

2<sup>nd</sup> September 2005

## FINANCIAL YEAR 2005-06

### FIRST QUARTER 2005-06

- ▶ Strong performance in Passenger activity and robust unit revenues in both Passenger and Cargo
- ▶ Current operating profit up by 27.4% to 223 million euros
- ▶ Objective for the full year revised upwards
- ▶ Gearing ratio sharply reduced

The Board of Directors of Air France-KLM, at a meeting on 1st September 2005 chaired by Jean-Cyril Spinetta examined the accounts for the First Quarter of Fiscal Year 2005-06

### Consolidated figures

In € millions	First quarter to 30 <sup>th</sup> June			
	2005 IFRS	2004 <i>pro forma</i> IFRS <sup>(1)</sup>	Change	2004 published <sup>(3)</sup>
Turnover	5,186	4,917 <sup>(2)</sup>	+5.5% <sup>(2)</sup>	4,463
Current operating profit	223	175	+27.4%	156
Net profit, Group share	112	536	NS	95
Net profit, Group share excl. write-back of KLM negative goodwill	110	87	+26.4%	65

(1) Figures for Q1 2004-05 have been restated on the basis of the consolidation of both Air France and KLM **over three months**.

(2) Prior to fiscal 2004-05, Servair was consolidated with a gap of one quarter. To compensate for this gap, six months of Servair activity were consolidated in Q1 2004-05. On a constant consolidation basis, turnover would have risen 6.4%.

(3) Consolidation of Air France over three months and KLM over two months under French GAAP

### First quarter to 30<sup>th</sup> June 2005: current operating profit of 223 million euros (+27.4%)

Despite a further rise in the oil price, the air transportation industry recorded high levels of passenger activity. In contrast the weakness of European exports weighed on cargo activity. Against this backdrop, Air France-KLM recorded a strong first quarter with a sharp rise in its passenger traffic and an improvement in unit revenues, including those of Cargo.

Turnover rose 5.5% (6.4% excluding the Servair effect) to 5.19 billion euros. Operating expenses rose 4.7% to 4.96 billion euros. Excluding fuel, operating expenses were virtually stable (+0.6%) against a 5.1% increase in activity measured in equivalent available seat kilometers (EASK).

The main changes in operating expenses stemmed from fuel charges, which were up 32.2%, and Commercial and distribution charges which were reduced by 18.4%. Changes in other expenses were in line with the development of the activity.

The fuel bill amounted to 809 million euros (+197 million euros) under the combined impact of a rise of 3% in volumes and 50% in jet fuel prices before hedging, and a 7% fall in the value of the Dollar relative to the Euro. Thanks to the quality of the hedging contracts in place, the group was able to reduce its fuel bill by 176 million euros or 18% before hedging.

Commercial and distribution costs fell by 71 million euros to 315 millions (-18.4%) following the implementation of the zero commission system on 1<sup>st</sup> April 2005 in France (and 1<sup>st</sup> January 2005 in the Netherlands).

Unit costs measured in equivalent available seat kilometers (EASK) rose 0.7%, but were down 2.7% on a constant exchange rate and fuel price basis.

Current operating profit rose 27.4% to 223 million euros at 30<sup>th</sup> June 2005, against 175 million euros at 30<sup>th</sup> June 2004. The operating margin rose 0.7 points to 4.3%.

Interest charges were reduced from 67 million euros at 30<sup>th</sup> June 2004 to 60 million euros at 30<sup>th</sup> June 2005 (-10.4%). In contrast, the foreign exchange loss deepened to 23 million euros versus 18 million euros a year earlier, mainly due to the impact of the stronger Dollar on debt.

Before the write-back of the KLM goodwill (which amounted to 449 million at 30<sup>th</sup> June 2004 and 2 million at 30<sup>th</sup> June 2005) the consolidated pre-tax profit of fully integrated companies rose 32.4%, from 111 million euros at 30<sup>th</sup> June 2004 to 147 million euros at 30<sup>th</sup> June 2005.

Net profit, Group share amounted to 112 million euros. The year-on-year change was non significant when taking account of the write-backs of the KLM goodwill. Excluding these write-backs, net profit Group share amounted to 110 million euros at 30<sup>th</sup> June 2005 versus 87 million euros at 30<sup>th</sup> June 2004, a rise of 26.4%.

## Information by business

### Passenger Activity

During the quarter to 30<sup>th</sup> June 2005, traffic rose 6.5% on capacity up 4.9%, leading to a 1.2 point rise in load factor to 79.5%.

Passenger turnover totalled 4.08 billion euros (+6.5%) in spite of a negative exchange rate impact of 1.6%. Current operating profit rose 35.4% to 176 million euros (versus 130 million euros at 30<sup>th</sup> June 2004).

	Quarter to 30 <sup>th</sup> June		
	2005	2004	Change
Turnover from regular passenger business (in € millions)	3,859	3,621	+6.6%
Unit revenue per RPK (in € cents)	8.38	8.37	+0.1%
Unit revenue per ASK (in € cents)	6.66	6.55	+1.6%
Unit cost per ASK (in € cents)	6.27	6.23	+0.7%

Revenue per passenger kilometer (RPK) increased 1.7% on a constant currency basis. Revenue per available seat kilometer (ASK) rose 3.2% on a constant currency basis in spite of the implementation of zero commission which weighed negatively on its growth. Unit costs per available seat kilometer were down 2.8% on a constant exchange and fuel price basis.

### Cargo

The Cargo business made progress this quarter in a difficult environment. Traffic rose 1.4% on capacity up 6.1%. Load factor was 65.5%, a decline of 3 points. However, unit revenues rose sharply, enabling the Cargo business to make a positive contribution to the Group's current operating profit.

Total turnover for the Cargo business was 660 million euros, up 6.8% including a negative exchange effect of 3.0%. Current operating profit amounted to 11 million euros versus 18 million euros at 30<sup>th</sup> June 2004.

	Quarter to 30 <sup>th</sup> June		
	2005	2004	Change
Turnover (in € millions)	610	570	+7.0%
Unit revenues per ATK (in € cents)	23.17	21.96	+5.5%
Unit revenues per RTK (in € cents)	15.18	15.05	+0.8%
Unit costs per RTK (in € cents)	14.81	14.48	+2.3%

Yield per revenue tonne kilometer (RTK) and per available tonne kilometer (ATK) rose 8.5% and 3.8% respectively excluding the currency impact. Unit costs per ATK fell 1.7% on a constant exchange rate and fuel price basis.

#### **Maintenance**

The maintenance activity generated third-party turnover of 213 million euros (up 6%) despite a negative currency effect of 2.8%. Current operating profit more than doubled to 14 million euros versus 6 million euros a year earlier.

#### **Other activities**

Turnover of the Group's other activities amounted to 219 million euros of which 132 million euros at Transavia and 41 million euros at the catering activities. Current operating profit was 22 million euros (versus 21 millions at 30<sup>th</sup> June 2004) of which 18 million euros from Transavia (versus 16 million euros a year earlier).

### **Reinforced financial position**

During the quarter, capital expenditure amounted to 730 million euros, financed by operating cash flow of 834 million euros and 13 million euros from asset disposals.

The balance sheet was strengthened, with net debt standing at 5.49 billion euros (versus 5.48 billion euros at 31<sup>st</sup> March 2005) and shareholders' funds of 6.11 billion euros (versus 5.09 billion euros at 31<sup>st</sup> March 2005). The increase in shareholders' funds was attributable to the recognition of the value of certain hedging instruments as equity under IAS 32 and 39. At 30th June 2005, the value of hedging instruments, post-tax, amounted to 1.03 billion euros, incorporating a 330 million euros change in value between 1<sup>st</sup> April and 30th June 2005. On the other hand, the application of IFRS 2 led to the booking of a negative sum of 104 million euros, representing an equalization payment owed to the State in the context of the share-for-salary offer to Air France employees undertaken at the time of the privatisation of Air France-KLM.

The gearing ratio was reduced from 1.08 at 31<sup>st</sup> March 2005 to 0.9 at 30<sup>th</sup> June 2005.

### **Outlook for the full year: current operating profit target 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 on the charges 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.

### **Amadeus operation**

The Amadeus operation, which was completed in July 2005, generated 818 million euros in cash and a capital gain of 569 million euros before taxes which will be booked in the consolidated accounts of the second quarter 2005-06.

## Corporate governance

The Board of Directors of Air France-KLM was saddened to learn at the beginning of August of the death of Mr Willem Duisenberg, a director of the company since 24<sup>th</sup> June 2004.

Elsewhere, the Board of Directors recorded the resignation of Mr Christian Paris, a director of the company since 14<sup>th</sup> September 2001.

The positions left vacant by these directors have not yet been filled.

## Diary

### Friday September 2:

- ▶ audio-web conference at 2:00 pm (London time)  
to connect to the conference call, please dial 00 44 207 162 0125 (password: AKH)  
and for US: 1 334 323 6203 (password: AKH)  
to visualize the presentation, go to the following website:  
**<http://airfranceklm.momentys.com>** (password: AKHQ1)  
for instant replay, please dial 00 44 207 031 4064 (code: 671638)

### Monday October 3:

- ▶ Investors' Day at the Hilton Roissy at 9.30 am

## 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

# AIR FRANCE - KLM GROUP

## CONSOLIDATED INCOME STATEMENT

(In EUR millions)	First quarter ended		
	06.30.2005	06.30.2004	
	Pro forma		
<b>Operating revenues</b>			
Scheduled passenger	3 859	3 621	6,6%
Other air transport operations	225	214	5,1%
<b>Total Passenger</b>	<b>4 084</b>	<b>3 835</b>	<b>6,5%</b>
Cargo	610	570	7,0%
Other cargo revenues	50	48	4,2%
<b>Total Cargo</b>	<b>660</b>	<b>618</b>	<b>6,8%</b>
Maintenance	213	201	6,0%
Others	229	263	-12,9%
<b>Operating revenues</b>	<b>5 186</b>	<b>4 917</b>	<b>5,5%</b>
Other operating revenues	-	1	N.A.
<b>Operating charges</b>			
Aircraft fuel	(809)	(612)	32,2%
Chartering costs	(138)	(139)	-0,7%
Aircraft operating lease costs	(155)	(149)	4,0%
Landing fees & en route charges	(403)	(384)	4,9%
Catering	(101)	(105)	-3,8%
Handling charges & other operating costs	(292)	(283)	3,2%
Aircraft maintenance costs	(182)	(184)	-1,1%
Commercial & distribution costs	(315)	(386)	-18,4%
Other external expenses	(504)	(488)	3,3%
<b>External expenses</b>	<b>(2 899)</b>	<b>(2 730)</b>	<b>6,2%</b>
Salaries & related costs	(1 575)	(1 518)	3,8%
Taxes other than income tax	(58)	(59)	-1,7%
Charge to depreciation/amortization, net	(391)	(394)	-0,8%
Charge to operating provisions, net	(39)	(31)	25,8%
Other income and charges, net	(1)	(11)	-90,9%
<b>Total operating charges</b>	<b>(4 963)</b>	<b>(4 743)</b>	<b>4,6%</b>
<b>Current operating result</b>	<b>223</b>	<b>175</b>	<b>27,4%</b>
Gain on disposal of flight equipment, net	-	3	N.A.
Restructuring costs	-	-	N.A.
Gain on disposals of subsidiaries and affiliates	-	-	N.A.
Amortization of badwill	2	449	-99,6%
Other operating income and charges, net	3	23	-87,0%
<b>Operating income</b>	<b>228</b>	<b>650</b>	<b>-64,9%</b>
Financial income	27	23	17,4%
Financial expenses	(87)	(91)	-4,4%
<b>Net financial income (expenses)</b>	<b>(60)</b>	<b>(68)</b>	<b>-11,8%</b>
Foreign exchange gain (loss)	(23)	(17)	35,3%
Gain (loss) on financial instruments	4	2	100,0%
Other financial gain (loss)	-	(7)	N.A.
<b>Pretax income (loss) of fully integrated companies</b>	<b>149</b>	<b>560</b>	<b>-73,4%</b>
Income tax	(52)	(39)	33,3%
<b>Income (loss) of fully integrated companies</b>	<b>97</b>	<b>521</b>	<b>-81,4%</b>
Share in net income of equity affiliates	17	17	0,0%
<b>Net income (loss) from continuing operations</b>	<b>114</b>	<b>538</b>	<b>-78,8%</b>
Net income (loss) from discontinued operations	-	2	N.A.
<b>Income (loss) before income tax and minority interests</b>	<b>114</b>	<b>540</b>	<b>-78,9%</b>
Minority interests	(2)	(4)	-50,0%
<b>NET INCOME (LOSS)</b>	<b>112</b>	<b>536</b>	<b>-79,1%</b>

## AIR FRANCE FLEET

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05
B747-400	8	8	1	1	7	7	16	16	16	16
B747-300/200	7	7					7	7	5	5
B777-200/300	16	16	4	4	14	15	34	35	34	35
A340-300	8	8	6	6	8	7	22	21	22	21
A330-200	4	6	1	1	9	9	14	16	13	16
B767-300	1	1					1	1		
<b>Long-haul fleet</b>	<b>44</b>	<b>46</b>	<b>12</b>	<b>12</b>	<b>38</b>	<b>38</b>	<b>94</b>	<b>96</b>	<b>90</b>	<b>93</b>
B747-400	1	2			3	3	4	5	4	4
B747-200	5	5	1	1	2	2	8	8	8	8
<b>Cargo</b>	<b>6</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>5</b>	<b>12</b>	<b>13</b>	<b>12</b>	<b>12</b>
A321	11	11			2	2	13	13	13	13
A320	49	49	3	3	15	15	67	67	67	67
A319	18	19	4	4	21	21	43	44	43	44
A318	9	9					9	9	9	9
B737-300/500	4	4	3	3	9	6	16	13	15	13
<b>Medium-haul fleet</b>	<b>91</b>	<b>92</b>	<b>10</b>	<b>10</b>	<b>47</b>	<b>44</b>	<b>148</b>	<b>146</b>	<b>147</b>	<b>146</b>
<b>Total Air France fleet</b>	<b>141</b>	<b>145</b>	<b>23</b>	<b>23</b>	<b>90</b>	<b>87</b>	<b>254</b>	<b>255</b>	<b>249</b>	<b>251</b>

## REGIONAL FLEET

## BRIT AIR

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05
Canadair Jet 100	2	2	11	11	6	6	19	19	19	19
Canadair Jet 700	2	2	9	9			11	11	11	11
F100-100	1	2			9	9	10	11	10	11
<b>Total</b>	<b>5</b>	<b>6</b>	<b>20</b>	<b>20</b>	<b>15</b>	<b>15</b>	<b>40</b>	<b>41</b>	<b>40</b>	<b>41</b>

## CITY JET

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05
BAE146-200/300*	5	5			12	11	17	16	17	16
<b>Total</b>	<b>5</b>	<b>5</b>			<b>12</b>	<b>11</b>	<b>17</b>	<b>16</b>	<b>17</b>	<b>16</b>

sub-leased by KLM

## REGIONAL

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05
BEECH 1900	6	6	1	1	1	1	8	8		
EMB145-EP/MP	2	2	8	8	18	18	28	28	28	28
EMB135-ER	2	2	3	3	4	4	9	9	9	9
EMB120-ER	7	7	3	3	3	2	13	12	10	9
F100-100	1	1		1	6	5	7	7	6	7
F70-70				5	5		5	5	5	5
SAAB 2000					6	6	6	6	6	6
<b>Total</b>	<b>18</b>	<b>18</b>	<b>15</b>	<b>21</b>	<b>43</b>	<b>36</b>	<b>76</b>	<b>75</b>	<b>64</b>	<b>64</b>

<b>Total Regional fleet</b>	<b>28</b>	<b>29</b>	<b>35</b>	<b>41</b>	<b>70</b>	<b>62</b>	<b>133</b>	<b>132</b>	<b>121</b>	<b>121</b>
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## Air Ivoire

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05
F28			3	3			3	3	3	3
A321					1	1	1	1		
<b>Total</b>			<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>

<b>TOTAL Air France Group</b>	<b>169</b>	<b>174</b>	<b>61</b>	<b>67</b>	<b>161</b>	<b>150</b>	<b>391</b>	<b>391</b>	<b>373</b>	<b>375</b>
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**KLM AND TRANSAVIA FLEET**

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/05	6/30/05	3/31/04	3/31/05
B747-400	6	6	16	16			22	22	22	22
B777-200			4	4	6	6	10	10	10	10
MD11		1	8	7	2	2	10	10	10	10
B767-300					12	11	12	11	12	11
<b>Long-haul fleet</b>	<b>6</b>	<b>7</b>	<b>28</b>	<b>27</b>	<b>20</b>	<b>19</b>	<b>54</b>	<b>53</b>	<b>54</b>	<b>53</b>
B747-400			3	3			3	3	3	3
<b>Cargo</b>			<b>3</b>	<b>3</b>			<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
B737-900			2	2	3	3	5	5	5	5
B737-800	6	6	20	20	4	4	30	30	30	30
B737-700		1	4	4	5	5	9	10	9	10
B737-400	6	6			7	7	13	13	13	13
B737-300	6	6	1	1	7	7	14	14	14	14
<b>Medium-haul fleet</b>	<b>18</b>	<b>19</b>	<b>27</b>	<b>27</b>	<b>26</b>	<b>26</b>	<b>71</b>	<b>72</b>	<b>71</b>	<b>72</b>
<b>Total KLM fleet</b>	<b>24</b>	<b>26</b>	<b>58</b>	<b>57</b>	<b>46</b>	<b>45</b>	<b>128</b>	<b>128</b>	<b>128</b>	<b>128</b>

**REGIONAL FLEET**

**KLM Cityhopper**

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	31/3/05	30/6/05	31/3/05	30/6/05	31/3/05	30/6/05	31/3/05	30/6/05	31/3/05	30/6/05
F70	18	20			3	1	21	21	20	21
F50			6	6	4	4	10	10	10	10
<b>Total KLM Cityhopper</b>	<b>18</b>	<b>20</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>5</b>	<b>31</b>	<b>31</b>	<b>30</b>	<b>31</b>

**KLM Cityhopper UK**

Aircraft	Owned		Finance lease		Operating lease		TOTAL		In operation	
	31/3/05	30/6/05	31/3/05	30/6/05	31/3/05	30/6/05	31/3/05	30/6/05	31/3/05	30/6/05
F100	1	1	14	14	1	1	16	16	16	16
F50					6	6	6	6	6	6
<b>Total KLM Cityhopper UK</b>	<b>1</b>	<b>1</b>	<b>14</b>	<b>14</b>	<b>7</b>	<b>7</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>

<b>Total Regional fleet</b>	<b>19</b>	<b>21</b>	<b>20</b>	<b>20</b>	<b>14</b>	<b>12</b>	<b>53</b>	<b>53</b>	<b>52</b>	<b>53</b>
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<b>TOTAL KLM Group</b>	<b>43</b>	<b>47</b>	<b>78</b>	<b>77</b>	<b>60</b>	<b>57</b>	<b>181</b>	<b>181</b>	<b>180</b>	<b>181</b>
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