

AIR FRANCE KLM

First half results 2005-06

November 23, 2005



Agenda

Introduction

Jean-Cyril Spinetta

Activity

Pierre-Henri Gourgeon

Results

Philippe Calavia

Strategy and outlook

Jean-Cyril Spinetta
Leo van Wijk

First half 2005-06: The merger delivers results

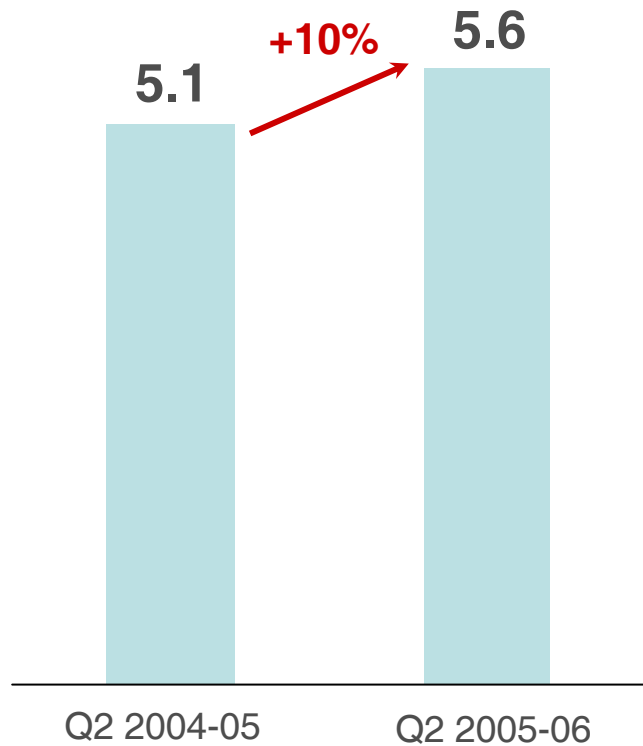
- ✦ Our first half results clearly show synergy benefits from the merger feeding through...
- ✦ ...and validate our strategy of profitable growth

Excellent performance in H1...

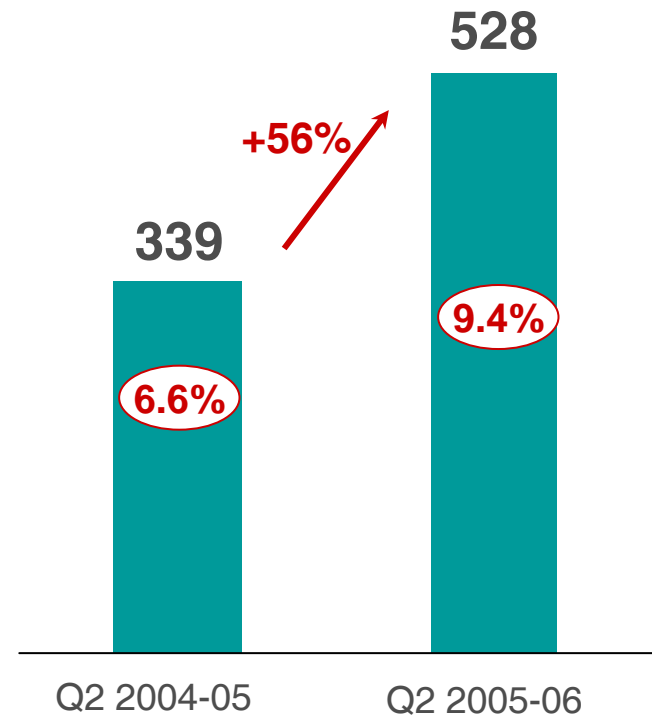
- ✦ Revenues: up 8% to €10.8 billion
 - ▶ Driven by strong performances in Passenger and Cargo activities
- ✦ Operating profit: up 46% to €750 million
 - ▶ Operating margin up 1.8 points to 6.9%
- ✦ Net profit: €829 million
 - ▶ Including net capital gain of €419m from the Amadeus operation
- ✦ Gearing: reduced to 0.67
 - ▶ Down 46 points relative to March 31, 2005

...lifted by a sharp increase in Q2 results

Turnover (in €bn)



Operating income (in €m)



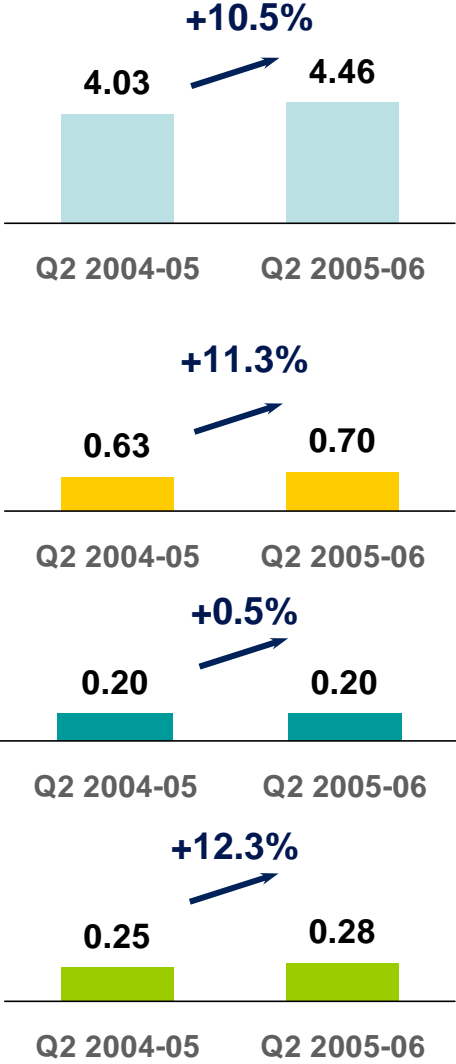
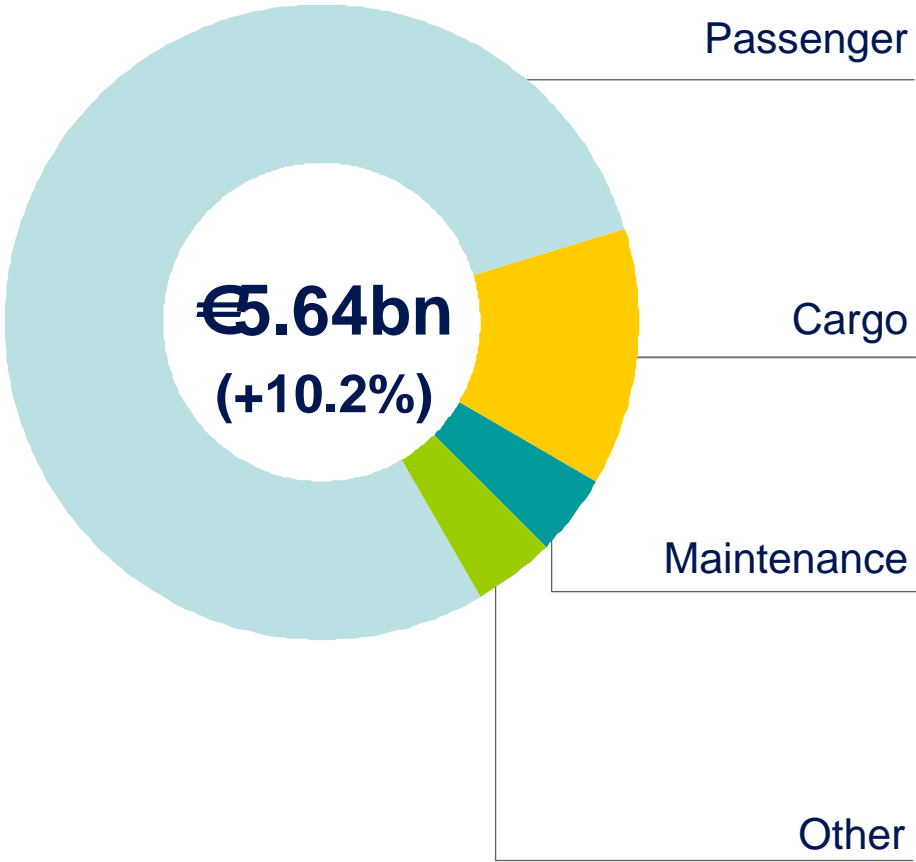
Buoyant levels of activity

Pierre-Henri Gourgeon



Increased activity across all businesses

Turnover in €bn
Q2 2005-06

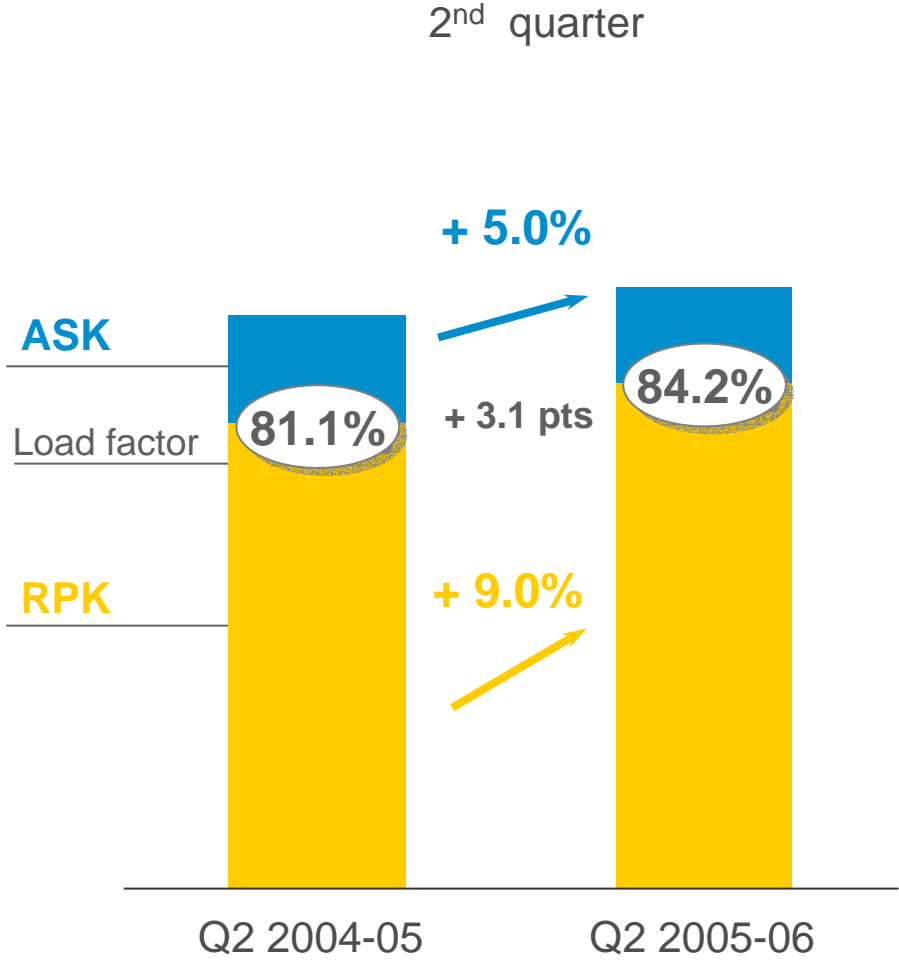
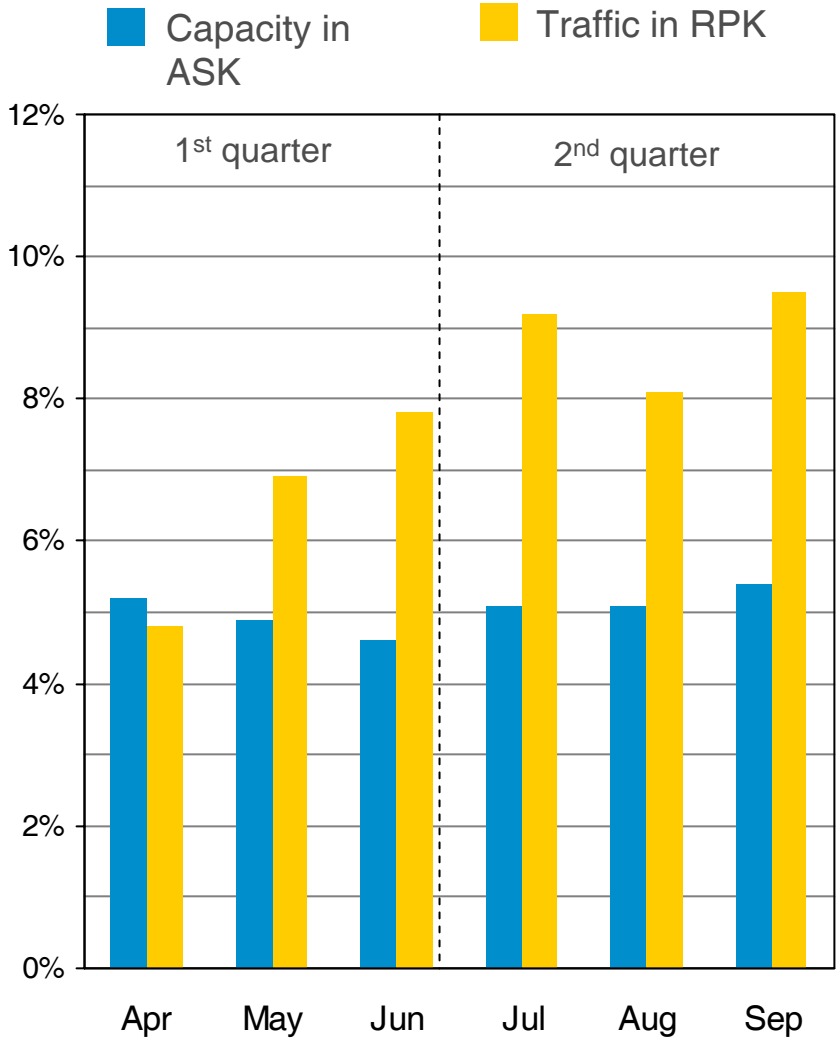


Passenger activity

- ✦ A favourable environment
 - ▶ An international activity...
 - ▶ ... which is becoming ever less dependent on the European economies

- ✦ Air France-KLM: rises to the opportunities
 - ▶ Increase in traffic exceeds capacity
 - ▶ Load factor at record levels
 - ▶ Rise in premium traffic
 - ▶ Improvement in unit revenue

An even more marked increase in Q2 traffic



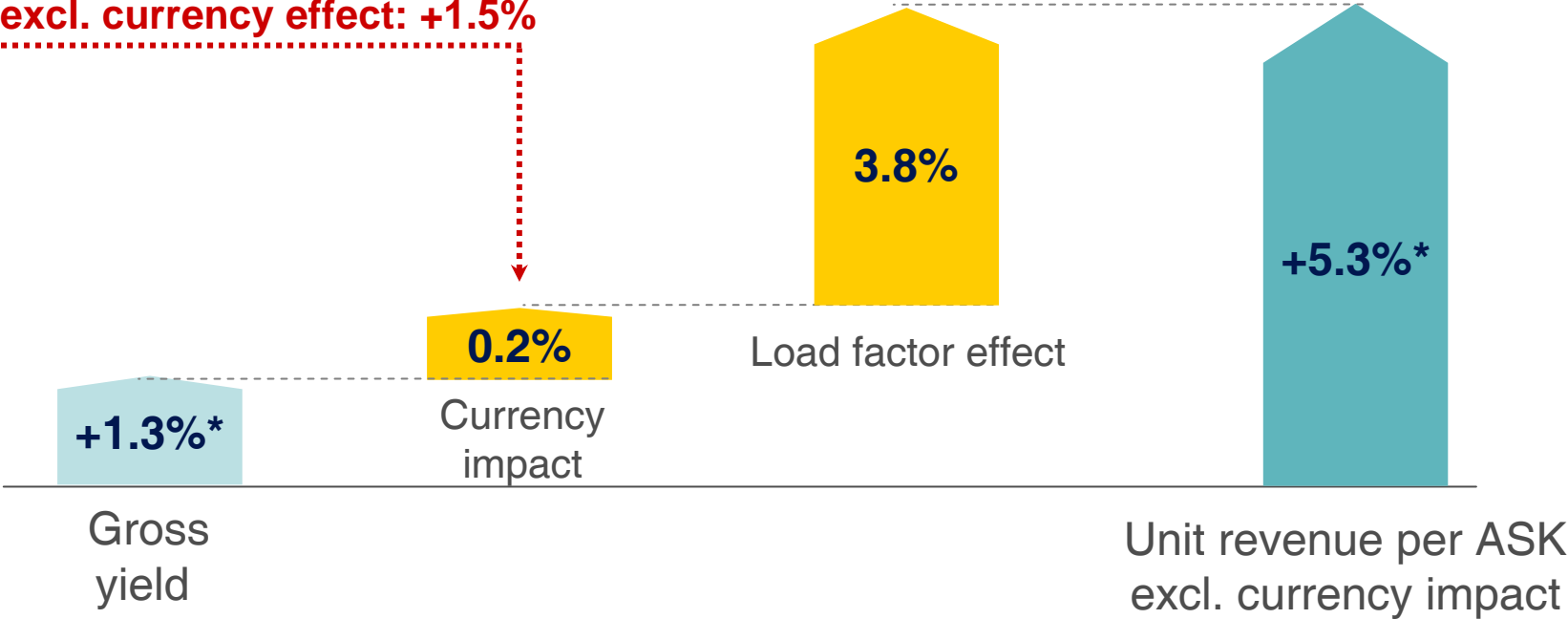
Strong increase in unit revenue...

2nd quarter 2005-06

RRPK: 8.30 €cts

RASK: 6.98 €cts

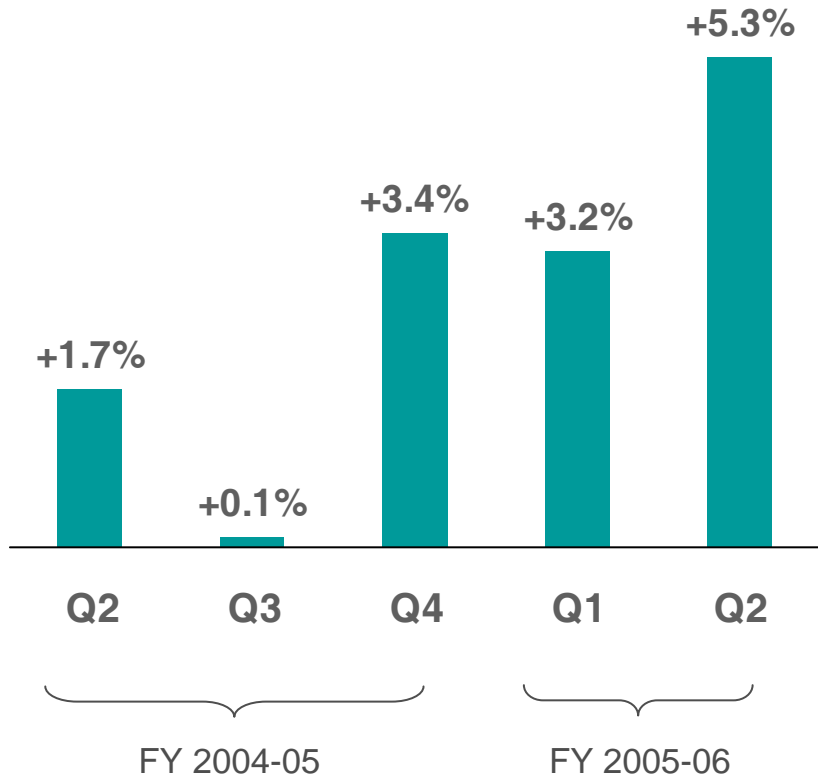
Yield excl. currency effect: +1.5%



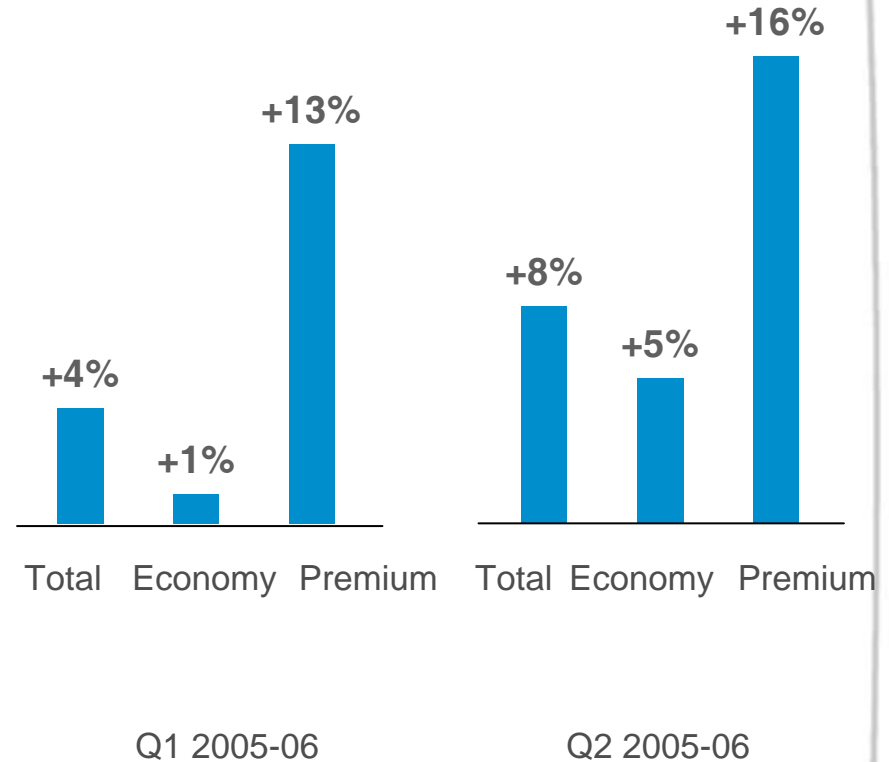
* Rise held back by the impact of transition to zero commission (around 1.5 pts)

...with strong growth in premium traffic

■ RASK excl. currency (total network)

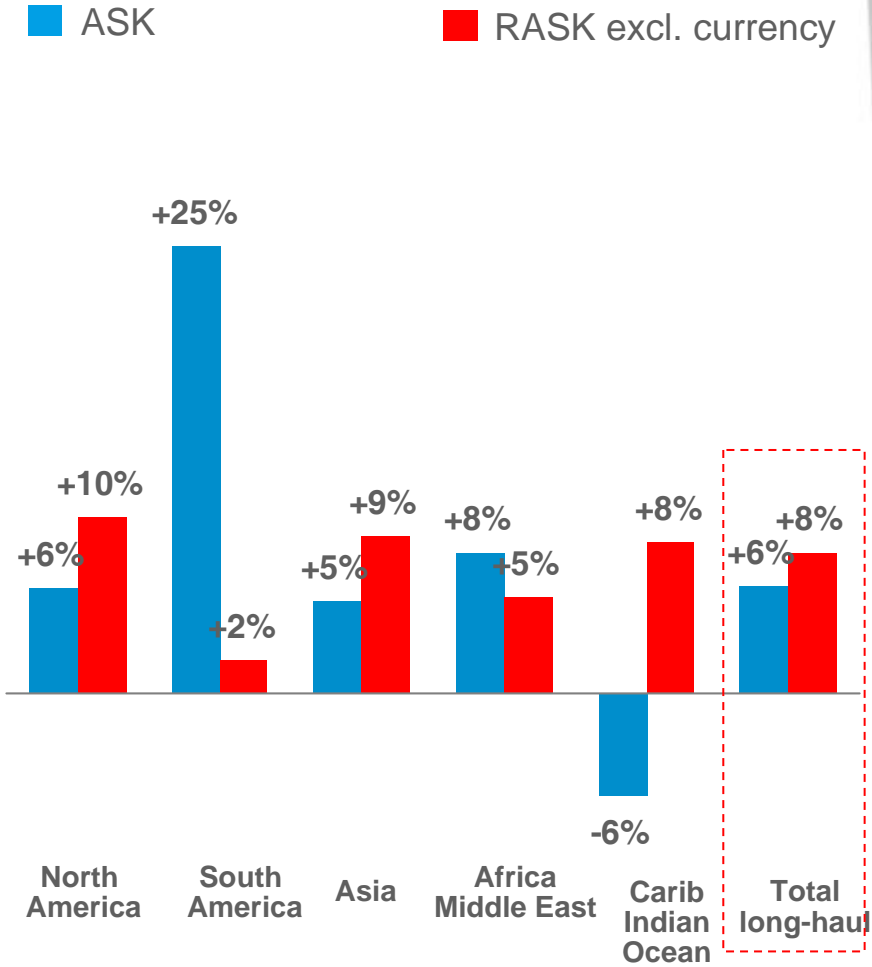
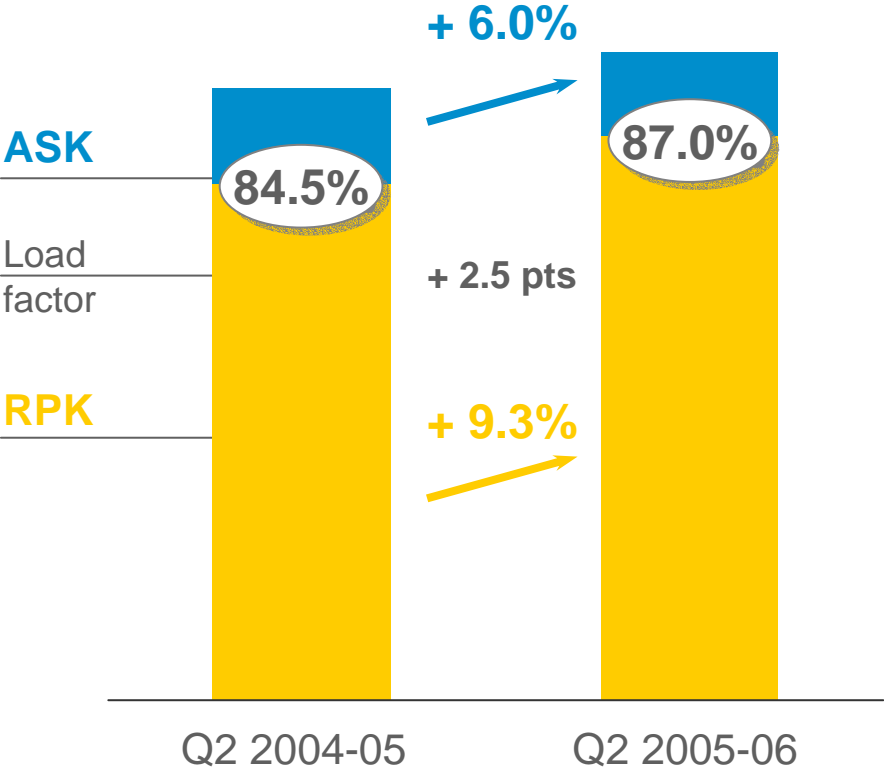


■ RASK excl. currency (long-haul network)



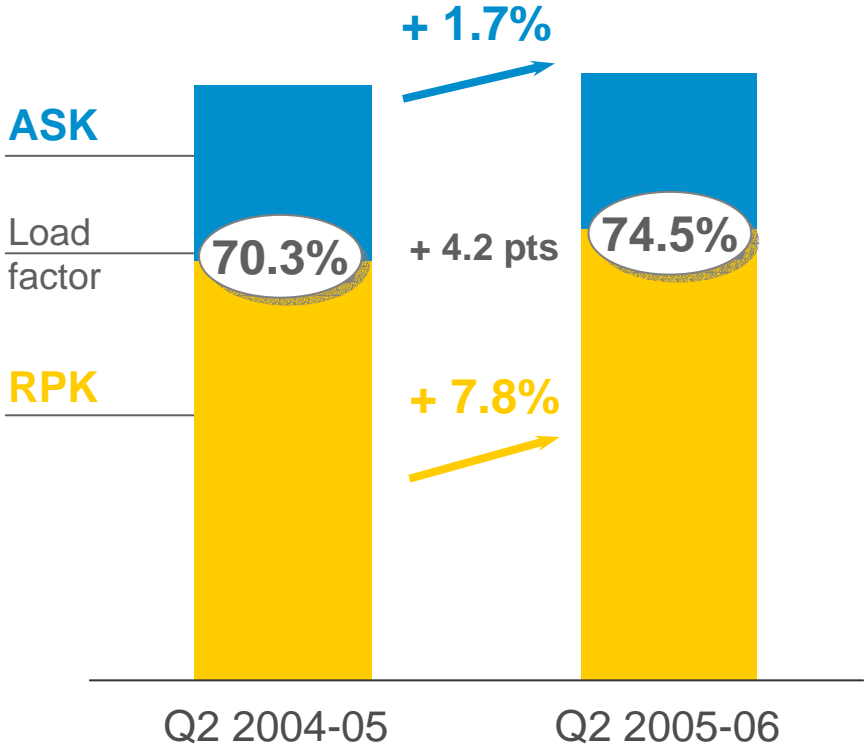
Long-haul reaches record levels...

Long-haul network

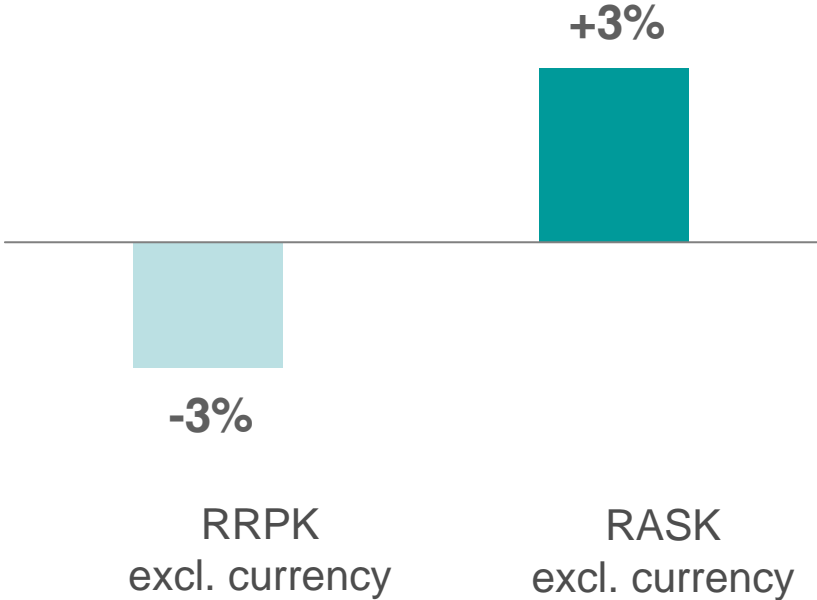


...while the European network delivers an excellent performance

Medium-haul network (incl. France)

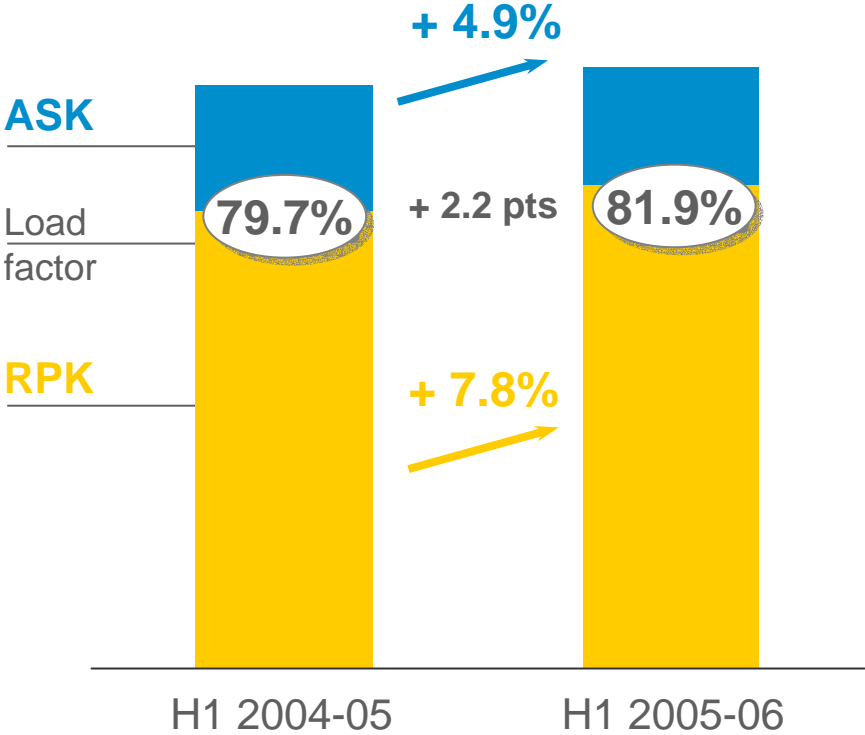


Unit revenues (2nd quarter)

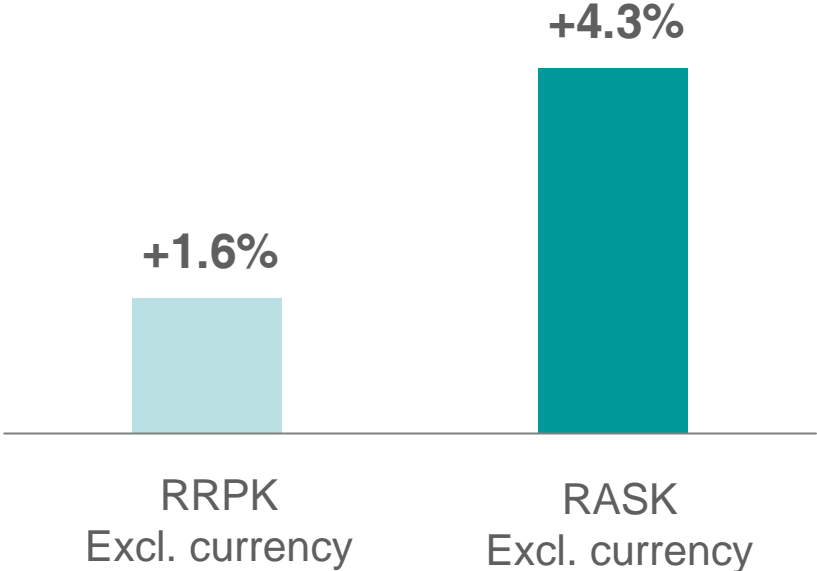


Excellent H1 for the passenger business

Total networks



Unit revenues (1st half 2005-06)



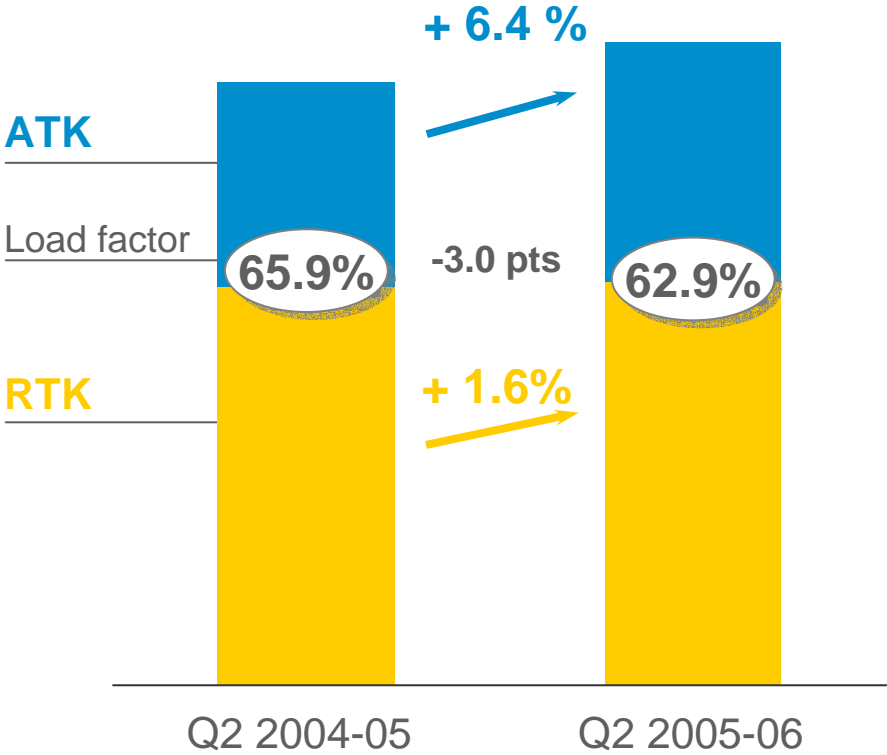
Cargo activity

- ✦ Air France-KLM: a resilient performance...
 - ▶ Weak activity levels...
 - ▶ ...compensated by a strong rise in yield

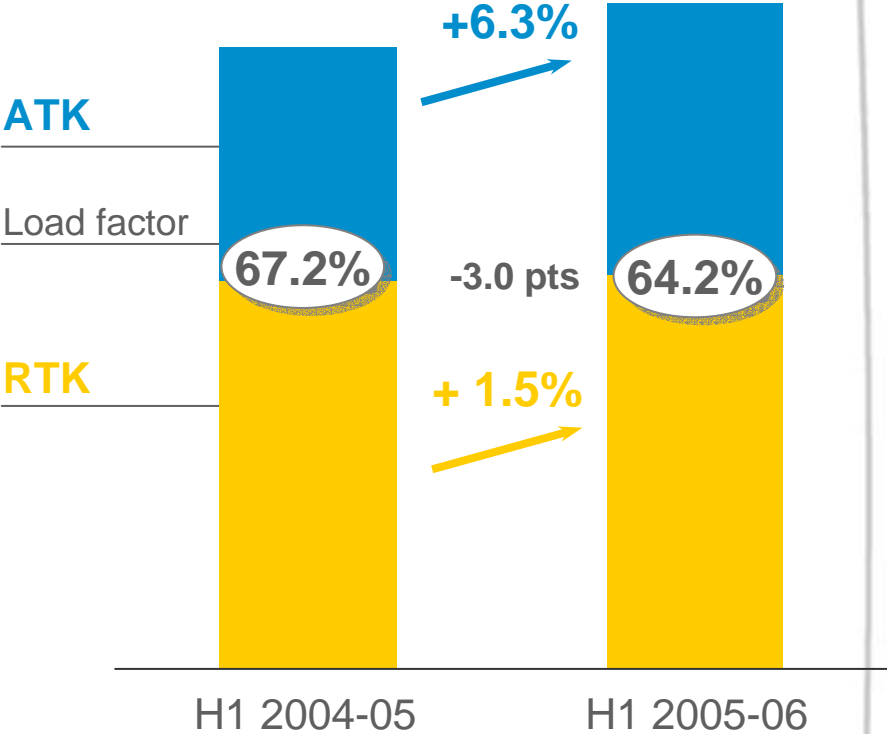
- ✦ ...in a lacklustre environment
 - ▶ Sustained global demand...
 - ▶ ...but weak European export levels...
 - ▶ ...and increased competition

Weak activity levels...

2nd quarter

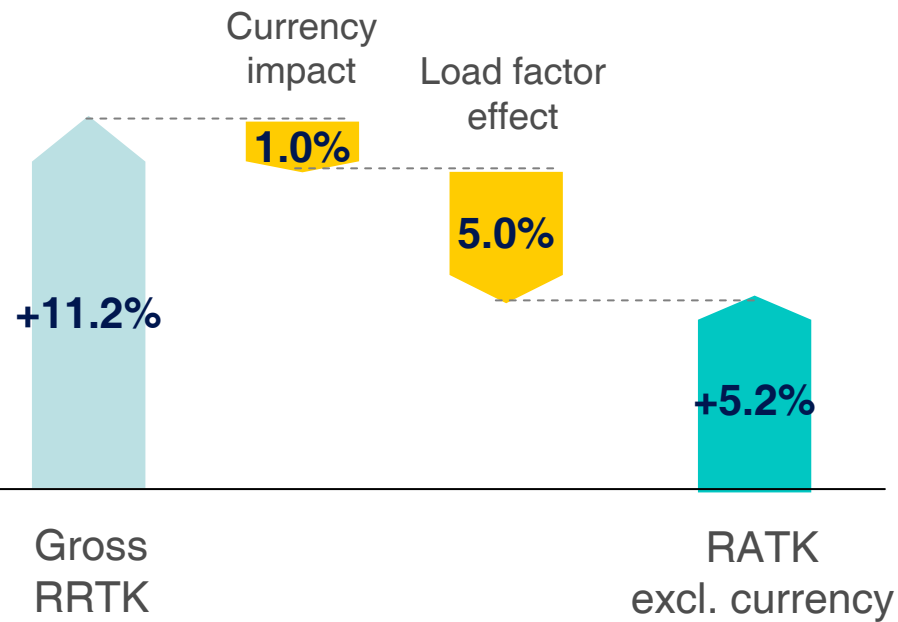


1st half

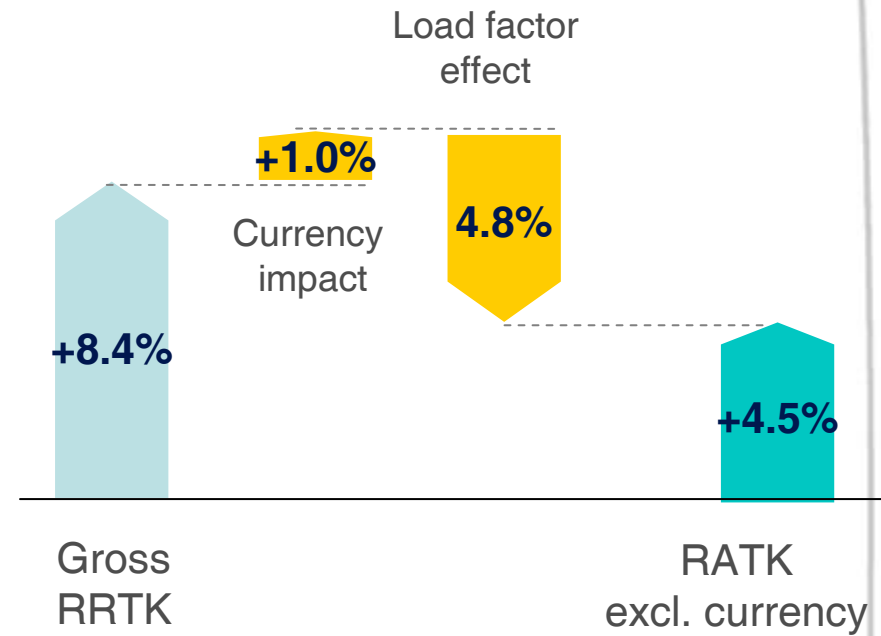


...compensated by a strong rise in yield

2nd quarter



1st half



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A significant increase in results

Philippe Calavia



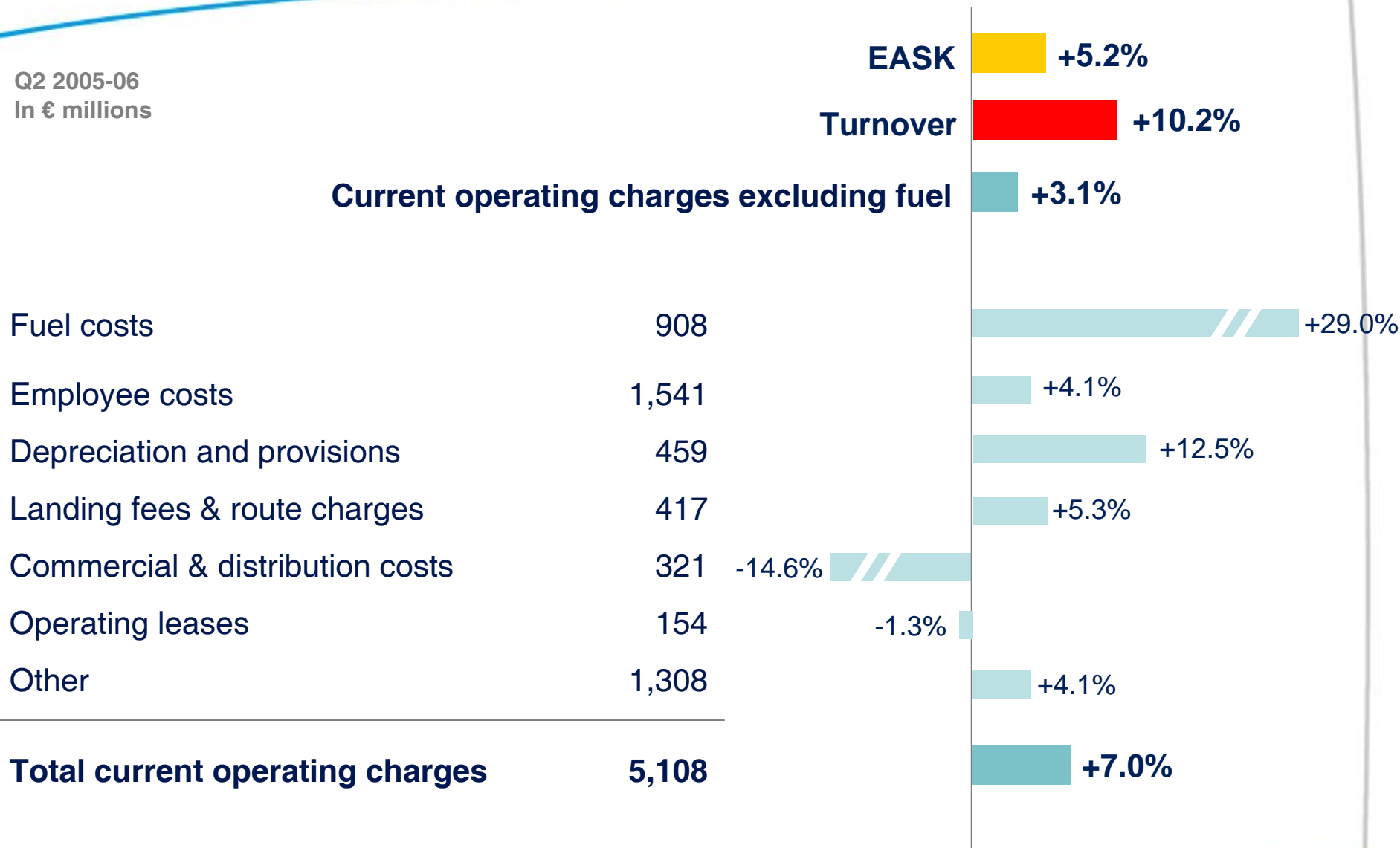
Sharp increase in Q2 results

In € millions	30 Sep 2005	30 Sep 2004 pro forma	change
Turnover	5,636	5,116	+10.2%
Current operating charges	(5,108)	(4,777)	+7.0%
Operating income	528	339	+55.8%
<i>Operating margin</i>	<i>9.4%</i>	<i>6.6%</i>	<i>+2.8 pts</i>
<i>Adjusted operating margin*</i>	<i>10.3%</i>	<i>7.7%</i>	<i>+2.6 pts</i>
Other non-current income and charges	533	13	ns
Income from operating activities	1,061	352	ns
Net interest charge	(54)	(46)	
Income tax	(240)	(142)	
Net income, group share	717	195	ns

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

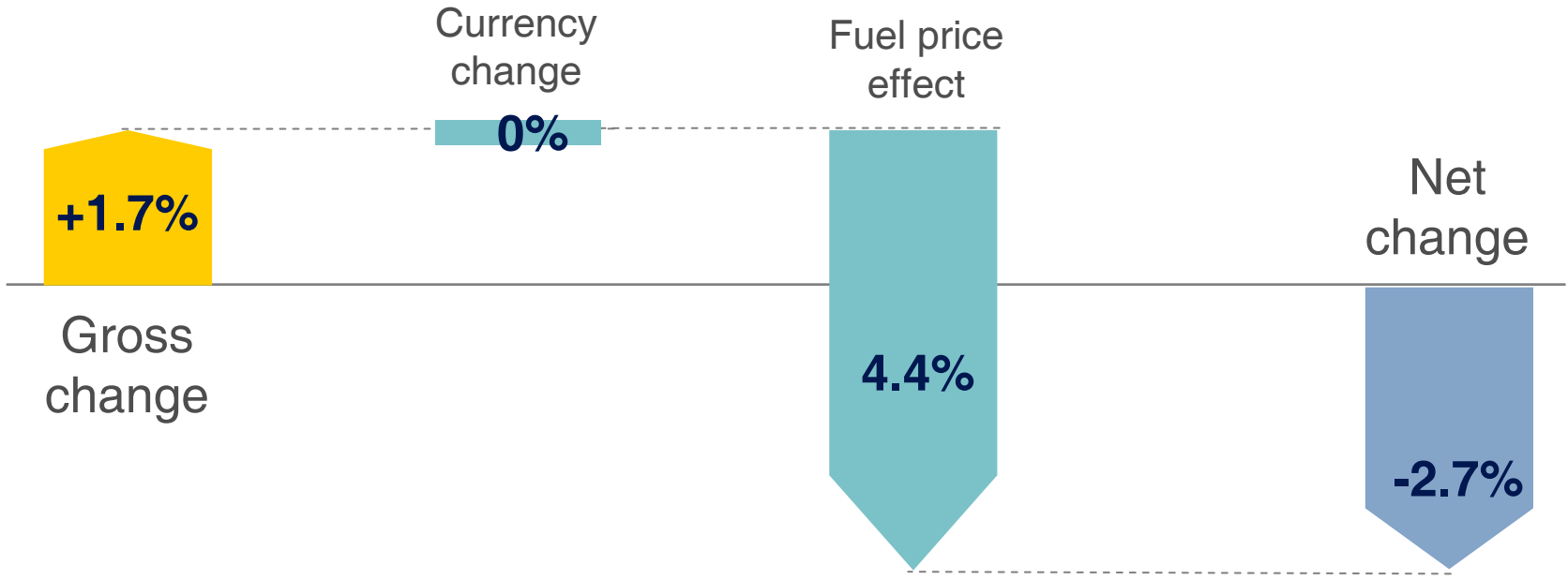
Containment of operating charges

Q2 2005-06
In € millions



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

Q2 2005-06
Unit costs per EASK: 6.02 € cts



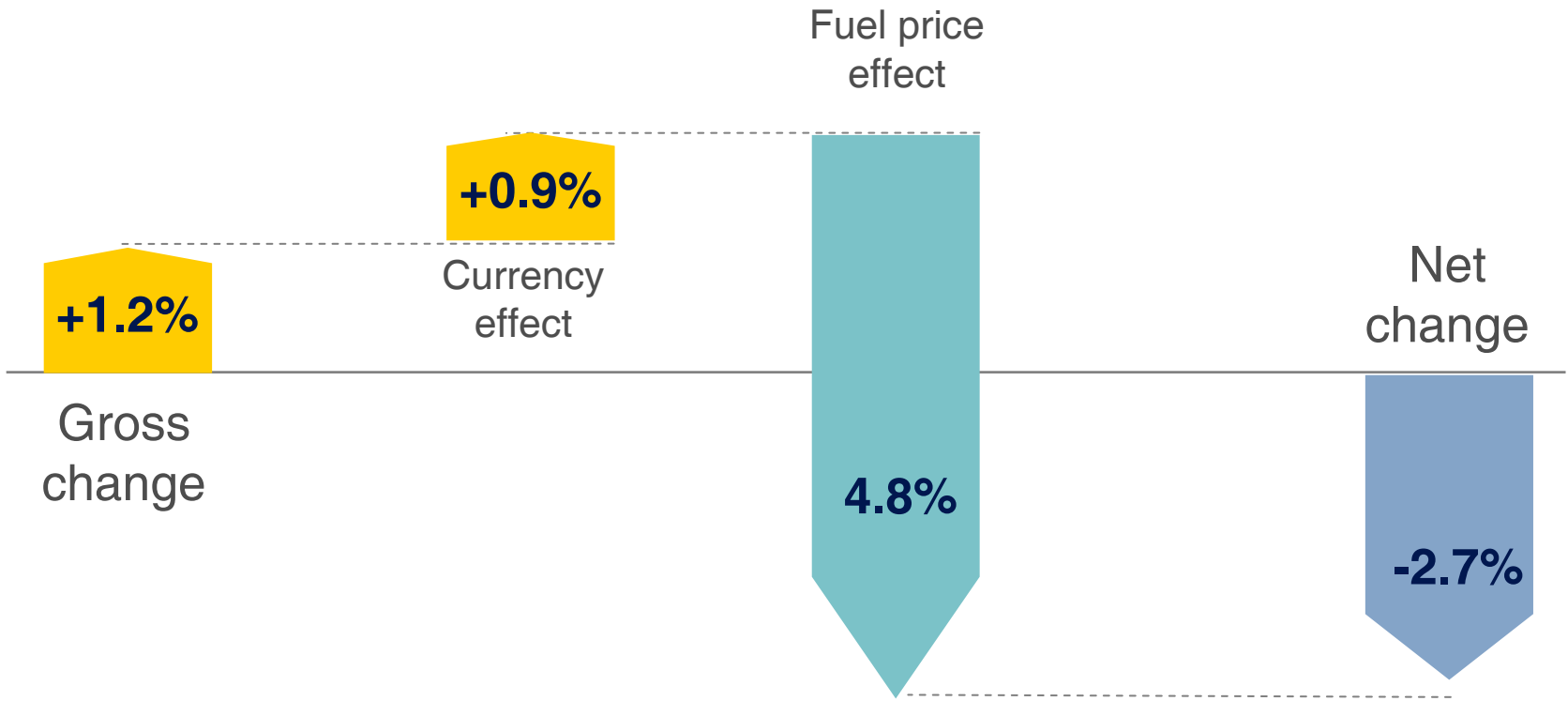
Strong performance in H1

In € millions

	30 Sep 2005	30 Sep 2004 pro forma	change
Turnover	10,822	10,026	+7.9%
Current operating charges	(10,072)	(9,514)	+5.9%
Operating income	750	512	+46.5%
<i>Operating margin</i>	6.9%	5.1%	+1.8 pts
<i>Adjusted operating margin*</i>	7.9%	6.1%	+1.8 pts
Income from operating activities	1 289	976	+32.1%
Net interest charge	(114)	(111)	
Income tax	(292)	(181)	
Net income, group share	829	708	+17.1%

Unit costs reduced on a constant currency and fuel cost basis

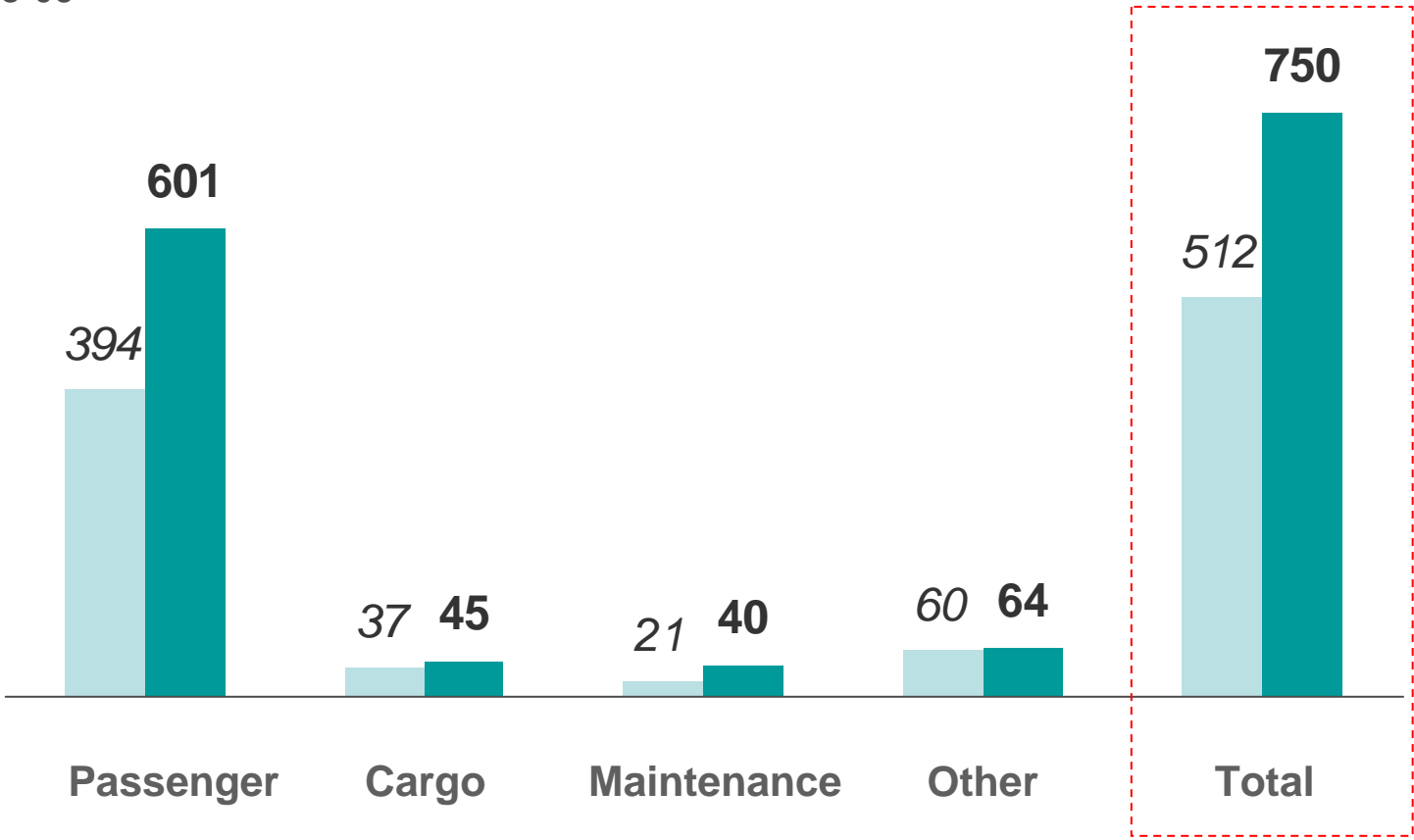
H1 2005-06
Unit costs per EASK: 6.09 € cts



Positive contribution from all the businesses

Operating income (in €m)

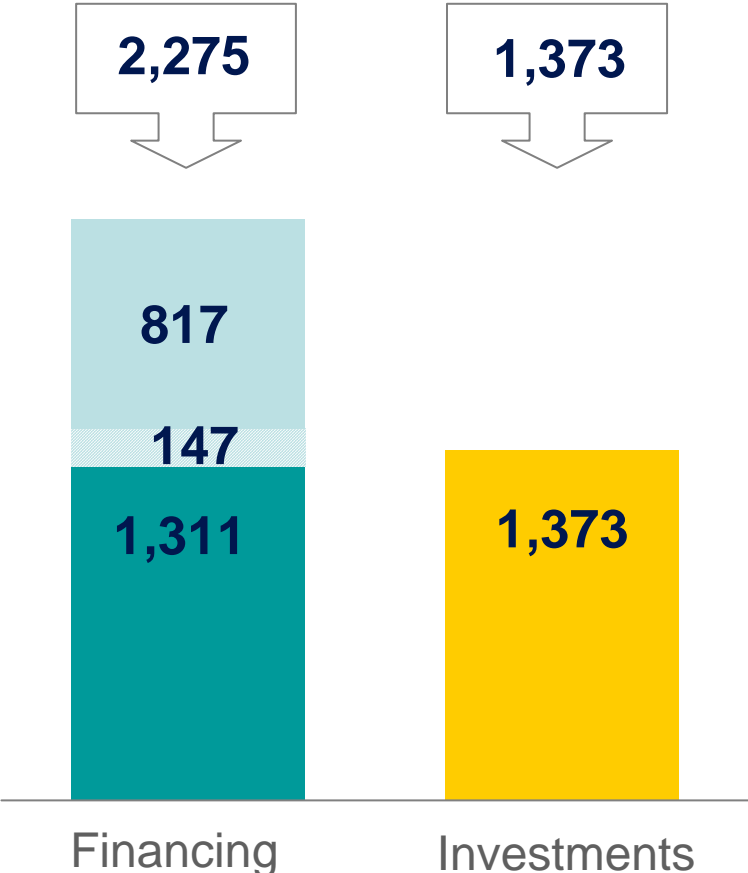
- H1 2004-05
- H1 2005-06



Investments self-financed

H1 2005-06

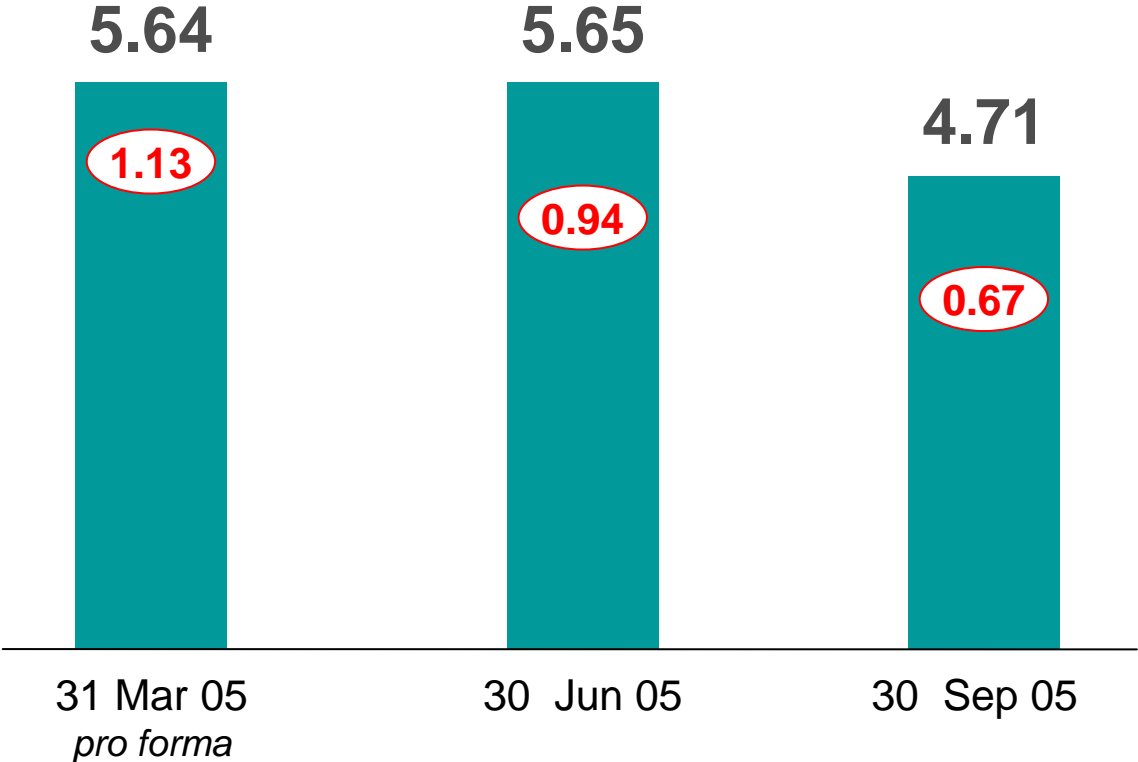
- Net cash from Amadeus
- Aircraft disposals
- Operating cash flow
- Tangible and intangible investments



Strong improvement in the financial structure

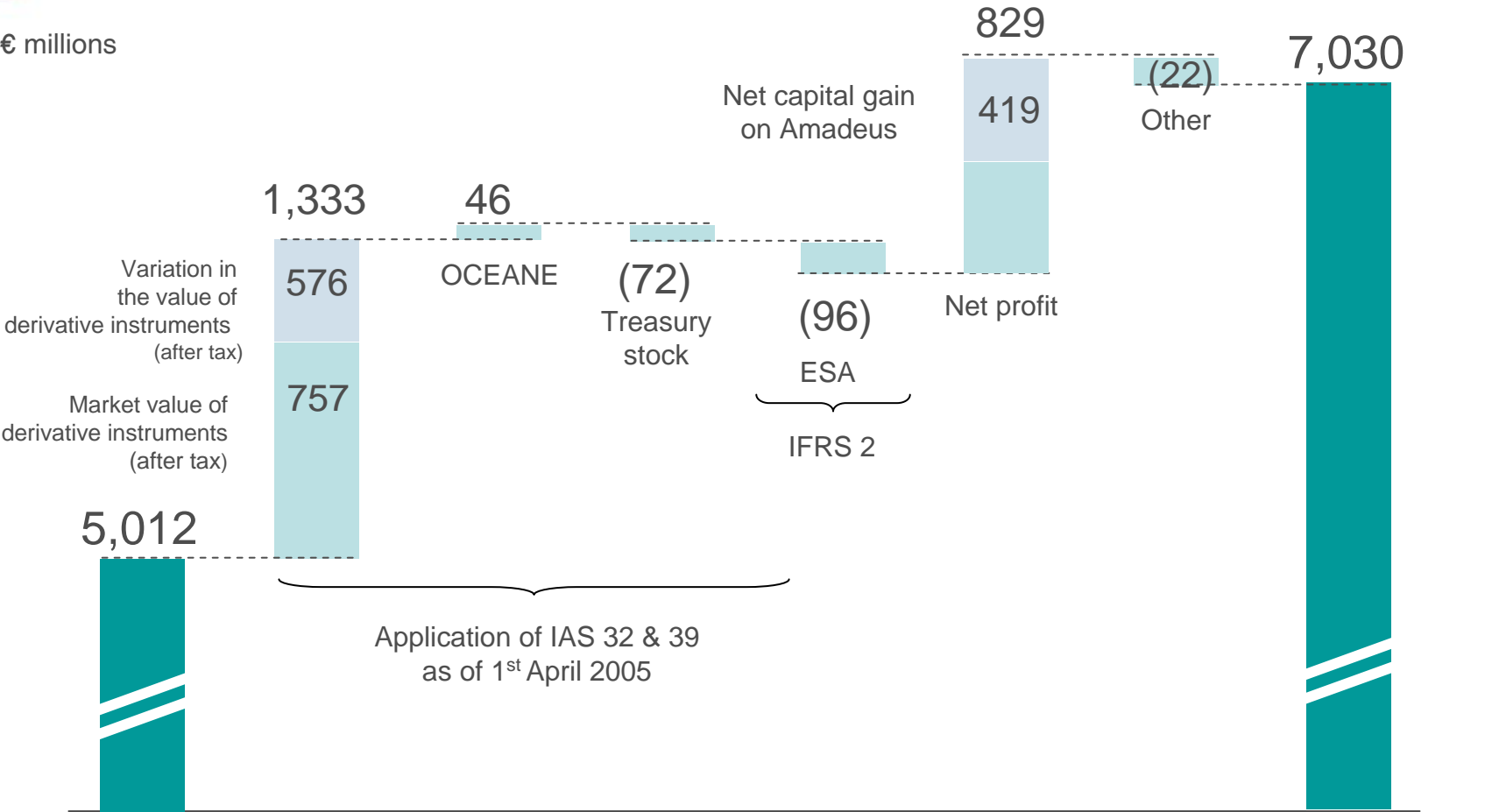
■ Net debt in €billions

⊗ Gearing ratio



Evolution of shareholders' equity

In € millions



Consolidated Equity as at 31 March 2005

Consolidated Equity as at 30 Sep 2005

AIR FRANCE KLM

Air France and KLM together: a competitive advantage for the long-term

Jean-Cyril Spinetta

Leo van Wijk



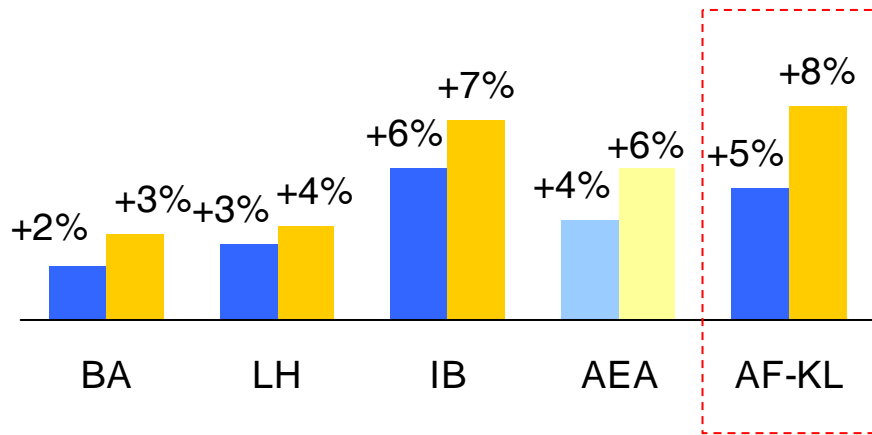
The Air France-KLM merger:

- ✦ A competitive advantage for the long term...
- ✦ ...underpinned by ongoing cost-control measures...
- ✦ ...and providing a strong foundation for our strategy of profitable growth

In a favourable environment, Air France-KLM has outperformed the sector

H1 2005-06

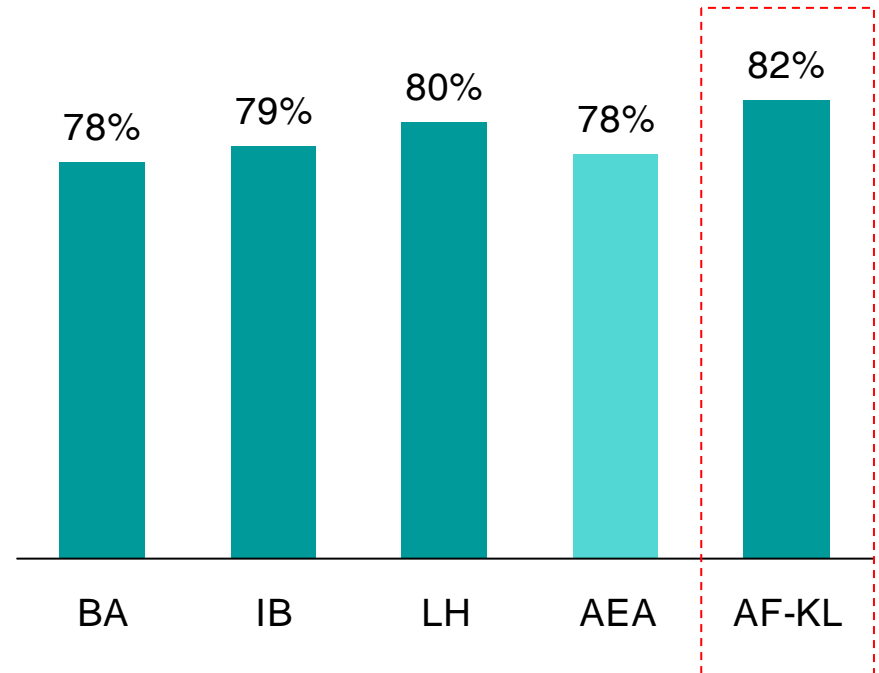
■ Capacity in ASK ■ Traffic in RPK



source: AEA

H1 2005-06

Load factor



source: AEA

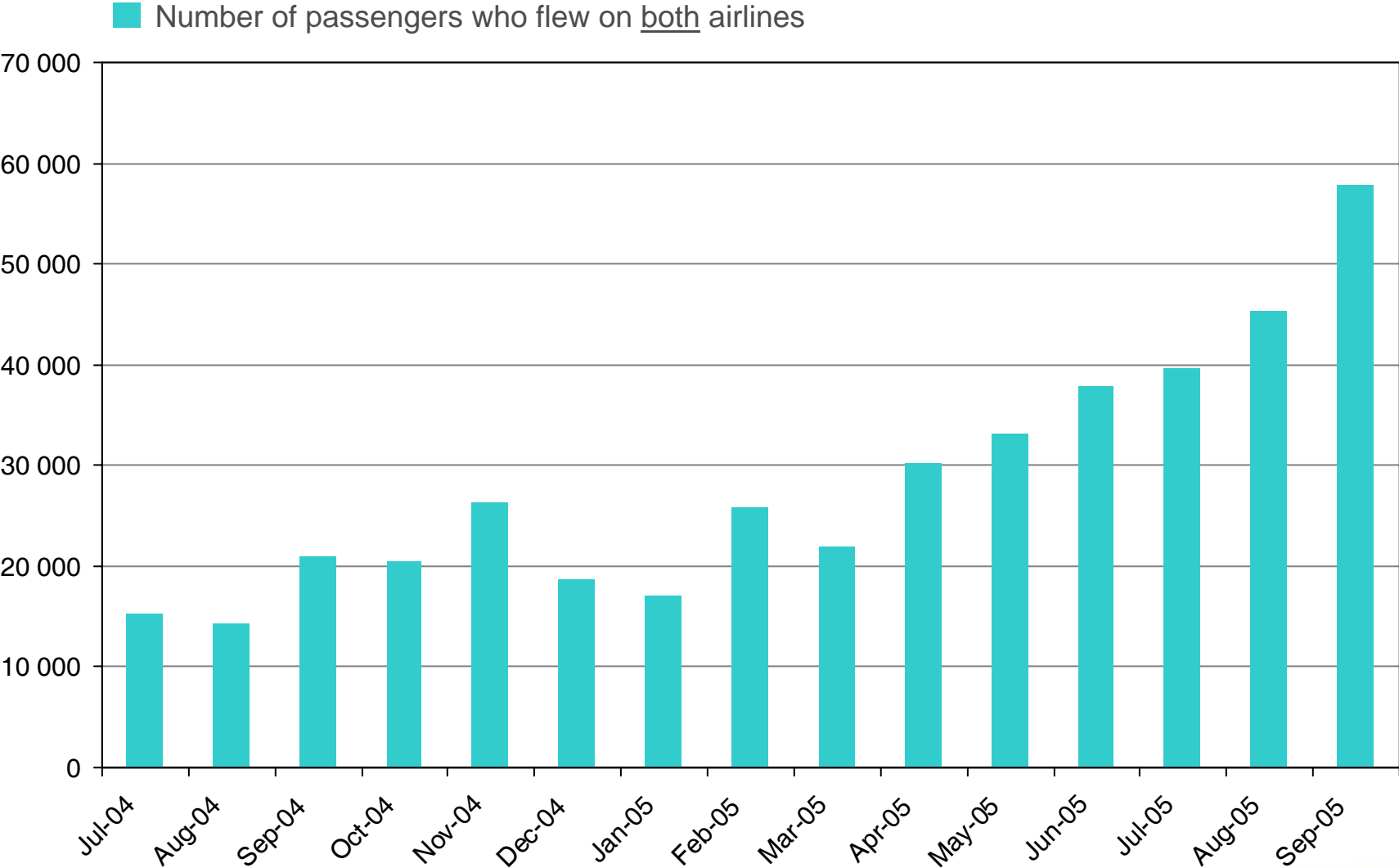
An unrivalled offer in terms of destinations, schedule and fares...

- ✦ A complementary network...
- ✦ ...with an enlarged offer in terms of schedule
 - ▶ New York: 11 daily flights
 - ▶ Washington: 4 daily flights
 - ▶ Montreal: 4 daily flights
 - ▶ Sao Paulo: 2 daily flights
 - ▶ Tokyo: 4 daily flights
 - ▶ Beijing: up to 4 daily flights
 - ▶ Dubai: up to 3 daily flights
 - ▶ Johannesburg: 2 daily flights
- ✦ ...thanks to fare combination

...and efficient commercial coordination

- ✦ Home markets → Single organization
- ✦ Complementary markets → Single organization
- ✦ Co-ordinated markets → Co-ordination
 - ▶ Common offices and GSA in 47 local delegations
 - ▶ Common ticket counters in 23 airports
 - ▶ Joint handling contracts in 65 stations
 - ▶ Joint catering contracts 20 stations
- ✦ Test markets → Single management
 - ▶ Example of Brazil
 - ▶ 41% increase in revenue (excl. currency effect) in 1st half
 - ▶ 14% improvement in sales costs (excl. currency effect)

Fare combination optimizes the dual-hub strategy



Flying Blue: consolidation of our network and customer base

- ✦ June 2005: Launch of the joint Air France-KLM frequent flyer programme (10 million members)
- ✦ October 2005: An additional 505,000 members

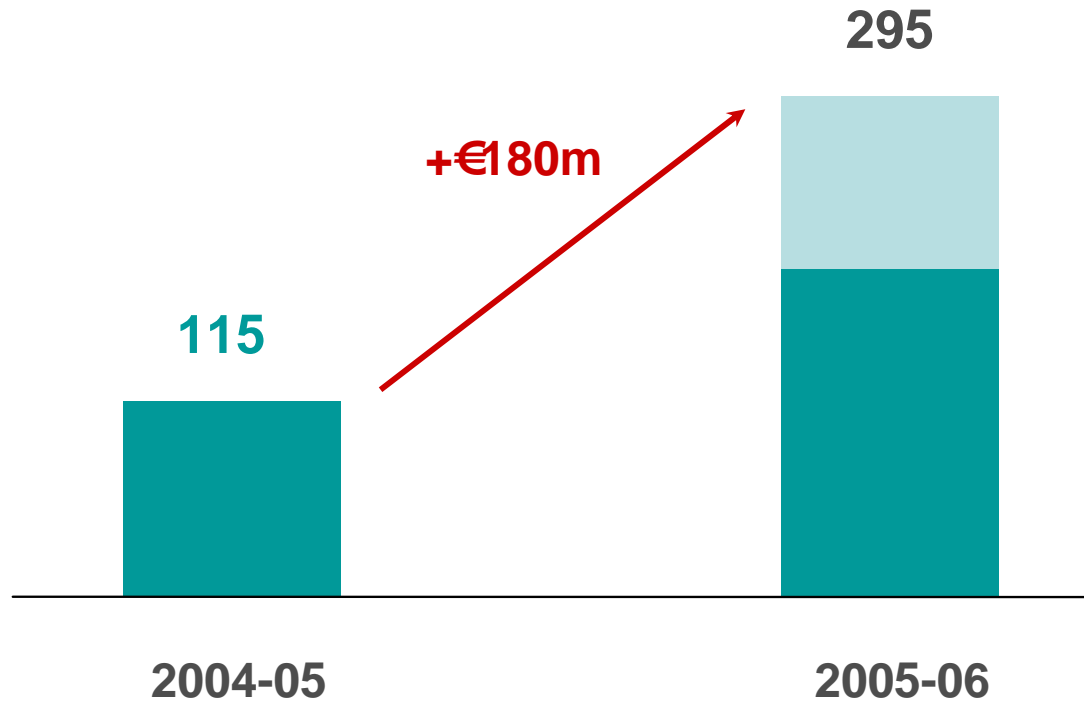


€35m estimated additional revenues as of 2005-06
€12m reduction in costs as of 2006-07

A marked acceleration in synergies in the second year...

In € millions

- Synergies generated at 30th September 2005
- Forecasts

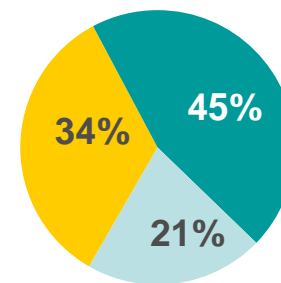
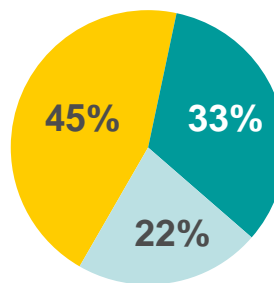


...with further scope in the coming years

In €m

	2005-06	→	2008-09
Network	59		97
Revenue management	112		180
Commercial	33		98
Cargo	27		50
Maintenance	25		76
IT	10		73
Other	29		36
Total synergies	295	→	610

- Revenues
- Costs
- Network

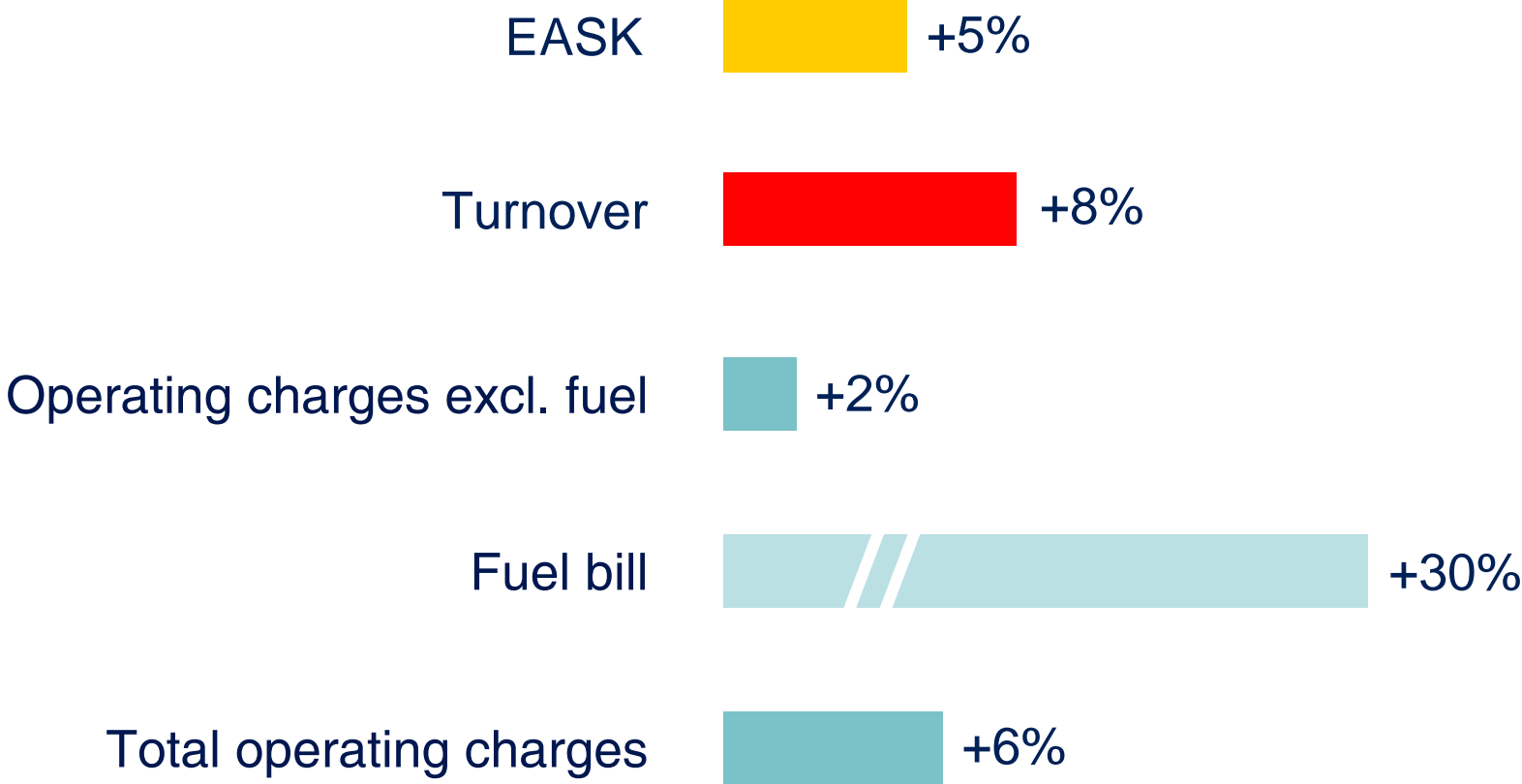


The Air France-KLM merger:

- ✦ A competitive advantage for the long-term...
- ✦ ...underpinned by ongoing cost-control measures...
- ✦ ...and providing a strong foundation for our strategy of profitable growth

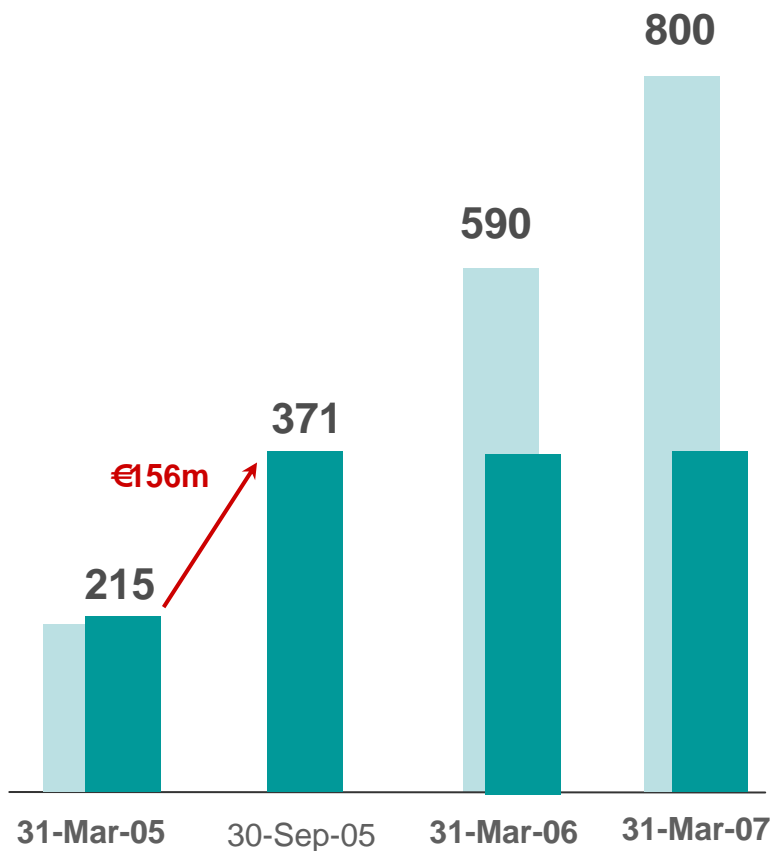
Cost containment measures...

1st half 2005-06

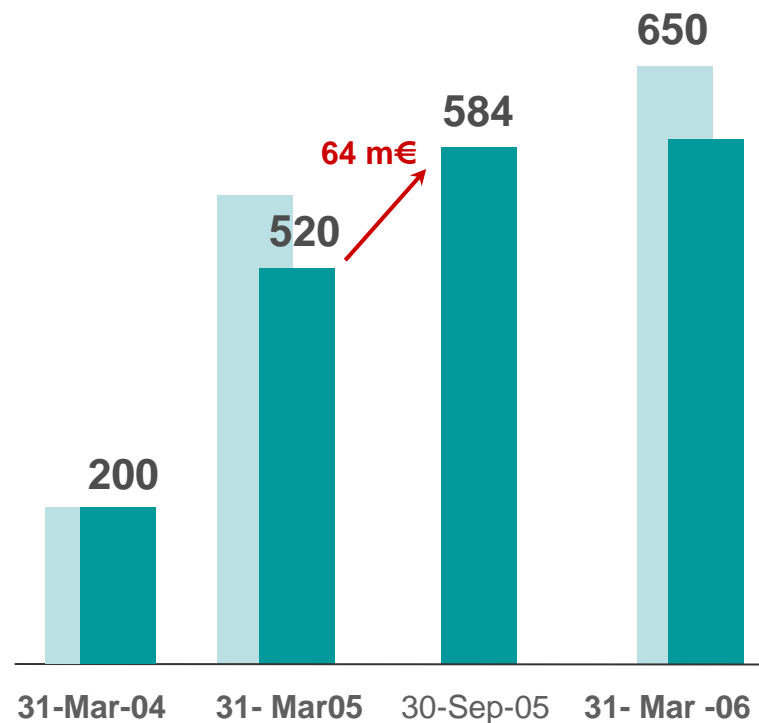


...will remain an ongoing priority...

Objective (in €m) Realized (in €m)



Air France cost savings plan

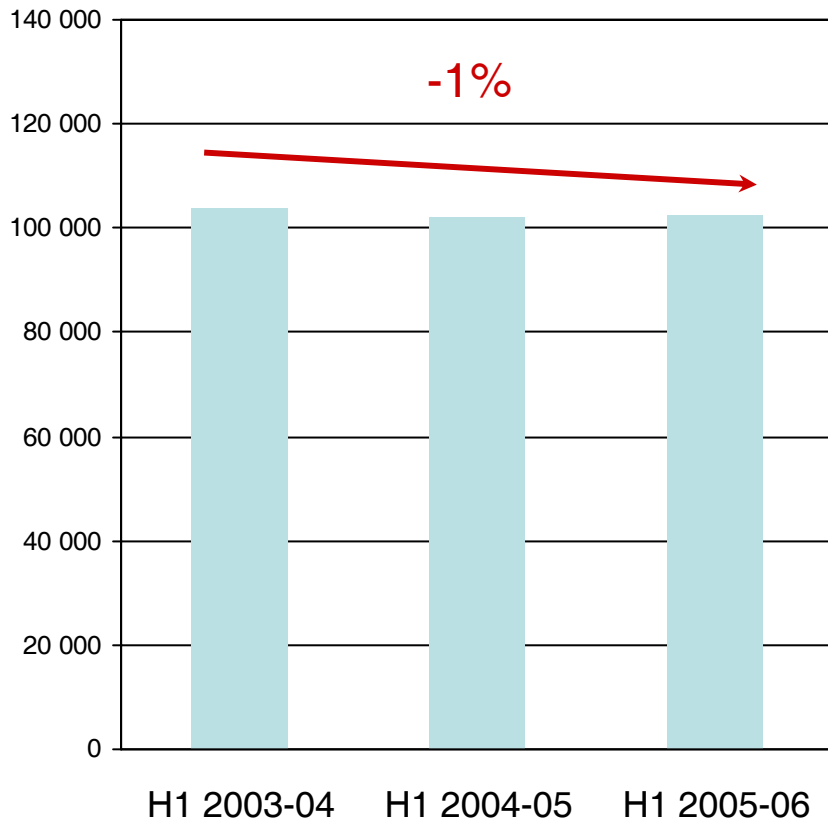


KLM cost savings plan*

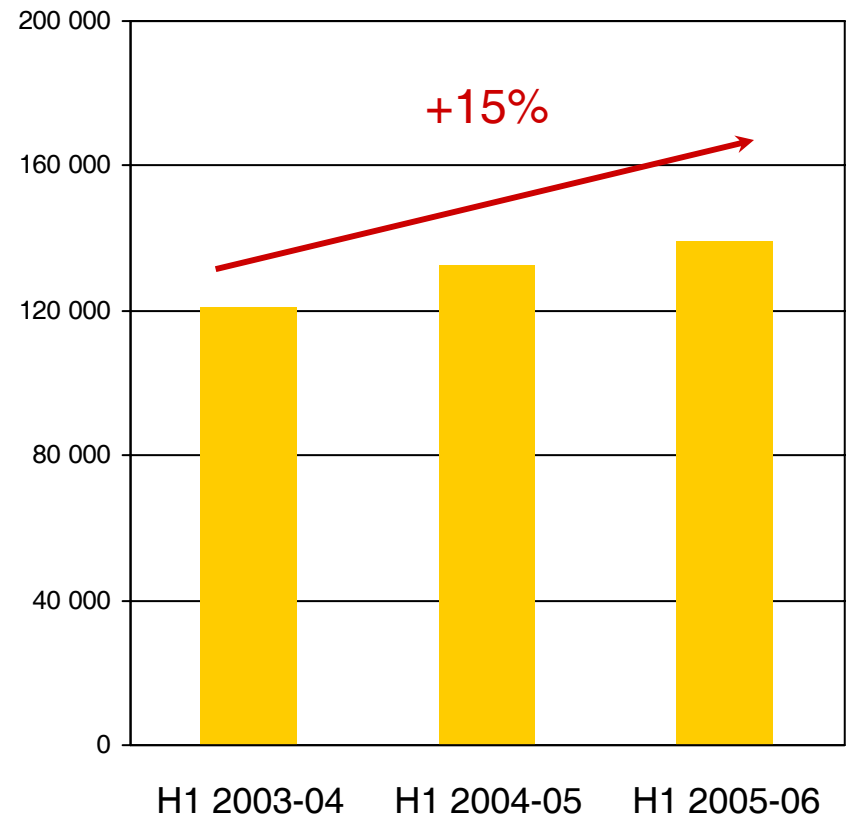
* excluding zero commission impact

...contributing to productivity gains

Headcount
in full time equivalent



Production
in EASK



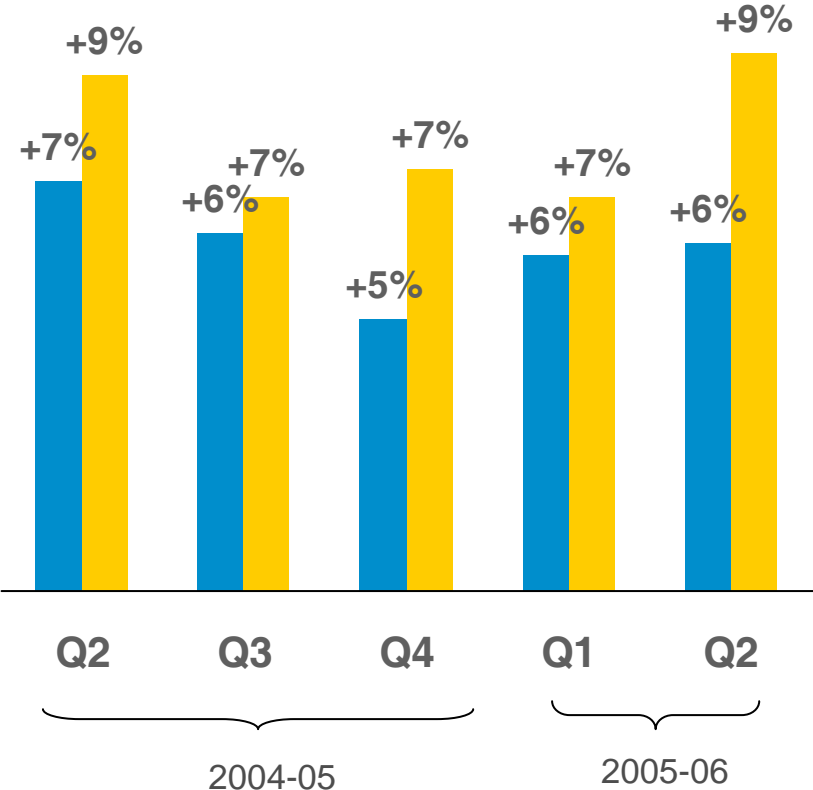
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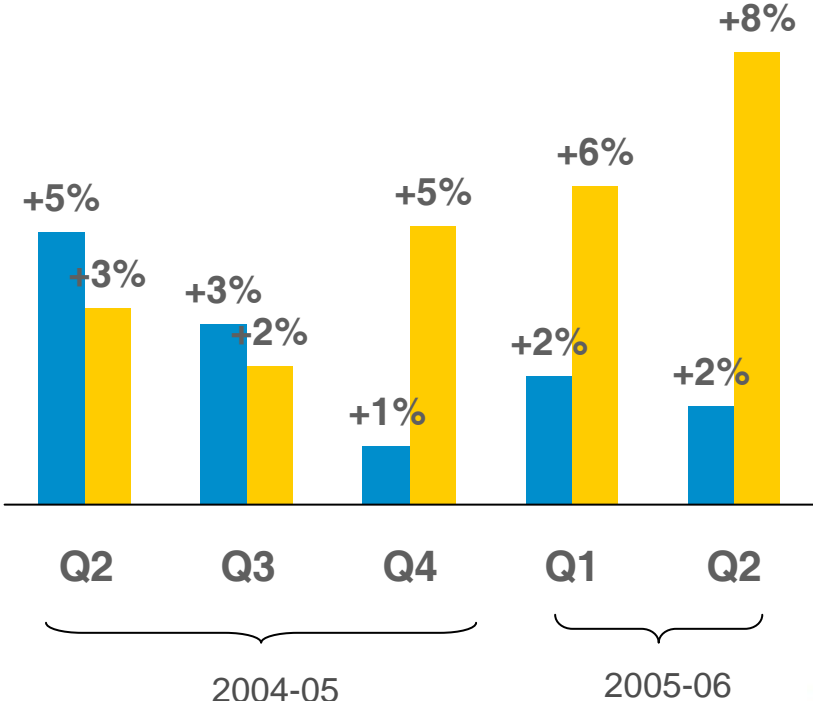
Capacity development focused on long-haul

■ Capacity in ASK ■ Traffic in RPK

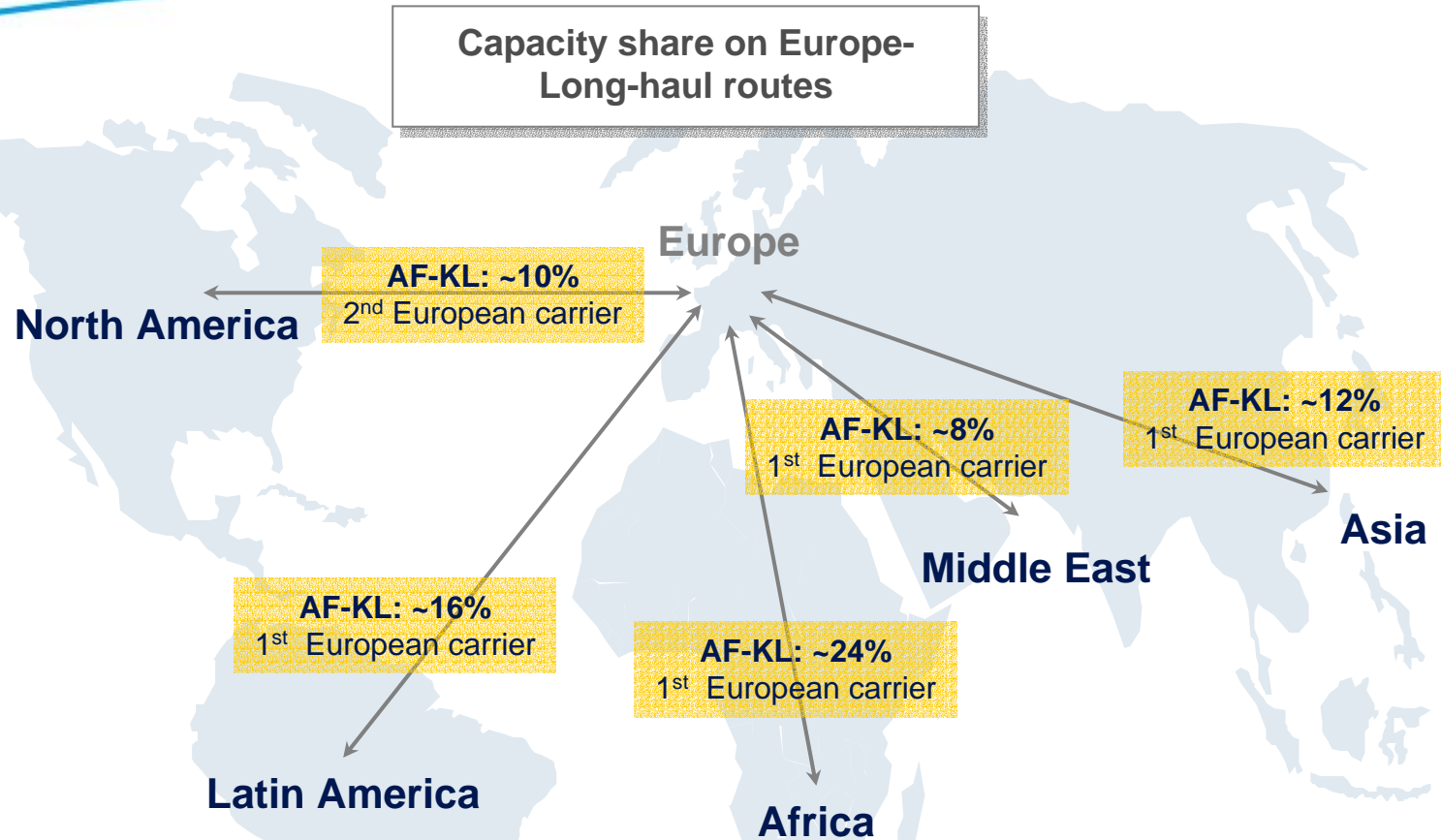
Long-haul network



Medium-haul network

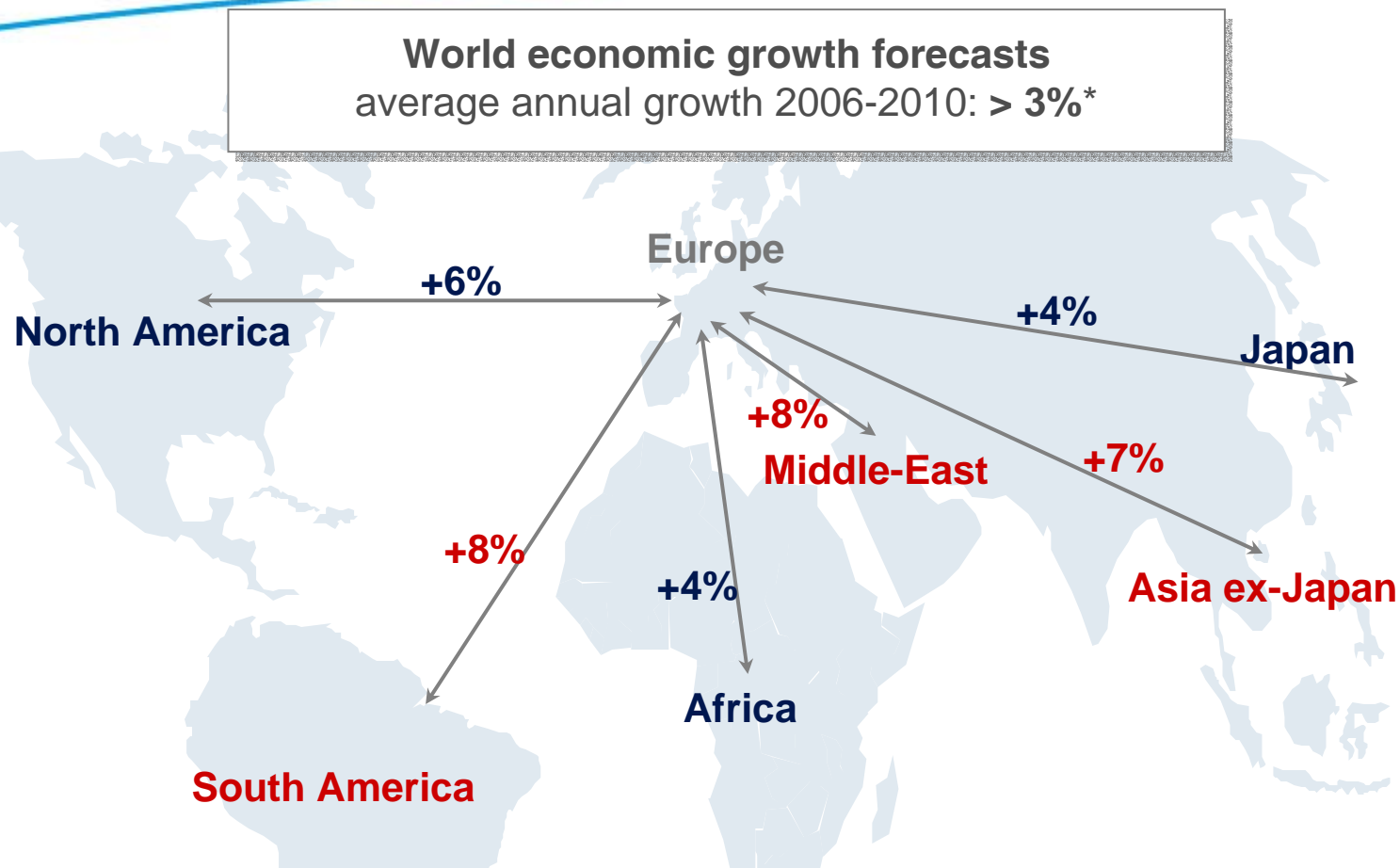


Air France-KLM: European leader on the main global markets ...



Source: OAG data week 37 (Summer 2005) – non stop operating flights

...with strong potential...



* Air France-KLM estimates based on Global Insights GDP forecasts

..and no over-capacity

Capacity on European/long-haul routes (2006-2010)

European carriers
+4-5% per annum

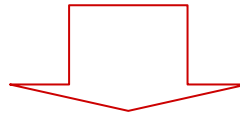
International carriers
+6-7% per annum

Total Europe/long-haul sector
+6% per annum

Air France-KLM: capacity growth matching demand...

Air France-KLM
average annual growth 2006-10

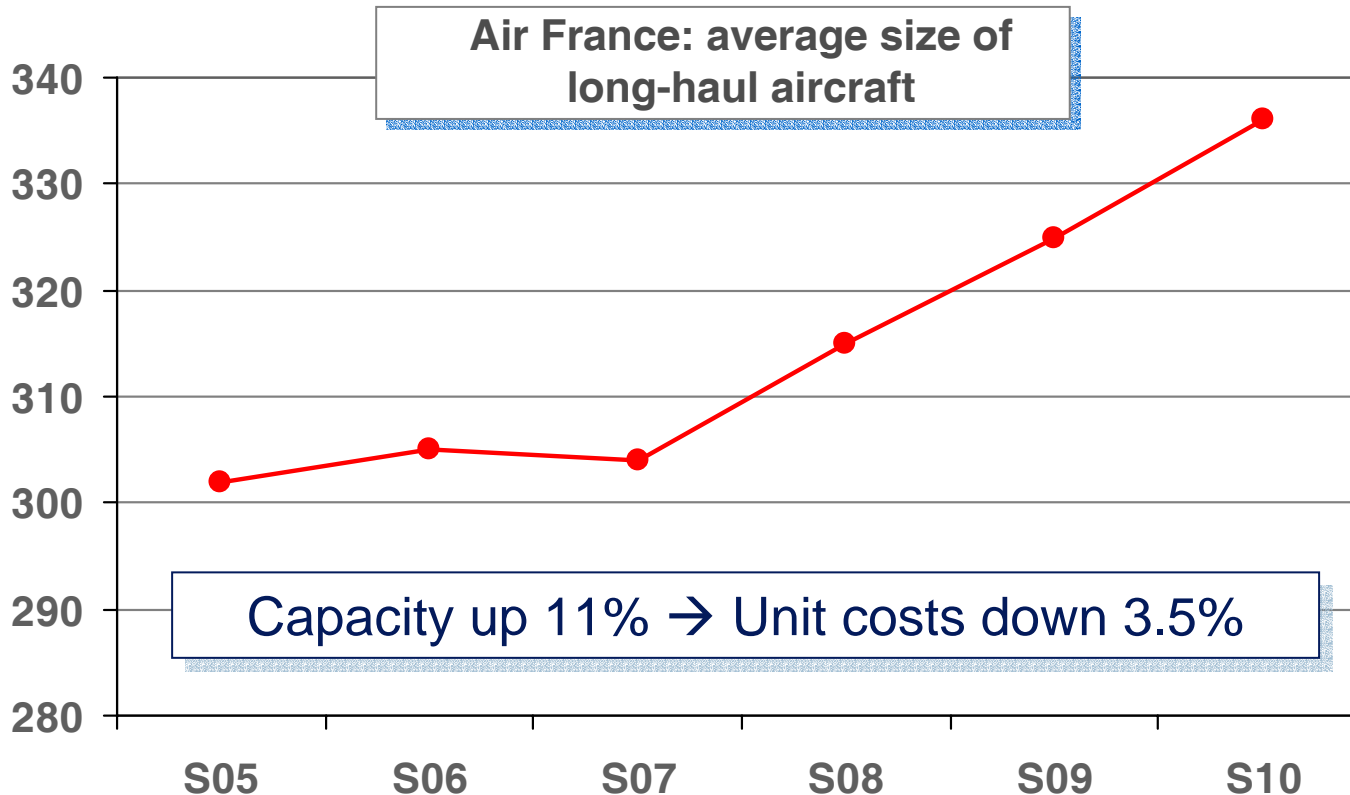
Long-haul +5%	Medium-haul +2-3%	Total +4-5%
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- + Our development is clearly focused on high-growth markets offering the potential for increased margins
 - ▶ Asia
 - ▶ Latin America
 - ▶ Middle-East
 - ▶ Eastern Europe

...accompanied by a reduction in unit costs

- + In coming years, growth will come from **aircraft capacity** (A380 and B777-300) rather than from new frequencies...
- + ...driving **unit cost reduction**



Fleet modernization: Strong improvement in profitability

	Fuel savings
+ B777-300ERs will replace B747-300s on the AF network	26%
+ B737 Next Generation will replace B737-300s and 400s at KLM	8%
+ A380 fuel cost per seat vs. B747-400	15%
+ B777F will replace the B747-200F	31%



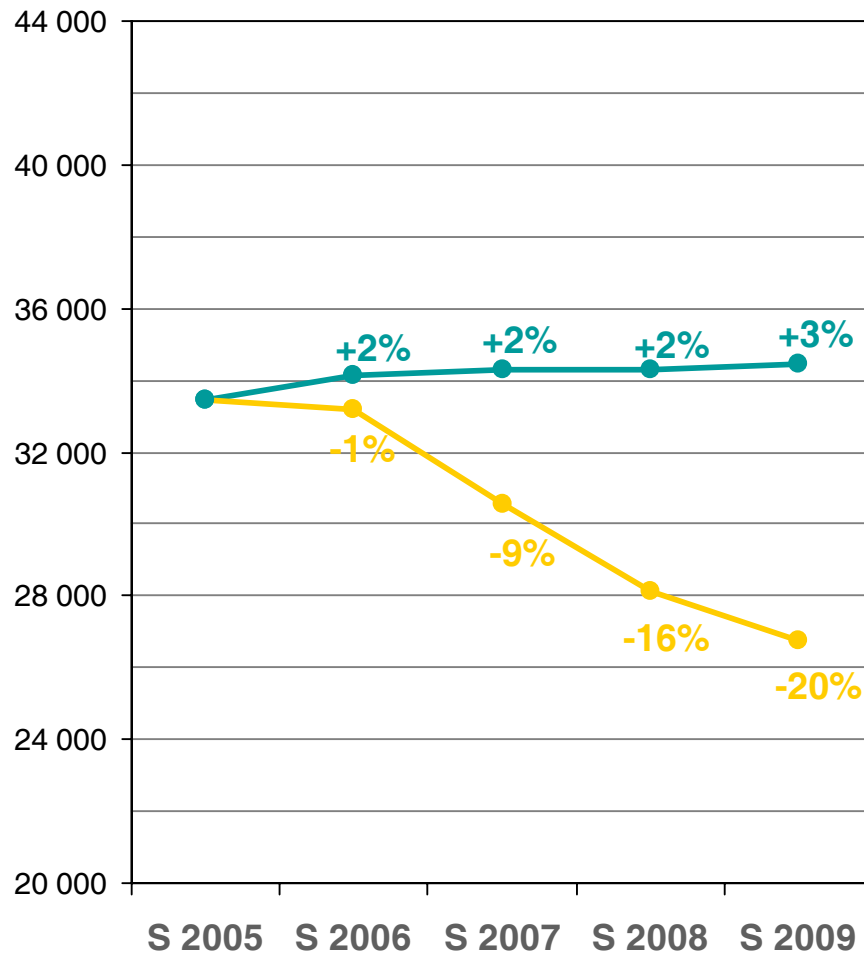
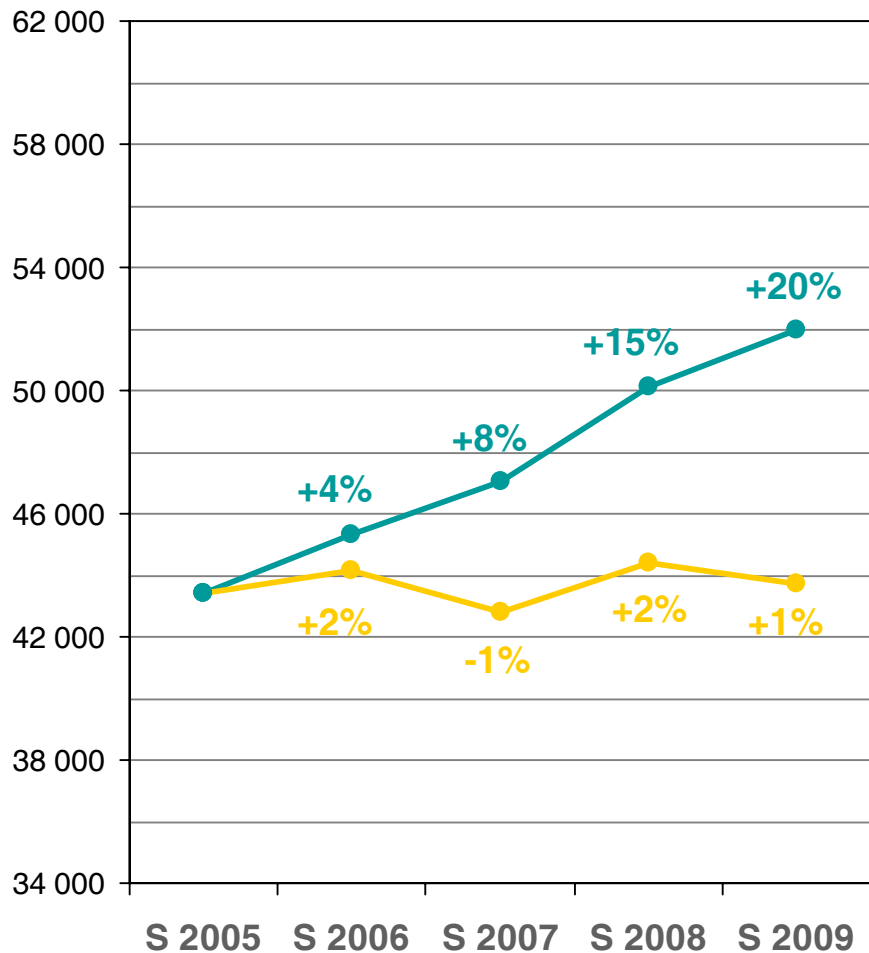
Annual fuel savings of \$50m as of Summer 2006
up to \$200m in Summer 2010

A flexible growth strategy

Long-haul fleet
(in number of seats)

- 5 year plan
- Flexibility to downscale

Medium-haul fleet
(in number of seats)



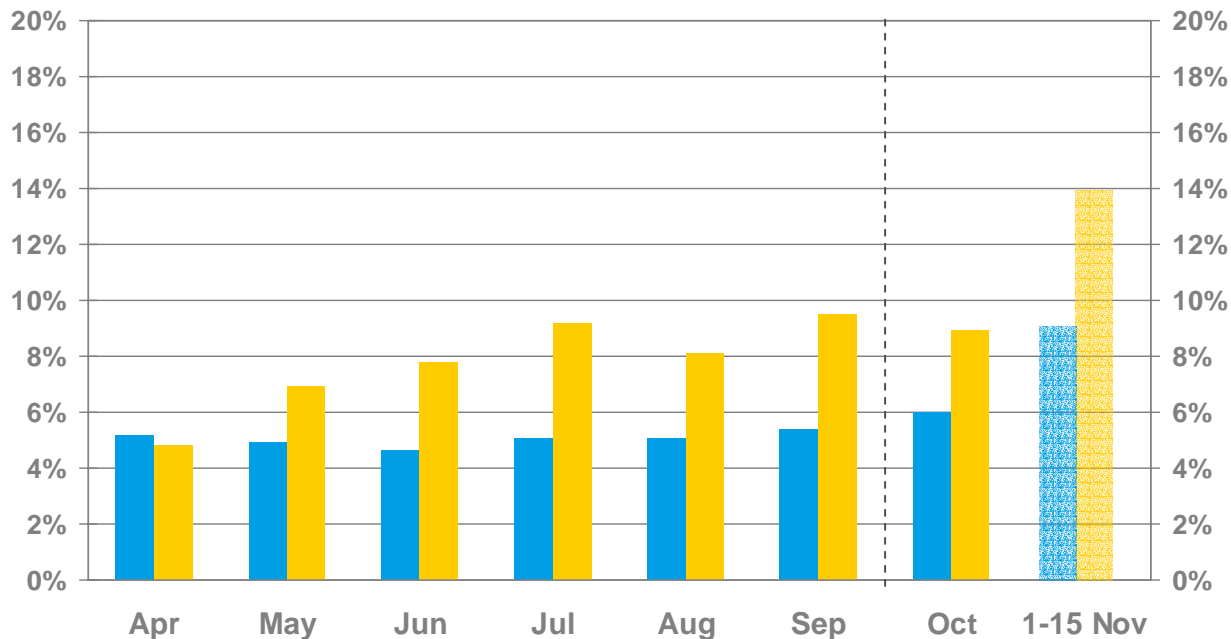
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Outlook for FY 2005-06



Activity in the second half

- ★ Planned capacity expansion of 7% for Winter 2005-06
 - ▶ Long-haul: +8%
 - ▶ Medium-haul: +2%
- ★ Traffic and advance bookings remain strong



Hedging policy remains efficient

- + 2005-06: 84% hedged at an average of \$38 per bbl
 - ▶ O/w 82% covered in H2 at an average of \$39
- + 2006-07: 61% hedged at an average of \$44 per bbl
- + 2007-08: 34% hedged at an average of \$47 per bbl

Objective for FY 2005-06

- ✦ Based on the current strength of traffic and the level of advance bookings...
- ✦ ...our objective is of a clearly positive operating profit in the second half...
- ✦ ...coming on top of our strong performance in the first half

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Annexes



Amadeus

In €m

**Cash impact
in 2005-06**

**Impact
on 2005-06 P&L**

Gross gain	1,022	1,022
Book value	-	(313)
Reinvestment	(205)	(205)
Net income before tax	817	504
Tax	-*	(85)
Net income after tax	817	419

* Taxes payable in 2006: €156m

Net debt calculation

in €m

	30 Sep 05	31 March 05
Current & non current financial debts	9,262	8,933
- Accrued interest not yet due	95	79
- Deposits on finance leased aircraft	963	900
+ Currency derivatives on debt	75	75
= Gross financial debt	8,279	8,030
Cash & cash equivalent	3,707	2,652
- Short term bank facilities	133	262
= Net cash	3,574	2,390
Net financial debt	4,705	5,640
Consolidated equity	7,030	5,012
Gearing ratio	0.67	1.13

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Annexes IFRS



Details of reclassifications and adjustments on the final 2004-05 pro forma operating income in IFRS

Operating income 2004-05 pro forma (<u>preliminary</u> published in July 2005)	534
Change of presentation of Amadeus France in "net income from discontinued operations"	-7
Reclassification of the income from rebate letter in "gain from disposals of flight equipment"	-33
Reclassification of compensation for slot swaps in "gains from disposals"	-18
Capitalization of maintenance hangars under finance-lease	+10
Other adjustments	-3
Operating income 2004-05 pro forma (<u>final</u>)	483

Reconciliation of 1st quarter 2004-05 pro forma P&L

1 st quarter 2004-05 pro forma in IFRS	Published	Reclassification pension provisions	Finalization of negative goodwill	Other reclassifications	Final
Operating revenues	4,917			-7	4,910
Other operating revenues	1				1
External expenses	(2,730)			+13	(2,717)
Salaries & related costs	(1,518)	-18		-1	(1,537)
Taxes other than income tax	(59)				(59)
Depreciation	(394)			-11	(405)
Operating provisions	(31)	+18		+5	(8)
Other income & charges	(11)			-1	(12)
Operating income	175			-2	173
Gain on disposal of flight equipment	3				3
Restructuring costs					
Gain on disposals of subsidiaries					
Amortization of negative goodwill	449		-25		424
Other non-current operating income & charges	23			+1	24
Income from operating activities	650		-25	-1	624
Net financial charge	(90)			+3	(87)
Net income (loss)	536		-25	+2	513

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, 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.

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.