

FINANCIAL YEAR 2013

FIRST QUARTER JANUARY-MARCH 2013

- ▶ Stable capacity
- ▶ Ongoing cost reduction
- ▶ Reduction in operating loss
- ▶ Lower net debt

FULL YEAR OUTLOOK

- ▶ Objectives for Full Year 2013 confirmed: reduction in unit costs at constant currency and fuel price, reduction in net debt

The Board of Directors of Air France-KLM, chaired by Jean-Cyril Spinetta, met on May 2nd 2013 to examine the accounts for the first quarter of 2013.

In a persistently tough economic environment, the group pursued its cost and debt reduction measures in this traditionally difficult quarter.

Key data

In millions of euros, (except per share data in euros)	Quarter to 31st March			
	2013	2012 proforma*	Change	2012 published
Revenues	5,721	5,645	1.3%	5,645
EBITDAR ¹	123	23	+€100m	37
Operating result	-530	-611	nm	-597
Adjusted operating result ²	-451	-535	nm	-521
Net result, group share	-630	-379	nm	-368
Net result per share	-2.13	-1.28	nm	-1.25
Net diluted result per share	-2.13	-1.28	nm	-1.25

* Restated for Revised IAS 19 relating to pensions, applicable since 1st January 2013 and backdated to 1st January 2012

Activity

The **passenger** activity recorded a 0.8% rise in traffic for virtually stable capacity (+0.2%). The load factor gained 0.5 points to 82.1%. Unit revenue per available seat kilometre (RASK) rose by 1.2% (+1.3% ex-currency). Passenger revenues were up 1.4% to 4.49 billion euros. The operating result stood at -447 million euros (-515 million euros a year earlier).

The **cargo** activity, which continued to be affected by the economic slowdown and the situation of overcapacity in the industry, reduced capacity by 4.1%. With traffic down 6.9%, the load factor declined by 1.9 points to 63.0%. Unit revenue per available tonne kilometre (RATK) fell by 1.9%, and by 1.0% ex-currency. Cargo revenues amounted to 700 million euros (-5.9%). However, thanks to the Transform 2015 measures, the cargo loss was reduced to 50 million euros (70 million euros a year earlier).

Third party **maintenance** revenues stood at 302 million euros (+17.1%). The operating result amounted to 20 million euros (15 million euros at 31st March 2012). This improvement was mainly due to component maintenance.

¹ Before amortisation, provisions and operating leases

² Adjusted for the portion of operating leases corresponding to financial charges (34%)

The **other businesses** generated revenues of 229 million euros, of which 134 million euros for the leisure business (+14.5%). The operating result stood at -53 million euros (-41 million euros at 31st March 2012).

Total revenues amounted to 5.72 billion euros, up 1.3% after a negative currency effect limited to 0.2%. Unit revenue measured in equivalent available seat kilometre (EASK) rose 0.5% (+0.7% at constant currency).

Reduction in unit costs

Unit costs measured in EASK were down 1.0% and 1.7% on a constant currency and fuel price basis for virtually stable production in EASK (+0.2%).

Operating costs were stable (-0.1%) with the main changes as follows:

- Despite a rise in the fuel price after hedging of 4%, the fuel bill was slightly down (-14 million euros to 1.67 billion euros) on the back of a 3% decline in volumes.
- Employee costs fell 1.7% to 1.89 billion euros mainly reflecting the reduction in headcount (-41 million euros), a 13 million euro rise in non cash pension costs, a consolidation effect linked to the integration of Airlineair of 9 million euros and the French competitiveness tax credit (CICE, -10 million euros).
- Maintenance purchases increased by 12.0% to 309 million euros on the back of the increase in third party maintenance.

The operating result stood at -530 million euros, an improvement of 81 million euros on previous year. The adjusted operating result was -451 million euros (-535 million euros at 31st March 2012).

Net interest charges amounted to 97 million euros (82 million euros at 31st March 2012). 'Other financial income and costs' stood at 51 million euros versus 276 million euros a year earlier. This decrease was mainly due to lower foreign exchange gains (down 50 million euros) and the change in the fair value of hedging instruments, which stood at 43 million euros at 31st March 2013 versus 220 million euros at 31st March 2012, reflecting the decline in the oil price at the end of the period.

The net result, group share, stood at -630 million euros (-379 million euros at 31st March 2012). Earnings and diluted earnings per share stood at -2.13 euros (-1.28 euros at 31st March 2012).

Reduction in net debt

Investments amounted to 282 million euros with disposals at 108 million euros (416 million euros and 25 million euros respectively at 31st March 2012). Operating free cash-flow stood at 38 million euros in a traditionally negative quarter. At 31st March 2013, Air France-KLM had cash of 4.3 billion euros of which 547 million euros generated by the convertible bond issue. Elsewhere, the group has credit lines of 1.85 billion euros.

As already indicated, the application of revised norm IAS19 on pension, and in particular the suppression of the corridor at 1st January 2013, led to a negative adjustment of shareholders' funds of 1.33 billion euros at 31st December 2012. At 31st March 2013, shareholders' funds reflected a positive trend in the return on plan assets and a revaluation of the discount rate amounting to 347 million euros, as well as various positive adjustments for 200 million euros. As a result, shareholders' funds were stable (3.59 billion euros versus 3.64 billion euros at 31st December 2012). Net debt³ amounted to 5.90 billion euros (5.97 billion euros at 31st December 2012). The financial cover ratios were stable or slightly improved over the 12 months at 31st March 2013.

Outlook

In a difficult and uncertain environment, the group continues the implementation of Transform 2015 which remains on track. It confirms its objectives for 2013, of a reduction in unit cost on a constant currency and fuel price basis, and a reduction of net debt.

³ Definition in 2012 Registration Document page 151. Reconciliation table available in results presentation.

Information by business

Passenger

	Quarter to 31st March		
	2013	2012 proforma*	Change
Traffic (RPK millions)	52,129	51,734	+0.8%
Capacity (ASK millions)	63,517	63,391	+0.2%
Load factor	82.1%	81.6%	+0.5 pts
Total passenger revenues (€m)	4,490	4,430	+1.4%
Scheduled passenger revenues (€m)	4,261	4,205	+1.3%
Unit revenue per RPK (€cts)	8.17	8.12	+0.6%
Unit revenue per RPK at constant currency (€cts)	-	-	+0.7%
Unit revenue per ASK (€cts)	6.71	6.63	+1.2%
Unit revenue per ASK at constant currency (€cts)	-	-	+1.3%
Unit cost per ASK (€cts)	7.41	7.44	-0.4%
Unit cost per ASK at constant currency and fuel price (€cts)	-	-	-1.0%
Operating result (€m)	-447	-515	nm

* Restated for Revised IAS 19 relating to pensions, applicable since 1st January 2013 and backdated to 1st January 2012

Cargo

	Quarter to 31st March		
	2013	2012 proforma*	Change
Traffic (RTK millions)	2,416	2,594	-6.9%
Capacity (ATK millions)	3,833	3,997	-4.1%
Load factor	63.0%	64.9%	-1.9 pts
Total cargo business revenues (€m)	700	744	-5.9%
Revenues from the transportation of cargo (€m)	656	697	-5.9%
Unit revenue per RTK (€cts)	27.17	26.90	+1.0%
Unit revenue per RTK ex currency (€cts)	-	-	+1.9%
Unit revenue per ATK (€cts)	17.13	17.46	-1.9%
Unit revenue per ATK ex currency (€cts)	-	-	-1.0%
Unit cost per ATK (€cts)	18.44	19.21	-4.0%
Unit cost per ATK on constant currency and fuel price (€cts)	-	-	-5.1%
Operating income (€m)	-50	-70	nm

* Restated for Revised IAS 19 relating to pensions, applicable since 1st January 2013 and backdated to 1st January 2012

Maintenance

In the first quarter of 2013 the maintenance business realised total revenues of 788 million euros (+2.0%) of which 302 million euros with third parties, up 17% in spite of negative currency impact of 1.6%. The operating result stood at 20 million euros (15 million euros a year earlier). The high value-added activities of engines and components remained robust.

Other businesses

The other businesses comprise mainly the leisure activities of Transavia and the catering business of Servair. In the first quarter of 2013, the other businesses generated revenues of 229 million euros, up 7.5% and an operating result of -53 million euros (-41 million euros at 31st March 2012).

Transavia

	Quarter to 31st March		
	2013	2012 proforma*	Change
Traffic (RPK millions)	2,600	2,172	+19.7%
Capacity (ASK millions)	3,034	2,601	+16.7%
Load factor	85.7%	83.5%	+2.2 pts
Total passenger revenues (€m)	134	117	+15.0%
Scheduled passenger revenues (€m)	124	106	+17.0%
Unit revenue per RPK (€cts)	4.77	4.87	-2.2%
Unit revenue per RPK at constant currency (€cts)	-	-	-2.2%
Unit revenue per ASK (€cts)	4.08	4.07	+0.4%
Unit revenue per ASK at constant currency (€cts)	-	-	+0.4%
Unit cost per ASK (€cts)	5.76	5.79	-0.5%
Unit cost per ASK at constant currency and fuel price (€cts)	-	-	-2.6%
Operating result (€m)	-51	-45	<i>nm</i>

* Restated for Revised IAS 19 relating to pensions, applicable since 1st January 2013 and backdated to 1st January 2012

The **catering** business generated stable revenues of 219 million euros of which 84 million euros realised with third parties at 31st March 2013. The operating loss stood at one million euros (-6 million euros one year earlier).

Additional information

The accounts for the quarter January to March 2013 are not audited.

The results presentation is available on www.airfranceklm-finance.com.

Practical information

- ▶ Conference call at 10h00 CET:
to connect to the conference call, please dial
 - UK 44 (0)20 7162 0125 (password: AKH)
 - US 1 334 323 6203 (password: AKH)
- ▶ To listen to a recording of the conference in English, dial:
 - UK 44 (0)20 7031 4064 (code: **931347**)
 - US 1 954 334 0342 (code: **931347**)

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INCOME STATEMENTS (unaudited)

<i>In euro millions</i>	First quarter (January to March)		
	2013	2012*	Variation
SALES	5,721	5,645	1.3%
Other revenues	0	1	nm
EXTERNAL EXPENSES	(3,880)	(3,884)	(0.1%)
Aircraft fuel	(1,667)	(1,681)	(0.8%)
Chartering costs	(117)	(138)	(15.2%)
Aircraft operating lease costs	(233)	(225)	3.6%
Landing fees and en route charges	(426)	(434)	(1.8%)
Catering	(137)	(138)	(0.7%)
Handling charges and other operating costs	(348)	(321)	8.4%
Aircraft maintenance costs	(309)	(276)	12.0%
Commercial and distribution costs	(223)	(221)	0.9%
Other external expenses	(420)	(450)	(6.7%)
Salaries and related costs	(1,892)	(1,925)	(1.7%)
Taxes other than income taxes	(43)	(46)	(6.5%)
Amortization and depreciation	(387)	(390)	(0.8%)
Provisions	(33)	(19)	73.7%
Other income and expenses	(16)	7	nm
INCOME FROM CURRENT OPERATIONS	(530)	(611)	13.3%
Sales of aircraft equipment	(4)	3	nm
Sales of subsidiaries	(6)	98	nm
Other non-current income and expenses	(17)	(6)	nm
INCOME FROM OPERATING ACTIVITIES	(557)	(516)	(7.9%)
Income from cash and cash equivalents	20	19	5.3%
Cost of financial debt	(117)	(101)	15.8%
<i>Net cost of financial debt</i>	(97)	(82)	(18.3%)
Foreign exchange gains (losses), net	4	54	nm
Change in fair value of financial assets and liabilities	43	220	nm
Other financial income and expenses	4	2	nm
INCOME BEFORE TAX	(603)	(322)	(87.3%)
Income taxes	28	(19)	nm
NET INCOME OF CONSOLIDATED COMPANIES	(575)	(341)	(68.6%)
Share of profits (losses) of associates	(54)	(38)	42.1%
INCOME FROM CONTINUING OPERATIONS	(629)	(379)	(66.0%)
Net income from discontinued operations			
NET INCOME FOR THE PERIOD	(629)	(379)	(66.0%)
Minority interest	(1)		nm
NET INCOME FOR THE PERIOD - GROUP	(630)	(379)	(66.2%)

(*) Pro-forma IAS19R. See note 2 in notes to consolidated financial statements

CONSOLIDATED BALANCE SHEET (unaudited)

Assets <i>In € millions</i>	March 31, 2013	December 31, 2012 proforma *	January 1, 2012 proforma *
Goodwill	256	252	426
Intangible assets	867	842	774
Flight equipment	9,819	10,048	10,689
Other property, plant and equipment	1,926	1,932	2,055
Investments in equity associates	322	381	422
Pension assets	2,961	2,477	2,336
Other financial assets ^(**)	1,750	1,665	2,015
Deferred tax assets	1,321	1,392	1,322
Other non-current assets	171	152	168
Total non-current assets	19,393	19,141	20,207
Assets held for sale	7	7	10
Other short term financial assets ^(**)	910	933	751
Inventories	535	521	585
Trade accounts receivables	2,305	1,859	1,774
Income tax receivables	20	11	10
Other current assets	979	828	995
Cash and cash equivalents	3,730	3,420	2,283
Total current assets	8,486	7,579	6,408
Total assets	27,879	26,720	26,615

(*) See note 2 in notes to consolidated financial statements

** Including:	<i>in € millions</i>	March 31, 2013	December 31, 2012	January 1, 2012
Deposits related to financial leases		805	806	656
Marketable securities		915	956	987

Liabilities and equity <i>In € millions</i>	March 31, 2013	December 31, 2012 proforma *	January 1, 2012 proforma *
Issued capital	300	300	300
Additional paid-in capital	2,971	2,971	2,971
Treasury shares	(85)	(85)	(89)
Reserves and retained earnings	351	403	1,775
Equity attributable to equity holders of Air France-KLM	3,537	3,589	4,957
Non-controlling interests	52	48	47
Total equity	3,589	3,637	5,004
Provisions and retirement benefits	3,141	3,158	2,692
Long-term debt	9,139	9,565	9,228
Deferred tax	239	149	223
Other non-current liabilities	318	384	321
Total non-current liabilities	12,837	13,256	12,464
Provisions	585	555	156
Current portion of long-term debt	2,257	1,434	1,174
Trade accounts payables	2,425	2,219	2,599
Deferred revenue on ticket sales	2,888	2,115	1,885
Frequent flyer programs	759	770	784
Current tax liabilities	2	3	6
Other current liabilities	2,475	2,474	2,386
Bank overdrafts	62	257	157
Total current liabilities	11,453	9,827	9,147
Total liabilities	24,290	23,083	21,611
Total liabilities and equity	27,879	26,720	26,615

(*) See note 2 in notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

<i>In € millions</i>		
Period from January 1 to March 31,	2013	2012 proforma
Net income for the period – Equity holders for Air France-KLM	(630)	(379)
Non-controlling interests	1	-
Amortization, depreciation and operating provisions	420	409
Financial provisions	(4)	(2)
Gain on disposals of tangible and intangible assets	8	(3)
Loss/ (gain) on disposals of subsidiaries and associates	6	(98)
Derivatives – non monetary results	(47)	(229)
Unrealized foreign exchange gains and losses, net	(4)	(61)
Share of (profits) losses of associates	54	38
Deferred taxes	(38)	13
Other non-monetary items	(25)	8
Subtotal	(259)	(304)
(Increase) / decrease in inventories	(10)	33
(Increase) / decrease in trade receivables	(421)	(388)
Increase / (decrease) in trade payables	52	(131)
Change in other receivables and payables	850	732
Net cash flow from operating activities	212	(58)
Acquisition of subsidiaries, of shares in non-controlled entities	(9)	-
Purchase of property, plant and equipment and intangible assets	(282)	(416)
Proceeds on disposal of subsidiaries and investments in associates	9	467
Proceeds on disposal of property, plant and equipment and intangible assets	108	25
Dividends received	6	13
Decrease (increase) in investments, net between 3 months and 1 year	41	115
Net cash flow used in investing activities	(127)	204
Disposal of subsidiaries without loss of control, of owned shares	-	7
Issuance of debt	882	325
Repayment on debt	(308)	(228)
Payment of debt resulting from finance lease liabilities	(143)	(129)
New loans	(33)	(8)
Repayment on loans	25	28
Net cash flow from financing activities	423	(5)
Effect of exchange rate on cash and cash equivalents and bank overdrafts	(3)	(6)
Change in cash and cash equivalents and bank overdrafts	505	135
Cash and cash equivalents and bank overdrafts at beginning of period	3,163	2,126
Cash and cash equivalents and bank overdrafts at end of period	3,668	2,261

(*) See note 2 in notes to consolidated financial statements

AIR FRANCE-KLM FLEET

Group Air France fleet

Aircraft	AF	Airlinair*	Brit Air	City Jet	Régional	VLM	Transavia	Owned	Finance lease	Operating lease	Total	In operation	Change / 12/31/12
B747-400	7							3	1	3	7	7	
B777-300	37							13	7	17	37	37	
B777-200	25							15	2	8	25	25	
A380-800	8							1	3	4	8	8	
A340-300	13							8	2	3	13	11	
A330-300													
A330-200	15							3	2	10	15	15	
MD11													
Long haul	105							43	17	45	105	103	
B747-400 cargo	5							2		3	5	3	
B777- cargo	2							2			2	2	
MD-11-CF													
MD-11-F													
Freighter	7							4		3	7	5	
B737 900													
B737-800							10			10	10	10	+2
B737-700													
B737-400													
A321	25							6	6	13	25	25	
A320	56							17	3	36	56	55	-1
A319	42							20	5	17	42	41	
A318	18							11	7		18	18	
Medium haul	141						10	54	21	76	151	149	+1
AVRO RJ 85				22				11		11	22	19	
ATR72-500		7						1	3	3	7	7	+7
ATR72-200		2							2		2	2	+2
ATR42-500		13						4	4	5	13	13	+13
ATR42-300		3								3	3	1	+1
Canadair Jet 1000			13					13			13	13	
Canadair Jet 900													
Canadair Jet 700			15					6	9		15	14	-1
Canadair Jet 100			13					12	1		13	9	
Embraer 190					10			4		6	10	10	
Embraer 170					16			8	2	6	16	16	
Embraer 145					21			12	8	1	21	20	-3
Embraer 135					6			4	2		6	1	+1
Fokker 100													
Fokker 70													
Fokker 50						13		12		1	13	13	
Regional		25	41	22	53	13		87	31	36	154	138	+20

TOTAL	253	25	41	22	53	13	10	188	69	160	417	395	+21
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(*) Integrated in the first quarter of 2013

KLM fleet

Aircraft	KLM	KLM Cityhopper	Transavia	Martinair	Owned	Finance lease	Operating lease	Total	In operation	Change / 12/31/12
B747-400	22				14	3	5	22	22	
B777-300	7					7		7	7	
B777-200	15					6	9	15	15	
A380-800										
A340-300										
A330-300	4						4	4	4	+1
A330-200	11					6	5	11	11	
MD11	7				6	1		7	6	
Long haul	66				20	23	23	66	65	+1
B747-400 cargo	4			3		3	4	7	4	
B777- cargo										
MD-11-CF				3	3			3	3	-1
MD-11-F				3		2	1	3	3	+1
Freighter	4			9	3	5	5	13	10	
B737 900	5					2	3	5	5	
B737-800	23		21		5	10	29	44	43	-1
B737-700	18		10			13	15	28	28	
B737-400	1				1			1		
A321										
A320										
A319										
A318										
Medium haul	47		31		6	25	47	78	76	-1
AVRO RJ 85										
ATR72-500										
ATR72-200										
ATR42-500										
ATR42-300										
Canadair Jet 1000										
Canadair Jet 900										
Canadair Jet 700										
Canadair Jet 100										
Embraer 190		22				13	9	22	22	
Embraer 170										
Embraer 145										
Embraer 135										
Fokker 100		1			1			1		
Fokker 70		26			26			26	26	
Fokker 50										
Regional		49			27	13	9	49	48	
KLM	117	49	31	9	56	66	84	206	199	
TOTAL Air France-KLM Group					244	135	244	623	594	+21