

May 4, 2012

FINANCIAL YEAR 2012

QUARTER JANUARY-MARCH 2012

- ▶ A tough quarter, but in line with our expectations
- ▶ Satisfactory passenger traffic, ongoing weakness in cargo
- ▶ 5.6% increase in passenger unit revenue, but still insufficient to offset rise in fuel bill
- ▶ Implementation of the first phase of 'Transform 2015', and negotiations underway for second phase

OUTLOOK

- ▶ Full year 2012 objectives maintained: reduction in unit cost on a constant fuel price and currency basis, net debt of a maximum level of 6.5 billion euros.

The Board of Directors of Air France-KLM, chaired by Jean-Cyril Spinetta, met on May 3rd, 2012 to examine the accounts for the First Quarter of 2012.

As anticipated, the first quarter was difficult, in spite of an improvement in activity in March. Strict capacity control as well as good traffic levels led to a rise in unit revenue in the passenger business. However the persistent weakness of international trade weighed on that of cargo. Overall, the improvement in unit revenue was still insufficient to compensate for the rise in costs, notably fuel.

Key data

€ millions (per share data in €)	Quarter to 31 st March		
	2012	2011	change
Revenues	5,645	5,326	6.0%
EBITDAR ¹	37	205	-82.0%
Operating result	-597	-403	nm
Adjusted operating result ²	-521	-333	nm
Net result, group share ³	-368	-367	nm
Earnings per share	-1.25	-1.24	nm
Diluted earnings per share	-1.25	-1.24	nm

Activity

Marked improvement in passenger unit revenue

The passenger business saw a 5.5% rise in traffic for an increase in capacity limited to 1.6%. The load factor gained 3.1 points to 81.6%. Unit revenue per available seat kilometer (RASK) progressed by 5.6% (+4.7% ex. currency) on the back of the rise in volumes. Passenger revenues rose by 8.8% after a favorable currency effect of 0.9%, to 4.43 billion euros. The operating result was -504 million euros (-367 million euros a year earlier) due notably to a 224 million euro increase in the fuel bill.

The cargo business continues to be affected by the slowdown in economic activity which started to weight on transportation of cargo as of May 2011. Traffic fell by 6.1% for capacity down by 2.0% leading to a 2.9 point decline in load factor to 64.9%. Unit revenue per available ton kilometer (RATK) declined 2.6% (-4.1% ex.

¹ Before amortisation, provisions and operating leases

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

³ Net result group share henceforth restated only in the case of exceptionally large operations such as Amadeus

currency). Cargo revenues amounted to 744 million euros (-3.3%) and the operating result was -68 million euros (-9 million euros at 31st March 2011).

Third party maintenance revenues progressed by 10.7% to 258 million euros. The operating result stood at 16 million euros (+26 million euros at 31st March 2011). The engines and components activities performed well during the quarter. Other activities generated revenues of 213 million euros of which 117 million euros for leisure. The operating result was -41 million euros (-53 million euros at 31st March 2011).

Total revenues stood at 5.65 billion euros, up 6.0% after a positive currency effect of 1.1%. Unit revenue per equivalent available seat kilometer (EASK) rose 6.6% (+5.5% ex. currency) but this was insufficient to compensate for the rise in the fuel bill.

Rise in operating costs, notably driven by fuel

Operating costs rose 9.0% and by 6.0% ex-fuel. Unit cost per EASK was up by 7.3%, but by just 1.9% on a constant currency and fuel price basis, for a slight rise in production measured in EASK (+1.3%). The group nevertheless maintains its objective of a slight decrease in unit cost on a constant currency and fuel price basis for Full Year 2012.

The fuel bill rose by 255 million euros to 1.68 billion euros (+17.9%) under the combined effect of a 1% rise in volumes, a negative currency effect of 3% and a 13% rise in fuel costs after hedging.

Employee costs amounted to 1.91 billion euros (+6.0%) notably due to the knock-on effect of 2011 salary increases and a rise in pension costs at KLM of which 23 million euros based on actuarial assumptions as at December 31, 2011. This rise in employee costs does not reflect the trend for Full Year 2012 which is expected to record a rise in the region of 2% (+3% including the additional pension charge estimated at 80 million euros for the Full Year).

The operating result was -597 million euros (-403 million euros at 31st March 2011). The adjusted operating result was -521 million euros. Net interest charges improved from 91 million euros at 31st March 2011 to 82 million euros at 31st March 2012. 'Other financial income and costs' stood at 276 million euros (67 million euros a year earlier) of which 220 million euros from the change in the fair value of hedging instruments.

Net result, group share stood at -368 million euros (-367 million euros at 31st March 2011). Per share, the net and net diluted result stood at -1.25 euros (-1.24 euros at 31st March 2011).

Satisfactory level of liquidity

Investments net of disposals of 25 million euros amounted to 391 million euros at 31st March 2012 (versus 275 million euros after 306 million of disposals in Q1 2011). Operating cash flow was -58 million euros. At 31st March 2012 the Air France-KLM group had cash of 2.85 billion euros as well as available credit lines of 1.85 billion euros.

Shareholders' funds stood at 5.75 billion euros. Net debt amounted to 6.43 billion euros (6.52 billion euros at 31st December 2011). The gearing ratio¹ stood at 1.12 (1.07 at 31st December 2011).

Outlook

The economic environment continues to be uncertain, while the fuel price in euros remains at record levels. The annual fuel bill is expected to increase by 1.1 billion euros². In this context, the group is highly focused on the negotiations underway, the successful outcome of which will enable it to significantly improve its economic efficiency between now and 2014.

The results of the First Quarter lead the group to maintain its expectations for Full Year 2012, of a reduction in unit cost at constant fuel price and currency and a maximum level of net debt of 6.5 billion at year end. The operating result for the First Half is expected below the level of last year (-548 million euros at 30 June 2011), while the Second Half will see the benefits of the first 'Transform 2015' measures feeding through.

¹ See calculation on p 144 of the 2011 Registration Document. Reconciliation available in the results presentation.

² Based on forward curves at 26 April 2012 and a euro/dollar rate of 1.32 in 2012

Information by business

Passenger

	Quarter to 31 st March		
	2012	2011	change
Traffic (RPK millions)	51,733	49,019	+5.5%
Capacity (ASK millions)	63,391	62,399	+1.6%
Load factor	81.6%	78.6%	+3.1 pts
Total passenger revenues (€ m)	4,430	4,072	+8.8%
Revenues from scheduled passenger business (€m)	4,205	3 896	+7.9%
Unit revenue per RPK (€ cts)	8.13	8.00	+1.9%
Unit revenue per RPK ex currency (€ cts)	-	-	+0.8%
Unit revenue per ASK (€ cts)	6.63	6.28	+5.6%
Unit revenue per ASK ex currency (€ cts)	-	-	+4.7%
Unit cost per ASK (€ cts)	7.43	6.89	+7.9%
Unit cost per ASK at const. currency and fuel price (€ cts)	-	-	+2.7%
Operating result (€m)	-504	-367	<i>nm</i>

Cargo

	Quarter to 31 st March		
	2012	2011	change
Traffic (RTK millions)	2,594	2,764	-6.1%
Capacity (ATK millions)	3,997	4,079	-2.0%
Load factor	64.9%	67.7%	-2.9 pts
Total cargo business revenues (€m)	744	769	-3.3%
Revenues from the transportation of cargo (€m)	698	731	-4.5%
Unit revenue per RTK (€ cts)	26.90	26.46	+1.7%
Unit revenue per RTK ex currency (€ cts)	-	-	+0.1%
Unit revenue per ATK (€ cts)	17.46	17.92	-2.6%
Unit revenue per ATK ex currency (€ cts)	-	-	-4.1%
Unit cost per ATK (€ cts)	19.16	18.16	+5.5%
Unit cost per ATK at const. currency and fuel price (€ cts)	-	-	-1.0%
Operating result (€m)	-68	-9	<i>nm</i>

Maintenance

The maintenance business recorded revenues of 772 million euros (+2.6%) of which 258 million euros in third party revenues, up by 10.7% in Q1 2012. The operating result stood at 16 million euros (versus 26 million euros a year earlier). High value added businesses, notably engines and components remained robust.

Other businesses

'Other Businesses' mainly include the leisure activities of Transavia and the catering business of Servair. In Q1 2012, the leisure business generated revenues of 117 million euros versus 141 million euros in Q1 2011. This decline was due to the transfer of Martinair's passenger activity to that of KLM. At constant perimeter, Transavia recorded a 9% rise in revenues and an operating result of -45 million euros (-41 million euros au 31st March 2011 at constant perimeter). Catering recorded third party revenues of 87 million euros and an operating result of 1 million euros (5 million euros a year earlier).

Additional information

Accounts for January-March 2012 are non-audited.

The results presentation will be available on line at: www.aifranceklm-finance.com on May 4th, 2012 from 08.00h CET.

Practical information

Conference call on 4th May 2012 at 10.00h CET

- ▶ To connect, 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: **915069**)
 - US 1 954 334 0342 (code: **915069**)

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INCOME STATEMENTS

First Quarter (January to March)

2012

2011

Variation

In euros million

	2012	2011	Variation
SALES	5,645	5,326	6.0%
Other revenues	1	1	0.0%
EXTERNAL EXPENSES	(3,884)	(3,566)	8.9%
Aircraft fuel	(1,681)	(1,426)	17.9%
Chartering costs	(138)	(130)	6.2%
Aircraft operating lease costs	(225)	(207)	8.7%
Landing fees and en route charges	(434)	(419)	3.6%
Catering	(138)	(131)	5.3%
Handling charges and other operating costs	(321)	(314)	2.2%
Aircraft maintenance costs	(276)	(265)	4.2%
Commercial and distribution costs	(221)	(177)	24.9%
Other external expenses	(450)	(497)	(9.5%)
Salaries and related costs	(1,911)	(1,802)	6.0%
Taxes other than income taxes	(46)	(42)	9.5%
Amortization and depreciation	(390)	(409)	(4.6%)
Provisions	(19)	8	nm
Other income and expenses	7	81	(91.4%)
INCOME FROM CURRENT OPERATIONS	(597)	(403)	(48.1%)
Sales of aircraft equipment	3	(3)	nm
Sales of subsidiaries	98	1	nm
Other non-current income and expenses	(6)	(101)	94.1%
INCOME FROM OPERATING ACTIVITIES	(502)	(506)	0.8%
Income from cash and cash equivalents	19	21	(9.5%)
Cost of financial debt	(101)	(112)	(9.8%)
Net cost of financial debt	(82)	(91)	9.9%
Foreign exchange gains (losses), net	54	70	(22.9%)
Change in fair value of financial assets and liabilities	220	(2)	nm
Other financial income and expenses	2	(1)	nm
INCOME BEFORE TAX	(308)	(530)	41.9%
Income taxes	(22)	170	nm
NET INCOME OF CONSOLIDATED COMPANIES	(330)	(360)	8.3%
Share of profits (losses) of associates	(38)	(7)	442.9%
INCOME FROM CONTINUING OPERATIONS	(368)	(367)	(0.3%)
Net income from discontinued operations	-	-	-
NET INCOME FOR THE PERIOD	(368)	(367)	(0.3%)
Minority interest	-	-	-
NET INCOME FOR THE PERIOD - GROUP	(368)	(367)	(0.3%)

CONSOLIDATED BALANCE SHEET

Assets <i>In € millions</i>	March 31, 2012	December 31, 2011
Goodwill	425	426
Intangible assets	789	774
Flight equipment	10,698	10,689
Other property, plant and equipment	2,019	2,055
Investments in equity associates	387	422
Pension assets	3,278	3,217
Other financial assets	1,539	2,015
Deferred tax assets	1,094	1,143
Other non-current assets	231	168
Total non-current assets	20,460	20,909
Assets held for sale	10	10
Other short-term financial assets	730	751
Inventories	540	585
Trade accounts receivables	2,138	1,774
Income tax receivables	11	10
Other current assets	1,049	995
Cash and cash equivalents	2,424	2,283
Total current assets	6,902	6,408
Total assets	27,362	27,317

Liabilities and equity <i>In € millions</i>	March 31, 2012	December 31, 2011
Issued capital	300	300
Additional paid-in capital	2,971	2,971
Treasury shares	(82)	(89)
Reserves and retained earnings	2,509	2,858
Equity attributable to equity holders of Air France-KLM	5,698	6,040
Non-controlling interests	54	54
Total equity	5,752	6,094
Provisions and retirement benefits	2,109	2,061
Long-term debt	9,129	9,228
Deferred tax liabilities	428	466
Other non-current liabilities	316	321
Total non-current liabilities	11,982	12,076
Provisions	149	156
Current portion of long-term debt	1,152	1,174
Trade accounts payables	2,406	2,599
Deferred revenue on ticket sales	2,586	1,885
Frequent flyer programs	770	784
Current tax liabilities	2	6
Other current liabilities	2,400	2,386
Bank overdrafts	163	157
Total current liabilities	9,628	9,147
Total liabilities	21,610	21,223
Total liabilities and equity	27,362	27,317

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In € millions</i>		
Period from January 1 to March 31,	2012	2011
Net income for the period – Equity holders of Air France-KLM	(368)	(367)
Non-controlling interests	-	-
Amortization, depreciation and operating provisions	409	401
Financial provisions	(2)	1
Gain on disposals of tangible and intangible assets	(3)	1
Loss / (gain) on disposals of subsidiaries and associates	(98)	(2)
Derivatives – non monetary result	(229)	(20)
Unrealized foreign exchange gains and losses, net	(61)	(74)
Share of (profits) losses of associates	38	7
Deferred taxes	16	(166)
Other non-monetary items	(6)	(73)
Subtotal	(304)	(292)
(Increase) / decrease in inventories	33	28
(Increase) / decrease in trade receivables	(388)	(191)
Increase / (decrease) in trade payables	(131)	347
Change in other receivables and payables	732	484
Net cash flow from operating activities	(58)	376
Acquisition of subsidiaries and investments in associates, net of cash acquired	-	(23)
Purchase of property, plant and equipment and intangible assets	(416)	(561)
Proceeds on disposal of property, plant and equipment and intangible assets	25	306
Dividends received	13	-
Decrease (increase) in investments, net between 3 months and 1 year	115	(150)
Net cash flow used in investing activities	(263)	(428)
Increase in capital	-	6
Purchase of non-controlling interests, of shares in non-controlled entities	-	(15)
Disposal of subsidiaries without loss of control, of shares in non-controlled entities	474	-
Issuance of long-term debt	325	546
Repayment on long-term debt	(228)	(116)
Payment of debt resulting from finance lease liabilities	(129)	(149)
New loans	(8)	(43)
Repayment on loans	28	80
Dividends paid	-	(1)
Net cash flow from financing activities	462	308
Effect of exchange rate on cash and cash equivalents and bank overdrafts	(6)	(19)
Change in cash and cash equivalents and bank overdrafts	135	237
Cash and cash equivalents and bank overdrafts at beginning of period	2,126	3,351
Cash and cash equivalents and bank overdrafts at end of period	2,261	3,588

AIR FRANCE-KLM FLEET

Air France fleet

Aircraft	AF	Brit Air	City Jet	Régional	VLM	Transavia	Owned	Finance lease	Operating lease	Total	In operation	Change / 12/31/11
B747-400	8						3		5	8	8	-1
B777-300	34						14	5	15	34	34	
B777-200	25						15	2	8	25	25	
B767-300												
A380-800	6						2	1	3	6	6	
A340-300	15						10	2	3	15	15	
A330-200	15						3	2	10	15	15	
MD11												
Total long haul	103						47	12	44	103	103	-1
B747-400 cargo	5						2		3	5	3	
B777- cargo	2						2			2	2	
MD-11-CF												
MD-11-F												
Total freighter	7						4		3	7	5	
B737-900												
B737-800						8			8	8	8	
B737-700												
B737-400												
B737-300												
A321	25						11	1	13	25	25	
A320	61						23	3	35	61	60	+1
A319	44						21	4	19	44	43	
A318	18						12	6		18	18	
Total medium haul	148					8	67	14	75	156	154	+1
AVRO RJ 85			23				12		11	23	21	-1
CRJ 1000		13					13			13	13	+2
CRJ 900												
CRJ 700		15					6	9		15	15	
CRJ 100		13					12	1		13	13	
Embraer 190				10			4		6	10	10	
Embraer 170				13			8	2	3	13	12	+2
Embraer 145				25			11	11	3	25	25	-1
Embraer 135				7			4	3		7	4	
Fokker 100		3					3			3		
Fokker 70												
Fokker 50					14		12		2	14	14	
Total Regional		44	23	55	14		85	26	25	136	127	+2
TOTAL	258	44	23	55	14	8	203	52	147	402	389	+2

KLM fleet

Aircraft	KLM	KLM Cityhopper	Transavia	Martinair	Owned	Finance lease	Operating lease	Total	In operation	Change / 12/31/11
B747-400	22				13	4	5	22	22	
B777-300	5					5		5	5	
B777-200	15					6	9	15	15	
B767-300										
A380-800										
A340-300										
A330-200	13					6	7	13	13	+2
MD11	10				8	2		10	10	
Total long haul	65				21	23	21	65	65	+2
B747-400 cargo	4			4		3	5	8	5	
B777- cargo										
MD-11-CF				4	3		1	4	4	
MD-11-F				3		2	1	3	2	-1
Total freighter	4			11	3	5	7	15	11	-1
B737-900	5					2	3	5	5	
B737-800	23		19		12	5	25	42	42	-1
B737-700	18		10			13	15	28	28	
B737-400	4				4			4		
B737-300	1				1			1		
A321										
A320										
A319										
A318										
Total medium haul	51		29		17	20	43	80	75	-1
AVRO RJ 85										
CRJ 1000										
CRJ 900										
CRJ 700										
CRJ 100										
Embraer 190		19			2	13	4	19	19	+2
Embraer 170										
Embraer 145										
Embraer 135										
Fokker 100		5			5			5	5	
Fokker 70		26			23	3		26	26	
Fokker 50										
Total regional		50			30	16	4	50	50	+2
TOTAL	120	50	29	11	71	64	75	210	201	+2
TOTAL AIR FRANCE-KLM GROUP					274	116	222	612	590	+4