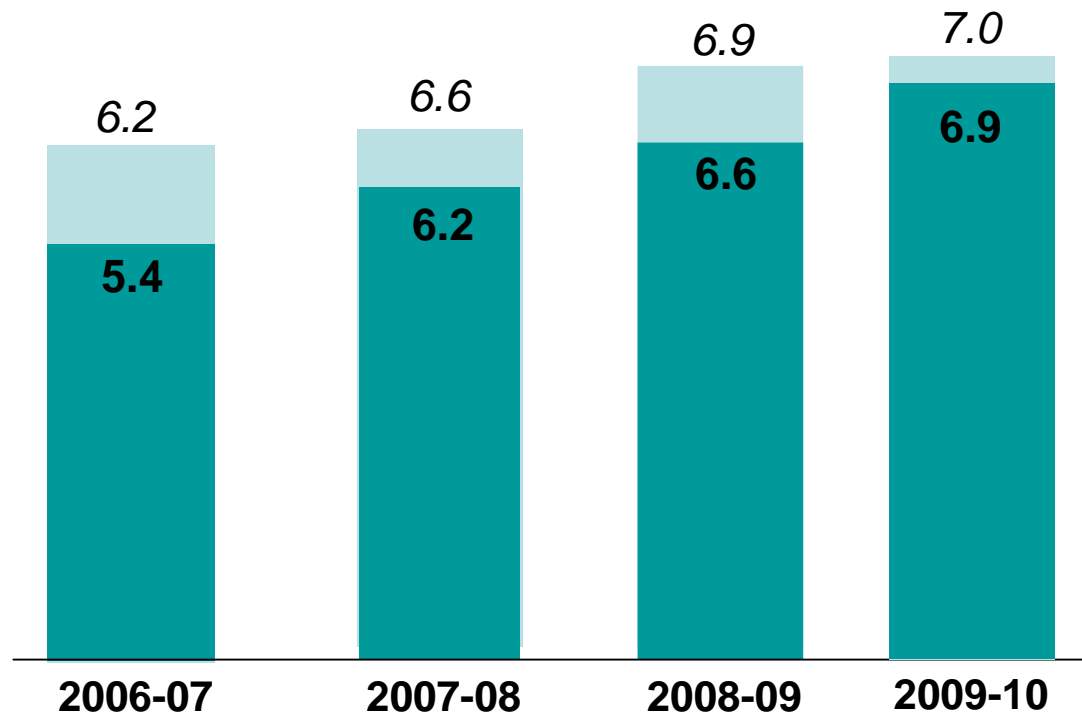


Calculation of net debt

In € millions	30 Sep 06	31 March 06
Current and non current financial debt	9,374	9,087
- Current and non-due interest	102	107
- Deposits on leased aircraft	925	943
+ Exchange rate hedges on debt	128	52
= Gross financial debt	8,475	8,089
Cash and cash equivalents	3 984	2,946
+ Liquid assets over 3 months	961	865
- Bank current accounts	319	102
= Net cash	4,626	3,709
Net financial debt	3,849	4,380
Consolidated shareholders' funds	8,010	7,853
Net debt/equity	0.48	0.56

Fuel hedging as at November 10, 2006

■ Fuel bill before hedging (\$ billions)
■ Fuel bill after hedging (\$ billions)



Market price (\$/bbl)*	66	66	67	66
Hedged consumption	83%	58%	32%	16%
Average hedged price (\$/bbl)	53	59	55	61

* Based on futures on November 10, 2006