KLM ROYAL DUTCH AIRLINES
Form 425
February 17, 2004

Filed by Air France

This communication is filed pursuant to Rule 425 under The Securities Act of 1933, as amended,

and deemed filed pursuant to Rule 14d-2 of the Securities Exchange Act of 1934, as amended.

Subject Company: KLM Royal Dutch Airlines

Commission File Number: 001-04059

Date: February 17, 2004

Legal Information

The combination of KLM and Air France will be implemented through an exchange offer made by Air France to all shareholders of KLM common shares. This document is neither an offer to purchase nor a solicitation of an offer to sell shares of KLM. Any offer in the United States will only be made through a prospectus which is part of a registration statement on Form F-4 filed with the U.S. Securities and Exchange Commission (the SEC). KLM shareholders who are U.S. persons or are located in the United States are urged to carefully review the registration statement on Form F-4 and the prospectus included therein, the prospectus, the Schedule TO and other documents relating to the offer that will be filed by Air France with the SEC because these documents contain important information relating to the offer. You are also urged to read the related solicitation/recommendation statement on Schedule 14D-9 that will be filed with the SEC by KLM regarding the offer. You may obtain a free copy of these documents after they are filed with the SEC and other documents filed by Air France and KLM with the SEC at the SEC s web site at www.sec.gov. Once such documents are filed with the SEC, you will also be able to inspect and copy the registration statement on Form F-4, as well as any documents incorporated by reference therein, the Schedule TO and the Schedule 14D-9 at the public reference room maintained by the SEC at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. These documents may also be obtained free of charge by contacting Air France, Investor Relations, 45, rue de Paris, 95747 Roissy CDG Cedex, France. (tel: +33 1 41 56 88 60), or KLM, Amsterdamsweg 55, 1182 GP Amstelveen, The Netherlands. Attention: Investor Relations (tel: +31 20 64 93099). YOU SHOULD READ THE PROSPECTUS AND THE SCHEDULE 14D-9 CAREFULLY BEFORE MAKING A DECISION CONCERNING THE OFFER.

Forward-Looking Statements

The information herein contains, and the Air France, KLM and their representatives may make, forward-looking statements either orally or in writing, about Air France, KLM and their businesses. These forward-looking statements, which include, but are not limited to, statements concerning the financial condition, results of operations and businesses of Air France and KLM and the benefits expected to result from the contemplated transaction, 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 or 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 risk that the conditions relating to the required minimum tender of shares might not be satisfied; failure by Air France and KLM shareholders to approve the planned corporate reorganizations; inability to obtain, or meet the conditions imposed for, regulatory approvals in a timely manner or at all; the risk that the businesses of Air France and KLM will not be integrated successfully and the expected synergies and cost savings will not be achieved; unanticipated expenditures; changing relationships with customers, suppliers and strategic partners; and other economic, business, competitive and/or regulatory factors affecting the businesses of Air France and KLM generally. Air France and KLM caution that the foregoing list of important factors is not exhaustive. Additional information regarding the factors and events that could cause differences between forward-looking statements and actual results in the future is contained in KLM s Securities and Exchange Commission filings, including KLM s Annual Report on Form 20-F. Air France and KLM undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

THE FOLLOWING IS A PRESS RELEASE DISSEMINATED BY AIR FRANCE ON FEBRUARY 17, 2004.

Information

Roissy, 17 February 2004

FISCAL YEAR 2003-04

- **GOOD PERFORMANCE IN THIRD QUARTER (October-December 2003)**
  - **Stable turnover: €3.13 billion**
  - **Operating income before aircraft disposals: €61 million compared with €32 million as of 31 December 2002**
  - **Net pre-tax income: €41 million (up 24.2%)**

- **RESULTS OVER 9 MONTHS (April-December 2003)**
  - **Turnover: €9.32 billion (down 3.7%)**
  - **Net pre-tax income: €126 million (down 55.9%)**

- **FISCAL YEAR 2003-04**
  - **The Group is targeting a positive operating income before aircraft disposals and a net profit**

Consolidated figures

Fiscal 2003-04	**3 months to 31 December**			**9 months to 31 December**		
	2003	**2002**	**2002**	**2003**	**2002**	**2002**
(in €m)		**pro forma[1]**	**published**		**pro forma**	**published**
Turnover	3,132	3,136	3,136	9,325	9,687	9,687
EBITDAR	468	448	378	1,414	1,613	1,442
Operating income before aircraft disposals	61	32	2	148	303	295
Aircraft and financial disposals	1	2	2	2	24	24
Net pre-tax income	41	33	3	126	286	278
Net Group income	28	21	2	80	223	218
Net earnings per share (in €)				0.36	1.02	0.99

1 Pro-forma figures: the 3rd quarter and first 9 months to 31 December 2002 were restated according to IAS standards 16/SIC 23 on major overhaul operations.

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€61 million (up 90.6%) in operating income before aircraft disposals for 3rd quarter 2003

Turnover remained stable at €3.13 billion in spite of the strong appreciation of the euro, reflecting sustained yield in passenger operations. Excluding currency effect, turnover would have grown by 3.7%. It breaks down into €2.59 billion (up 0.6%) for passenger operations, €379 million (down 5.7%) for cargo, €117 million (down 4.1%) for maintenance and €43 million (up 26.5%) for other activities.

¨ **Passenger operations**

Activity was buoyant during the 3rd quarter, with a 3.4% rise in traffic for a 2.7% increase in capacity compared with the third quarter of fiscal 2002-03. The load factor gained 0.5 points to reach 75.9%.

The performance per network was as follows:

3rd quarter 2003-04	**Capacity (ASK)**	**Traffic (RPK)**	**Turnover Scheduled passenger**
Long-haul	+1.4%	+2.6%	-1.3%
International medium-haul	+6.6%	+6.8%	-2.3%
Domestic medium-haul	+5.6%	+4.8%	+11.8%
Total	+2.7%	+3.4%	+1.0%

Scheduled passenger turnover grew by 1.0% (4.3% excluding currency effects) to €2.39 billion (€2.37 billion as of 31 December 2002) in the quarter ending 31 December 2003 thanks to strong growth on Latin American and French domestic markets. Furthermore, business in Asia has returned to a comparable level with last year (down 1.4% after factoring in negative currency effects of approximately 5%).

		3 months to	
	31/12/2003	**31/12/2002**	**Change**
Group revenue per ASK (euro cents)	7.15	7.28	-1.7%
Group revenue per RPK (euro cents)	9.43	9.67	-2.4%

Revenue per available seat-km (RASK) for the Group dropped 1.7% but grew 1.7% after factoring out negative currency (3.3%) and network mix (0.1%) effects. Group yield (RRPK) rose 1.0% after discounting both these effects (currency and network mix).

¨ **Cargo operations**

		3 months to	
	31/12/2003	**31/12/2002**	**Change**

Group revenue per ATK (euro cents)	15.17	16.37	-7.3%
Group revenue per RTK (euro cents)	23.09	24.60	-6.2%

Compared with 31 December 2002, traffic rose by 1.9% for a 3.5% increase in capacity. The load factor stood at 65.6% (down 1 point or 0.3 of a point based on constant calculation methods). The fall in the dollar continued to have a strong adverse impact on operations. After factoring out currency effects, total cargo turnover, which dropped 5.7% to €379 million (€402 million as of 31 December 2002), would have grown 1%. Yield (per revenue tonne-km) dropped 6.2% but remained stable after taking into account negative currency effects of 6.3%.

- **Maintenance operations**

Maintenance revenues dropped 4.1% to €117 million for the third quarter of fiscal 2003-04 compared with the same year-earlier period. They would have grown by 1.6% discounting currency effects.

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¨ **Results**[1]

For a stable turnover of €3.13 billion, operating costs fell by 1.1% to €3.07 billion. EBITDAR stood at €468 million compared with €448 million as of 31 December 2002 (up 4.5%). The EBITDAR margin grew by 0.6 points to 14.9%.

Air France posted an operating income before aircraft disposals of €61 million against €32 million last year (up 90.6%). Aircraft sales during the third quarter did not generate any capital gain or loss (€2 million at 31 December 2002).

Group unit costs per EASK (equivalent available seat-km) were reduced by 3.2% compared to 31 December 2002. They grew by 0.7% after factoring out the favourable currency effect (4.4%) and negative impact of higher fuel prices (0.5%).

The net pre-tax income stood at €41 million compared with €33 million as of 31 December 2002 (up 24.2%). The tax charge for the quarter remained stable at €11 million (€10 million as of 31 December 2002). Group net income amounted to €28 million against €21 million as of 31 December 2002, representing an improvement of 33%.

Net pre-tax income of €126 million (down 55.9%) for the 9-month period to 31 December 2003

Turnover for the 9-month period dropped 3.7% to €9.32 billion (€9.69 billion as of 31 December 2002). Excluding currency effects, it would have improved slightly by 0.4% thanks to the upturn in the third quarter, particularly as the first half was hard hit by the SARS crisis and air traffic controllers strikes.

Turnover breaks down into €7.76 billion (down 3.6%) for passenger operations, €1.07 billion (down 4.8%) for cargo, €380 million (down 7.1%) for maintenance and €115 million (up 9.5%) for other activities.

¨ **Passenger operations**

Traffic grew by 0.8% over the 9-month period to 31 December 2003 for a 1.4% increase in capacity, in spite of a severely disrupted first quarter. The load factor dipped slightly by 0.5 points to 76.2%. The performance per network was as follows:

9 months to 31 December 2003	**Capacity (ASK)**	**Traffic (RPK)**	**Turnover Scheduled passenger**
Long-haul	+0.8%	+0.1%	-6.6%
International medium-haul	+5.4%	+3.3%	-4.5%

Domestic medium-haul	-0.5%	+2.0%	+6.9%
Total	+1.4%	+0.8%	-3.4%

The long-haul network was very resilient over this period in terms of traffic. However, the 18.8% drop in turnover for the Asian region, due to the SARS epidemic at the beginning of the year, had an adverse effect on the overall performance of the long-haul network. Even though medium-haul activity was positive, the flat economic situation in Europe impacted turnover, which dropped 4.5%. However, the weakness in the European sector was offset by the buoyant domestic market both in terms of traffic and turnover.

Overall, scheduled passenger activity dropped 3.4% to €7.71 billion (€7.43 billion as of 31 December 2002), but would have improved by 0.5% with constant currency rates.

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1 All comparisons are based on pro-forma figures: the 3rd quarter and first 9 months to 31 December 2003 were restated according to IAS standards 16/SIC 23 on major overhaul operations.

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	31/12/2003	9 months to 31/12/2002	Change
Group revenue per ASK (euro cents)	7.12	7.48	-4.8%
Group revenue per RPK (euro cents)	9.35	9.76	-4.2%

Group revenue per available seat-km (RASK) dropped 4.8% but remained stable after factoring out negative currency (3.9%) and network mix (0.9%) effects. Group yield (RRPK) rose by 0.6% after discounting both these effects (currency and network mix).

¨ **Cargo operations**

	31/12/2003	9 months to 31/12/2002	Change
Revenue per ATK (euro cents)	14.90	15.56	-4.3%
Revenue per RTK (euro cents)	23.28	23.99	-3.0%

Cargo operations over the 9-month period ending 31 December 2003 recorded a 1.4% drop in traffic for stable capacity. The load factor stood at 63.9% (down 0.9 points). Cargo turnover fell 4.3% to €956 million (€999 million as of 31 December 2002). Excluding currency, it would have grown by 2.2%.

Unit revenue per available tonne-km (RATK) dropped 4.3% but improved by 2.2% excluding currency effects.

¨ **Other operations**

Maintenance operations generated €380 million as of 31 December 2003, down 7.1% compared with 31 December 2002 . This drop would have been limited to 1.3% after factoring out currency effects. Other activities (Servair Group) gained 9.5% to reach €115 million.

¨ **Results[1]**

Operating costs were reduced by 2.2% to €9.18 billion against €9.38 billion as of 31 December 2002, and external expenses by 6.6% as of 31 December 2003, down from €5.43 billion to €5.07 billion. This drop can mainly be ascribed to a tight control over costs, a favourable currency impact, effective hedging of fuel prices and the fall in maintenance costs (down 23.7%).

Labour costs came to €3.05 billion compared with €2.90 billion as of 31 December 2002, representing a 5.1% rise for a 0.6% increase in staff numbers (now 71,900 employees). This increase in labour costs is primarily the result of the application of the pilots agreement signed in June 2003, a calendar effect in pay rises and a lower rate of reduction in social security contributions following the application of the 35-hour working week.

Group unit costs measured in EASK dropped 2.5%. Excluding currency (4.6%) and fuel prices (1.4%), they increased slightly (up 0.7%).

EBITDAR dropped 12.3% to 1.41 billion against 1.61 billion as of 31 December 2002. The EBITDAR margin stood at 15.2% (16.6% as of 31 December 2002).

Operating income before aircraft disposals stood at 148 million compared with 303 million as of 31 December 2002 (down 51.2%). After factoring in 1 million in capital gains for aircraft disposals compared with 20 million as of 31 December 2002, operating income stood at 149 million compared with 323 million (down 53.9%).

All sectors contributed positively to operating income before aircraft disposals, and the breakdown is as follows for 31 December 2003:

- Passenger operations: 106 million compared with 215 million as of 31 December 2002.
- Cargo operations: 9 million compared with 27 million as of 31 December 2002.

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- Maintenance operations: €35 million compared with €59 million as of 31 December 2002.
- Other operations: a loss of €2 million compared with a €2 million profit as of 31 December 2002.

The financial result improved, down from a loss of €48 million as of 31 December 2002 to a loss of €30 million as of 31 December 2003. Net interest charges dropped to €76 million (€81 million as of 31 December 2002). The positive result from the aggregate changes in foreign exchange income and financial provisions generated €46 million euros compared with €33 million in the previous year.

The contribution from equity affiliates rose from €32 million as of 31 December 2002 to €34 million at 31 December 2003.

Net pre-tax income stood at €126 million compared with €286 million as of 31 December 2002

(down 55.9%). After a tax charge of €43 million, the Group posted a net profit of €80 million against €223 million at 31 December 2002 (down 64.1%). Net earnings per share dropped from €1.02 as of 31 December 2002 to €0.36 as of 31 December 2003.

Financial structure: improved gearing

Capital expenditure over the 9-month period to 31 December 2003 amounted to €892 million including €167 million for the capitalization of maintenance expenses in accordance with IAS 16 / SIC 23 standards. They were funded by operating cash flow of €836 million and proceeds from aircraft sales of €226 million.

Furthermore, Air France benefits from a net cash position of €1.2 billion and undrawn credit facilities of €1 billion.

The balance sheet structure has improved with equity of €4.05 billion and a net debt of €2.66 billion, down €200 million compared with 31 March 2003. The net debt to equity ratio therefore improved from 0.71 as of 31 March 2003 to 0.65 as of 31 December 2003.

Outlook for fiscal 2003-04

In the current volatile environment, the Air France Group is targeting a positive operating income before aircraft disposals and a net profit for the 2003-04 fiscal year.

After obtaining clearance from the European Commission and the U.S. Department of Justice on 11 February 2003 for the projected merger of Air France and KLM, the launch of the public exchange offer of KLM shares for Air France shares will take place as planned during the second half of March 2004.

Calendar

- **Wednesday 18 February 2004:** audio-web conference at 3:00 pm (London time)

  - To connect to the conference call, please dial 00 44 207 162 0125 (password: Air France)

  - To visualize the presentation, go to the following website: **http://airfrance-q3.momentys.com** (password: AFRQ3)

  - For instant replay, please dial 00 44 208 288 4459 (code: 392102)

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STATISTICS

Fiscal 2003-04	**3 months to 31 December**			**9 months to 31 December**		
	2003	**2002**	**Change**	**2003**	**2002**	**Change**
Passenger activity						
ASK (million)	33,380	32,513	+2.7%	100,523	99,176	+1.4%
RPK (million)	25,329	24,500	+3.4%	76,614	76,034	+0.8%
Load factor	75.9%	75.4%	+0.5pt	76.2%	76.7%	-0.5pt
RASK (€ cts)	7.15	7.28	-1.7%	7.12	7.48	-4.8%
Excl. currency & network mix			+1.7%			0.0%
RRPK (€ cts)	9.43	9.67	-2.4%	9.35	9.76	-4.2%
Excl. currency & network mix			+1.0%			+0.6%
Cargo activity						
ATK (million)	2,251	2,176	+3.5%	6,417	6,416	0.0%
RTK (million)	1,477	1,450	+1.9%	4,104	4,164	-1.4%
Load factor	66.6%	65.6%	-1.0pt	63.9%	64.9%	-0.9pt
RATK (€ cts)	15.17	16.37	-7.3%	14.90	15.56	-4.3%
Excl. currency			-1.0%			+2.2%
RRTK (€ cts)	23.09	24.60	-6.2%	23.28	23.99	-3.0%
Excl. currency			+0.1%			+3.5%
Units costs						
ESKO (€ cts)	6.80	7.02	-3.2%	6.78	6.95	-2.5%

Excl.
currency &
fuel price

During the quarter ended April 30, 2001, the Company recorded a charge of $435,000 in connection with the decline in fair value of marketable securities previously recorded in a settlement transaction with Star Telecommunications.

As a result of the foregoing, we incurred a net loss of $1,240,000, or $0.09 per share, for the three months ended April 30, 2002, compared with a net loss of $1,193,000 or $0.11 per share, for the three months ended April 30, 2001.

RESULTS OF OPERATIONS SIX MONTHS ENDED APRIL 30, 2002 COMPARED TO THE SIX MONTHS ENDED APRIL 30, 2001

REVENUES

For the six months ended April 30, 2002, we had revenues of $12,673,000, an increase of $10,879,000, or 606%, over the same period in 2001. Revenues for the six months ended April 30, 2002 include $10,185,000 resulting from the purchase of Rapid Link. For the six months ended April 30, 2002, 61% and 39% of our revenues were derived from our retail and wholesale customers, respectively, compared to 76% and 24%, respectively, for the six months ended April 30, 2001. The overall growth in revenues and the increase in wholesale revenues is attributable to the acquisition of Rapid Link, as well as a growth in our customer base and the minutes carried across our network.

OPERATING EXPENSES

For the six months ended April 30, 2002, we had total direct costs of revenues of $8,627,000, an increase of $7,351,000, or 576%, over the same period in 2001. Costs of revenues have increased due to the growth in minutes and customers as well as the increased revenue and traffic acquired from Rapid Link. As a percentage of revenues, costs of revenue were 68% of revenues for the six months ended April 30, 2002 compared to 71% of revenues for the six months ended April 30, 2001. Although there is a higher percentage of lower margin wholesale traffic for the six months ended April 30, 2002 compared to April 30, 2001, the margin increase from the retail customer base acquired from Rapid Link has offset the increased wholesale traffic, resulting in an overall reduction in our cost of revenues as a percentage of revenues. This percentage will fluctuate quarterly depending on the mix of traffic going forward.

General and administrative expenses were $3,973,000 and $1,212,000 for the six months ended April 30, 2002 and 2001, respectively. This increase of $2,761,000, or 228% includes $2,149,000 attributable to Rapid Link operations. As a percentage of revenues, general and administrative expenses were 31% and 68% of revenues for the six months ended April 30, 2002 and 2001, respectively. Included in general and administrative expenses is bad debt expense of $414,000 and $0 for the six months ended April 30, 2002 and 2001, respectively. For the six months ended April 30, 2002, the bad debt expense is primarily attributable to non-payment from one wholesale customer. We review our general and administrative expenses regularly, and continue to reduce costs as appropriate to support the current business as well as anticipated near term growth.

Sales and marketing expenses were $705,000, or 6% of revenues for the six months ended April 30, 2002 compared to $426,000, or 24% of revenues, for the same period last year. Included in sales and marketing expenses for 2002 is $499,000 attributable to Rapid Link operations. A majority of our revenues are generated by outside agents, or through newspaper and periodical advertising, which is managed by a small in-house sales and marketing organization. Since we have been successful in growing our revenue base while maintaining a small in-house sales organization, sales and marketing expenses have decreased as a percentage of revenues. We will continue to focus our sales and marketing efforts on newspaper and periodical advertising and agent related expenses to generate additional revenues.

Depreciation and amortization expenses increased to $1,293,000 from $303,000 for the six months ended April 30, 2002 and 2001, respectively. The increase primarily relates to the depreciation and amortization of the assets of the business acquired from Rapid Link. A majority of our depreciation and amortization expense relates to the equipment utilized in our VoIP network, which requires the deployment of sophisticated routers and gateways strategically placed in our Points of Presence and vendor sights around the world.

Interest expense and financing costs are primarily attributable to the amortization of deferred financing fees relating to our various debt instruments. For the six months ended April 30, 2002, the amortization of deferred financing fees relating to our convertible debentures with Global Capital and our related party note payable was $582,000. For the six months ended April 30, 2001, $475,000 of

interest expense and financing fees were primarily attributable to amortization of deferred financing fees associated with our convertible notes which were converted to equity in March 2001, and the fair value of additional warrants issued to the holders of the notes which were fully vested at the time of issuance.

Settlements with two major carriers over charges in prior periods amounted to a total credit to the statements of operations of $1,700,000 for the six months ended April 30, 2001. Of this amount, $780,000 is the result of a settlement with Star Telecommunications ("Star"). Also included is $447,000 representing common stock received from Star in connection with our dispute settlement. During the six months ended April 30, 2001, the Company recorded a charge of $435,000 in connection with the decline in fair value of the marketable securities previously recorded in the settlement transaction with Star Telecommunications.

As a result of the foregoing, we incurred a net loss $2,526,000, or $0.19 per share, for the six months ended April 30, 2002, compared with a net loss of $818,000 or $0.08 per share, for the six months ended April 30, 2001.

LIQUIDITY AND CAPITAL RESOURCES

The growth model for our business is scaleable, but the rate of growth is dependent on the availability of future financing for capital resources. Our funding of additional infrastructure development will be provided through the operations of our Telecommunications Business and externally through debt and/or equity offerings. We plan to obtain vendor financing for any equipment needs associated with expansion. We believe that, with sufficient capital, we can significantly accelerate our growth plan. Our failure to obtain additional financing could delay the implementation of our business plan and have a material adverse effect on our business, financial condition and operating results.

At April 30, 2002, we had cash and cash equivalents of approximately $487,000, an increase of $392,000 from the balance at October 31, 2001. As of April 30, 2002, we had a working capital deficit of approximately $7,186,000, compared to a working capital deficit of approximately $6,626,000 at October 31, 2001. As of April 30, 2002, our current assets of approximately $2,679,000 included net accounts receivable of approximately $1,928,000, which has increased slightly over the balance of $1,833,000 at October 31, 2001 as a result of revenue growth.

Net cash used in operating activities was $1,103,000 for the six months ended April 30, 2002, compared to $909,000 for the six months ended April 30, 2001. The net cash used in operating activities for the six months ended April 30, 2002 was primarily due to a net loss of $2,526,000 adjusted for: bad debt expense of $414,000; non-cash interest expense of $423,000; depreciation and amortization of $1,293,000; and net changes in operating assets and liabilities of ($712,000). For the six months ended April 30, 2001, the net cash used in operating activities was comprised of a net loss of $818,000 adjusted for: depreciation and amortization of $303,000; stock and warrants issued for services of $259,000; non-cash interest expense of $475,000; marketable securities and vendor credits received in settlement of disputes of ($1,789,000); write off of marketable securities received in settlement of disputes of $436,000 and net changes in operating assets and liabilities of $226,000.

During the six months ended April 30, 2002, net cash provided by investing activities was $1,255,000, compared to net cash used in financing activities of $21,000 for the six months ended April 30, 2001. The net cash provided by investing activities for the six months ended April 30, 2002 is primarily attributable to a refund of a license fee previously paid on behalf of our German subsidiary of $1,425,000. Investing activities also include capital expenditures of $170,000 and $21,000 for the six months ending April 30, 2002 and April 30, 2001, respectively.

Net cash provided by financing activities for the six months ended April 30, 2002, totaled $240,000, compared to net cash provided by financing activities of $1,421,000 for the six months ended April 30, 2001. For the six months ended April 30, 2002, significant components of net cash provided by financing activities include $550,000 in net proceeds from a convertible debenture offset by $218,000 in

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payment on capital leases and $93,000 of deferred financing fees. For the six months ended April 30, 2001, the significant components of net cash provided by financing activities include $1,000,000 in proceeds from the issuance of our Convertible Debentures, and net proceeds from shareholder of $410,000.

We are subject to various risks in connection with the operation of our business including, among other things, (i) changes in external competitive market factors, (ii) inability to satisfy anticipated working capital or other cash requirements, (iii) changes in the availability of transmission facilities, (iv) changes in our business strategy or an inability to execute our strategy due to unanticipated changes in the market, (v) various competitive factors that may prevent us from competing successfully in the marketplace, and (vi) our lack of liquidity and our ability to raise additional capital. We have an accumulated deficit of approximately $38.5 million as of April 30, 2002, as well as a working capital deficit of approximately $7.2 million. Funding of our working capital deficit, current and future operating losses, and expansion will require continuing capital investment. Our strategy is to fund these cash requirements through operations, debt facilities and additional equity financing. As of the date of this report:

1) we obtained additional financing of $500,000 in January 2002. We are currently in negotiations to obtain an additional $500,000 in financing.

2) we have successfully negotiated payment terms on $1.5 million of our past due trade payables with two of our largest vendors, and we have agreed to remit equal monthly installments in excess of our normal monthly usage billing.

3) our trade accounts payable and carrier costs include disputes with certain vendors over what we believe are improper charges primarily for termination of our domestic and international minutes. This amount is approximately $750,000 at April 30, 2002. We received approximately $1,400,000 of such credits in fiscal 2001.

4) our German subsidiary received a net $1 million refund for a license fee previously paid, which was used to pay down past due liabilities.

Although we have been able to arrange debt facilities and equity financing to date, there can be no assurance that sufficient debt or equity financing will continue to be available in the future or that it will be available on terms acceptable to us. Failure to obtain sufficient capital could materially affect the Company's operations and expansion strategies. As a result of the aforementioned factors and related uncertainties, there is doubt about the Company's ability to continue as a going concern.

It is anticipated that general and administrative expenses will continue to increase in absolute dollars, but decline as a percentage of revenues as revenues grow.

Our current capital expenditure requirements are not significant, primarily due to the equipment acquired from Rapid Link. Our capital expenditures for the six months ended April 30, 2002 were $170,000 and we do not anticipate significant spending for the remainder of fiscal 2002.

On April 11, 2001, we executed a 6% convertible debenture (the "Debenture") with Global Capital Funding Group L.P, which provided financing of $1,000,000. The Debenture maturity date is April 11, 2003. The conversion price equals the lesser of (i) 100% of the volume weighted average of sales price as reported by the Bloomberg L.P. of the common stock on the last trading day immediately preceding the Closing Date ("Fixed Conversion Price") and (ii) 70% of the average of the five (5) lowest volume weighted average sales prices as reported by Bloomberg L.P. during the twenty (20) Trading Days immediately proceeding but not including the date of the related Notice of Conversion ("the "Formula Conversion Price"). In an event of default the amount declared due and payable on the Debenture shall be at the Formula Conversion Price.

In October 2001, we executed 10% convertible notes (the "Notes") with three of our executives, which provided financing of $1,945,958. The Notes mature October 24, 2003. The Notes are secured by all Company assets and are convertible into our common stock at the option of the holder at each of the six, twelve, eighteen and twenty-four month anniversary of the date of issuance of the note. The

conversion price is equal to the closing bid price of our common stock on the last trading day immediately preceding the conversion. We also issued to the holders of the Notes warrants to acquire an aggregate of 1,945,958 shares of common stock at an exercise price of $0.78 per share, which expire on October 24, 2006. In January 2002, an additional $102,433 was added to the Notes. An additional 102,433 warrants to acquire our common stock were issued at an exercise price of $0.40.

On January 28, 2002, we executed a 6% convertible debenture (the "Second Debenture") with Global Capital Funding Group L.P, which provided financing of $550,000. The Second Debenture maturity date is January 28, 2003. The conversion price is equal to the lesser of (i) 100% of the volume weighted average of sales price as reported by the Bloomberg L.P. of the common stock on the last trading day immediately preceding the Closing Date ("Fixed Conversion Price") and (ii) 85% of the average of the three (3) lowest volume weighted average sales prices as reported by Bloomberg L.P. during the twenty (20) Trading Days immediately preceding but not including the date of the related Notice of Conversion ("the "Formula Conversion Price"). In an event of default the amount declared due and payable on the Debenture shall be at the Formula Conversion Price.

Acquisitions

We continue to review an acquisition strategy within our Telecommunications Business. From time to time we will review acquisition candidates with products, technologies or other services that could enhance our offerings or services. Any material acquisitions could result in us issuing or selling additional debt or equity securities, or obtaining additional debt or other lines of credit and may result in a decrease of our working capital depending on the amount, timing and nature of the consideration to be paid. We are not currently a party to any agreements, negotiations or understandings regarding any material acquisitions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We provide services primarily to customers located outside of the U.S. Thus, our financial results could be impacted by foreign currency exchange rates and market conditions abroad. However, the aggregate impact of any likely exchange rate fluctuations would be immaterial as most of our services are paid for in U.S. dollars. A strong dollar could make the cost of our services more expensive than the services of non-U.S. based providers in foreign markets. We have not used derivative instruments to hedge our foreign exchange risks though we may choose to do so in the future.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

99.1 Certification of the Chief Executive Officer, dated September 16, 2002, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.2 Certification of the Chief Financial Officer, dated September 16, 2002, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIAL THRU INTERNATIONAL CORPORATION

By: /s/ ALLEN SCIARILLO

Allen Sciarillo
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated September 16, 2002

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 302 of The Sarbanes-Oxley Act of 2002

I, John Jenkins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dial Thru International Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

By: /s/ JOHN JENKINS

John Jenkins
Chairman, Chief Executive Officer and President

Dated September 16, 2002

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 302 of The Sarbanes-Oxley Act of 2002

I, Allen Sciarillo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dial Thru International Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

By: /s/ ALLEN SCIARILLO

Allen Sciarillo
Executive Vice President and Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

Dated September 16, 2002

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