

FINANCIAL YEAR 2012

QUARTER JULY-SEPTEMBER 2012

- ▶ Operating result of 506 million euros (397 million euros at 30th September 2011)
- ▶ Good improvement in passenger activity but deterioration in cargo
- ▶ Revenues of 7.2 billion euros (+6%)
- ▶ Ongoing reduction in unit costs at constant currency and fuel price

OUTLOOK

- ▶ Unchanged objectives of second half operating result above last year's level and reduction in net debt

The Board of Directors of Air France-KLM, chaired by Jean-Cyril Spinetta, met on 30th October to examine the accounts for third quarter 2012.

The group realised a satisfactory third quarter across all its businesses with the exception of cargo. In passenger, the limited capacity increase in the industry led to an improvement in unit revenues, which, for the group, were also helped by a positive foreign exchange effect due to the depreciation of the euro versus other currencies. On the other hand, the cargo business continued to deteriorate over the quarter. As previously indicated, measures undertaken in the context of the plan Transform 2015 are starting to have a significant impact on costs.

Key data

In millions of euros except per share data in euros	Quarter to 30 th September			Nine months to 30 th September		
	2012	2011	change	2012	2011	change
Revenues	7,184	6,789	5.8%	19,329	18,335	5.4%
EBITDAR ¹	1,228	1,018	20.4%	1,872	1,726	8.5%
Current operating result	506	397	27.5%	-157	-151	nm
Adjusted operating result ²	592	468	26.5%	87	63	38.0%
Net result, group share	306	14	nm	-957	-550	nm
Net result per share	1.03	0.05	nm	-3.24	-1.86	nm
Fully diluted result per share	0.85	0.05	nm	-3.24	-1.86	nm

Activity

Ongoing capacity control

The group enjoyed a good Summer season in its **passenger business**, with traffic up by 0.9% for a rise in capacity limited to 1.0% and a high load factor of 86%. Unit revenue per available seat kilometre (RASK) progressed by 6.3% (+1.8% at constant currency). Passenger revenues grew by 7.9% after a positive currency effect of 4.4% to 5.69 billion euros. The operating result stood at 453 million euros (+27%) despite a rise in the fuel bill of 231 million euros.

The **cargo business** was further impacted by the economic slowdown and the situation of overcapacity in the industry. Traffic fell by 6.6% for capacity down by 3.7%. The load factor stood at 61.8% (-1.9 points). Unit revenue per available tonne kilometre (RATK) rose 0.7% on the back of a positive currency effect of 6.7%. Cargo revenues stood at 758 million euros (-1.9%) while the operating result was -67 million euros (-37 million euros at 30th September 2011).

¹ Before amortisation, provisions and operating leases

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

Free translation into English for convenience only - French version prevails

Third party revenues at the **maintenance business** declined by 5.9% to 256 million euros. However the operating result was up strongly at 52 million euros (versus 18 million euros in Q3 2011 following 23 million euros in one-off costs).

Other activities, including Transavia, generated revenues of 476 million euros (+1.7%) and an operating result of 68 million euros (versus 60 million euros at 30th September 2011). Transavia generated revenues of 368 million euros (+12%) and an operating result of 69 million euros (versus 60 million euros a year earlier).

Total revenues stood at 7.18 billion euros, up 5.8% after a favourable currency effect of 4.5%. Unit revenues in equivalent available seat kilometres (EASK) rose 5.7% (+1.1% at constant currency).

Reduction in operating costs ex-currency

Operating costs totalled 6.68 billion euros, up 4.5% (+0.7% ex-fuel). On a comparable currency basis they fell 1.1%, reflecting the strict cost control measures implemented in the context of Transform 2015. Unit cost, measured in EASK, increased by 4.2%, but declined by 1.7% on a constant currency and fuel price basis, for production measured in EASK up by 0.6%.

The fuel bill increased by 254 million euros to 1.97 billion euros (+14.8%) under the effect of a decline in volume of 2%, a negative currency effect of 15% and a rise in the fuel price after hedging of 2%.

Employee costs (excluding temporary staff) amounted to 1.88 billion euros. The measures taken in the context of Transform 2015 took effect, limiting the rise to 1.2% in spite of an additional pension charge at KLM of 18 million euros.

The operating result amounted to 506 million euros and the adjusted operating result to 592 million euros, implying an adjusted operating margin of 8.2%.

In the context of the reorganisation of the French regional pole, the group has undertaken impairment tests for assets not included in this pole, leading it to depreciate goodwill in respect of VLM, a subsidiary of CityJet, for an amount of 168 million euros. Net interest charges were stable at 94 million euros. 'Other financial income and costs' amounted to 216 million euros (-268 million euros a year ago) of which 210 millions euros relating to the change in the fair value of derivatives.

Net income, group share, amounted to 306 million euros (14 million euros at 30th September 2011). The net result per share stood at 1.03 euros and the diluted net result per share at 0.85 euros (0.05 euros at 30th September 2011 for both results).

Nine months to 30th September 2012

In **passenger business**, during the first nine months of 2012, capacity increased by 0.9% and traffic by 2.8%. The load factor gained 1.5 points to 83.5%. Unit revenue per available seat kilometre (RASK) rose by 6.0% and by 3.1% at constant currency.

In **cargo business**, traffic declined by 6.5% for capacity down by 2.9%, leading to a 2.4 point decline in the load factor to 63.6%. Unit revenue per available tonne kilometre (RATK) declined by 1.4% and by 5.5% at constant currency.

Total revenues amounted to 19.33 billion euros (+5.4% after a positive change effect of 2.8%). Operating costs increased by 5.4%, but by only 2.0% ex-fuel.

The operating result amounted to -157 million euros (-151 million euros at 30th September 2011) while the adjusted operating result was 87 million euros. The adjusted operating margin stood at 0.5%.

The net interest charge amounted to 264 million euros, a decline of 3.3% on the previous year. 'Other financial income and costs' swung from -230 million euros at 30th September 2011 to 38 million euros at 30th September 2012, thanks to a less negative foreign exchange result and a 200 million euro positive change in the fair value of derivatives.

The net result, group share, was -957 million euros (-550 million euros at 30th September 2011) after 536 million euros in non-current and non-cash charges, of which 348 million euros for the voluntary departures plan, not affecting the group's cash flow at 30th September 2012.

The result per share and fully diluted result per share stood at -3.24 euros against -1.86 euros at 30th September 2011.

Financial position

Investments amounted to 1.26 billion euros and disposals to 650 million euros (1.98 billion euros and 986 million euros respectively at 30th September 2011). Operating cash flow amounted to 712 million euros. Before changes in working capital requirement, it amounted to 716 million euros versus 308 million euros a year ago. At 30th September 2012 the group had cash of 3.4 billion euros and credit lines of 1.85 billion euros.

Shareholders' funds amounted to 5.27 billion euros. Net debt declined relative to 31st December 2011 (6.02 billion euros versus 6.52 billion euros at 31st December 2011). However, as a consequence of the reduction in shareholders' funds, the gearing ratio increased to 1.14 (1.07 at 31st December 2011).

Outlook

In a difficult economic environment in Europe, but with a good level of activity in the other markets, the group maintains its objectives of an operating result in the second half of 2012 above the level of the second half of 2011 (195 million euros) and a reduction of its net debt at 31st December 2012 relative to 31st December 2011.

Additional information

The nine month January to September 2012 accounts are not audited by the Statutory Auditors.

Information by business

Passenger business

	Quarter to 30 th September			Nine months to 30 th September		
	2012	2011	Change	2012	2011	Change
Traffic (RPK millions)	62,098	61,563	0.9%	169,651	165,089	2.8%
Capacity (ASK millions)	72,246	71,534	1.0%	203,093	201,215	0.9%
Load factor	86.0%	86.1%	-0.1 pts	83.5%	82.0%	1.5 pts
Total passenger revenues (€m)	5,694	5,276	7.9%	15,254	14,150	7.8%
Scheduled passenger revenues (€m)	5,448	5,055	7.8%	14,552	13,537	7.5%
Unit revenue per RPK (€cts)	8.77	8.24	6.4%	8.58	8.24	4.1%
Unit revenue per RPK at constant currency (€cts)	-	-	1.9%	-	-	1.3%
Unit revenue per ASK (€cts)	7.54	7.09	6.3%	7.16	6.76	6.0%
Unit revenue per ASK at constant currency (€cts)	-	-	1.8%	-	-	3.1%
Unit cost per ASK (€cts)	6.91	6.61	4.7%	7.21	6.85	5.3%
Unit cost per ASK at constant currency and fuel price (€cts)	-	-	-1.2%	-	-	0.0%
Operating result (€m)	453	356	27,2%	-98	-151	ns

Cargo business

	Quarter to 30 th September			Nine months to 30 th September		
	2012	2011	Variation	2012	2011	Variation
Traffic (RTK millions)	2,631	2,813	-6.5%	7,893	8,443	-6.5%
Capacity (ATK millions)	4,264	4,419	-3.5%	12,425	12,792	-2.9%
Load factor	61.7%	63.7%	-2.0 pts	63.5%	66.0%	-2.5 pts
Total cargo revenues	758	773	-1.9%	2,266	2,341	-3.2%
Scheduled cargo revenues (€m)	710	731	-2.9%	2,126	2,221	-4.2%
Unit revenue per RTK (€cts)	27.01	26.02	3.8%	26.93	26.32	2.3%
Unit revenue per RTK at constant currency (€cts)	-	-	-2,8%	-	-	-1.9%
Unit revenue per ATK (€cts)	16.69	16.58	0.7%	17.12	17.37	-1.4%
Unit revenue per ATK at constant currency (€cts)	-	-	-5,7%	-	-	-5.5%
Unit cost per ATK (€cts)	18.27	17.40	5.0%	18.71	17.85	4.8%
Unit cost per ATK at constant currency and fuel price (€cts)	-	-	-2.4%	-	-	-2.0%
Operating result (€m)	-67	-37	ns	-197	-60	ns

Maintenance

The maintenance activity realised third party revenues of 256 million euros in the third quarter of 2012 (272 million euros for the same period in 2011). The operating result amounted to 52 million euros (18 million euros at 30th September 2011 after 23 million euros in exceptional charges linked to strike action). For the first nine months of 2012, revenues amounted to 779 million euros (+1.9%). The operating result stood at 108 million euros (67 million euros at 30th September 2011).

Other businesses

Other businesses include mainly Transavia and the catering activity. In the third quarter, total revenues for this business amounted to 476 million euros against 468 million euros a year earlier. The operating result stood at 68 million euros (60 million euros at 30th September 2011).

Transavia

	Quarter to 30 th September			Nine months to 30 th September		
	2012	2011	<i>Change</i>	2012	2011	<i>Change</i>
Traffic (RPK millions)	6,024	5,804	3.8%	12,507	12,020	4.1%
Capacity (ASK millions)	6,589	6,384	3.2%	14,267	13,815	3.3%
Load factor	91.4%	90.9%	0.5 pts	87.7%	87.0%	0.7 pts
Total passenger revenues (€m)	368	330	11.5%	732	667	9.7%
Passenger revenues (€m)	358	325	10.1%	702	643	9.2%
Unit revenue per RPK (€cts)	5.93	5.60	6.0%	5.61	5.35	4.8%
Unit revenue per RPK at constant currency (€cts)	-	-	6.0%	-	-	4.8%
Unit revenue per ASK (€cts)	5.43	5.09	6.6%	4.92	4.66	5.6%
Unit revenue per ASK at constant currency (€cts)	-	-	6.6%	-	-	5.6%
Unit cost per ASK (€cts)	4.37	4.16	5.2%	4.76	4.53	5.1%
Unit cost per ASK at constant currency and fuel price (€cts)	-	-	2.0%	-	-	-1.7%
Operating result (€m)	69	60	15.0%	23	18	27.7%

Revenues for the **catering** activity were flat in the third quarter at 217 million euros of which 99 million euros from third parties. The operating result was 3 million euros (10 million euros at 30th September 2011). For the nine months to at 30th September 2012, revenues amounted to 599 million euros (-5.0%) of 271 million euros with third parties, with an operating result of 2 million euros (17 million euros at 30th September 2011).

INCOME STATEMENTS (unaudited)

In euros million

	Q3 (July to September)			9 months (January to September)		
	2012	2011	Variation	2012	2011 (proforma)	Variation
SALES	7,184	6,789	5.8%	19,329	18,335	5.4%
Other revenues	2	5	-60.0%	11	27	-59.3%
EXTERNAL EXPENSES	(4,332)	(4,093)	5.8%	(12,352)	(11,618)	6.3%
Aircraft fuel	(1,971)	(1,717)	14.8%	(5,539)	(4,816)	15.0%
Chartering costs	(141)	(157)	-10.2%	(417)	(431)	-3.2%
Aircraft operating lease costs	(254)	(210)	21.0%	(718)	(628)	14.3%
Landing fees and en route charges	(510)	(485)	5.2%	(1,411)	(1,367)	3.2%
Catering	(165)	(153)	7.8%	(450)	(428)	5.1%
Handling charges and other operating costs	(384)	(356)	7.9%	(1,042)	(1,003)	3.9%
Aircraft maintenance costs	(279)	(324)	-13.9%	(831)	(879)	-5.5%
Commercial and distribution costs	(236)	(227)	4.0%	(677)	(638)	6.1%
Other external expenses	(392)	(464)	-15.5%	(1,267)	(1,428)	-11.3%
Salaries and related costs	(1,882)	(1,860)	1.2%	(5,762)	(5,594)	3.0%
Taxes other than income taxes	(46)	(50)	-8.0%	(140)	(142)	-1.4%
Amortization and depreciation	(409)	(411)	-0.5%	(1,187)	(1,226)	-3.2%
Provisions	(59)	0	nm	(124)	(23)	nm
Other income and expenses	48	17	nm	68	90	-24.4%
INCOME FROM CURRENT OPERATIONS	506	397	27.5%	(157)	(151)	-4.0%
Sales of aircraft equipment	1	9	nm	5	6	16.7%
Sales of subsidiaries	0	0	nm	97	1	nm
Other non-current income and expenses	(182)	(12)	nm	(565)	(111)	nm
INCOME FROM OPERATING ACTIVITIES	325	394	-17.5%	(620)	(255)	-143.1%
Income from cash and cash equivalents	21	22	-4.5%	61	69	-11.6%
Cost of financial debt	(115)	(117)	-1.7%	(325)	(342)	-5.0%
<i>Net cost of financial debt</i>	(94)	(95)	1.1%	(264)	(273)	3.3%
Foreign exchange gains (losses), net	3	(125)	nm	(29)	(88)	nm
Change in fair value of financial assets and liabilities	210	(145)	nm	58	(142)	nm
Other financial income and expenses	3	2	nm	9	0	nm
INCOME BEFORE TAX	447	31	nm	(846)	(758)	-11.6%
Income taxes	(147)	(9)	nm	(58)	242	nm
NET INCOME OF CONSOLIDATED COMPANIES	300	22	nm	(904)	(516)	-75.2%
Share of profits (losses) of associates	11	(6)	nm	(49)	(31)	58.1%
INCOME FROM CONTINUING OPERATIONS	311	16	nm	(953)	(547)	-74.2%
Net income from discontinued operations						
NET INCOME FOR THE PERIOD	311	16	nm	(953)	(547)	-74.2%
Minority interest	(5)	(2)		(4)	(3)	
NET INCOME FOR THE PERIOD - GROUP	306	14	nm	(957)	(550)	-74.0%

CONSOLIDATED BALANCE SHEET (unaudited)

Assets <i>In € millions</i>	September 30, 2012	December 31, 2011
Goodwill	258	426
Intangible assets	827	774
Flight equipment	10 271	10 689
Other property, plant and equipment	1 959	2 055
Investments in equity associates	413	422
Pension assets	3 400	3 217
Other financial assets ⁽⁶⁾	1 714	2 015
Deferred tax assets	1 116	1 143
Other non-current assets	163	168
Total non-current assets	20 121	20 909
Assets held for sale	7	10
Other short term financial assets	853	751
Inventories	533	585
Trade accounts receivables	2 375	1 774
Income tax receivables	11	10
Other current assets	901	995
Cash and cash equivalents	2 697	2 283
Total current assets	7 377	6 408
Total assets	27 498	27 317

Liabilities and equity <i>In € millions</i>	September 30, 2012	December 31, 2011
Issued capital	300	300
Additional paid-in capital	2 971	2 971
Treasury shares	(83)	(89)
Reserves and retained earnings	2 025	2 858
Equity attributable to equity holders of Air France-KLM	5 213	6 040
Non-controlling interests	56	54
Total equity	5 269	6 094
Provisions and retirement benefits	2 161	2 061
Long-term debt	9 292	9 228
Deferred tax liabilities	459	466
Other non-current liabilities	368	321
Total non-current liabilities	12 280	12 076
Provisions	610	156
Current portion of long-term debt	1 280	1 174
Trade accounts payables	2 343	2 599
Deferred revenue on ticket sales	2 405	1 885
Frequent flyer programs	766	784
Current tax liabilities	1	6
Other current liabilities	2 504	2 386
Bank overdrafts	40	157
Total current liabilities	9 949	9 147
Total liabilities	22 229	21 223
Total liabilities and equity	27 498	27 317

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

<i>In € millions</i>	2012	2011
Period from January 1 to september 30,		<i>(proforma)</i>
Net income for the period – Equity holders of Air France-KLM	(957)	(550)
Non-controlling interests	4	3
Amortization, depreciation and operating provisions	1 311	1 249
Financial provisions	(9)	-
Gain on disposals of tangible and intangible assets	(8)	(14)
Loss/ (gain) on disposals of subsidiaries and associates	(97)	(2)
Derivatives – non monetary results	(78)	87
Unrealized foreign exchange gains and losses, net	1	62
Impairment	168	-
Share of (profits) losses of associates	49	31
Deferred taxes	28	(260)
Other non-monetary items	304	(298)
Subtotal	716	308
(Increase) / decrease in inventories	54	(8)
(Increase) / decrease in trade receivables	(619)	(350)
Increase / (decrease) in trade payables	(221)	395
Change in other receivables and payables	782	294
Net cash flow from operating activities	712	639
Acquisition of subsidiaries, of shares in non-controlled entities	(38)	(29)
Purchase of property, plant and equipment and intangible assets	(1 260)	(1 984)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	466	-
Proceeds on disposal of property, plant and equipment and intangible assets	650	986
Dividends received	23	26
Decrease (increase) in investments	13	(85)
Net cash flow used in investing activities	(146)	(1 086)
Capital increase	-	6
Purchase of non-controlling interests, of owned shares	-	(15)
Disposal of subsidiaries without loss of control, of owned shares	7	(2)
Issuance of financial debt	1 025	1 056
Repayment on financial debt	(678)	(894)
Payment of debt resulting from finance lease liabilities	(415)	(425)
New loans	(59)	(76)
Repayment on loans	82	192
Dividends paid	(1)	(3)
Net cash flow from financing activities	(39)	(161)
Effect of exchange rate on cash and cash equivalents and bank overdrafts	4	(23)
Change in cash and cash equivalents and bank overdrafts	531	(631)
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	2 657	2 720

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	7						3		4	7	7	-2
B777-300	37						14	6	17	37	37	+3
B777-200	25						15	2	8	25	25	
B767-300												
A380-800	8						1	3	4	8	8	+2
A340-300	14						9	2	3	14	12	-3
A330-300												
A330-200	15						3	2	10	15	15	
MD11												
Long haul	106						45	15	46	106	104	
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						8			8	8	8	
B737-700												
B737-400												
B737-300												
A321	25						11	1	13	25	25	
A320	60						20	3	37	60	60	+1
A319	44						21	4	19	44	41	-2
A318	18						12	6		18	18	
Medium haul	147					8	64	14	77	155	152	-1
AVRO RJ 85			22				11		11	22	20	-2
Canadair Jet 1000		13					13			13	13	+2
Canadair Jet 900												
Canadair Jet 700		15					6	9		15	15	
Canadair Jet 100		13					12	1		13	13	
Embraer 190				10			4		6	10	10	
Embraer 170				16			8	2	6	16	16	+6
Embraer 145				23			11	11	1	23	23	-3
Embraer 135				7			4	3		7	2	-2
Fokker 100												
Fokker 70												
Fokker 50					13		12		1	13	13	-1
Regional		41	22	56	13	8	81	26	25	132	125	

TOTAL	260	41	22	56	13	8	194	55	151	400	386	-1
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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	7					7		7	7	+2
B777-200	15					6	9	15	15	
B767-300										
A380-800										
A340-300										
A330-300	3						3	3	3	+3
A330-200	11					6	5	11	11	
MD11	9				8	1		9	8	-2
Long haul	67				21	24	22	67	66	+3
B747-400 cargo	4			4		3	5	8	4	-1
B777- cargo										
MD-11-CF				4	3		1	4	4	
MD-11-F				3		2	1	3	2	-1
Freighter	4			11	3	5	7	15	10	-2
B737 900	5				1	1	3	5	5	
B737-800	23		21		12	6	26	44	44	+1
B737-700	18		10			13	15	28	28	
B737-400	3				3			3		
B737-300										
A321										
A320										
A319										
A318										
Medium haul	49		31		16	20	44	80	77	+1
AVRO RJ 85										
Canadair Jet 1000										
Canadair Jet 900										
Canadair Jet 700										
Canadair Jet 100										
Embraer 190		22				13	9	22	22	+5
Embraer 170										
Embraer 145										
Embraer 135										
Fokker 100		3			3			3	3	-2
Fokker 70		26			26			26	26	
Fokker 50										
Regional		51			29	13	9	51	51	+3

KLM	120	51	31	11	69	62	82	213	204	+5
TOTAL Air France-KLM Group					263	117	233	613	590	+4