

AIR FRANCE KLM

Third Quarter Results 2008-09

February 13th 2009



KLM



Key features

- ✦ Deepening of the economic crisis leading to:
 - ▶ Decline in premium class revenues in the passenger business
 - ▶ Sharp deterioration in cargo activity
- ✦ Negative impact of fuel hedges on results
- ✦ Strategic partnership with Alitalia and control of Martinair
- ✦ Strong liquidity position

Key data

	2008-09 Q3	2008-09 9 months
+ Revenues:	€5.97bn (-)	€18.96bn (+3%)
+ Operating income:	-€194m (nm)	€445m (-69.3%)
+ Adjusted operating margin:	-	3.2% (-5.5 pts)
+ Net income:	-€505m (nm)	-€309m (nm)
+ Net economic income* :	-€294m (nm)	€103m (nm)

* Net income restated for non-recurrent and non cash items linked to the mark-to-market of derivatives

AIR FRANCE KLM

Activity

Pierre-Henri Gourgeon

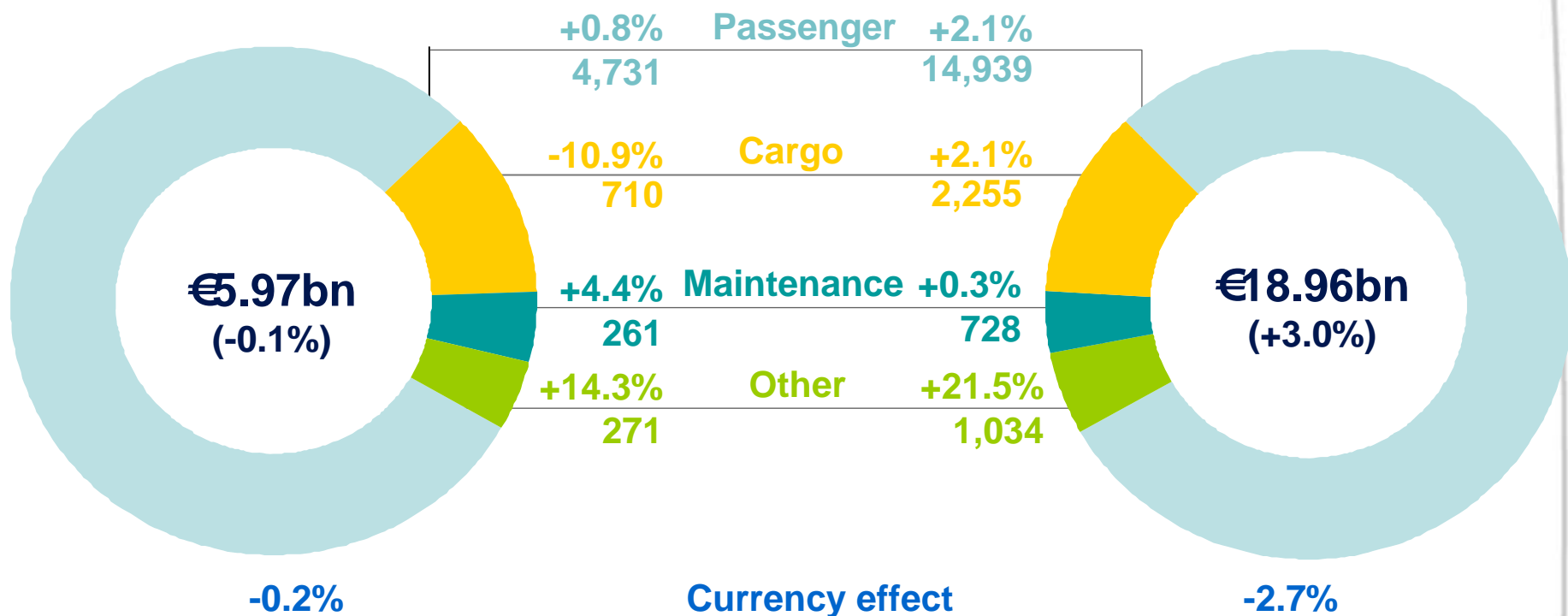
Chief Executive Officer



Breakdown of revenues

Third Quarter 2008-09
€ millions

Nine months 2008-09
€ millions



Passenger business

✦ Resilient load factors

- ▶ Early adaptation of capacity
- ▶ Better performance than the industry

✦ Contrasting performances on the different networks

- ▶ Long-haul: outperforming the sector thanks to our balanced network and efficient hubs
- ▶ Medium-haul: tough environment on the French domestic market

✦ Flattening unit revenues

- ▶ Decline in premium traffic only partly offset by more resilient economy class

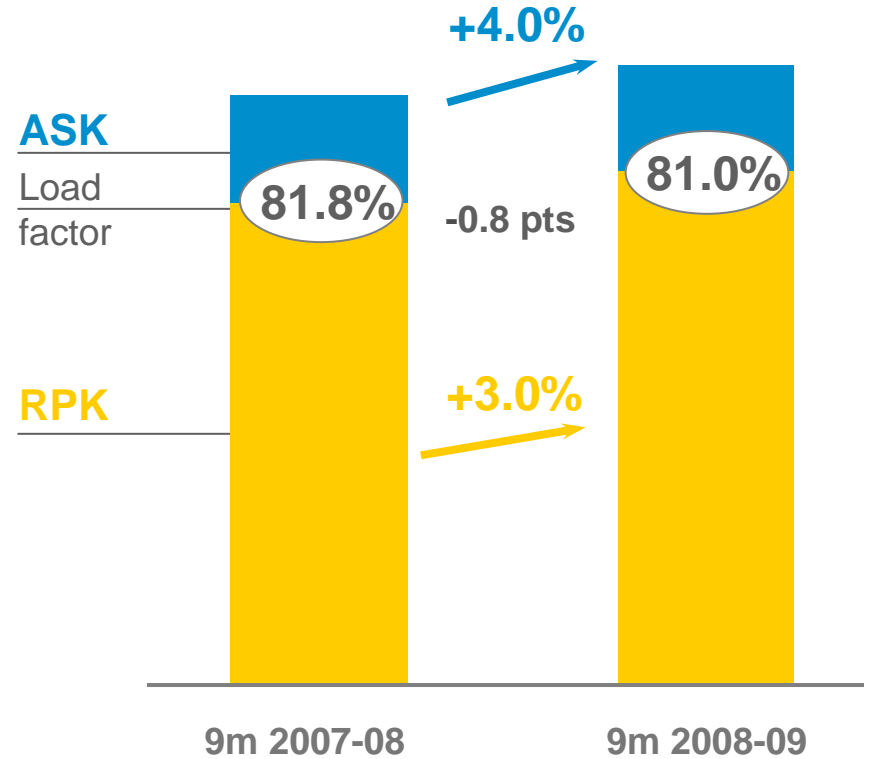
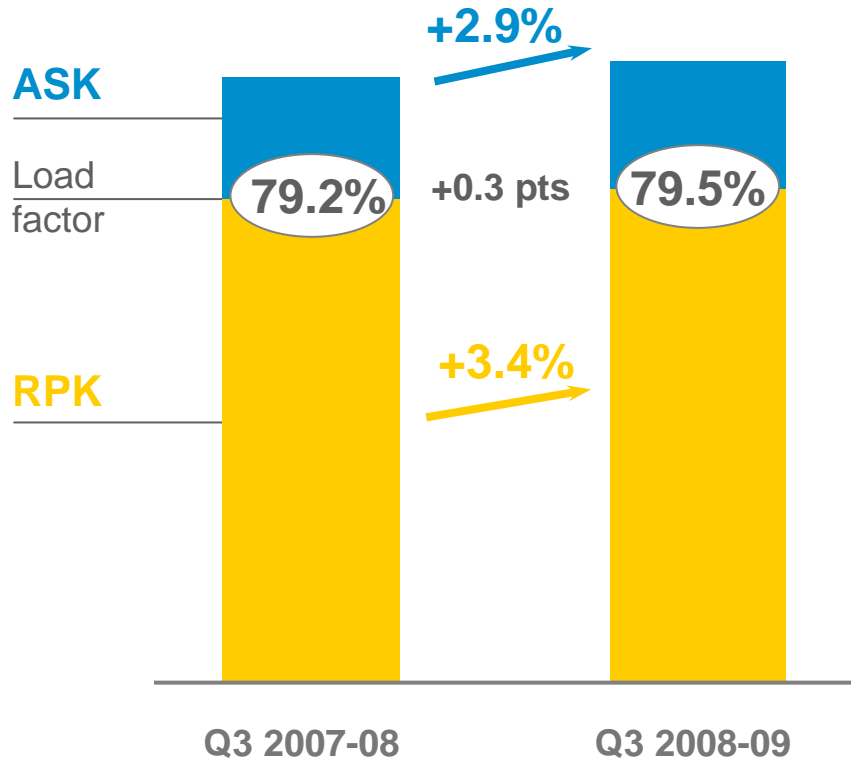
Resilient load factor in Q3

Third Quarter
incl. VLM

Nine months to Dec 31st
incl. VLM

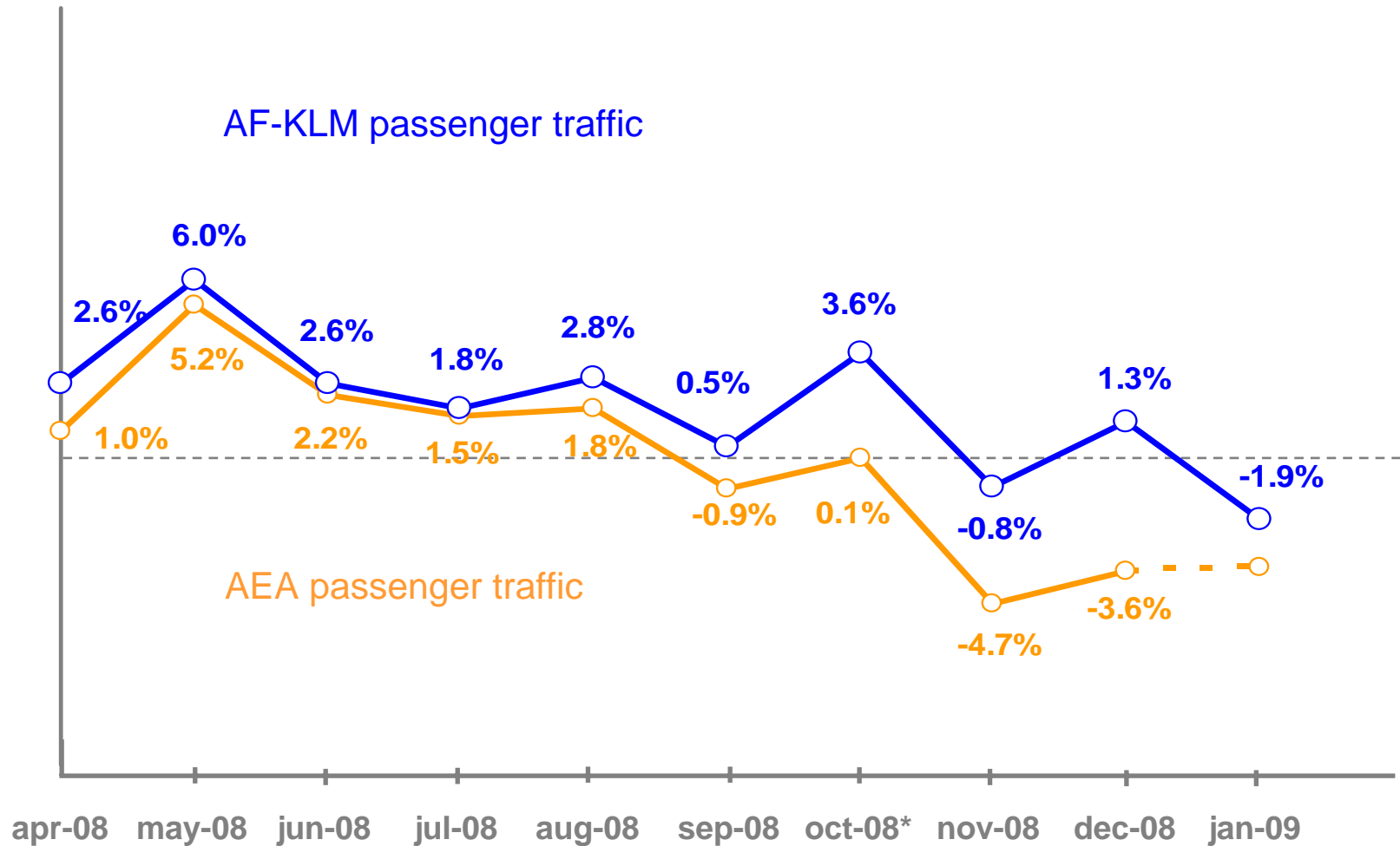
18.1 million passengers (+1.2%)

58.6 million passengers (+1.6%)



Air France-KLM outperforms the sector

RPK % ch y-o-y

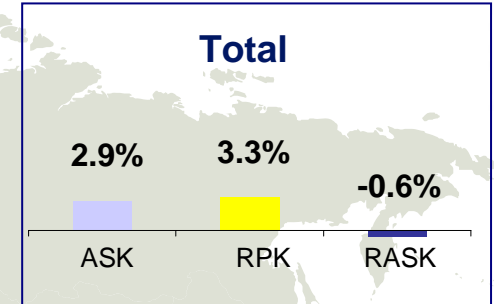
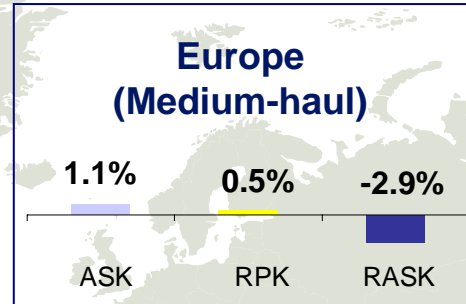
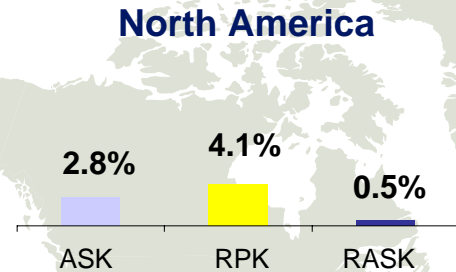


* AFKL data excludes impact of Air France strike of October 2007

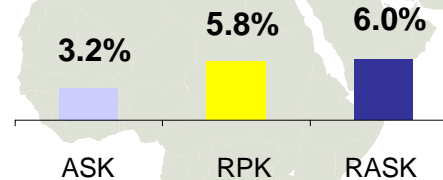
Performance underpinned by long-haul network

Q3 2008-09 (incl VLM)

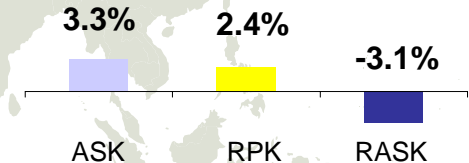
RASK excl. currency: 7.01 €cts



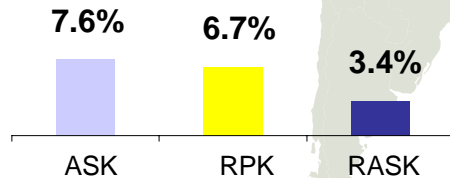
Africa & Middle East



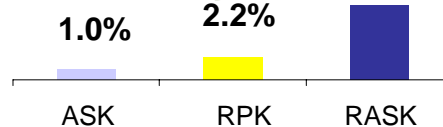
Asia



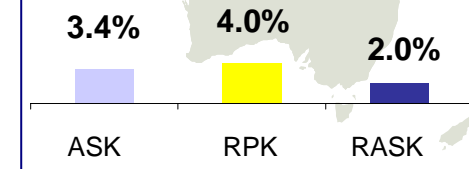
Latin America



Caribbean & Indian Ocean



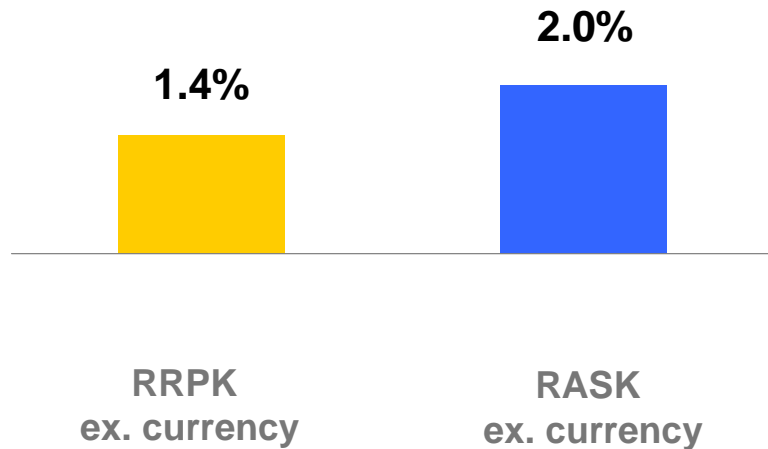
Total long-haul



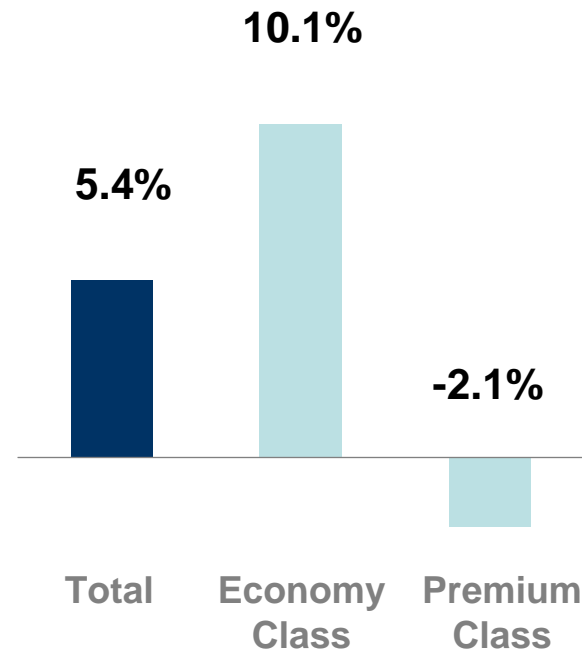
Long-haul unit revenues hold up despite less favourable mix

Q3 2008-09

Long-haul unit revenues

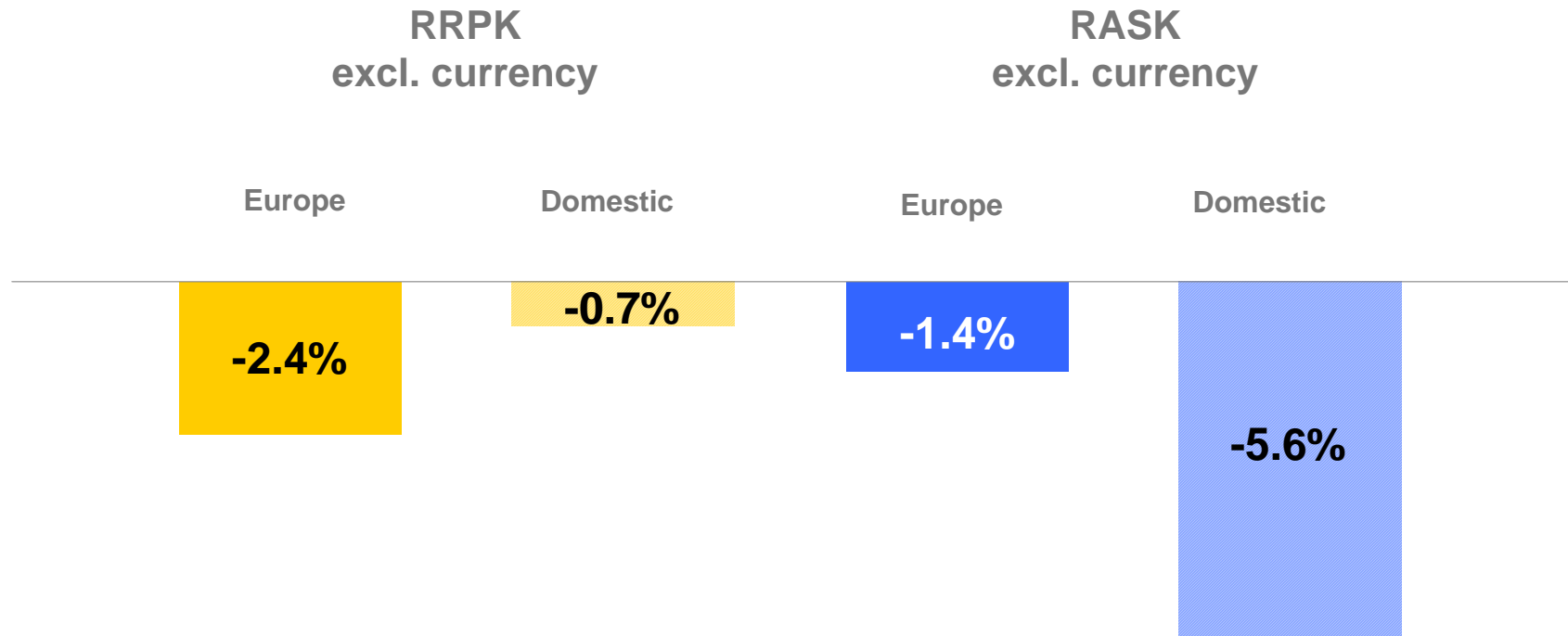


Long-haul revenues ex. currency



Medium haul network impacted by tough conditions in French market

Unit revenues
(Q3 2008-09)

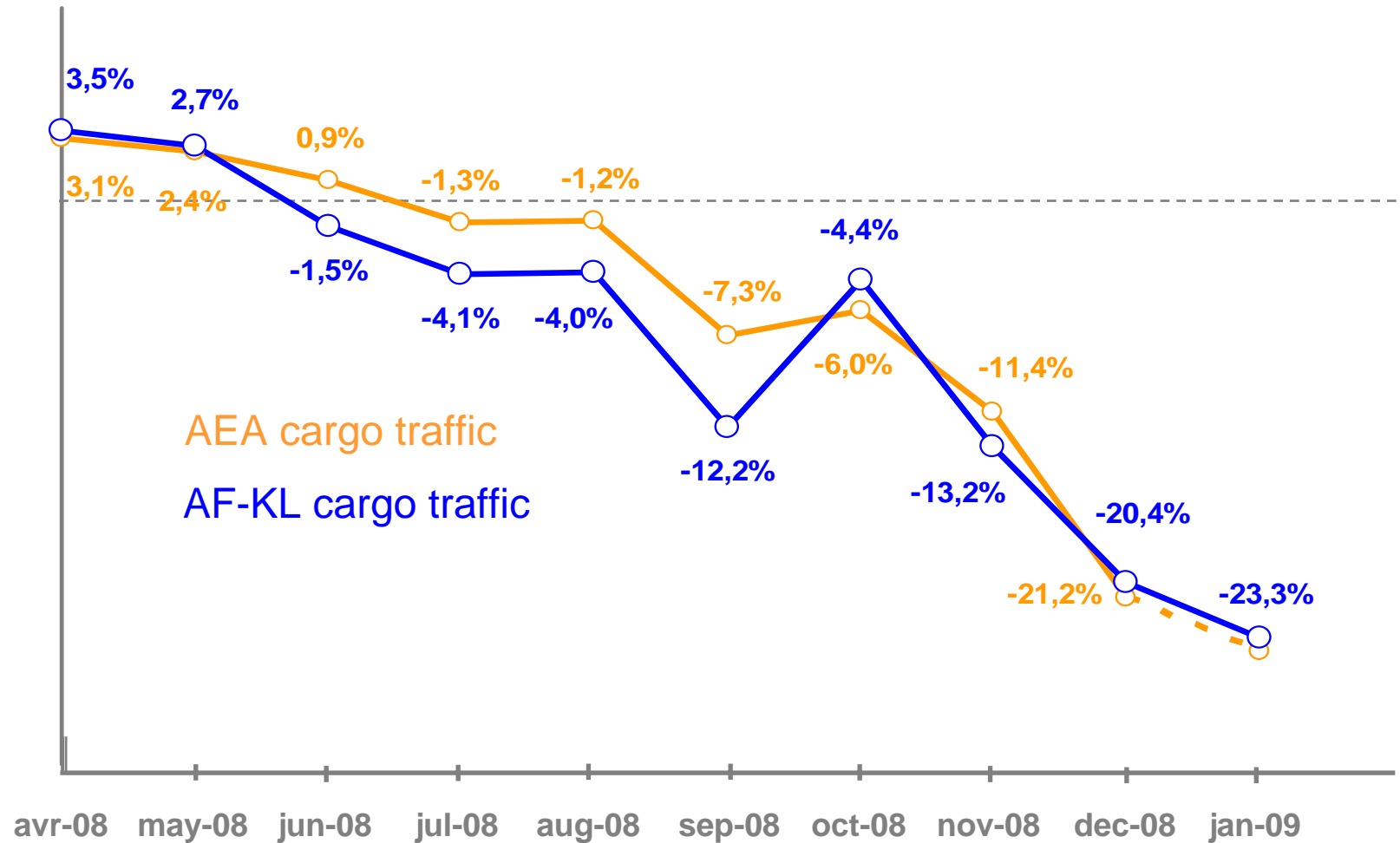


Cargo business

- ✦ Sharp deterioration in activity since September, in line with the sector as a whole
- ✦ Reduction in capacity
- ✦ Weakening revenues
 - ▶ Overcapacity in sea and air transport
 - ▶ Removal of fuel surcharges

Sharp decline in international flows weighs heavily on cargo industry

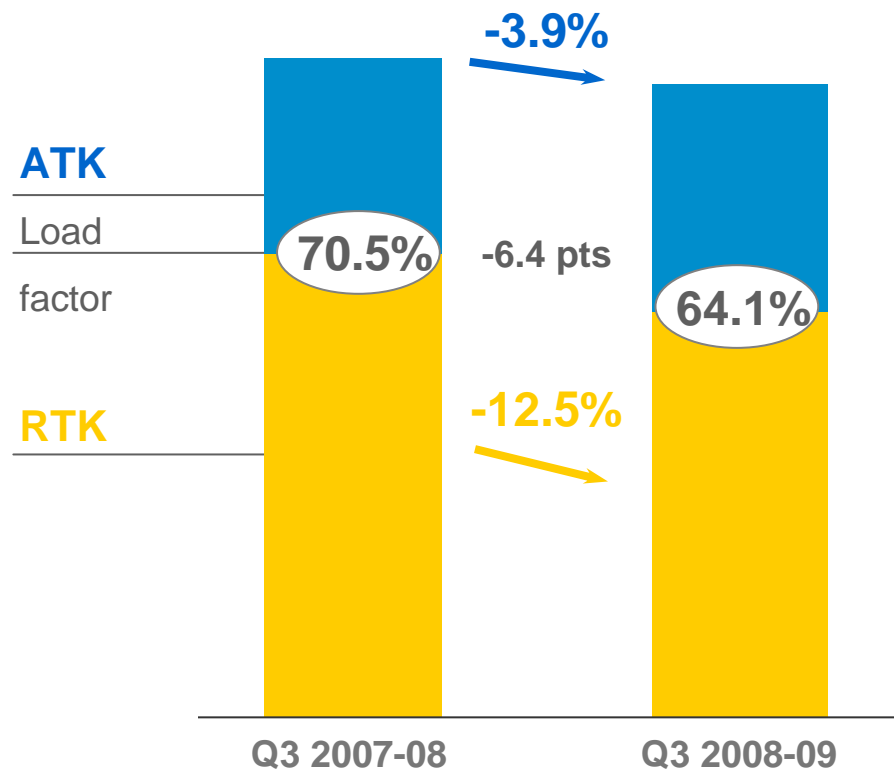
RTK % ch y-o-y



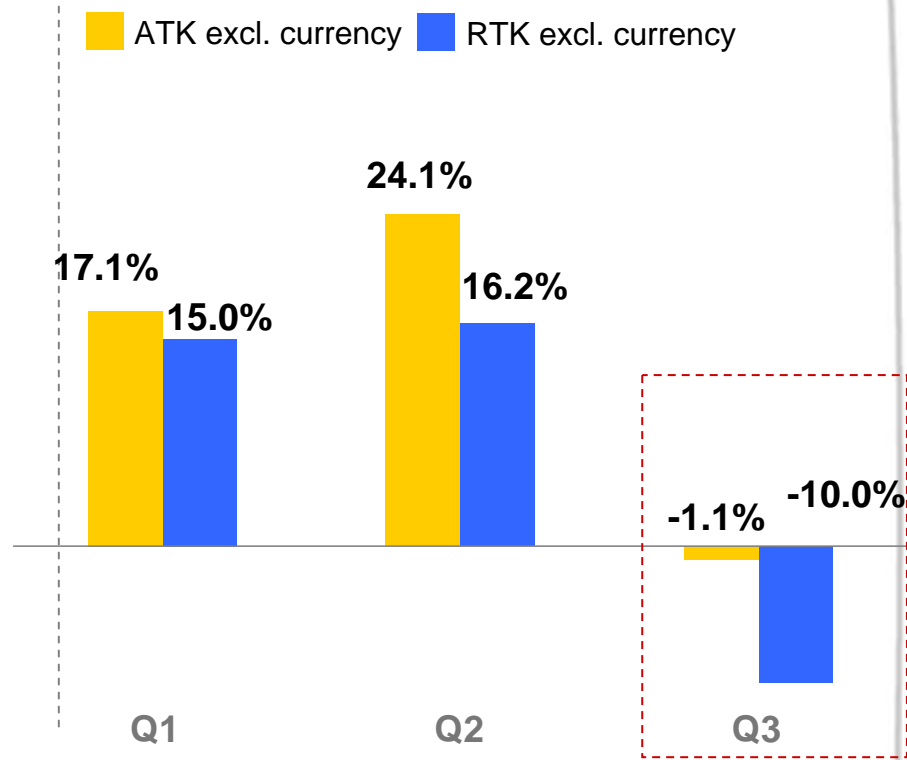
Deteriorating activity with sharp drop in unit revenues

Q3 2008-09

Activity



Unit revenues



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Results

Philippe Calavia
Chief Financial Officer



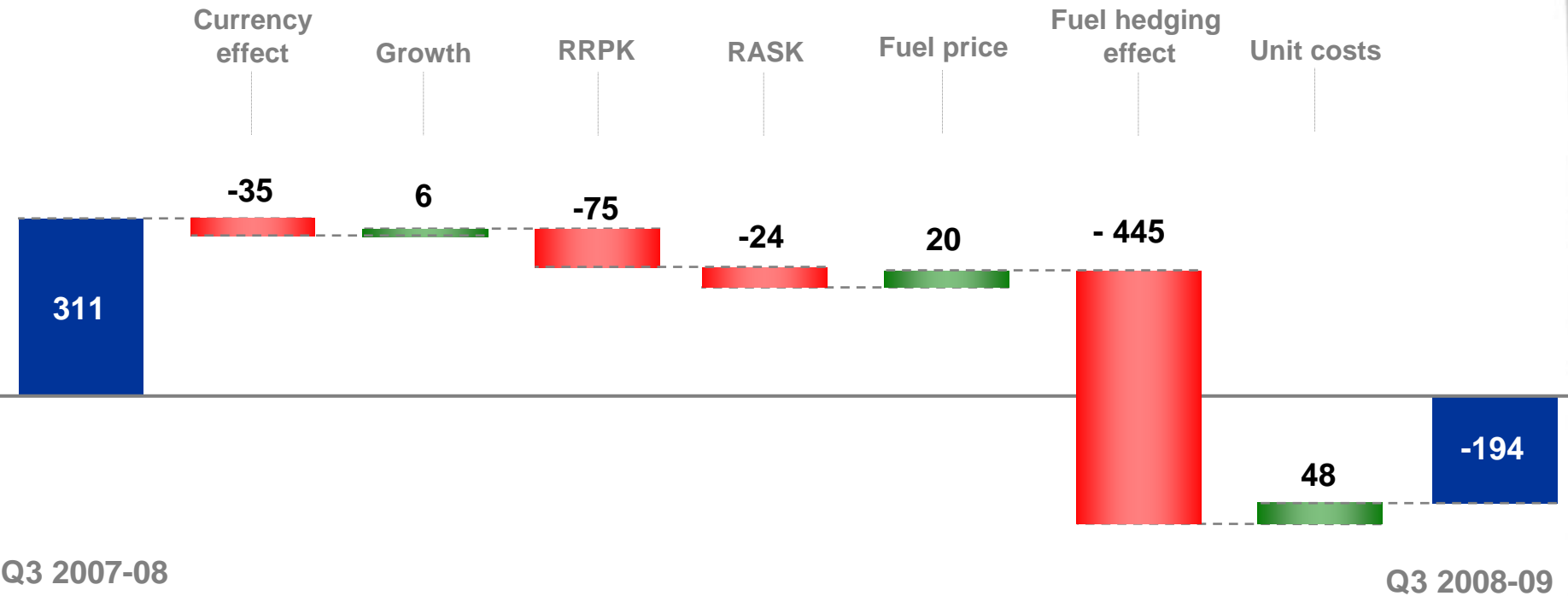
Third quarter results

€ millions	Q3 2008-09	Q3 2007-08	% ch
Revenues	5,973	5,976	(0.1)
Operating costs	(6,167)	(5,665)	+8.9
Operating income/(loss)	(194)	311	nm
<i>Operating margin</i>	-3.3%	5.2%	(8.5 pts)
<i>Adjusted operating margin*</i>	-2.3%	6.1%	(8.4 pts)
Other income and costs	(37)	17	nm
Income/(loss) from operating activities	(231)	328	nm
Net interest charge	(33)	(32)	nm
Other financial income and costs	(388)	(85)	nm
Income tax	203	(63)	nm
Other	(56)	(9)	nm
Net income/(loss), group share	(505)	139	nm

* Adjusted for the share of financial charges within operating leases (34%)

Strong impact of fuel on Q3 results

Operating result (Q3 2008-09)
€ millions



First nine month results

€ millions	9m 2008-09	9m 2007-08	% ch
Revenues	18,956	18,410	+3.0
Operating costs	(18,511)	(16,959)	+9.2
Operating income	445	1,451	(69.3)
<i>Operating margin</i>	2.3%	7.9%	(5.6 pts)
<i>Adjusted operating margin*</i>	3.2%	8.7%	(5.5 pts)
Other income and costs	(14)	353	nm
Income from operating activities	431	1,804	(76.1)
Net interest charge	(54)	(79)	(31.6)
Other financial income and costs	(815)	8	nm
Income tax	184	(409)	nm
Other	(55)	(34)	nm
Net income/(loss), group share	(309)	1,290	nm

* Adjusted for the share of financial charges within operating leases (34%)

Net income restated for non-recurrent and non-cash items

€ millions

	9m 2008-09	9m 2007-08
Net income/(loss)	(309)	1 290
Income tax neutralisation	(184)	409
Net income/(loss) before tax	(493)	1 699
Non-recurrent items	14 ¹	(353) ²
Non-cash items ³	575	(36)
Economic income/(loss) before tax	96	1 310
Income tax	(29)	(398)
Share of associated companies (non-recurrent items)	36 ⁴	12 ⁵
Net economic income/(loss)	103	924

(1) Mainly negative goodwill write-back

(2) Mainly capital gain on WAM (ex Amadeus) and Alpha disposal

(3) Mark to market of derivatives ('inefficient' part and change in market value of instruments not qualified as hedging)

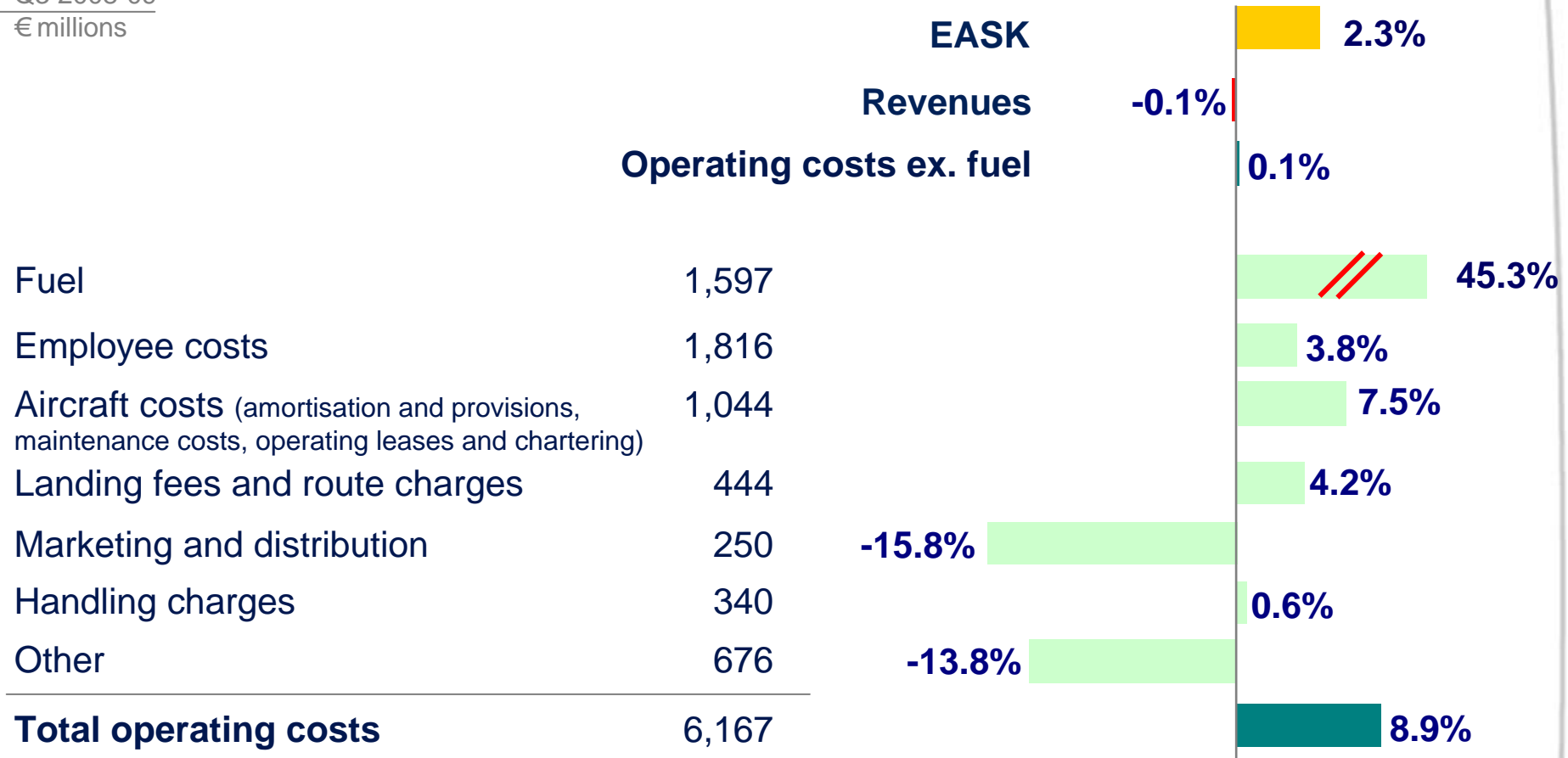
(4) Mainly annulment of the impact of the Martinair derivatives not qualified as hedges and the Martinair European cargo provision

(5) Mainly annulment of the Martinair US cargo provision

Operating costs in Q3

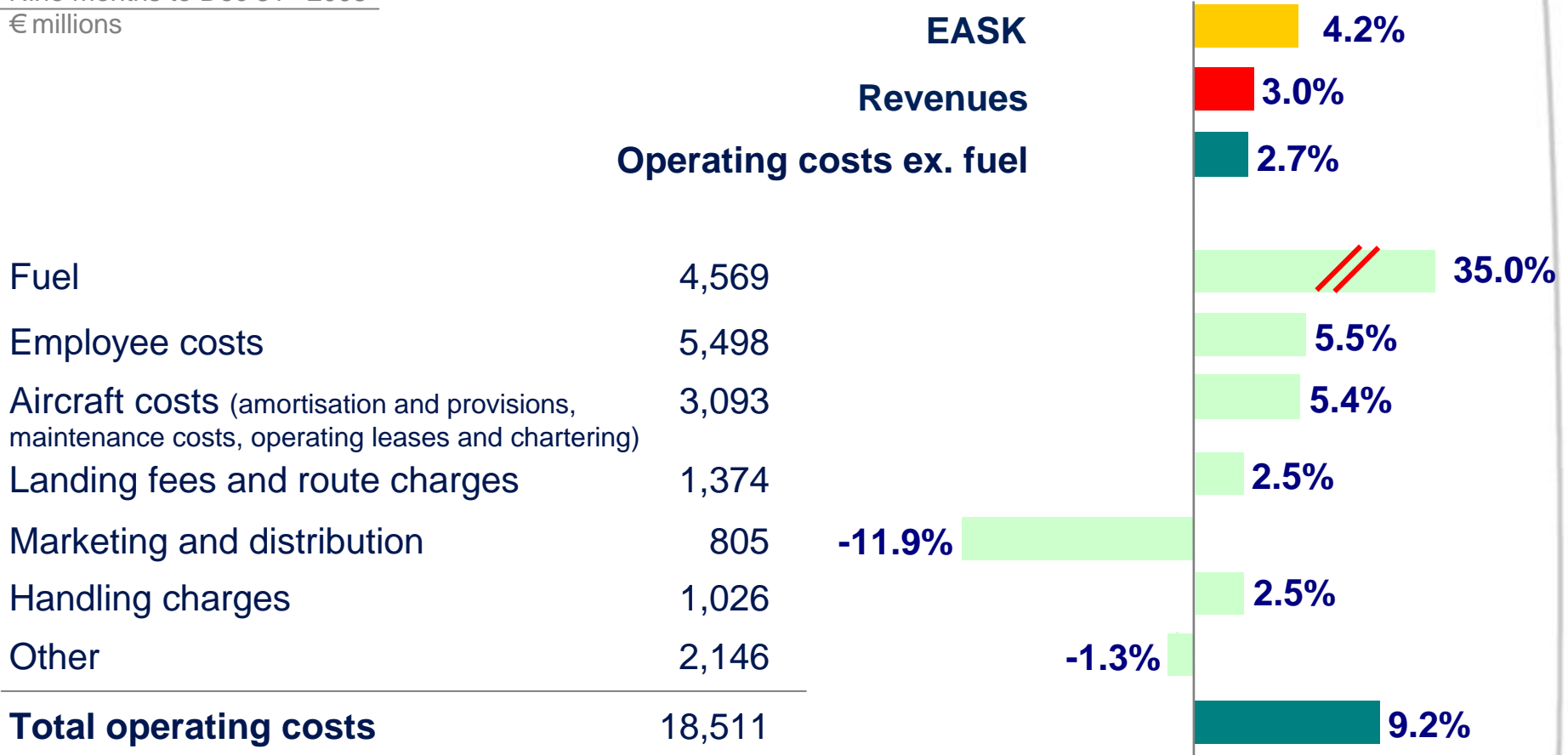
Q3 2008-09

€ millions



Operating costs in first nine months

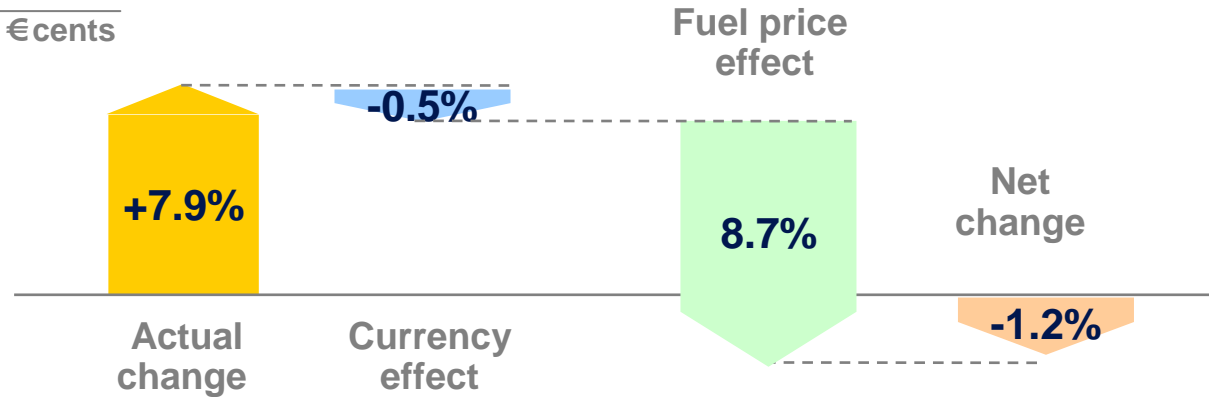
Nine months to Dec 31st 2008
 € millions



Cost-savings program enables containment of unit costs

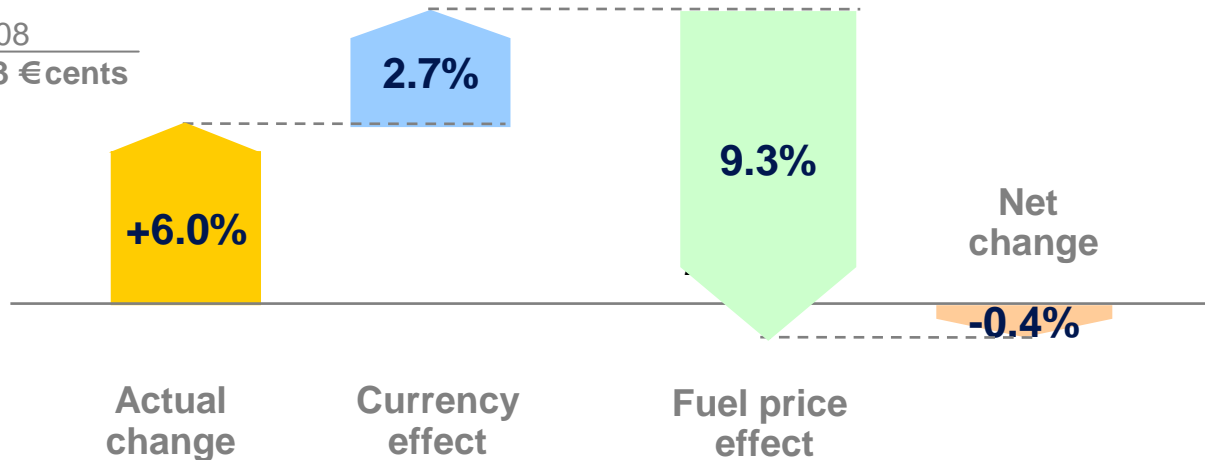
Q3 2008-09

Unit cost per EASK: 6.98 €cents



9 months to Dec 31st 2008

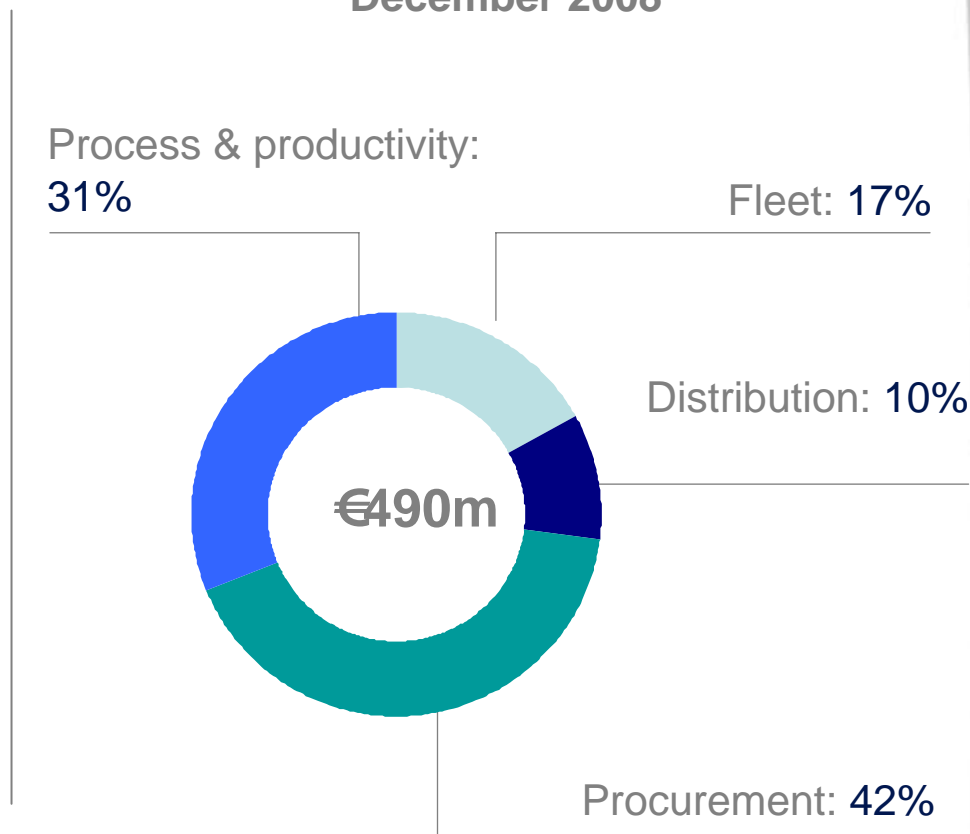
Unit cost per EASK: 6.63 €cents



Update on 'Challenge 12' cost-savings plan

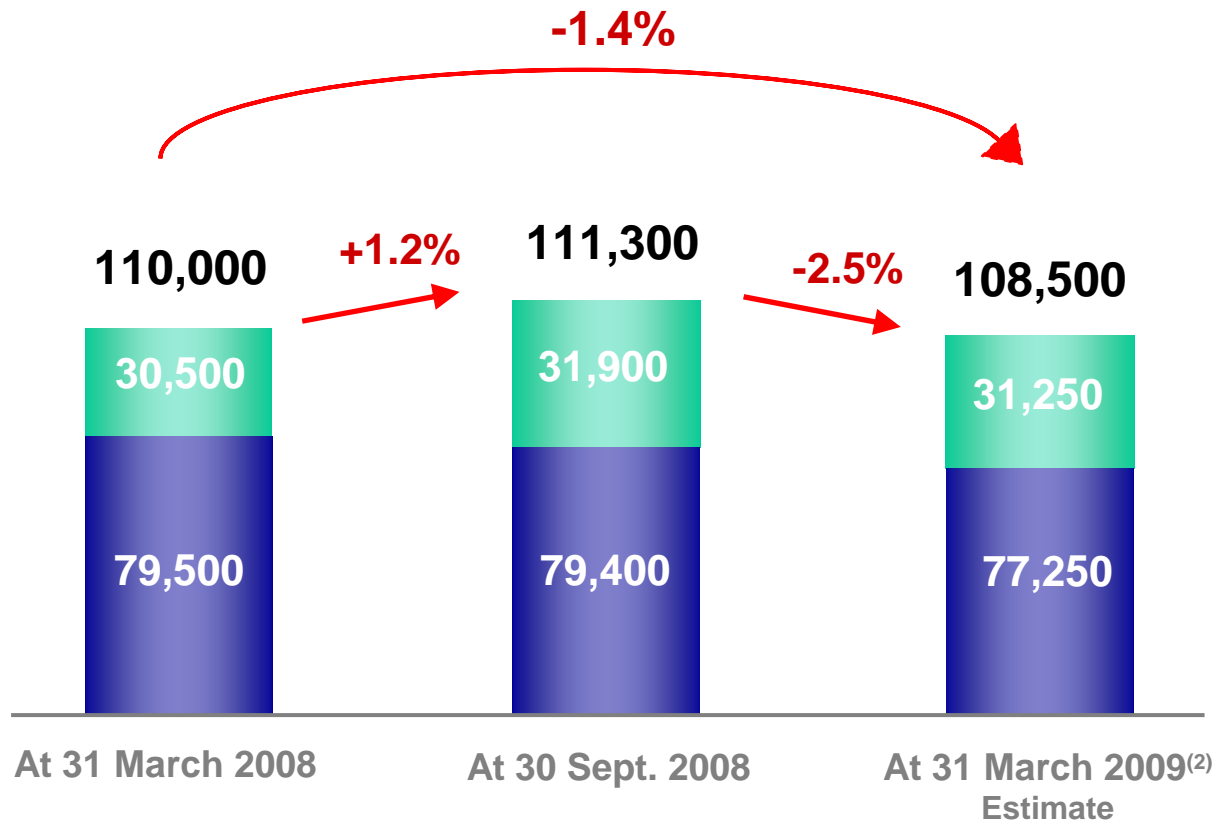
- + **€212m** in savings realised in Q3
- + **€490m** in the first nine months
- + Target for the full year of around **€675m**

Breakdown of savings at 31st December 2008



Reduction in headcount

- Ground staff ⁽¹⁾
- Cabin and flight deck staff



⁽¹⁾ Including temporary staff

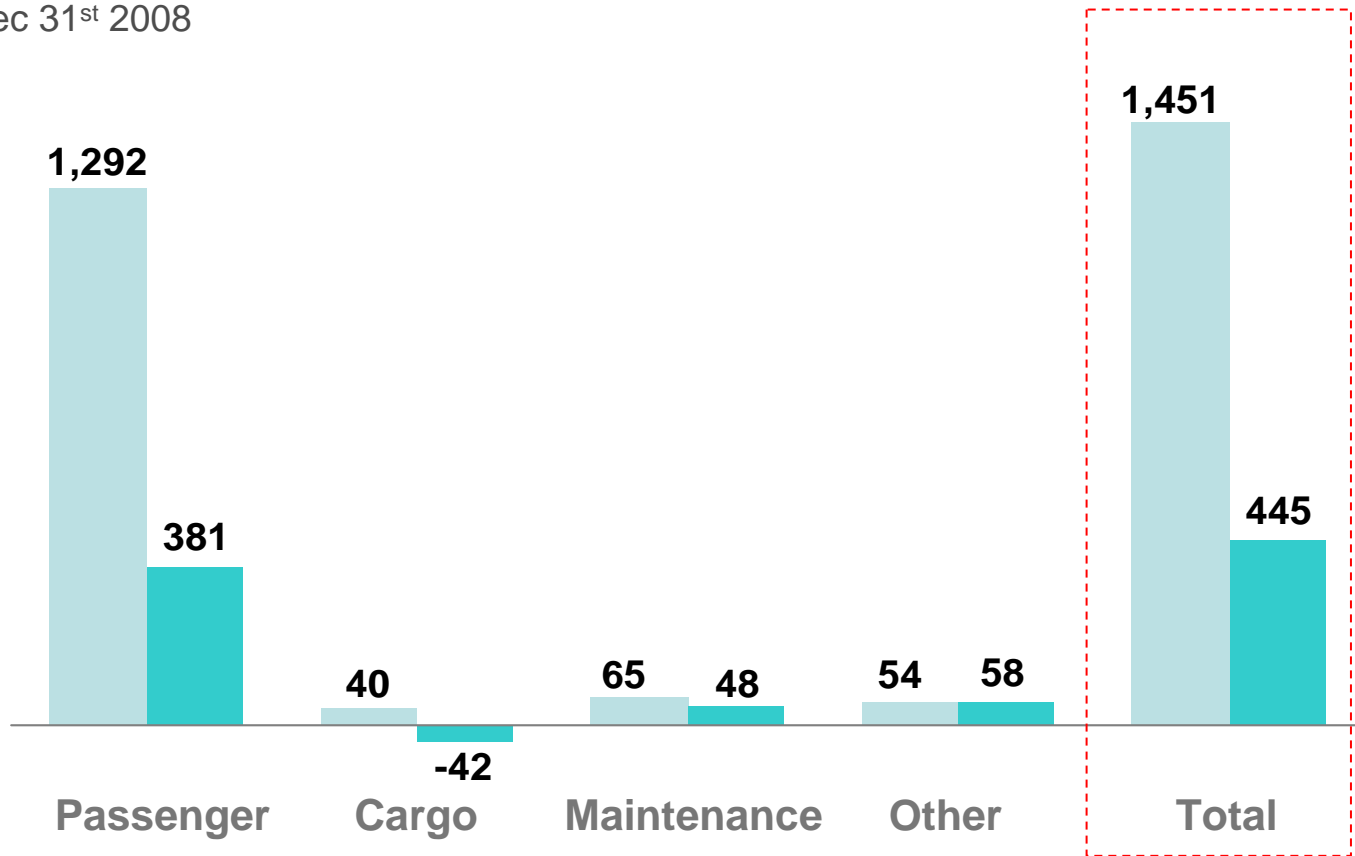
⁽²⁾ Excluding Martinair

Breakdown of 9m operating income by business

Operating income
€ millions

■ 9 months to Dec 31st 2007

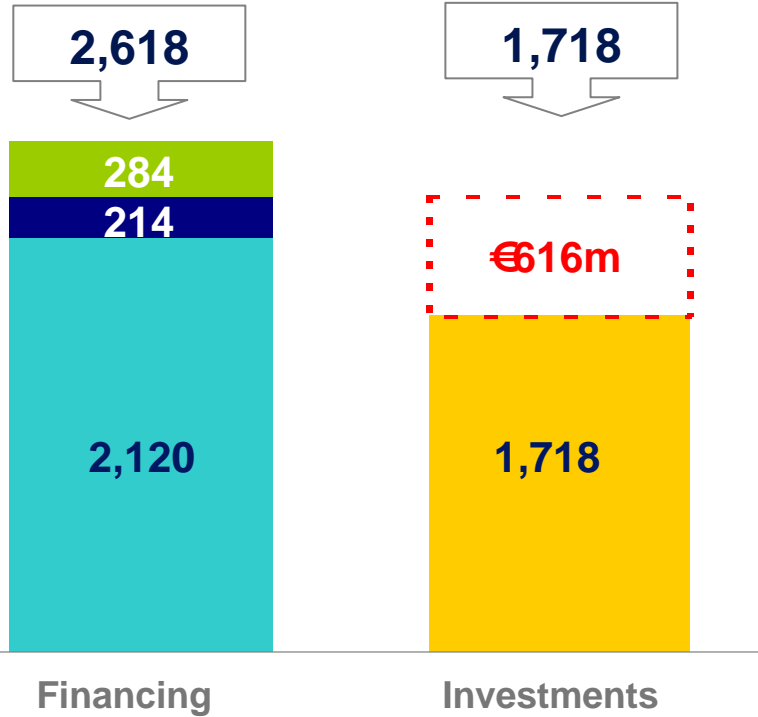
■ 9 months to Dec 31st 2008



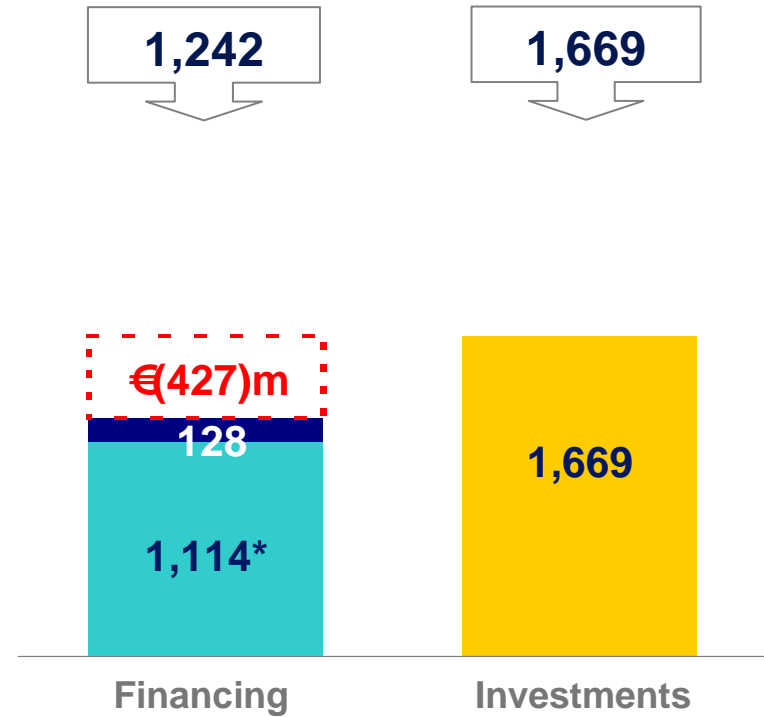
Negative cash flow of €427m

9 months to Dec 31st
€ millions

- Aircraft disposals
- Cash from financial operations
- Operating cash flow
- Tangible and intangible investments
- Free cash flow



2007-08



2008-09

* After 225 million euros in respect of cargo fine

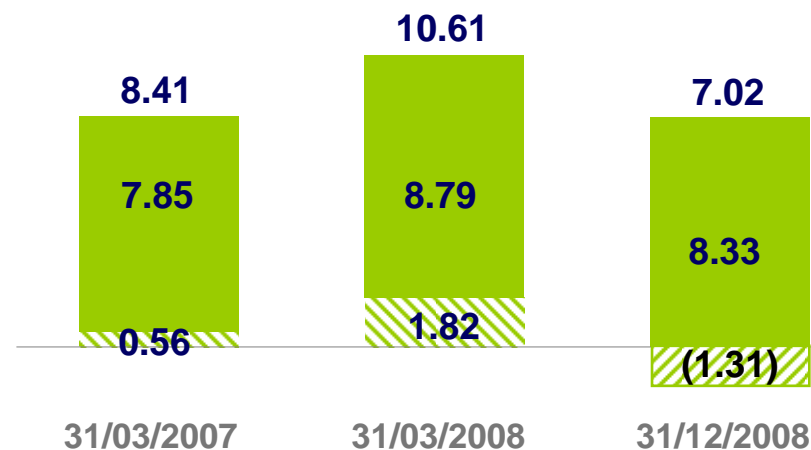
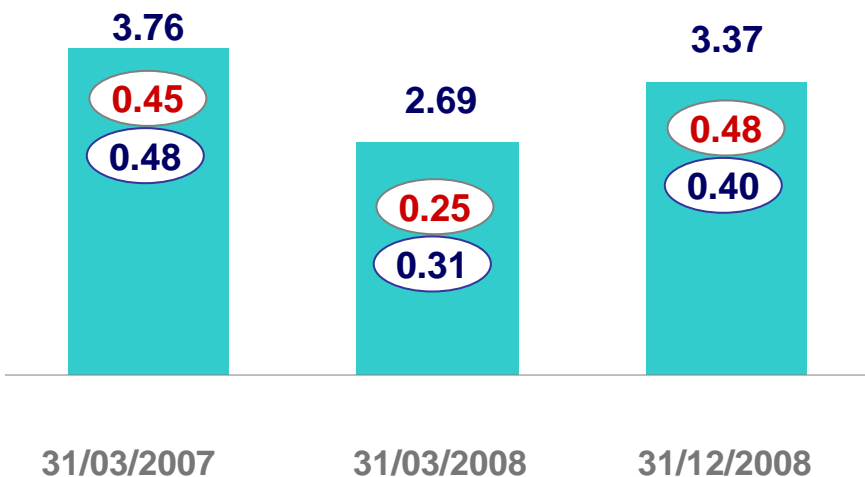
Robust balance sheet

Net debt
(€ billions)

Shareholders' equity
(€ billions)

- Net debt
- X Gearing ratio
- X Gearing ratio excl. derivatives

- Shareholders' equity
- Derivative instruments

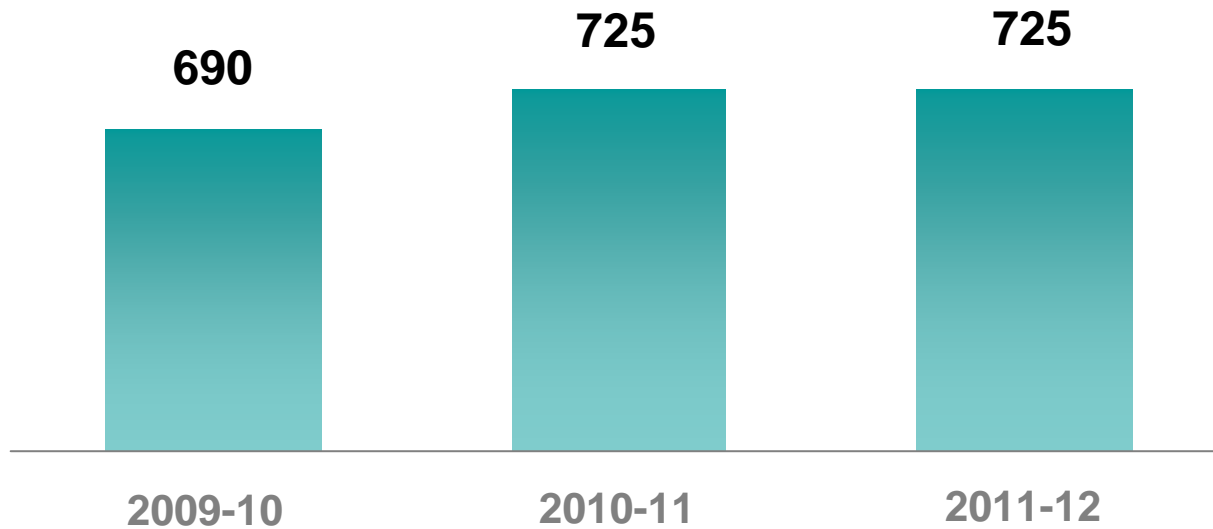


Strong liquidity position

- ✦ Available cash of 4.3 billion euros at 31st December 2008
- ✦ Credit lines of 1.4 billion euros
 - ▶ Air France: 700 million euros after drawing down 500 million in October 2008 with 24 banks, expiring July 2012
 - ▶ KLM: 540 million euros with 11 banks, expiring October 2010
 - ▶ Air France-KLM: 250 million euros expiring October 2017
- ✦ Covenants comfortably respected

Smooth debt repayment schedule

€ millions



AIR FRANCE KLM

Outlook

Pierre-Henri Gourgeon

Chief Executive Officer



Ongoing measures to adapt to the downturn

- + Capacity adapted to demand
 - ▶ Passenger: -2.0% for Summer '09
 - ▶ Cargo: Equivalent five full freighters (~-15%)

- + Adaptation of investment program
 - ▶ 2009-10: further reduction of €600m
 - ▶ 2010-11: further reduction of €600m

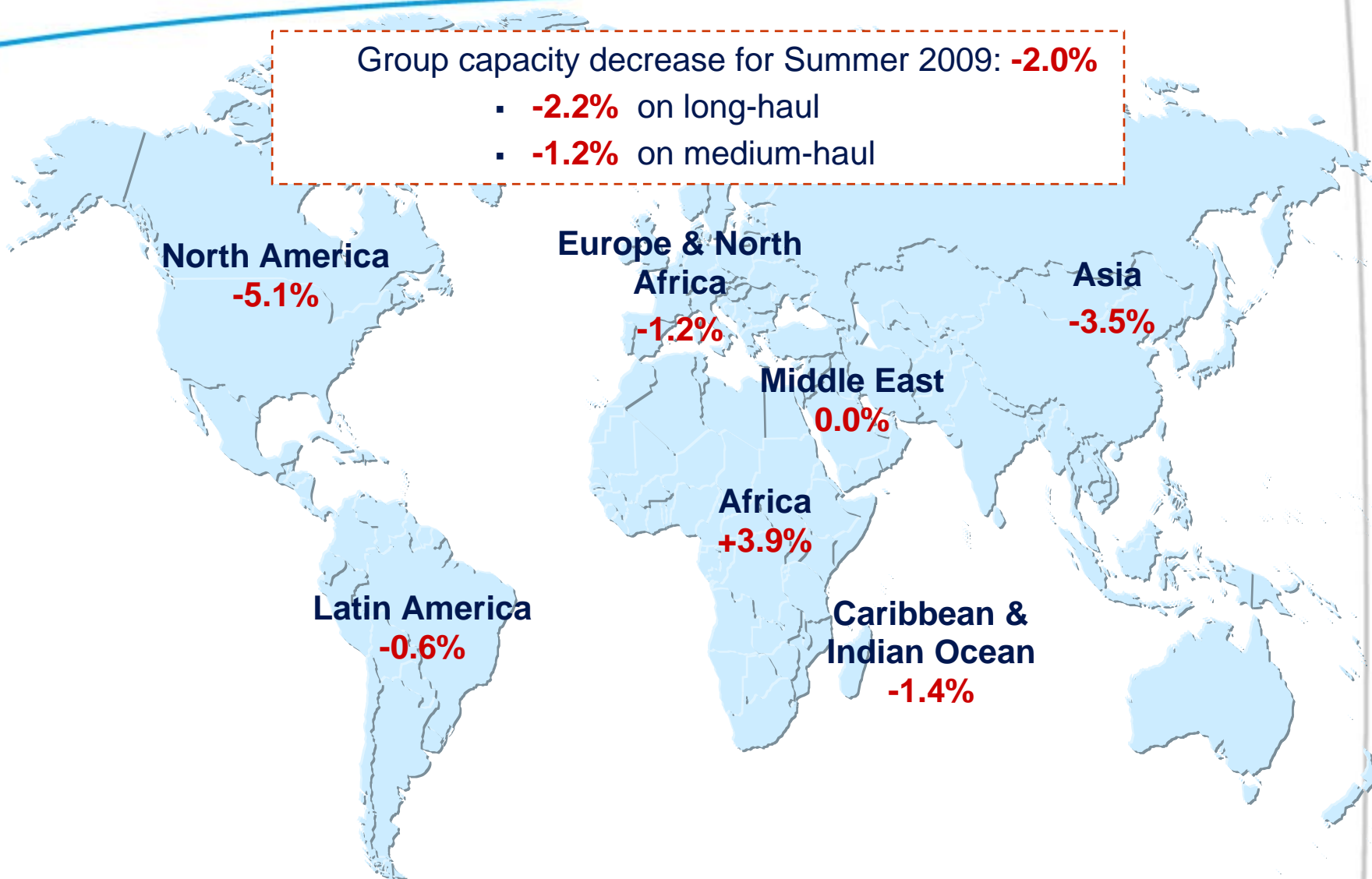
- + Reducing our exposure to fuel price volatility
 - ▶ No new hedging as of October 2008
 - ▶ Unwinding of part of the hedging contracts since December 2008

- + Ongoing cost reduction measures
 - ▶ Hiring freeze (except flight crew) and headcount reduction via non-replacement of natural departures
 - ▶ 'Challenge 12' cost savings plan under further review in the face of the economic crisis

Capacity adapted to demand

Group capacity decrease for Summer 2009: **-2.0%**

- **-2.2%** on long-haul
- **-1.2%** on medium-haul

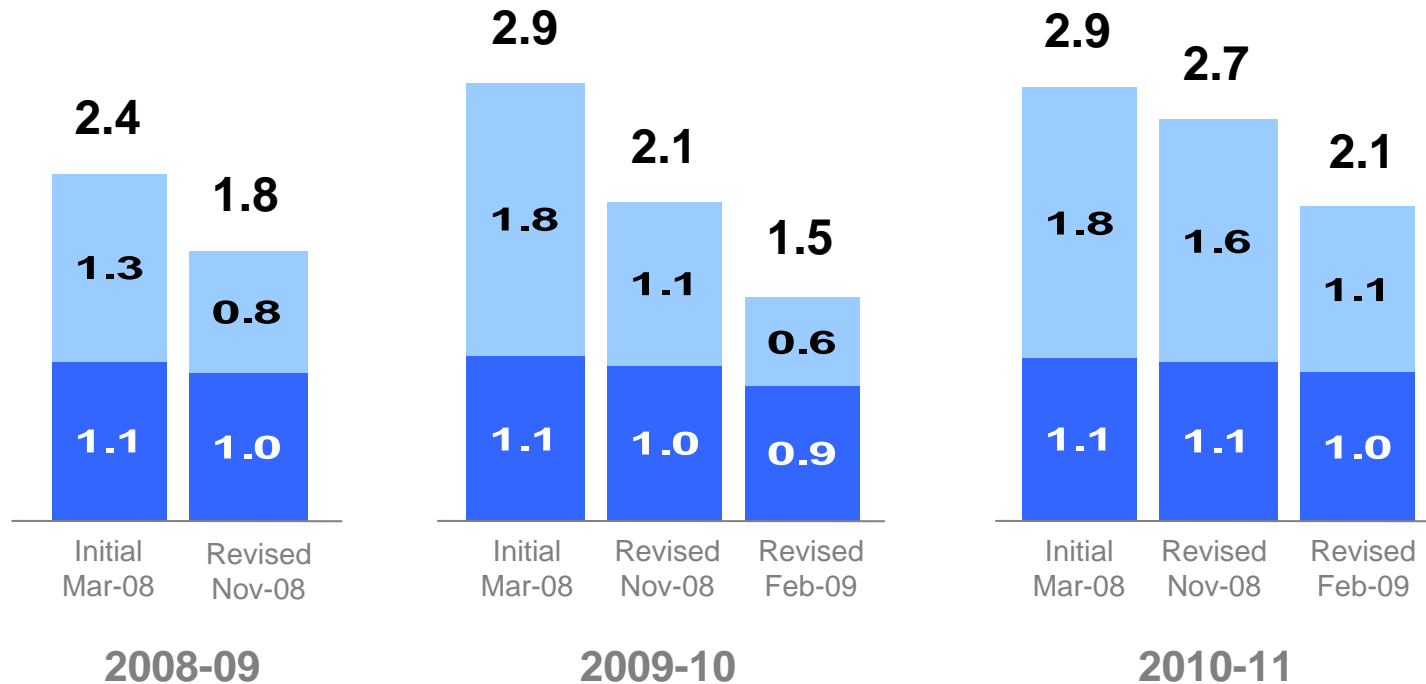


Further reduction in investment plan

€ millions

*November 2008: **-1,6** billion euros over 3 years*
*February 2009: **-2,8** billion euros over 3 years*

- Fleet: investments net of aircraft disposals
- Other investments

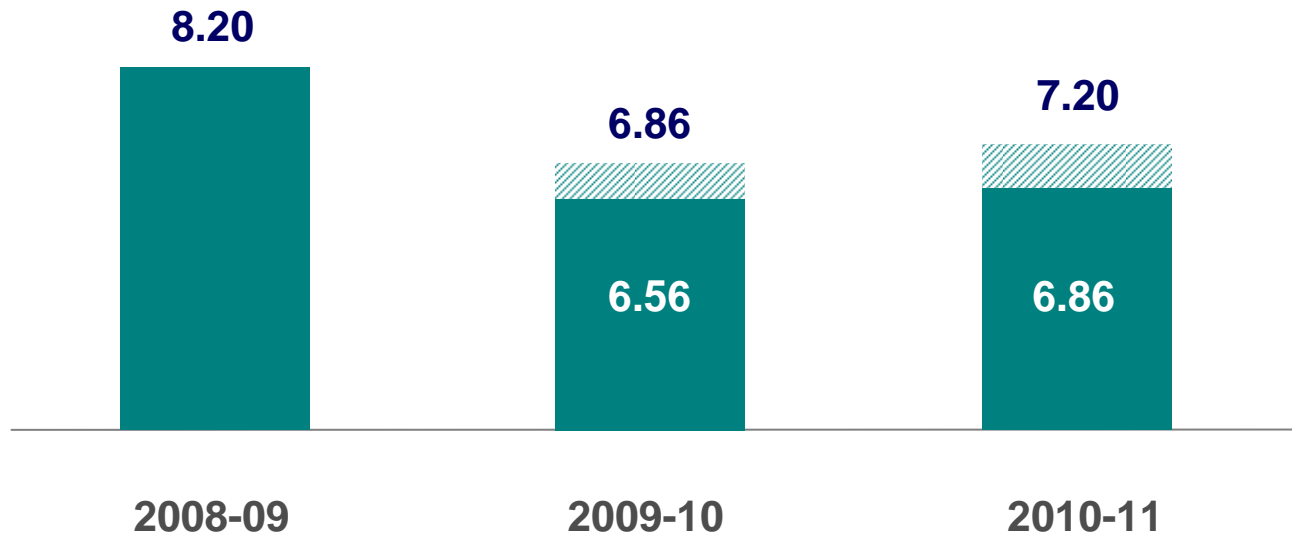


Measures to reduce our exposure to fuel price volatility



- ✦ Exposure to fuel price volatility halved
 - ▶ No new hedging as of October 2008
 - ▶ Unwinding of part of the hedging contracts since December 2008
- ✦ Decline in overall hedged level:
 - ▶ 2009-10: 43%, giving final purchase price of \$67
 - ▶ 2010-11: 18%, giving final purchase price of \$72
 - ▶ 2011-12: 21%, giving final purchase price of \$72

Reduction of \$1.6 billion in fuel bill in 2009-10 on a same perimeter basis

Fuel bill after hedging (\$ bn)

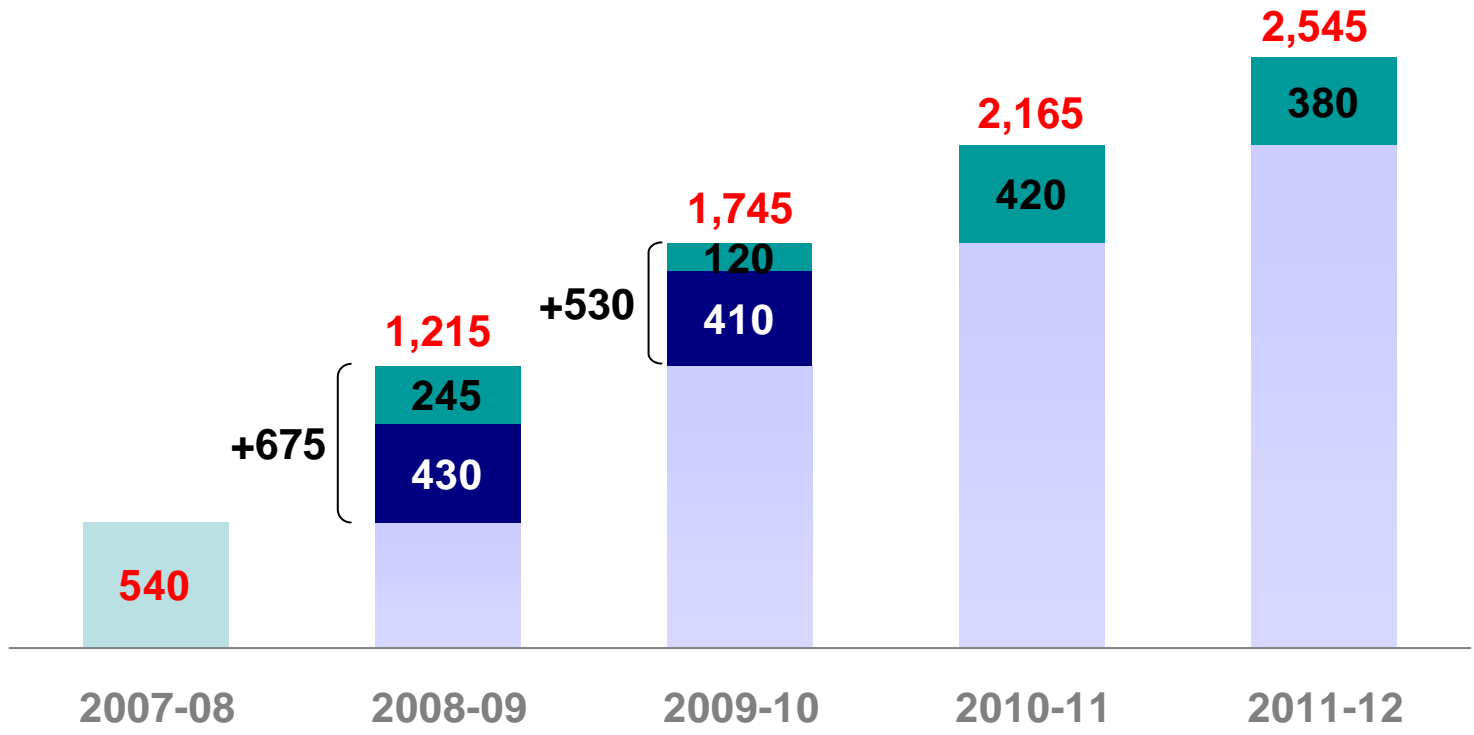


Forward curves at February 6, 2009

-  Fuel bill after hedging excluding Martinair
-  Martinair fuel bill

'Challenge 12' cost-savings program under further review

€ millions



- Reminder of savings realised in 2007-08
- Initial plan
- Additional savings generated by 'Challenge 12'

Objective for FY 2008-09

Our target for Financial Year 2008-09 is still of a positive operating result, but its level will depend on economic developments between now and the end of the year, their impact on passenger activity, and especially on cargo which is facing extremely difficult conditions, as reflected in recent monthly traffic statistics.

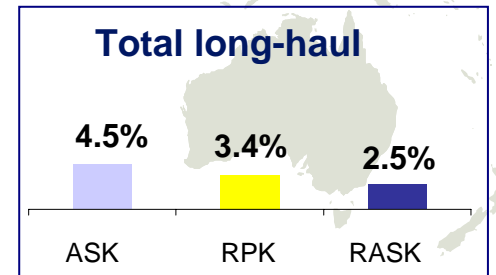
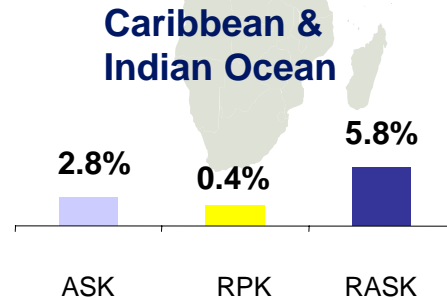
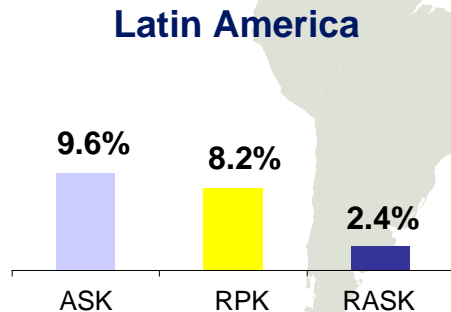
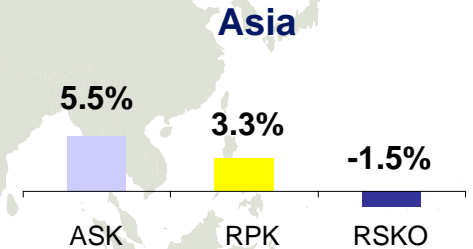
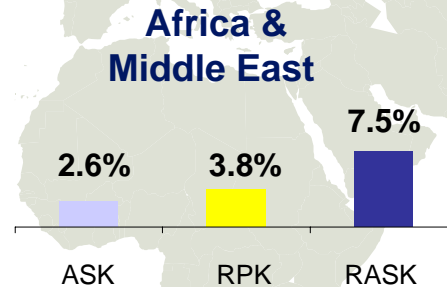
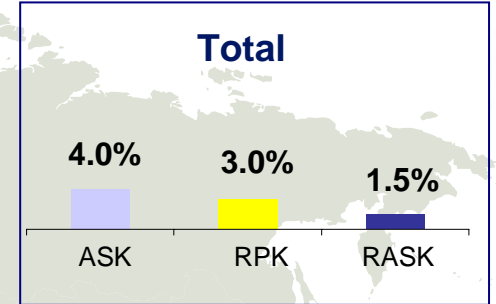
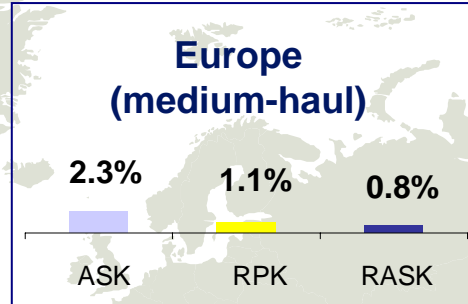
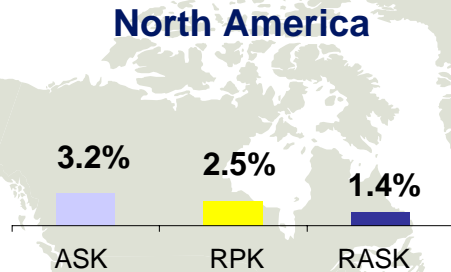
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Appendices



Air France-KLM network: first nine months performance

Apr-Dec 2008 (incl. VLM)
 RASK excl. currency: 7.09 €cents



Calculation of net debt

€ millions

	31 st Dec 08	31 st Mar 08
Current and non-current financial debt	8,590	7,819
- Interest not yet due	142	71
- Deposits on leased aircraft	828	816
+ Debt currency and hedging instruments	57	151
= Gross financial debt	7,677	7,083
Cash and cash equivalents	3 897	4,381
+ Investments over 3 months	612	185
- Bank current accounts	207	172
= Net cash	4,302	4,394
Net debt	3,375	2,689
Consolidated shareholders' funds	7,017	10,614
Net debt / shareholders' funds	0.48	0.25
<i>Net debt / shareholders' funds excl. derivatives</i>	<i>0.40</i>	<i>0.31</i>

Net income restated for non-recurrent and non-cash items

€ millions

	Q3 2008-09	Q3 2007-08
Net income/(loss)	(505)	139
Income tax neutralisation	(203)	63
Net income/(loss) before tax	(708)	202
Non-recurrent items	37 ¹	(17) ²
Non-cash items ³	214	69
Economic income/(loss) before tax	(457)	254
Income tax	127	(76)
Share of associated companies (non-recurrent items)	36 ⁴	12 ⁵
Net economic income/(loss)	(294)	190

(1) Mainly legislation change affecting pension provisions in France

(2) Mainly slot sales at LHR

(3) Mark to market of derivatives ('inefficient' part and change in market value of instruments not qualified as hedging)

(4) Mainly annulment of the impact of the Martinair derivatives not qualified as hedges and the Martinair European cargo provision

(5) Mainly annulment of the Martinair US cargo provision