Air France-KLM Group

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED DECEMBER 31, 2014

Air France-KLM Group

CONSOLIDATED INCOME STATEMENT

In € millions **Period from January 1 to December 31**	***Notes***	**2014**	**2013**
Sales	***6***	**24 912**	**25 520**
Other revenues		18	10
Revenues		**24 930**	**25 530**
External expenses	***7***	(15 791)	(15 997)
Salaries and related costs	***8***	(7 316)	(7 482)
Taxes other than income taxes		(169)	(186)
Amortization, depreciation and provisions	***9***	(1 718)	(1 725)
Other income and expenses	***10***	(65)	(10)
Income from current operations		**(129)**	**130**
Sales of aircraft equipment	***11***	-	(12)
Other non-current income and expenses	***11***	880	(345)
Income from operating activities		**751**	**(227)**
Cost of financial debt		(446)	(481)
Income from cash and cash equivalents		76	77
Net cost of financial debt	***12***	***(370)***	***(404)***
Other financial income and expenses	***12***	(318)	103
Income before tax		**63**	**(528)**
Income taxes	***13***	(209)	(957)
Net income of consolidated companies		**(146)**	**(1 485)**
Share of profits (losses) of associates	***22***	(39)	(211)
Net income from continuing operations		**(185)**	**(1 696)**
Net income from discontinued operations	***14***	(4)	(122)
Net income for the period		**(189)**	**(1 818)**
- **Equity holders of Air France-KLM**		**(198)**	**(1 827)**
- Non controlling interests		9	9
Earnings per share – Equity holders of Air France-KLM (in euros) - basic and diluted	***16.1***	(0.67)	(6.17)
Net income from continuing operations - Equity holders of Air France-KLM (in euros) - basic and diluted	***16.1***	(0.66)	(5.76)
Net income from discontinued operations - Equity holders of Air France-KLM (in euros) - basic and diluted	***16.1***	(0.01)	(0.41)

The accompanying notes are an integral part of these consolidated financial statements.

Air France-KLM Group

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

In € millions	***Notes***	**December 31, 2014**	**December 31, 2013**
Net income for the period		**(189)**	**(1 818)**
Fair value adjustment on available-for-sale securities			
Change in fair value recognized directly in other comprehensive income		7	420
Change in fair value transferred to profit or loss		(250)	-
Fair value hedges			
Effective portion of changes in fair value hedge recognized directly in other comprehensive income		27	(101)
Change in fair value transferred to profit or loss		74	-
Cash flow hedges			
Effective portion of changes in fair value hedge recognized directly in other comprehensive income		(1 387)	213
Change in fair value transferred to profit or loss		123	(120)
Currency translation adjustment		**10**	**(2)**
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	***13.2***	**341**	**(10)**
Items of the recognized income and expenses of equity shares, net of tax		**-**	**(4)**
Total of other comprehensive income that will be reclassified to profit or loss		***(1 055)***	***396***
Remeasurements of defined benefit pension plans		**(2 260)**	**26**
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	***13.2***	**583**	**(18)**
Remeasurements of defined benefit pension plans of equity shares, net of tax		**-**	**(1)**
Total of other comprehensive income that will not be reclassified to profit or loss		***(1 677)***	***7***
Total of other comprehensive income, after tax		**(2 732)**	**403**
Recognized income and expenses		**(2 921)**	**(1 415)**
- Equity holders of Air France-KLM		**(2 915)**	**(1 423)**
- Non-controlling interests		(6)	8

The accompanying notes are an integral part of these consolidated financial statements.

Air France-KLM Group

CONSOLIDATED BALANCE SHEET

Assets *In € millions*	***Notes***	**December 31, 2014**	**December 31, 2013 Restated (*)**
Goodwill	***17***	243	237
Intangible assets	***18***	1 009	896
Flight equipment	***20***	8 728	9 391
Other property, plant and equipment	***20***	1 750	1 819
Investments in equity associates	***22***	139	177
Pension assets	***23***	1 409	2 454
Other financial assets	***24***	1 502	1 963
Deferred tax assets	***13.4***	1 031	434
Other non-current assets	***27***	243	113
Total non-current assets		**16 054**	**17 484**
Assets held for sale	***15***	3	91
Other short-term financial assets	***24***	787	1 031
Inventories	***25***	538	511
Trade accounts receivables	***26***	1 728	1 775
Other current assets	***27***	961	845
Cash and cash equivalents	***28***	3 159	3 684
Total current assets		**7 176**	**7 937**
Total assets		**23 230**	**25 421**

The accompanying notes are an integral part of these consolidated financial statements.

(*) See note 2 of notes to consolidated financial statements.

Air France-KLM Group

CONSOLIDATED BALANCE SHEET (continued)

Liabilities and equity *In € millions*	***Notes***	**December 31, 2014**	**December 31, 2013 Restated (*)**
Issued capital	***29.1***	300	300
Additional paid-in capital	***29.2***	2 971	2 971
Treasury shares	***29.3***	(86)	(85)
Reserves and retained earnings	***29.4***	(3 856)	(941)
Equity attributable to equity holders of Air France-KLM		**(671)**	**2 245**
Non-controlling interests		39	48
Total equity		**(632)**	**2 293**
Provisions and retirement benefits	***31***	3 491	3 102
Long-term debt	***32***	7 994	8 596
Deferred tax liabilities	***13.4***	14	178
Other non-current liabilities	***33***	536	397
Total non-current liabilities		**12 035**	**12 273**
Liabilities relating to assets held for sale	***15***	-	58
Provisions	***31***	731	670
Current portion of long-term debt	***32***	1 885	2 137
Trade payables		2 444	2 369
Deferred revenue on ticket sales		2 429	2 371
Frequent flyer programs		759	755
Other current liabilities	***33***	3 330	2 329
Bank overdrafts	***28***	249	166
Total current liabilities		**11 827**	**10 855**
Total liabilities		**23 862**	**23 128**
Total equity and liabilities		**23 230**	**25 421**

The accompanying notes are an integral part of these consolidated financial statements.

(*) See note 2 of notes to consolidated financial statements.

Air France-KLM Group

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

In € millions	**Number of shares**	**Issued capital**	**Additional paid-in capital**	**Treasury shares**	**Reserves and retained earnings**	**Equity attributable to holders of Air France-KLM**	**Non controlling interests**	**Total equity**
January 1, 2013	**300 219 278**	**300**	**2 971**	**(85)**	**403**	**3 589**	**48**	**3 637**
First application IFRIC 21 Levies *	-	-	-	-	3	**3**	-	**3**
January 1, 2013 (Restated *)	**300 219 278**	**300**	**2 971**	**(85)**	**406**	**3 592**	**48**	**3 640**
Fair value adjustment on available for sale securities	-	-	-	-	402	**402**	-	**402**
Gain / (loss) on cash flow hedges	-	-	-	-	62	**62**	-	**62**
Gain /(loss) on fair value hedges	-	-	-	-	(66)	**(66)**	-	**(66)**
Remeasurements of defined benefit pension plans	-	-	-	-	8	**8**	(1)	**7**
Currency translation adjustment	-	-	-	-	(2)	**(2)**	-	**(2)**
Other comprehensive income	-	-	-	-	***404***	***404***	***(1)***	***403***
Net income for the year	-	-	-	-	(1 827)	**(1 827)**	9	**(1 818)**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**(1 423)**	**(1 423)**	**8**	**(1 415)**
Stock based compensation (ESA) and stock option	-	-	-	-	3	**3**	-	**3**
OCEANE	-	-	-	-	70	**70**	-	**70**
Treasury shares	-	-	-	-	(1)	**(1)**	-	**(1)**
Dividends paid	-	-	-	-	-	**-**	(4)	**(4)**
Change in consolidation scope	-	-	-	-	4	**4**	(4)	**-**
December 31, 2013 (Restated *)	**300 219 278**	**300**	**2 971**	**(85)**	**(941)**	**2 245**	**48**	**2 293**
Fair value adjustment on available for sale securities	-	-	-	-	(228)	**(228)**	-	**(228)**
Gain / (loss) on cash flow hedges	-	-	-	-	(900)	**(900)**	**(4)**	**(904)**
Gain /(loss) on fair value hedges	-	-	-	-	67	**67**	-	**67**
Remeasurements of defined benefit pension plans	-	-	-	-	(1 663)	**(1 663)**	**(14)**	**(1 677)**
Currency translation adjustment	-	-	-	-	7	**7**	3	**10**
Other comprehensive income	-	-	-	-	***(2 717)***	***(2 717)***	***(15)***	***(2 732)***
Net income for the year	-	-	-	-	(198)	**(198)**	9	**(189)**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**(2 915)**	**(2 915)**	**(6)**	**(2 921)**
Treasury shares	-	-	-	(1)	-	**(1)**	-	**(1)**
Dividends paid	-	-	-	-	-	**-**	(3)	**(3)**
December 31, 2014	**300 219 278**	**300**	**2 971**	**(86)**	**(3 856)**	**(671)**	**39**	**(632)**

The accompanying notes are an integral part of these consolidated financial statements.

(*) See note 2 of notes to consolidated financial statements.

Air France-KLM Group

CONSOLIDATED STATEMENTS OF CASH FLOWS

In € millions **Period from January 1 to December 31**	***Notes***	**2014**	**2013**
Net income from continuing operations		(185)	(1 696)
Net income from discontinued operations	***14***	(4)	(122)
Amortization, depreciation and operating provisions	***9***	1 725	1 735
Financial provisions	***12***	68	28
Gain on disposals of tangible and intangible assets		(19)	12
Loss / (gain) on disposals of subsidiaries and associates	***11***	(184)	(6)
Derivatives – non monetary result		73	(61)
Unrealized foreign exchange gains and losses, net		122	(114)
Share of (profits) losses of associates	***22***	39	211
Deferred taxes	***13***	172	916
Impairment	***39.1***	113	79
Other non-monetary items	***39.1***	(1 041)	127
Cash flow		**879**	**1 109**
Of which discontinued operations		***(6)***	***(19)***
(Increase) / decrease in inventories		(24)	1
(Increase) / decrease in trade receivables		98	59
Increase / (decrease) in trade payables		29	55
Change in other receivables and payables		10	228
Change in working capital from discontinued operations		20	27
Net cash flow from operating activities		**1 012**	**1 479**
Acquisition of subsidiaries, of shares in non-controlled entities	***39.2***	(43)	(27)
Purchase of property, plant, equipment and intangible assets	***21***	(1 431)	(1 186)
Loss of subsidiaries, of disposal of shares in non-controlled entities	***11***	354	27
Proceeds on disposal of property, plant and equipment and intangible assets		269	245
Dividends received		20	17
Decrease (increase) in net investments, more than 3 months		285	5
Net cash flow used in investing activities of discontinued operations		(20)	(5)
Net cash flow used in investing activities		**(566)**	**(924)**
Increase in capital		-	6
Issuance of debt		1 583	1 887
Repayment on debt		(2 024)	(1 480)
Payment of debt resulting from finance lease liabilities		(565)	(588)
New loans		(10)	(98)
Repayment on loans		36	119
Dividends paid		(3)	(4)
Net cash flow from financing activities		**(983)**	**(158)**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		(77)	(36)
Effect of exchange rate on cash and cash equivalent and bank overdrafts of discontinued operations		-	1
Change in cash and cash equivalents and bank overdrafts		**(614)**	**362**
Cash and cash equivalents and bank overdrafts at beginning of period	***28***	3 518	3 160
Cash and cash equivalents and bank overdrafts at end of period	***28***	2 910	3 518
Change in cash of discontinued operations		(6)	4
Income tax (paid) / reimbursed (flow included in operating activities)		(35)	(48)
Interest paid (flow included in operating activities)		(420)	(403)
Interest received (flow included in operating activities)		39	41

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Air France-KLM Group

1. BUSINESS DESCRIPTION

As used herein, the term "Air France–KLM" refers to Air France-KLM SA, a limited liability company organized under French law.
The term “Group” is represented by the economic definition of Air France-KLM and its subsidiaries. The Group is headquartered in France and is one of the largest airlines in the world. The Group’s core business is passenger transportation. The Group’s activities also include cargo, aeronautics maintenance and other air-transport-related activities including, principally, catering and low cost services.
The limited company Air France-KLM, domiciled at 2 rue Robert Esnault-Pelterie 75007 Paris, France, is the parent company of the Air France-KLM Group. Air France-KLM is listed for trading in Paris (Euronext) and Amsterdam (Euronext).
The reporting currency used in the Group’s financial statements is the euro, which is also Air France-KLM’s functional currency.

2. RESTATEMENTS OF THE 2013 FINANCIAL STATEMENTS

Early application of IFRIC 21 “Levies”

On May 20, 2013 the IASB published a new interpretation on the treatment of collected taxes by a public authority, effective in the European Union as per fiscal year 2015.
The Group opted for the early application of this interpretation as from January 1, 2014. The impact is essentially a different allocation of the costs during the interim period (March 31, June 30 and September 30). The consolidated financial statements as of December 31, 2014 are consequently not significantly affected by the application of this interpretation. As with any new text, the application was made retrospectively.
In the consolidated balance sheet as of December 31, 2012, the reserves and retained earnings were consequently restated by €3 million.

3. SIGNIFICANT EVENTS

3.1. Events that occurred in the financial year

Partnership with GOL

On February 19, 2014 the companies Air France- KLM and GOL Linhas Aéreas Inteligentes signed an exclusive strategic partnership to reinforce their commercial cooperation between Brazil and Europe. Within the framework of this agreement, Air France – KLM holds 1.5 per cent of the capital of GOL Linhas Aéreas Inteligentes as well as a long-term exclusivity right. This exclusivity right has been recognized as an intangible asset.

Disposal of CityJet Group

On April 30, 2014, the Group sold to Intro Aviation GmbH its subsidiaries CityJet and VLM, Irish and Belgium regional airlines that had been previously 100 per cent owned. The result of their disposal has nevertheless no significant impact on the Group’s financial statements as of December 31, 2014, as described in the notes 5 and 14.

Bond (loans)

On June 4, 2014, Air France-KLM issued bonds raising €600 million. At the same time, the Group redeemed a portion of the bonds issued in 2009, as described in note 32.3.3 to the consolidated financial statements.

Cargo activity

During the period, the Group continued the strategic review of its full-freighter business, different scenarios being studied. After a reduction of its activity in Paris CDG in previous years, the Group decided to down-size its full-freighter fleet at Schiphol (The Netherlands). The impacts are described in the note 19.

Shares in Amadeus

On September 9, 2014, the Group sold 14 821 019 shares in the Spanish company Amadeus IT Holding S.A. ("Amadeus"). On November 25, 2014 the Group purchased a collar to cover the value of 9.9 million shares hold. These operations are described in notes 11, 24 and 34.

Shares in Alitalia

After the subscription by Etihad Airways to the Alitalia capital increase, Air France-KLM's shareholding was diluted from 7.08 per cent as at December 31, 2013 to 1.11 per cent as at December 31, 2014.

Strike by Air France pilots

Between September 15 and September 29, 2014, a strike by Air France pilots strongly disrupted the Group's operations.
Over the period of the strike, the Group furthermore noted a delay in fourth quarter booking trends, without being able precisely to apportion responsibility for this delay between the strike and the unfavorable demand trend seen since the early summer and subsequently confirmed. The Group estimates that part of this delay was progressively reduced over the course of the fourth quarter 2014, without being able to quantify this adjustment exactly given the exceptional nature of the event. The total impact on income from current operations of the decrease in revenues due to passengers not transported and the additional related costs, net of the savings on direct costs, is estimated at €425 million as of December 31, 2014.

Pension commitments

The significant decrease in interest rates within the euro zone resulted in a 130 basis point adjustment of the long-term discount rate assumption, generating an increase in the valuation of the pension commitments, as detailed in note 31.1. Despite the good performance of the plan assets, the Group booked a negative change in its other comprehensive income, amounting to €1.7 billion after tax, as of December 31, 2014.
The changes in the Dutch fiscal pension rules as from January 1, 2015 results in a decrease of the defined benefit obligations and generates a non-current income of €824 million (see notes 11 and 31.1.3).

3.2. Subsequent events

Shares in Amadeus

On January 15, 2015 the Group sold a block of 9 857 202 shares in the Spanish Amadeus IT Holding S.A. company ("Amadeus"), representing approximately 2.2% of the capital of the company. The net proceeds from the sale amounted to €327 million. After this operation, the Group continues to hold 9.9 million of Amadeus shares in the framework of the hedging transaction mentioned in note 3.1.

Voluntary departure plans

During the meeting of the Corporate Works Council of January 22, 2015, the management of Air France gave an update on the position of the company, its competitive environment in 2015 and the schedule of work related to the new Perform 2020 strategic plan. Within this framework, the Air France management raised the need to implement additional cost saving measures. In particular, during a meeting of the Corporate Works Council which takes place during the first fortnight in February 2015, the management presents the proposed voluntary departure plans for ground staff and cabin crew, aimed at the departure of approximately 800 full time equivalents.

4. RULES AND ACCOUNTING PRINCIPLES

4.1. Accounting principles

4.1.1 Accounting principles used for the consolidated financial statements

Pursuant to the European Regulation 1606/2002, July 19, 2002, the consolidated financial statements as of December 31, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and applicable on the date these consolidated financial statements were established.

IFRS as adopted by the EU differ in certain respects from IFRS as published by the International Accounting Standards Board ("IASB"). The Group has, however, determined that the financial information for the periods presented would not differ substantially if the Group had applied IFRS as published by the IASB.

The consolidated financial statements were approved by the Board of Directors on February 18, 2015.

4.1.2 Change in accounting principles

- IFRS standards, amendments to IFRS standards and IFRIC interpretations (IFRS Interpretation Committee) applicable on a mandatory basis to the 2014 financial statements

The texts whose the application became mandatory during the accounting period ended December 31, 2014 are the following:

- Standards IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" have been applied by the Group as from January 1, 2014. The consequences of this application, as described in note 5, do not have a significant impact on the Group's 2014 consolidated financial statements.
- Amendments to IAS 32 "Financial Instruments: Presentation – Compensation of financial instruments assets and liabilities" -, IAS 36 "Information on the impairment of non-financial assets" and IAS 39 "Financial Instruments: Recognition and Measurement" do not have a significant impact on the Group's 2014 consolidated financial statements.

The other texts whose the application became mandatory in 2014 had no impact on the Group's 2014 consolidated financial statements.

- IFRS standards and IFRIC interpretations which are not applicable on a mandatory basis to the 2014 financial statements

  The Group opted for the early adoption of IFRIC 21 "Levies" which was applied for the first time to the 2014 financial statements. The impact of the application of this interpretation is described in note 2.

- IFRS standards and IFRIC interpretations which are applicable on a mandatory basis to the 2015 financial statements

  The amendment to the standard IAS 19 "Employee Benefits" relating to employees' contributions will be effective as from February 1, 2015. The Group does not expect this amendment to have a significant impact.

- Other texts potentially applicable to the Group, published by the IASB but not yet adopted by the European Union, are described below

    - the amendment to IFRS 11 “Joint Arrangements”, effective for the period beginning January 1, 2016;
    - the amendment to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”, effective for the period beginning January 1, 2016;
    - the amendment to IAS 28 “Investments in Associates and Joint Ventures” and IFRS 10 “Consolidated Financial Statements”, effective for the period beginning January 1, 2016;
    - the standard IFRS 15 “Revenue Recognition from Contracts with Customers”, effective for the period beginning January 1, 2017 and replacing the standards IAS 18 “Revenues”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programmes”;
    - the standard IFRS 9 “Financial Instruments”, effective for the period beginning January 1, 2018.

  The Group does not expect the application of the amendments mentioned above to have a significant impact. The application of the standards IFRS 15 and IFRS 9 is under review.

4.2. Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. The main estimates are described in the following notes:

- note 4.6 – Revenue recognition related to deferred revenue on ticket sales;
- notes 4.13 and 4.12 – Tangible and intangible assets;
- note 4.10 – Financial instruments;
- note 4.22 – Deferred taxes;
- note 4.7 – Flying Blue frequent flyer program;
- notes 4.17, 4.18 and 4.19 – Provisions (including employee benefits).

The Group’s management makes these estimates and assessments continuously on the basis of its past experience and various other factors considered to be reasonable.

The consolidated financial statements for the financial year have thus been established taking into account the economic and financial crisis unfolding since 2008 and on the basis of financial parameters available at the closing date. The immediate effects of the crisis have been taken into account, in particular the valuation of current assets and liabilities. Concerning the longer-term assets, i.e. the non-current assets, the assumptions are based on limited growth.

The future results could differ from these estimates depending on changes in the assumptions used or different conditions.

4.3. Consolidation principles

4.3.1. Subsidiaries

In conformity with IFRS 10 “Consolidated Financial Statements”, the Group’s consolidated financial statements comprise the financial figures for all entities that are controlled directly or indirectly by the Group, irrespective of its level of participation in the equity of these entities. The companies over which the Group exercises control are fully consolidated. An entity is controlled when the Group has power on it, is exposed or has rights to variable returns from its involvement in this entity, and has the ability to use its power to influence the amounts of these returns. The determination of control takes into account the existence of potential voting rights if they are substantive, meaning they can be exercised in time when decisions about the relevant activities of the entity need to be taken.
The financial statements of subsidiaries are included in the consolidated financial statements from the date that control begins until the date this control ceases.
Non-controlling interests are presented within equity and on the income statement separately from Group stockholders’ equity and the Group’s net income, under the line “non-controlling interests”.

The effects of a buyout of non-controlling interests in a subsidiary already controlled by the Group and divestment of a percentage interest without loss of control are recognized in equity. In a partial disposal resulting in loss of control, the retained equity interest is remeasured at fair value at the date of loss of control. The gain or loss on the disposal will include the effect of this remeasurement and the gain or loss on the sale of the equity interest, including all the items initially recognized in equity and reclassified to profit and loss.

4.3.2. Interest in associates and joint ventures

In accordance with IFRS 11 "Join arrangements", the Group applies the equity method to partnership over which it exercises control jointly with one or more partners (joint venture). Control is considered to be joined when decisions about the relevant activities of the partnership require the unanimous consent of the Group and the other parties sharing the control. In cases of a joint activity (joint operation), the Group recognizes assets and liabilities in proportion to its rights and obligations regarding the entity.

In accordance with IAS 28 "Investments in Associates and Joint Ventures", companies in which the Group has the ability to exercise significant influence on financial and operating policy decisions are also accounted for using the equity method. The ability to exercise significant influence is presumed to exist when the Group holds more than 20 per cent of the voting rights.

The consolidated financial statements include the Group's share of the total recognized global result of associates and joint ventures from the date the ability to exercise significant influence begins to the date it ceases, adjusted for any impairment loss.

The Group's share of losses of an associate that exceed the value of the Group's interest and net investment (long-term receivables for which no reimbursement is scheduled or likely) in this entity are not accounted for, unless:
- the Group has incurred contractual obligations, or;
- the Group has made payments on behalf of the associate.

Any surplus of the investment cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associate company on the date of acquisition is accounted for as goodwill and included in the book value of the investment accounted for using the equity method.

The investments in which the Group has ceased to exercise significant influence or joint control are no longer accounted for by the equity method and are valued at their fair value on the date of loss of significant influence or joint control.

4.3.3 Intra-group operations

All intra-group balances and transactions, including income, expenses and dividends are fully eliminated. Profits and losses resulting from intra-group transactions are also eliminated.
Gains and losses realized on internal sales with associates and jointly-controlled entities are eliminated, to the extent of the Group's interest in the entity, providing there is no impairment.

4.4. Translation of foreign companies' financial statements and transactions in foreign currencies

4.4.1. Translation of foreign companies' financial statements

The financial statements of foreign subsidiaries are translated into euros on the following basis:

- except for the equity for which historical prices are applied, balance sheet items are converted on the basis of the foreign currency exchange rates in effect at the closing date;
- the income statement and the statement of cash flows are converted on the basis of the average foreign currency exchange rates for the period;
- the resulting foreign currency exchange adjustment is recorded in the "Translation adjustments" item included within equity.

Goodwill is expressed in the functional currency of the entity acquired and is converted into euros using the foreign exchange rate in effect at the closing date.

4.4.2. Translation of foreign currency transactions

Foreign currency transactions are translated using the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate in effect at the closing date or at the rate of the related hedge, if any.

Non-monetary assets and liabilities denominated in foreign currencies assessed on an historical cost basis are translated using the rate in effect at the transaction date or using the hedged rate where necessary (see note 4.13.2).

The corresponding exchange rate differences are recorded in the Group's consolidated income statement. Changes in fair value of the hedging instruments are recorded using the accounting treatment described in note 4.10. "Financial instruments, valuation of financial assets and liabilities".

4.5. Business combinations

4.5.1. Business combinations completed on or after April 1, 2010

Business combinations completed on or after April 1, 2010 are accounted for using the purchase method in accordance with IFRS 3 (2008) "Business Combinations". In accordance with this standard, all assets and liabilities assumed are measured at fair value at the acquisition date. The time period for adjustments to goodwill/negative goodwill is limited to 12 months from the date of acquisition, except for non-current assets classified as assets held for sale which are measured at fair value less costs to sell.

Goodwill corresponding, at the acquisition date, to the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts (usually at fair value) of the identifiable assets acquired and the liabilities assumed at the acquisition date, is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

Costs other than those related to the issuance of debt or equity securities are recognized immediately as an expense when incurred.
For each acquisition, the Group has the option of using the "full" goodwill method, where goodwill is calculated by taking into account the fair value of non-controlling interests at the acquisition date rather than their proportionate interest in the fair value of the assets and liabilities of the acquiree.

Should the fair value of identifiable assets acquired and liabilities assumed exceed the consideration transferred, the resulting negative goodwill is recognized immediately in the income statement.

Contingent considerations or earn-outs are recorded in equity if contingent payment is settled by delivery of a fixed number of the acquirer's equity instruments (according to IAS 32). In all other cases, they are recognized in liabilities related to business combinations. Contingent payments or earn-outs are measured at fair value at the acquisition date. This initial measurement is subsequently adjusted through goodwill only when additional information is obtained after the acquisition date about facts and circumstances that existed at that date. Such adjustments are made only during the 12-month measurement period that follows the acquisition date and insofar as the initial measurement had still been presented as provisional. Any other subsequent adjustments which do not meet these criteria are recorded as receivables or payables through the income statement.

In a step acquisition, the previously-held equity interest in the acquiree is remeasured at its acquisition-date fair value. The difference between the fair value and the net book value must be accounted in profit or loss as well as elements previously recognized in other comprehensive income.

4.5.2. Business combination carried out before April 1, 2010

Business combinations carried out before April 1, 2010 are accounted for using the purchase method in accordance with IFRS 3 (2004) "Business Combinations". In accordance with this standard, all assets, liabilities assumed and contingent liabilities are measured at fair value at the acquisition date. The time period for adjustments to goodwill/negative goodwill is limited to 12 months from the date of acquisition.

Goodwill arising from the difference between the acquisition cost (which includes the potential equity instruments issued by the Group to gain control over the acquired entity and other costs potentially dedicated to the business combination), and the Group's interest in the fair value of the identifiable assets and liabilities acquired, is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

Should the fair value of identifiable assets acquired and liabilities assumed exceed the cost of acquisition, the resulting negative goodwill is recognized immediately in the income statement.

4.6. Sales

Sales related to air transportation operations are recognized when the transportation service is provided, net of any discounts granted. Transportation service is also the trigger for the recognition of external expenses, such as the commissions paid to agents.

Both passenger and cargo tickets are consequently recorded as "Deferred revenue upon ticket issuance date".

Nevertheless, sales relating to the value of tickets that have been issued, but never been used, are recognized as revenues at issuance. The amounts recognized are based on a statistical analysis, which is regularly updated.

Sales on third-party maintenance contracts are recorded on the basis of the completion method.

4.7. Loyalty programs

The two sub-groups Air France and KLM have a common frequent flyer program "Flying Blue". This program enables members to acquire "miles" as they fly with airline partners or from transactions with non-airline partners (credit card companies, hotels, car rental agencies). These miles entitle members to a variety of benefits such as free flights with the two companies or other free services with non-airline partners.

In accordance with IFRIC 13 "Loyalty programs", these "miles" are considered as distinct elements from a sale with multiple elements and one part of the price of the initial sale of the airfare is allocated to these "miles" and deferred until the Group's commitments relating to these "miles" have been met.

The deferred amount due in relation to the acquisition of miles by members is estimated:

- according to the fair value of the "miles", defined as the amount at which the benefits can be sold separately;
- after taking into account the redemption rate, corresponding to the probability that the miles will be used by members, using a statistical method.

With regards to the invoicing of other partners in the program, the margins realized on sales of "miles" by the sub-groups Air France and KLM to other partners are recorded immediately in the income statement.

4.8. Distinction between income from current operations and income from operating activities

The Group considers it is relevant to the understanding of its financial performance to present in the income statement a subtotal within the income from operating activities. This subtotal, entitled "Income from current operations", excludes unusual elements that do not have predictive value due to their nature, frequency and/or materiality, as defined in recommendation no. 2009-R.03 from the French National Accounting Council.

Such elements are as follows:

- sales of aircraft equipment and disposals of other assets;
- income from the disposal of subsidiaries and affiliates;
- restructuring costs when they are significant;
- significant and infrequent elements such as the recognition of badwill in the income statement, the recording of an impairment loss on goodwill and significant provisions for litigation.

4.9. Earnings per share

Earnings per share are calculated by dividing net income attributable to the equity holders of Air France-KLM by the average number of shares outstanding during the period. The average number of shares outstanding does not include treasury shares.

Diluted earnings per share are calculated by dividing the net income attributable to the equity holders of Air France-KLM adjusted for the effects of dilutive instrument exercise, by the average number of shares outstanding during the period, adjusted for the effect of all potentially-dilutive ordinary shares.

4.10. Financial instruments, valuation of financial assets and liabilities

4.10.1 Valuation of trade receivables and non-current financial assets

Trade receivables, loans and other non-current financial assets are considered to be assets issued by the Group and are recorded at fair value then, subsequently, using the amortized cost method less impairment losses, if any. Purchases and sales of financial assets are accounted for as of the transaction date.

4.10.2 Investments in equity securities

Investments in equity securities qualifying as assets available for sale are stated at fair value in the Group's balance sheet. For publicly-traded securities, the fair value is considered to be the market price at the closing date. For the non-quoted securities, the valuation is made on the basis of the financial statements of the entity. For other securities, if the fair value cannot be reliably estimated, the Group uses the exception of accounting at costs (i.e. acquisition cost less impairment, if any).

Potential gains and losses, except for impairment charges, are recorded in a specific component of other comprehensive income entitled "Derivatives and available for sale securities reserves".

If there is an indication of impairment of the financial asset, the amount of the loss resulting from the impairment test is recorded in the income statement for the period. For securities quoted on an active market, a prolonged or significant decrease of the fair value below its acquisition cost is objective evidence of impairment.

Factors deemed by the Group to evaluate the prolonged or significant nature of a decrease in fair value are generally the following:

- the decrease in value is prolonged when the share price at the market close has been lower than the cost price of the share for more than 18 months;
- the decrease in value is significant when there is a decrease of more than 30 per cent relative to the cost price, at the closing date.

4.10.3 Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risks incurred on shares, exchange rates, changes in interest rates or fuel prices.

Forward currency contracts and options are used to cover exposure to exchange rates. For firm commitments, the unrealized gains and losses on these financial instruments are included in the carrying value of the hedged asset or liability.

The Group also uses rate swaps to manage its exposure to interest rate risk. Most of the swaps traded convert floating-rate debt to fixed-rate debt.

Finally, exposure to fuel risk is hedged by swaps or options on jet fuel, diesel or brent.

Most of these derivatives are classified as hedging instruments if the derivative is eligible as a hedging instrument and if the hedging contracts are documented as required by IAS 39 "Financial instruments: recognition and measurement".

These derivative instruments are recorded on the Group's consolidated balance sheet at their fair value taken into account the market value of the credit risk of the Group (DVA) and the credit risk of the counterpart (CVA). The calculation of credit risk follows a common model based on default probabilities from CDS counterparts.
The method of accounting for changes in fair value depends on the classification of the derivative instruments. There are three classifications:

- *derivatives classified as fair value hedge*: changes in the derivative fair value are recorded through the income statement and offset within the limit of its effective portion against the changes in the fair value of the underlying item (assets, liability or firm commitment), which are also recognized as earnings;
- *derivatives classified as cash flow hedge*: the changes in fair value are recorded in other comprehensive income for the effective portion and are reclassified as income when the hedged element affects earnings. The ineffective portion is recorded as financial income or losses;
- *derivatives classified as trading*: changes in the derivative fair value are recorded as financial income or losses.

4.10.4 Convertible bonds

Convertible bonds are deemed to be financial instruments comprising two components: a bond component recorded as debt and a stock component recorded in equity. The bond component is equal to the discounted value of all coupons due for the bond at the rate of a simple bond that would have been issued at the same time as the convertible bond. The value of the stock component recorded in the Group's equity is calculated by difference between this value and the bond's nominal value at issuance. The difference between the financial expense recorded and the amounts effectively paid out is added, at each closing date, to the amount of the debt component so that, at maturity, the amount to be repaid if there is no conversion equals the redemption price.

4.10.5 Financial assets, cash and cash equivalents

Financial assets at fair value through profit and loss
Financial assets include financial assets at fair value through profit and loss (French mutual funds such as SICAVs and FCPs, certificates, etc.) that the Group intends to sell in the near term to realize a capital gain, or that are part of a portfolio of identified financial instruments managed collectively and for which there is evidence of a practice of short-term profit taking. They are classified in the balance sheet as current financial assets. Furthermore, the Group opted not to designate any assets at fair value through the income statement.

Cash and cash equivalents
Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.10.6 Long-term debt

Long-term debt is recognized initially at fair value. Subsequent to the initial measurement, long-term debt is recorded:

- at their net book value for bonds;
- based on amortized cost calculated using the effective interest rate for the other long-term debts. Under this principle, any redemption and issue premiums are recorded as debt in the balance sheet and amortized as financial income or expense over the life of the loans.

In addition, long-term debt documented in the context of fair value hedging relationships is revalued at the fair value for the risk hedged, i.e. the risk related to the fluctuation in interest rates. Changes in fair value of the hedged debt are recorded symmetrically in the income statement for the period with the change in fair value of the hedging swaps.

4.10.7 Fair value hierarchy of the financial assets and liabilities

The table presenting a breakdown of financial assets and liabilities categorized by value (see note 34.4) meets the amended requirements of IFRS 7 "Financial instruments: Disclosures". The fair values are classified using a scale which reflects the nature of the market data used to make the valuations.

This scale has three levels of fair value:

Level 1: Fair value calculated from the exchange rate/price quoted on an active market for identical instruments;

Level 2: Fair value calculated from valuation methods based on observable data such as the prices of similar assets and liabilities or scopes quoted on an active market;

Level 3: Fair value calculated from valuation methods which rely completely or in part on non-observable data such as prices on an inactive market or the valuation on a multiples basis for non-quoted securities.

4.11. Goodwill

Goodwill corresponds, at the acquisition date, to the aggregation of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts (usually at fair value) of the identifiable amounts acquired and the liabilities assumed at the acquisition date.

For acquisitions prior to April 1, 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under French GAAP. The classification and accounting treatment of business combinations taking place prior to April 1, 2004 were not modified at the time international standards were adopted, on April 1, 2004, in accordance with IFRS 1 “First-time adoption of international financial reporting standards”.

Goodwill is valued in the functional currency of the entity acquired. It is recorded as an asset in the balance sheet.

It is not amortized and is tested for impairment annually and at any point during the year when an indicator of impairment exists. As discussed in note 4.14, once recorded the impairment may not subsequently be reversed.

When the acquirer’s interest in the net fair value of the identifiable assets and liabilities acquired exceeds the consideration transferred, there is negative goodwill which is recognized and immediately reversed in the Group’s income statement.

At the time of the sale of a subsidiary or an equity affiliate, the amount of the goodwill attributable to the entity sold is included in the calculation of the income from the sale.

4.12. Intangible assets

Intangible assets are recorded at initial cost less accumulated amortization and any accumulated impairment losses.
Software development costs are capitalized and amortized over their useful lives. The Group has the tools required to enable the tracking by project of all the stages of development, and particularly the internal and external costs directly related to each project during its development phase.
Identifiable intangible assets acquired with a finite useful life are amortized over their useful lives from the date they are available for use.
Identifiable intangible assets acquired with an indefinite useful life are not amortized but tested annually for impairment or whenever there is an indication that the intangible asset may be impaired. If necessary, impairment as described in note 4.14 is recorded.

Since January 1, 2012, airlines have been subject to the ETS (Emission Trading Scheme) market regulations as described in note 4.20 and the “Risks on carbon credit” paragraph in note 34.1. As such, the Group is required to purchase CO2 quotas to offset its emissions. The Group records the CO2 quotas as intangible assets. These assets are not depreciable.

Intangible assets with a definite useful life are amortized on a straight line basis over the following periods:

Software	1 to 5 years
Customer relationships	5 to 12 years

4.13. Property, plant and equipment

4.13.1 Principles applicable

Property, plant and equipment are recorded at the acquisition or manufacturing cost, less accumulated depreciation and any accumulated impairment losses.

The financial interest attributed to advance payments made on account of investments in aircraft and other significant assets under construction is capitalized and added to the cost of the asset concerned. As prepayments on investments are not financed by specific loans, the Group uses the average interest rate on the current unallocated loans of the period.

Maintenance costs are recorded as expenses during the period when incurred, with the exception of programs that extend the useful life of the asset or increase its value, which are then capitalized (e.g. maintenance on airframes and engines, excluding parts with limited useful lives).

4.13.2 Flight equipment

The purchase price of aircraft equipment is denominated in foreign currencies. It is translated at the exchange rate at the date of the transaction or, if applicable, at the hedging price assigned to it. Manufacturers' discounts, if any, are deducted from the value of the related asset.

Aircraft are depreciated using the straight-line method over their average estimated useful life of 20 years, assuming no residual value for most of the aircraft in the fleet. This useful life can, however, be extended to 25 years for some aircraft.

During the operating cycle, and when establishing fleet replacement plans, the Group reviews whether the amortizable base or the useful life should be adjusted and, if necessary, determines whether a residual value should be recognized.

Any major airframe and engine overhaul (excluding parts with limited useful lives) are treated as a separate asset component with the cost capitalized and depreciated over the period between the date of acquisition and the next major overhaul.

Aircraft components which enable the use of the fleet are recorded as fixed assets and are amortized on a straight-line basis over the estimated residual lifetime of the aircraft/engine type on the world market. The useful life is limited to a maximum of 30 years.

4.13.3 Other property, plant and equipment

Other property, plant and equipment are depreciated using the straight line method over their useful lives as follows:

Buildings	20 to 50 years
Fixtures and fittings	8 to 15 years
Flight simulators	10 to 20 years
Equipment and tooling	5 to 15 years

4.13.4. Leases

In accordance with IAS 17 "Leases", leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The assets held under a finance lease are recognized as assets at the lower of the following two values: the present value of the minimum lease payments under the lease arrangement or their fair value determined at inception of the lease. The corresponding obligation to the lessor is accounted for as long-term debt.

These assets are depreciated over the shorter of the useful life of the assets and the lease term when there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term.

In the context of sale and operating leaseback transactions, the related profits or losses are accounted for as follows:

- they are recognized immediately when it is clear that the transaction has been realized at fair value;
- if the sale price is below fair value, any profit or loss is recognized immediately except that, if the loss is compensated for by future lease payments below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used;
- if the sale price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

In the context of sale and finance leaseback transactions, the asset remains in the Group's balance sheet with the same net book value. Such transactions are a means whereby the lessor provides finance to the lessee, with the asset as security.

4.14. Impairment test

In accordance with the standard IAS 36 "Impairment of Assets", tangible fixed assets, intangible assets and goodwill are tested for depreciation if there is an indication of impairment, and those with an indefinite useful life are tested at least once a year on September 30.

For this test, the Group deems the recoverable value of the asset to be the higher of the market value less cost of disposal and its value in use. The latter is determined according to the discounted future cash flow method, estimated based on budgetary assumptions approved by management, using an actuarial rate which corresponds to the weighted average cost of the Group's capital and a growth rate which reflects the market hypotheses for the appropriate activity.

The depreciation tests are carried out individually for each asset, except for those assets to which it is not possible to attach independent cash flows. In this case, these assets are regrouped within the CGU to which they belong and it is this which is tested. The CGU's correspond to the Group's business segments: passenger business, cargo, maintenance, leisure and others.

When the recoverable value of an asset or CGU is inferior to its net book value, an impairment is recognized. The impairment of a CGU is charged in the first instance to goodwill, the remainder being charged to the other assets which comprise the CGU, prorated to their net book value.

4.15. Inventories

Inventories are measured at the lower of their cost and net realizable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition and location. These costs include the direct and indirect production costs incurred under normal operating conditions.

Inventories are valued on a weighted average basis.

The net realizable value of the inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

4.16. Treasury shares

Air-France-KLM shares held by the Group are recorded as a deduction from the Group's consolidated equity at the acquisition cost. Subsequent sales are recorded directly in equity. No gains or losses are recognized in the Group's income statement.

4.17. Employee benefits

The Group's obligations in respect of defined benefit pension plans, including termination indemnities, are calculated in accordance with IAS 19 Revised "Employee benefits", using the projected units of credit method based on actuarial assumptions and considering the specific economic conditions in each country concerned. The commitments are covered either by insurance or pension funds or by provisions recorded on the balance sheet as and when rights are acquired by employees.
The Group recognizes in Other Comprehensive Income the actuarial gains or losses relating to post-employment plans, the differential between the actual return and the expected return on the pension assets and the impact of any plan curtailment. The gains or losses relating to termination benefits (mainly jubilees) are booked in the income statement.

The Group books all the costs linked to pensions (defined benefit plans and net periodic pension costs) in the income from current operations (salaries and related costs).

Specific information related to the recognition of some pension plan assets:

Pension plans in the Netherlands are generally subject to minimum funding requirements ("MFR") that can involve the recognition of pension surpluses.
These pension surpluses constituted by the KLM sub group are recognized in the balance sheet according to the IFRIC 14 interpretation (IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction").

4.18. Provisions for restitution of aircraft under operating leases

For certain operating leases, the Group is contractually committed to restitute aircraft with a defined level of potential.

The Group provides for restitution costs related to aircraft under operating leases.

When the condition of aircraft exceeds the return condition as set per the lease arrangement, the Group capitalizes the related amount in excess under "Flight equipment". Such amounts are subsequently amortized on a straight-line basis over the period during which the potential exceeds the restitution condition. Any remaining capitalized excess potential upon termination of a lease is reimbursable by the lessor.

4.19. Other provisions

The Group recognizes a provision in the balance sheet when the Group has an existing legal or implicit obligation to a third party as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amounts recorded as provisions are discounted when the effect of the passage of time is material. The effect of the time value of money is presented as a component of "Other financial income and expenses".

Restructuring provisions are recognized once the Group has established a detailed and formal restructuring plan which has been announced to the parties concerned.

4.20. Emission Trading Scheme

Since January 1, 2012, European airlines have been included in the scope of companies subject to the Emission Trading Scheme (ETS).
In the absence of an IFRS standard or interpretation regarding ETS accounting, the Group has adopted the accounting treatment known as the "netting approach".

According to this approach, the quotas are recognized as intangible assets:
- free quotas allocated by the State are valued at nil; and
- quotas purchased on the market are accounted at their acquisition cost.

These intangible assets are not amortized.

If the allocated quotas are insufficient to cover the actual emissions then the Group recognizes a provision. This provision is assessed at the acquisition cost for the acquired rights and, for the non-hedged portion, with reference to the market price as of each closing date. At the date of the restitution to the State of the quotas corresponding to actual emissions, the provision is written-off in exchange for the intangible assets returned.

4.21. Equity and debt issuance costs

Debt issuance costs are mainly amortized as financial expenses over the term of the loans using the actuarial method.
Capital increase costs are deducted from paid-in capital.

4.22. Deferred taxes

The Group records deferred taxes using the balance sheet liability method, providing for any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for exceptions described in IAS 12 “Income taxes”.

The tax rates used are those enacted or substantively enacted at the balance sheet date.

Net deferred tax balances are determined on the basis of each entity’s tax position.

Deferred tax assets related to temporary differences and tax losses carried forward are recognized only to the extent it is probable that a future taxable profit will be available against which the asset can be utilized at the tax entity level.

Deferred tax assets corresponding to fiscal losses are recognized as assets given the prospects of recoverability resulting from the budgets and medium term plans prepared by the Group. The assumptions used are the same as those used for the impairment tests on assets (see note 4.14).

A deferred tax liability is also recognized for the undistributed reserves of the equity affiliates.

Taxes payable and/or deferred are recognized in the income statement for the period, unless they are generated by a transaction or event recorded directly in other comprehensive income. In such a case, they are recorded directly in other comprehensive income.

Impact of the Territorial Economic Contribution

The 2010 Finance Law voted on December 30, 2009, removed the business tax liability for French fiscal entities from January 1, 2010 and replaced it with the new TEC (Territorial Economic Contribution/Contribution Economique Territoriale – CET) comprising two contributions: the LDE (land tax of enterprises/Cotisation Foncière des Entreprises - CFE) and the CAVE (Contribution on Added Value of Enterprises/Cotisation sur la Valeur Ajoutée des Entreprises – CVAE). The latter is calculated by the application of a rate to the added value generated by the company during the year. As the added value is a net amount of income and expenses, the CAVE meets the definition of a tax on profits as set out in IAS 12.2. Consequently, the expense relating to the CAVE is presented under the line “tax”.

4.23. Non-current assets held for sale and discontinued operations

Assets or groups of assets held for sale meet the criteria of such a classification if their carrying amount is recovered principally through a sale rather than through their continuing use. This condition is considered to be met when the sale is highly probable and the asset (or the group of assets intended for sale) is available for immediate sale in its present condition. Management must be committed to a plan to sell, with the expectation that the sale will be realized within a period of twelve months from the date on which the asset or group of assets were classified as assets held for sale.

The Group determines on each closing date whether any assets or groups of assets meet the above criteria and presents such assets, if any, as "non-current assets held for sale".
Any liabilities related to these assets are also presented on a separate line in liabilities on the balance sheet.

Assets and groups of assets held for sale are valued at the lower of their book value or their fair value minus exit costs. As of the date of such a classification, the asset is no longer depreciated.

The results from discontinued operations are presented separately from the results from continuing operations in the income statement.

4.24. Share-based compensation

Stock subscription or purchase option schemes are valued at the fair value on the date the plans are awarded.
The fair value of the stock option schemes is determined using the Black-Scholes model. This model takes into account the features of the plans (exercise price, exercise period) and the market data at the time they are granted (risk-free interest rate, market value of the share, volatility and expected dividends).
This fair value is the fair value of the services rendered by the employees in consideration for the options received. It is recognized over the vesting period as salary cost with a corresponding increase to equity for transactions paid with shares and with a corresponding increase of liabilities for transactions paid in cash. During the vesting period, this salary cost is adjusted, if applicable, to take into account the number of options effectively vested.

5. CHANGE IN THE CONSOLIDATION SCOPE

- **Year ended December 31, 2014**

First application of the standards IFRS 10, IFRS 11, IFRS 12 and IAS 28

The first application of the standards IFRS 10, IFRS 11, IFRS 12 and IAS 28 had no impact on the consolidation method previously used.

The information required for the application of IFRS 12 on non-controlling interests and interests in equity affiliates are presented in the notes 22 and 41.

Scope in

On June 30, 2014, Air France Industrie US and Sabena Technics signed an agreement in which the Group's maintenance business acquired 100 per cent of the capital of Barfield, an US specialist in equipment support.
Pursuant to standards IFRS 3 and IFRS 10, Barfield has been accounted for using the acquisition method and fully integrated in the Group's accounts starting from its acquisition date. The acquisition did not generate any goodwill.

Scope out

On April 30, 2014, the Group sold its previously 100 per cent held subsidiaries CityJet and VLM, an Irish and a Belgium regional airline, to Intro Aviation GmbH.
Since these two entities had been valued at their disposal value within the framework of their reclassification under discontinued operations in 2013 (see notes 3 and 14), the result on their disposal has no significant impact on the Group's consolidated financial statements as of December 31, 2014.

- **Year ended December 31, 2013**

Scope in

Within the framework of the establishment of *HOP!*, the Group acquired Airlinair. This operation took place as follows:

- the sale, on February 28, 2013, of the shareholding in Financière LMP (39.86%), the parent company which owned Airlinair (see note 11);
- the acquisition, on February 28, 2013, of 100 per cent of the Airlinair share capital for €17 million. The goodwill relating to this operation amounted to €3 million.

Scope out

On May 15, 2013, the Group sold its Italian subsidiary Servair Airchef, specialized in airline catering.

As of December 31, 2013, following the Air France-KLM Group's decision not to subscribe to the capital increase requested in October 2013, the Alitalia entity was no longer consolidated by the equity method. Since that date, the Group's remaining equity interest in Alitalia (7.08%) was recorded under other financial assets (see notes 11, 22 and 24).

6. SEGMENT INFORMATION

Business segments

The segment information by activity and geographical area presented below is prepared on the basis of internal management data communicated to the Executive Committee, the Group's principal operational decision-making body.

The Group is organized around the following segments:

Passenger: Passenger operating revenues primarily come from passenger transportation services on scheduled flights with the Group's airline code, including flights operated by other airlines under code-sharing agreements. They also include commissions paid by SkyTeam alliance partners, code-sharing revenues, revenues from excess baggage, airport services supplied by the Group to third-party airlines and services linked to IT systems.

Cargo: Cargo operating revenues come from freight transport on flights under the companies' codes, including flights operated by other partner airlines under code-sharing agreements. Other cargo revenues are derived principally from sales of cargo capacity to third parties.

Maintenance: Maintenance operating revenues are generated through maintenance services provided to other airlines and customers worldwide.

Other: The revenues of this segment come primarily from the transportation of passengers in the low cost segment by Transavia and from the catering activities supplied by the Group (mainly Servair) to third-party airlines.

The results, assets and liabilities allocated to the business segments correspond to those attributable directly and indirectly. Amounts allocated to business segments mainly correspond, for the income statement, to the income from operating activities and, for the balance sheet, to the goodwill, intangible assets, flight equipment and other tangible assets, the share in equity affiliates, some account receivables, deferred revenue on ticket sales and a portion of provisions and retirement benefits. Other elements of the income statement and balance sheet are presented in the "non-allocated" column.

Inter-segment transactions are realized and evaluated based on normal market conditions.

Geographical segments

- **Activity by origin of sales area**

Following a decision of the Executive Board to reorganize the Group's sales areas, the presentation of the activities by origin of sale has been divided into eight geographical areas since January 1, 2014 (against six areas previously):

- Metropolitan France
- Benelux
- Europe (excluding France and Benelux) and North Africa
- Africa (except North Africa)
- Middle East, Gulf, India (MEGI)
- Asia-Pacific
- North America
- Caribbean, West Indies, French Guyana, Indian Ocean, South America (CILA)

Only segment revenue is allocated by geographical sales area.
The information as of December 31, 2013 has been restated for the purposes of comparison.

- **Activity by destination**

The Group activities by destination are divided into six geographic areas:
- Metropolitan France
- Europe (excluding France) and North Africa
- Caribbean, West Indies, French Guyana and Indian Ocean
- Africa (except North Africa), Middle East
- Americas and Polynesia
- Asia and New Caledonia

6.1. Information by business segment

- **Year ended December 31, 2014**

In € millions	**Passenger**	**Cargo**	**Maintenance**	**Other**	**Non-allocated**	**Total**
Total sales	21 007	2 701	3 392	2 018	-	29 118
Inter-segment sales	(1 437)	(20)	(2 141)	(608)	-	(4 206)
External sales	**19 570**	**2 681**	**1 251**	**1 410**	**-**	**24 912**
Income from current operations	(83)	(212)	174	(8)	-	(129)
Income from operating activities	775	(253)	166	63	-	751
Share of profits (losses) of associates	(46)	-	1	6	-	(39)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(688)	(688)
Income taxes	-	-	-	-	(209)	(209)
Net income from continuing operations	**729**	**(253)**	**167**	**69**	**(897)**	**(185)**
Depreciation and amortization for the period	(1 198)	(53)	(279)	(59)	-	(1 589)
Other non monetary items	138	45	45	(242)	(56)	(70)
Total assets	**10 397**	**928**	**2 863**	**870**	**8 172**	**23 230**
Segment liabilities	6 663	673	753	434	5 211	13 734
Financial debt, bank overdraft and equity	-	-	-	-	9 496	9 496
Total liabilities	**6 663**	**673**	**753**	**434**	**14 707**	**23 230**
Purchase of property, plant and equipment and intangible assets (continuing operations)	**1 076**	**48**	**139**	**168**	**-**	**1 431**

The non-allocated assets, amounting to €8.2 billion, mainly concerns the financial assets held by the Group. They notably comprise cash and cash equivalents of €3.8 billion, pension assets of €1.4 billion, financial assets of €1.3 billion, deferred tax of €1 billion and derivatives of €0.5 billion.

The non-allocated segment liabilities, amounting to €5.2 billion, mainly comprise a portion of provisions and retirement benefits amounting to €2.5 billion, tax and employee-related liabilities of €1.1 billion and derivatives of €1.6 billion.

Financial debts, bank overdrafts and equity are not allocated.

- **Year ended December 31, 2013 (restated)**

In € millions	Passenger	Cargo	Maintenance	Other	Non-allocated	Total
Total sales	21 578	2 849	3 280	1 980	-	29 687
Inter-segment sales	(1 466)	(33)	(2 055)	(613)	-	(4 167)
External sales	**20 112**	**2 816**	**1 225**	**1 367**	**-**	**25 520**
Income from current operations	174	(202)	159	(1)	-	130
Income from operating activities	(39)	(343)	146	9	-	(227)
Share of profits (losses) of associates	(215)	-	2	2	-	(211)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(301)	(301)
Income taxes	-	-	-	-	(957)	(957)
Net income from continuing operations	**(254)**	**(343)**	**148**	**11**	**(1 258)**	**(1 696)**
Depreciation and amortization for the period	(1 062)	(71)	(277)	(156)	-	(1 566)
Other non monetary items	(385)	(78)	(43)	(200)	(835)	(1 541)
Total assets	**11 089**	**1 052**	**2 671**	**862**	**9 747**	**25 421**
Segment liabilities	6 341	281	713	367	4 527	12 229
Financial debt, bank overdraft and equity	-	-	-	-	13 192	13 192
Total liabilities	**6 341**	**281**	**713**	**367**	**17 719**	**25 421**
Purchase of property, plant and equipment and intangible assets (continuing operations)	**829**	**44**	**188**	**125**	**-**	**1 186**

The non-allocated assets, amounting to €9.7 billion, mainly concerns the financial assets held by the Group. They notably comprise cash and cash equivalents of €3.7 billion, pension assets of €2.5 billion, financial assets of €2.7 billion, deferred tax of €0.4 billion and derivatives of €0.4 billion.

The non-allocated liabilities, amounting to €4.5 billion, mainly comprise a portion of provisions and retirement benefits amounting to €2.3 billion, tax and employee-related liabilities of €1.2 billion, deferred tax of €0.2 billion and derivatives of €0.4 billion.

Financial debts, bank overdrafts and equity are not allocated.

6.2. Information by geographical area

Sales by geographical area

- **Year ended December 31, 2014**

In € millions	Metropolitan France	Benelux	Europe (except France and Benelux) North Africa	Africa (except North Africa)	Middle-Eastern Gulf India (MEGI)	Asia Pacific	North America	West Indies Caribbean Guyana Indian Ocean South America (CILA)	Total
Scheduled passenger	5 702	1 782	4 438	896	430	1 805	2 469	1 173	18 695
Other passenger sales	351	162	165	47	6	103	18	23	875
Total passenger	**6 053**	**1 944**	**4 603**	**943**	**436**	**1 908**	**2 487**	**1 196**	**19 570**
Scheduled cargo	370	253	748	140	49	510	287	152	2 509
Other cargo sales	40	14	39	11	2	23	33	10	172
Total cargo	**410**	**267**	**787**	**151**	**51**	**533**	**320**	**162**	**2 681**
Maintenance	753	407	27	-	-	-	64	-	1 251
Others	542	764	2	67	-	1	-	34	1 410
Total	**7 758**	**3 382**	**5 419**	**1 161**	**487**	**2 442**	**2 871**	**1 392**	**24 912**

- **Year ended December 31, 2013 (restated)**

In € millions	Metropolitan France	Benelux	Europe (except France and Benelux) North Africa	Africa (except North Africa)	Middle-Eastern Gulf India (MEGI)	Asia Pacific	North America	West Indies Caribbean Guyana Indian Ocean South America (CILA)	Total
Scheduled passenger	5 910	1 647	4 466	912	424	1 877	2 578	1 362	19 176
Other passenger sales	399	134	159	48	7	105	60	24	936
Total passenger	**6 309**	**1 781**	**4 625**	**960**	**431**	**1 982**	**2 638**	**1 386**	**20 112**
Scheduled cargo	388	262	766	152	51	529	347	124	2 619
Other cargo sales	55	-	34	15	3	39	41	10	197
Total cargo	**443**	**262**	**800**	**167**	**54**	**568**	**388**	**134**	**2 816**
Maintenance	749	417	25	-	-	34	34	-	1 225
Others	466	749	54	65	-	-	-	33	1 367
Total	**7 967**	**3 209**	**5 504**	**1 192**	**485**	**2 550**	**3 060**	**1 553**	**25 520**

<u>**Traffic sales by geographical area of destination**</u>

- **Year ended December 31, 2014**

In € millions	Metropolitan France	Europe (except France) North Africa	West Indies Caribbean, French Guyana, Indian Ocean	Africa (except North Africa), Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 851	4 389	1 425	2 497	5 292	3 241	18 695
Scheduled cargo	5	45	139	484	1 010	826	2 509
Total	**1 856**	**4 434**	**1 564**	**2 981**	**6 302**	**4 067**	**21 204**

- **Year ended December 31, 2013**

In € millions	Metropolitan France	Europe (except France) North Africa	West Indies Caribbean, French Guyana, Indian Ocean	Africa (except North Africa), Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 932	4 466	1 421	2 538	5 397	3 422	19 176
Scheduled cargo	5	46	142	524	1 053	849	2 619
Total	**1 937**	**4 512**	**1 563**	**3 062**	**6 450**	**4 271**	**21 795**

7. EXTERNAL EXPENSES

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Aircraft fuel	6 629	6 897
Chartering costs	438	455
Aircraft operating lease costs	873	913
Landing fees and en route charges	1 840	1 839
Catering	591	589
Handling charges and other operating costs	1 476	1 405
Aircraft maintenance costs	1 356	1 303
Commercial and distribution costs	870	852
Other external expenses	1 718	1 744
Total	**15 791**	**15 997**
Excluding aircraft fuel	*9 162*	*9 100*

8. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Wages and salaries	5 315	5 424
Costs linked to defined contribution plans	595	603
Net periodic pension cost of defined benefit plans	388	379
Social contributions	1 157	1 171
Expenses related to share-based compensation	1	3
Other expenses	(140)	(98)
Total	**7 316**	**7 482**

The Group pays contributions to a multi-employer plan in France, the CRPN (public pension fund for crew). Since this multi-employer plan is assimilated with a French State plan, it is accounted for as a defined contribution plan in "social contributions".

The "other expenses" mainly comprise:
- the CICE tax credit amounting to €66 million as of December 31, 2014 versus €43 million in 2013;
- the capitalization of salary costs on aircraft and engine overhaul.

Average number of employees in continuing operations

Year ended December 31	**2014**	**2013**
Flight deck crew	8 027	8 103
Cabin crew	21 552	21 779
Ground staff	65 087	66 535
Total	**94 666**	**96 417**

9. AMORTIZATION, DEPRECIATION AND PROVISIONS

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Intangible assets	98	80
Flight equipment	1 253	1 227
Other property, plant and equipment	238	259
Amortization	**1 589**	**1 566**
Inventories	2	(1)
Trade receivables	8	5
Risks and contingencies	119	155
Depreciation and provisions	**129**	**159**
Total	**1 718**	**1 725**

The amortization changes for intangible and tangible assets are presented in notes 18 and 20.
As at December 31, 2014 the increase of depreciation on aeronautical assets includes an amount of €35 million relating to the Boeing B747-400 aircraft further to the review of the depreciation schedule to take into account their expected phase out.

The changes relating to inventories and trade receivables are presented in notes 25, 26 and 27.

The movements in provisions for risks and charges are detailed in note 31.

10. OTHER INCOME AND EXPENSES

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Joint operation of routes	(87)	(84)
Operations-related currency hedges	42	65
Other	(20)	9
Total	**(65)**	**(10)**

11. OTHER NON-CURRENT INCOME AND EXPENSES

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Sales of aircraft equipment	**-**	**(12)**
Legal modification on pension plans	824	-
Impairment on Cargo CGU	(113)	-
Restructuring costs	2	(209)
Depreciation of assets held for sale	(11)	(102)
Disposal of shares available for sale	187	-
Disposals of subsidiaries and affiliates	(3)	7
Other	(6)	(41)
Other non-current income and expenses	**880**	**(345)**

- **Period from January 1 to December 31, 2014**

Legal modification on pension plans

Following a change in the legislation governing pension plans in the Netherlands, the Group recorded a non-current income of €824 million as of December 31, 2014, under the pilot, cabin crew and ground staff plans. This item is described in note 31.1.3 "Amendments and curtailment of pension plans".

Impairment on Cargo CGU

This operation is outlined in note 19.

Restructuring costs

This line mainly includes:
- a provision of €21 million for a voluntary departure plan relating to Martinair Cargo pilots;
- an aid of €26 million from the European Union concerning the measures proposed by the Air France Group within its voluntary departure plan Transform 2015.

Depreciation of assets held for sale

As part of the review of its fleet plan, the Air France Group has decided to sell a number of aircraft of its French regional fleet. The impact of the revaluation of these non-operated aircraft on their sale value amounts to €7 million (see note 15). The Group also booked an additional impairment loss of €4 million on engines of one of the Boeing B747 classified in assets held for sale.

Disposal of shares available for sale

On September 9, 2014, as part of its active balance sheet management policy, the Group sold 4 475 819 shares in the Spanish company Amadeus IT Holding S.A. ("Amadeus") by a private placement, representing 1.0 per cent of the company's share capital. The Group simultaneously sold in addition 10 345 200 shares, representing 2.31 per cent of the company's share capital, in the framework of the settlement of the hedging transaction implemented in 2012 and covering 12 000 000 shares in Amadeus.

These transactions generated:
- a positive result on the disposal of the shares amounting to €187 million in the "Other non-current income and expenses" part of the income statement;
- a change of fair value of financial assets and liabilities for €(4) million in the part "Other financial income and expenses" of the income statement;
- cash proceeds of €339 million.

After these transactions, the Group owns circa 4.4 per cent of Amadeus IT Holding S.A.'s share capital.

Gain on disposals of subsidiaries and affiliates

This line includes the proceed on the disposal of shares held by the Servair Group in Newrest (25%).

Other

This line mainly includes:
- the result on the sale of several tangible assets, amounting to € 15 million;
- a book loss of €17 million on engines that are not in use anymore.

- **Period from January 1 to December 31, 2013**

Restructuring costs

During the third quarter of 2013, the Group had announced the implementation of additional measures to reduce Air France's salary costs. The overstaffing was estimated at 2 880 employees, including 1 826 ground staff. In this context, a voluntary departure plan was proposed to ground staff and cabin crew, whose application period opened in 2014.
During the financial year, the Group had also adjusted the amount of the net provision booked as of December 31, 2012 concerning the initial voluntary departure plan and the resizing of the fleet.
The Group had consequently made its best estimate of the costs incurred by the measures mentioned above and had recorded a restructuring provision for a total amount of €200 million as of December 31, 2013.

A provision for an onerous lease contract on a Martinair Boeing B747 had also been recorded for an amount of €9 million.

Depreciation of assets held for sale

As part of the review of its fleet plan, the Air France Group had decided to sell two Boeing B747s freighters. The impact of the revaluation of these non-operated aircraft on their sale value amounted to €82 million (see note 15).
For its part, the KLM Group had revalued seven Fokker F70s, two MD11s, one Fokker F100 and a number of engines at their sale value, representing a total amount of €20 million.

Disposal of subsidiaries and affiliates

This line included:
- the sale of the shareholding in Financière LMP (39.86%) (see note 5);
- the sale of the shareholding in Servair Airchef (50%) (see note 5);
- the impact of dilution on the Alitalia shareholding (see notes 5, 22 and 24).

Other

This line mainly included:
- a provision of €18 million relating to crew disputes;
- an additional provision related to anti-competitive cargo practices amounting to €14 million (see note 31.3);
- an exceptional tax on salaries in The Netherlands linked to the economic crisis in Europe, amounting to €7 million.

12. NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Income from marketable securities	25	26
Other financial income	51	51
Financial income	**76**	**77**
Loan interests	(268)	(290)
Lease interests	(72)	(75)
Capitalized interests	10	9
Other financial expenses	(116)	(125)
Gross cost of financial debt	**(446)**	**(481)**
Net cost of financial debt	**(370)**	**(404)**
Foreign exchange gains (losses), net	(158)	74
Change in fair value of financial assets and liabilities	(92)	57
Including fuel derivatives	*(135)*	*84*
Including currency derivatives	*50*	*(30)*
Including interest rates derivatives	*(1)*	*4*
Including other derivatives	*(6)*	*(1)*
Net (charge)/ release to provisions	(44)	(30)
Other	(24)	2
Other financial income and expenses	**(318)**	**103**
Total	**(688)**	**(301)**

The interest rate used in the calculation of capitalized interest is 3.3 per cent for the financial year ended December 31, 2014 versus 3.8 per cent for the year ended December 31, 2013.

Financial income mainly comprises interest income and gains on the sale of financial assets at fair value through profit and loss.

As of December 31, 2014, the cost of financial debt includes an amount of €51 million corresponding to the difference between the nominal and effective interest rate (after split accounting of the OCEANEs bonds issued), versus €41 million as of December 31, 2013.

At December 31, 2014, the foreign exchange result mainly includes an adjustment in the value of the cash blocked in Venezuela to take into account the currency conversion risk, together with a latent foreign exchange variation on the valuation of the debt in US Dollars.

At December 31, 2014, the net (charge)/release to provisions mainly includes a €21 million impairment on Alitalia shares – resulting from the conversation of the bonds subscribed in December 2013 within the framework of Alitalia’s financial restructuring – to reduce this shareholding to its fair value.

At December 31, 2014, the other financial income and expenses includes an amount of €24 million relating to the reversal of discounting on provisions.

13. INCOME TAXES

13.1. Income tax expense

Current income tax expenses and deferred income tax are detailed as follows:

In € millions **Period from January 1 to December 31**	**2014**	**2013**
(Expense) / income for the year	(37)	(41)
Current tax (expense) / income	**(37)**	**(41)**
Change in temporary differences	(155)	20
CAVE impact	3	3
Tax loss carry-forwards	(20)	(939)
Deferred tax income / (expense) from continuing operations	**(172)**	**(916)**
Total	**(209)**	**(957)**

The current tax expense relates to the amounts paid or payable in the short term to the tax authorities in respect of the financial year, in accordance with the regulations prevailing in the different countries and any applicable treaties.

- **French fiscal group**

In France, tax losses can be carried forward for an unlimited period. However, the 2011 and 2012 Finance Acts introduced a limitation on the amount of fiscal loss recoverable each year to 50 per cent of the profit for the period beyond the first million euros. The period for recovering these losses against future profits having also been extended within the context of prevailing economic crisis and a highly competitive global market, the Group limits its recoverability horizon relating to the French fiscal group to a period of seven years, in consistency with its operating visibility.

- **Dutch fiscal group**

In the Netherlands, tax losses can be carried forward over a period of nine years without limitation in the amount of recovery due each year. The 3 years target for the Group shows that for part of the tax losses generated in 2009-10 (yearly closing March 31, 2010) is not expected to be recovered in this 9-year window. To take this into account, a tax limitation of €65 million was recorded as of December 31, 2014. The horizon of recoverability of deferred tax assets is seven years in the Dutch fiscal group.

- **Martinair**

Within the framework of its considerations on the full-freighter activity at Schiphol, the KLM Group decided to fully de-recognize the deferred tax asset on Martinair’s pre-acquisition fiscal losses. This creates a deferred tax expense of €24 million.

Both for the French and the Dutch fiscal group, the calculation of the recoverability of the deferred tax losses are based on the results in the 3 years target, approved by the management and used, as described in note 19, for the impairment test of tax assets. If the assumptions in the 3 years plan are not met, this could have an impact on the horizon of recoverability of the deferred tax assets.

13.2. Deferred tax recorded in equity – Group

In € millions **Period from January 1 to December 31**	**2014**	**2013**
OCEANE	-	(37)
Other comprehensive income that will be reclassified to profit or loss	341	(10)
Assets available for sale	*15*	*(18)*
Derivatives	*326*	*8*
Other comprehensive income that will not be reclassified to profit or loss	583	(18)
Pensions	*583*	*(18)*
Total	**924**	**(65)**

13.3. Effective tax rate

The difference between the standard tax rate in France and the effective tax rate is detailed as follows:

In € millions **Period from January 1 to December 31**	**2014**	**2013**
Income before tax	63	(528)
Standard tax rate in France	34.43%	34.43%
Theoretical tax calculated based on the standard tax rate in France	(22)	182
Differences in French / foreign tax rates	58	16
Non deductible expenses or non-taxable income	11	(20)
Variation in unrecognized deferred tax assets	(249)	(1 135)
CVAE impact	(20)	(24)
Other	13	24
Income tax expenses	**(209)**	**(957)**
Effective tax rate	NS*	NS*

* Not significant

For 2014, the tax rate applicable in France is 38 per cent including additional contributions. Since the French fiscal group realized a fiscal deficit as of December 31, 2014, the tax proof has been established using the rate excluding additional contributions, i.e. 34.43 per cent. Deferred tax has been calculated on the same basis.

The current tax rate applicable in The Netherlands is 25 per cent.

13.4. Variation in deferred tax recorded during the period

In € millions	January 1, 2014 (restated)	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Currency translation adjustment	Reclassification and other	December 31, 2014
Flight equipment	(1 277)	114	-	-	-	-	(1 163)
Pension assets	(608)	(174)	485	-	-	-	(297)
Financial debt	780	(16)	-	-	-	(1)	763
Deferred revenue on ticket sales	177	(12)	-	-	-	-	165
Debtors and creditors	36	2	327	-	-	-	365
Others	(81)	(66)	112	-	-	9	(26)
Deferred tax corresponding to fiscal losses	1 229	(20)	-	-	-	1	1 210
Deferred tax asset/ (liability) net	**256**	**(172)**	**924**	**-**	**-**	**9**	**1 017**

In € millions	January 1, 2013 (restated)	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Currency translation adjustment	Reclassification and other	December 31, 2013 (restated)
Flight equipment	(1 257)	(15)	-	-	-	(5)	(1 277)
Pension assets	(566)	(47)	14	-	-	(9)	(608)
Financial debt	758	60	-	(37)	-	(1)	780
Deferred revenue on ticket sales	166	11	-	-	-	-	177
Debtors and creditors	30	(1)	7	-	-	-	36
Others	(46)	15	(49)	-	-	(1)	(81)
Deferred tax corresponding to fiscal losses	2 156	(939)	-	-	-	12	1 229
Deferred tax asset / (liability) net	**1 241**	**(916)**	**(28)**	**(37)**	**-**	**(4)**	**256**

The deferred taxes recognized on fiscal losses for the French fiscal group amounts to €710 million as of December 31, 2014 versus €708 as of December 31, 2013 with the respective basis of €2 062 million and €2 056 million.

The deferred taxes recognized on fiscal losses for the Dutch fiscal group amounts to €479 million as of December 31, 2014 versus €470 million as of December 31, 2013 with the respective basis of €1 916 million and €1 880 million.

13.5. Unrecognized deferred tax assets

In € millions	December 31, 2014		December 31, 2013	
	Basis	Tax	Basis	Tax
Temporary differences	337	115	476	164
Tax losses	4 931	1 664	4 025	1 386
Total	**5 268**	**1 779**	**4 501**	**1 550**

- **French fiscal group**

As of December 31, 2014, the cumulative effect of the limitation on the French fiscal group’s deferred tax assets results in the non-recognition of a deferred tax asset amounting to €1 656 million (corresponding to a basis of €4 810 million), including €1 543 million relating to tax losses and €113 million relating to temporary differences (non-recognition of deferred tax assets relating to restructuring provisions).

As of December 31, 2013, the cumulative effect of the limitation of the French fiscal group's deferred tax assets resulted in the non-recognition of a deferred tax asset amounted to €1 525 million (corresponding to a basis of €4 429 million), including €1 362 million relating to tax losses and €163 million relating to temporary differences (non-recognition of deferred tax assets relating to restructuration provisions). The amount of deferred tax on tax losses non-recognized during the period included €937 million relating to the limitation of the recoverability horizon (see note 13.1).

- **Dutch fiscal group**

As of December 31, 2014, the cumulative effect of the limitation on the Dutch fiscal group's deferred tax assets results in the non-recognition of a deferred tax asset amounting to €65 million (corresponding to a basis of €260 million), which fully relates to tax losses.

Other unrecognized deferred tax assets mainly correspond to a portion of the tax loss carry-forwards of the Air France and KLM Group as well as tax losses carry forward in some subsidiaries in the United Kingdom.

14. NET INCOME FROM DISCONTINUED OPERATIONS

The line "Net income from discontinued operations" corresponds to the contribution from CityJet and VLM:

In millions of euros **Period from January 1 to December 31**	**2014**	**2013**
Sales	38	150
Income from current operations	(5)	(19)
Impairment	-	(77)
Other non-current items	1	(25)
Income from operating activities	(4)	(121)
Financial income	-	(1)
Income before taxes	(4)	(122)
Income taxes	-	-
Net income from discontinued operations	**(4)**	**(122)**

- **Period from January 1 to December 31, 2014**

As of December 31, 2014, the "Net income from discontinued operations" comprises the result realized by CityJet and VLM prior to their disposal on April 30, 2014 (see notes 3 and 5). It also includes the gain of the disposal of these two companies which amounted to €1 million, recorded under "non-current items" in the net income from discontinued operations.

- **Period from January 1 to December 31, 2013**

Impairment

As of December 31, 2013, within the framework of the valuation of the Irish and Belgian "regional" companies, the Group recorded an additional provision of €77 million, to align the net assets of the CityJet and VLM Group with its expected sale value.

Other non-current items

The other non-current items includes provisions regarding a breach of contract and disputes relating to the payment of social contributions in France.

15. ASSETS HELD FOR SALE AND LIABILITIES RELATED TO ASSETS HELD FOR SALE

- **Year ended December 31, 2014**

As of December 31, 2014, the “Assets held for sale” includes the fair value of 4 aircraft, amounting to €3 million.

- **Year ended December 31, 2013**

As of December 31, 2013, the "Assets held for sale" and "Liabilities related to assets held for sale" corresponded, for a respective €34 million and €58 million, to the assets and liabilities of the CityJet Group held for sale (see notes 2 and 14).

The line “Assets held for sale” also included the fair value of six aircraft held for sale amounting to €57 million, including two Boeing B747 freighters in the Air France Group for €51 million (see note 11).

16. EARNINGS PER SHARE

16.1. Income for the period – Equity holders of Air France-KLM per share

Reconciliation of income used to calculate earnings per share

The result used to calculate earnings per share are as follows:

In € millions **As of January 1 to December 31**	**2014**	**2013**
Net income- Equity holders of Air France - KLM	(198)	(1 827)
Net income from continuing operations - Equity holders of Air France- KLM	(194)	(1 705)
Net income from discontinued operations - Equity holders of Air France- KLM	(4)	(122)

Since the Group does not pay dividends to preferred stockholders, there is no difference with the results appearing in the financial statements. The results being losses for the periods presented and the results used to calculate diluted earnings per share are the same as the results used to calculate basic earnings per share.

Reconciliation of the number of shares used to calculate earnings per share

Year ended December 31	**2014**	**2013**
Weighted average number of:		
- Ordinary shares issued	300 219 278	300 219 278
- Treasury stock held regarding stock option plan	(1 116 420)	(1 116 420)
- Other treasury stock	(3 063 384)	(3 067 607)
Number of shares used to calculate basic earnings per share	**296 039 474**	**296 035 251**
OCEANE conversion	-	-
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	**296 039 474**	**296 035 251**

16.2. Non-dilutive instruments

The Air France-KLM Group did not hold any non-dilutive instrument as of December 31, 2014.

16.3. Instruments issued after the closing date

No instrument was issued after the closing date.

17. GOODWILL

17.1 Detail of consolidated goodwill

In € millions	2014			2013		
As of December 31	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Passenger	195	-	195	194	-	194
Cargo	1	-	1	1	-	1
Maintenance	23	(4)	19	20	(3)	17
Other	29	(1)	28	26	(1)	25
Total	**248**	**(5)**	**243**	**241**	**(4)**	**237**

17.2 Movement in net book value of goodwill

In € millions		
As of December 31	**2014**	**2013**
Opening balance	**237**	**252**
Acquisitions	2	3
Disposals	-	(6)
Impairment	-	(11)
Currency translation adjustment	4	(1)
Closing balance	**243**	**237**

As of December 31, 2013, the impairment recorded concerned CityJet, following the writing down of its net asset value for reclassification under assets held for sale (see note 2.2).

18. INTANGIBLE ASSETS

In € millions	Trademarks and slots	Customer relationships	Other intangible assets	Total
Gross value				
Amount as of December 31, 2012	**297**	**107**	**942**	**1 346**
Additions	-	-	166	**166**
Change in scope	-	-	(6)	**(6)**
Disposals	-	-	(32)	**(32)**
Transfer	(4)	-	(4)	**(8)**
Amount as of December 31, 2013	**293**	**107**	**1 066**	**1 466**
Additions	-	-	210	**210**
Change in scope	4	2	-	**6**
Disposals	-	-	(11)	**(11)**
Transfer	-	-	5	**5**
Amount as of December 31, 2014	**297**	**109**	**1 270**	**1 676**
Depreciation				
Amount as of December 31, 2012	**(2)**	**(102)**	**(400)**	**(504)**
Charge to depreciation	(1)	(2)	(73)	**(76)**
Releases on disposals	-	-	5	**5**
Transfer	-	-	5	**5**
Amount as of December 31, 2013	**(3)**	**(104)**	**(463)**	**(570)**
Charge to depreciation	(1)	(2)	(95)	**(98)**
Releases on disposals	-	-	1	**1**
Amount as of December 31, 2014	**(4)**	**(106)**	**(557)**	**(667)**
Net value				
As of December 31, 2013	290	3	603	**896**
As of December 31, 2014	293	3	713	**1 009**

Including:	
Passenger	*280*
Other	*8*
Maintenance	*4*
Cargo	*1*

The intangible assets mainly comprise:

- the KLM and Transavia brands and slots (takeoff and landing) acquired by the Group as part of the acquisition of KLM. These intangible assets have an indefinite useful life as the nature of the assets means they have no time limit;
- software and capitalized IT costs.

19. IMPAIRMENT

Concerning the methodology followed for the impairment test, the Group has allocated each item of goodwill and each intangible fixed asset with an indefinite useful life to Cash Generating Units (CGU), corresponding to its business segments (see “Accounting Policies”).

The recoverable value of the CGU assets has been determined by reference to their value in use as of September 30, 2014. The tests were realized for all the CGUs on the basis of a three-year Group plan, approved by the management, including a recovery hypothesis after the economic slowdown, enabling the achievement of the medium-term forecasts made by the Group before the emergence of the crisis.

The discount rate used for the test corresponds to the Group’s weighted average cost of capital (WACC). This stood at 7.1 per cent at December 31, 2014 versus 7.4 per cent at December 31, 2013.

During 2014 the Group continued the strategic review of its full freighter business, several scenarios having been examined. After a reduction in its activities at Paris CDG during the previous years, the Group decided to decrease its full freighter fleet at Schiphol (The Netherlands). An impairment amounted to €113 million has been recognized in non-current expenses (see note 11) to decrease of the cargo CGU's carrying value into line with its market value, based on appraiser's valuations, as for aeronautical assets as for other tangible assets.
After the recognition of this book loss, the net carrying amount of the CGU amounts to €647 million of which €370 million relates to aeronautical assets and €140 million to other tangible assets.

After this test, no impairment was observed on the other Group's CGUs.

A 50-basis point increase in the discount rate would have no impact on the CGUs evaluated as of December 31, 2014. A 50-basis point decrease in the long-term growth rate would neither have impact on the value of the CGUs at this date. The same for a 50-basis point decrease in the current operations margin target.

20. TANGIBLE ASSETS

In € millions	**Flight equipment**					**Other tangible assets**					**Total**
	Owned aircraft	Leased aircraft	Assets in progress	Other	Total	Land and buildings	Equipment and machinery	Assets in progress	Other	Total	
Gross value											
As of December 31, 2012	**9 821**	**6 183**	**347**	**2 135**	**18 486**	**2 742**	**1 326**	**55**	**925**	**5 048**	**23 534**
Acquisitions	133	4	705	109	951	48	22	70	20	160	**1 111**
Disposals	(732)	(79)	-	(188)	(999)	(16)	(16)	-	(15)	(47)	**(1 046)**
Change in scope	20	36	-	-	56	-	-	-	(6)	(6)	**50**
Fair value	-	-	54	-	54	-	-	-	-	-	**54**
Transfer	(380)	588	(706)	107	(391)	54	-	(30)	(41)	(17)	**(408)**
Currency translation adjustment	-	-	-	-	-	-	(1)	-	(1)	(2)	**(2)**
As of December 31, 2013	**8 862**	**6 732**	**400**	**2 163**	**18 157**	**2 828**	**1 331**	**95**	**882**	**5 136**	**23 293**
Acquisitions	131	-	857	104	1 092	20	30	97	20	167	**1 259**
Disposals	(742)	(85)	-	(140)	(967)	(3)	(14)	-	(7)	(24)	**(991)**
Change in scope	-	-	-	-	-	1	7	-	-	8	**8**
Fair value	-	-	(155)	-	(155)	-	-	-	-	-	**(155)**
Transfer	155	270	(559)	190	56	(41)	10	(57)	11	(77)	**(21)**
Currency translation adjustment	-	-	-	-	-	-	4	-	1	5	**5**
Impairment	(56)	(34)	-	(21)	(111)	-	-	-	-	-	**(111)**
As of December 31, 2014	**8 350**	**6 883**	**543**	**2 296**	**18 072**	**2 805**	**1 368**	**135**	**907**	**5 215**	23 287
Depreciation											
As of December 31, 2012	**(5 488)**	**(2 047)**	**-**	**(903)**	**(8 438)**	**(1 523)**	**(896)**	**-**	**(697)**	**(3 116)**	**(11 554)**
Charge to depreciation	(788)	(405)	-	(144)	(1 337)	(132)	(80)	-	(48)	(260)	**(1 597)**
Releases on disposal	518	76	-	162	756	15	13	-	8	36	**792**
Change in scope	-	-	-	-	-	-	-	-	3	3	**3**
Transfer	423	(113)	-	(57)	253	(28)	13	-	34	19	**272**
Currency translation adjustment	-	-	-	-	-	-	1	-	-	1	**1**
As of December 31, 2013	**(5 335)**	**(2 489)**	**-**	**(942)**	**(8 766)**	**(1 668)**	**(949)**	**-**	**(700)**	**(3 317)**	**(12 083)**
Charge to depreciation	(672)	(436)	-	(154)	(1 262)	(126)	(72)	-	(42)	(240)	**(1 502)**
Releases on disposal	526	88	-	140	754	2	12	-	6	20	**774**
Transfer	110	(99)	-	(81)	(70)	69	8	-	(2)	75	**5**
Currency translation adjustment	-	-	-	-	-	-	(2)	-	(1)	(3)	**(3)**
As of December 31, 2014	**(5 371)**	**(2 936)**	**-**	**(1 037)**	**(9 344)**	**(1 723)**	**(1 003)**	**-**	**(739)**	**(3 465)**	**(12 809)**
Net value											
As of December 31, 2013	3 527	4 243	400	1 221	**9 391**	1 160	382	95	182	**1 819**	**11 210**
As of December 31, 2014	2 979	3 947	543	1 259	**8 728**	1 082	365	135	168	**1 750**	**10 478**

Aeronautical assets under construction mainly comprise advance payments, engine maintenance work in progress and aircraft modifications.

Note 37 details the amount of pledged tangible assets.

Commitments to property purchases are detailed in notes 37 and 38.

The net book value of tangible assets financed under capital lease amounts to €4 438 million as of December 31, 2014 versus €4 762 million as of December 31, 2013.

The charge to depreciation as of December 31, 2013 included €102 million of depreciation booked in non-current charges (see note 11).

21. CAPITAL EXPENDITURES

The detail of capital expenditures on tangible and intangible assets presented in the consolidated cash flow statements is as follows:

In € millions **As of December 31**	**2014**	**2013**
Acquisition of tangible assets	1 217	1 046
Acquisition of intangible assets	210	166
Accounts payable on acquisitions and capitalized interest	4	(26)
Total	**1 431**	**1 186**

22. EQUITY AFFILIATES

Movements over the period

The table below presents the movement in investments in associates and joint ventures:

In € millions	**Passenger**	**Maintenance**	**Other**	**Total**
Carrying value of share in investment as of December 31, 2012	**295**	**21**	**65**	**381**
Share in net income of equity affiliates	(215)	2	2	(211)
Distributions	-	-	(2)	(2)
Change in consolidation scope	(14)	4	(1)	(11)
Other variations	8	(1)	4	11
Fair value adjustment	(5)	-	-	(5)
Capital increase	-	12	4	16
Currency translation adjustment	(2)	-	-	(2)
Carrying value of share in investment as of December 31, 2013	**67**	**38**	**72**	**177**
Share in net income of equity affiliates	(46)	1	6	(39)
Distributions	-	-	(3)	(3)
Change in consolidation scope	-	-	(11)	(11)
Other variations	1	-	(2)	(1)
Capital increase	7	2	1	10
Currency translation adjustment	1	2	3	6
Carrying value of share in investment as of December 31, 2014	**30**	**43**	**66**	**139**

Passenger business

As of December 31, 2014 and 2013 the equity affiliates in the Passenger business mainly concerned Kenya Airways, a Kenyan airline based in Nairobi over which the Group exercises a significant influence. The market value of the shares in this listed company amounts to €31 million as at December 31, 2014. The financial statements of Kenya Airways as of March 31, 2014 include revenues for €918 million, net result for €(29) million, equity for €236 million and total balance sheet for €1 243 million.

Following the dilution in its shareholding during the last quarter of 2013, the Group no longer accounts for Alitalia as an equity affiliate, but now recognizes its equity interest under other financial assets (see notes 3, 5, 11 and 24).
Given the uncertainties overhanging Alitalia's situation prior to this dilution in shareholding, the Group had decided, during the third quarter 2013, to fully depreciate its shareholding in Alitalia. The share of losses and a provision for impairment totaling €202 million were consequently booked as at December 31, 2013.

Maintenance

As of December 31, 2014 and 2013, the equity affiliates in the maintenance business mainly comprise joint venture partnerships entered into by the Group to develop its maintenance activities worldwide. These partnerships, for which the country localizations and the percentages of interest are presented in note 41.2, have been concluded either with airlines or with independent players in the maintenance market.

Other

As of December 31, 2014 and 2013 the equity affiliates in the Group's other businesses are mainly joint venture partnerships entered into by the Group to develop its catering activities worldwide. The regions of the activities and the percentages of interest in these partnerships are presented in note 41.2.

23. PENSION ASSETS

In € millions	**December 31, 2014**	**December 31, 2013**
Opening balance	**2 454**	**2 477**
Net periodic pension (cost) / income for the period	515	(227)
Contributions paid to the funds	390	342
Fair value revaluation	(1 950)	(138)
Closing balance	**1 409**	**2 454**

The detail of these pension assets is presented in note 31.1.

Following a change in the legislation governing pension plans in the Netherlands, the Group recorded a non-current income of €824 million as of December 31, 2014. This item is described in notes 11 and 31.1.3.

24. OTHER FINANCIAL ASSETS

In € millions **As of December 31**	**2014**		**2013**	
	Current	**Non-current**	**Current**	**Non-current**
Financial assets available for sale				
Available shares	-	85	-	762
Shares secured	-	634	-	373
Assets at fair value through profit and loss				
Marketable securities	13	60	106	20
Cash secured	595	-	825	-
Loans and receivables				
Financial lease deposit (bonds)	25	141	12	142
Financial lease deposit (others)	132	452	65	560
Loans and receivables	22	151	23	125
Gross value	**787**	**1 523**	**1 031**	**1 982**
Impairment at opening date	**-**	**(19)**	**-**	**(12)**
New impairment charge	-	(2)	-	(7)
Impairment at closing date	**-**	**(21)**	**-**	**(19)**
Total	**787**	**1 502**	**1 031**	**1 963**

Financial assets available for sale are as follows:

In € millions	**Fair Value**	**% interest**	**Stockholder's equity**	**Net income**	**Stock price (in €)**	**Closing date**
As of December 31, 2014						
Amadeus (*)	654	4.41%	NA(**)	NA(**)	33.09	December 2014
Alitalia	-	1.11%	NA(**)	NA(**)	NA(***)	December 2014
Other	65	-	-	-	-	-
Total	**719**					
As of December 31, 2013						
Amadeus (*)	1 076	7.73%	1 840	563	31.10	December 2013
Alitalia	22	7.08%	(27)	(397)	NA(***)	December 2013
Other	37	-	-	-	-	-
Total	**1 135**					

(*) Listed company
(**) Non-available
(***) Non-applicable

Financial assets available for sale

As described in note 11, the variation in the percentage of the capital share in Amadeus is linked to the sale of 14 821 019 shares as at September 9, 2014.

Furthermore, following the acquisition by Etihad of an equity interest in Alitalia, Air France-KLM's shareholding in Alitalia was diluted from 7.08 per cent as of December 31, 2013 to 1.11 per cent as of December 31, 2014. After this operation, the Group is not represented anymore in the board of the new Alitalia SAI.

Assets at fair value through profit and loss
The assets at fair value through profit and loss mainly comprise shares in mutual funds that are not classified as 'cash equivalents' and cash pledged mainly within the framework of the swap contract signed with Natixis on the OCEANE 2005 (see note 32) and the guarantee given to the European Union on the anti-trust litigation (see note 31).

Loans and receivables
Loans and receivables mainly include deposits on flight equipment made within the framework of operating and capital leases.

Transfer of financial assets that are not derecognized in their entirety

Transfer of receivables agreement

The Group entered into a loan agreement secured by Air France's 1 per cent housing loans. For each of the CILs (Comités Interprofessionnels du Logement), Air France and the bank concluded, in July 2012, a tripartite receivables delegation agreement with reference to the loan agreement. Through this agreement, the CILs commit to repay directly the bank on each payment date. These are imperfect delegations: in the event of non-repayment by the CILs, Air France remains liable to the bank for repayments of the loan and interest. As of December 31, 2014, the amount of transferred receivables stood at €109 million (versus €111 million as of December 31, 2013). The associated loan stood at €80 million as of December 31, 2014 (versus €81 million as of December 31, 2013).

Loan of shares agreement

The loan of shares agreement Amadeus, signed on November 13, 2012, was closed on September 9, 2014. On November 25, 2014, the Group signed a new loan of shares agreement on Amadeus shares, within the framework of the hedging transaction to protect the value of Amadeus shares.
As a consequence as, of December 31, 2014, the amount of the loan, excluding hedge effect, amounted to €328 million at fair value (versus €373 million as of December 31, 2013). The loan of shares amounts to 2.21 per cent of the 4.41 per cent shares hold (see note 34.1).

Furthermore among the 4.41 per cent of Amadeus shares hold, 2.068 per cent were pledged with a bank to secure the swap on Oceane 2005. The value of these pledged shares amounts to €306 million as of December 31, 2014.

Transfer of financial assets that are derecognized in their entirety

Since 2011, the Group has established non-recourse factoring agreements concerning passenger, cargo and airline trade receivables. These agreements apply to receivables originating in France and other European countries for a total transferred amount of €247 million as of December 31, 2014, against €211 million as of December 31, 2013.
The Group retains the risk of dilution regarding these transferred assets for which guarantees have been secured for €16 million as of December 31, 2014, against €10 million as of December 31, 2013.

At the end of December 2014, the Group concluded with a bank a non-recourse cash transfer by way of discount on the entire Receivable Tax Credit for Competitiveness Employment (CICE) 2014 with a notional amount of €64 million versus €42 million as of December 31, 2013. The contract of assignment transferring substantially all the risks and rewards of the debt to the bank, the debt has been fully derecognized.

25. INVENTORIES

In € millions **As of December 31**	**2014**	**2013**
Aeronautical spare parts	520	510
Other supplies	171	158
Production work in progress	12	7
Gross value	**703**	**675**
Opening valuation allowance	**(164)**	**(170)**
Charge to allowance	(15)	(11)
Use of allowance	13	11
Reclassification	1	6
Closing valuation allowance	**(165)**	**(164)**
Net value of inventory	**538**	**511**

26. TRADE ACCOUNTS RECEIVABLES

In € millions **As of December 31**	**2014**	**2013**
Airlines	347	399
Other clients:		
* Passenger	642	681
* Cargo	348	353
* Maintenance	429	377
* Other	60	52
Gross value	**1 826**	**1 862**
Opening valuation allowance	**(87)**	**(85)**
Charge to allowance	(19)	(21)
Use of allowance	11	16
Change of scope	-	2
Reclassification	(3)	1
Closing valuation allowance	**(98)**	**(87)**
Net value	**1 728**	**1 775**

27. OTHER ASSETS

In € millions **As of December 31**	**2014**		**2013 (restated)**	
	Current	**Non-current**	**Current**	**Non-current**
Suppliers with debit balances	104	-	140	-
State receivable (including income tax)	109	-	95	-
Derivative instruments	248	239	267	97
Prepaid expenses	170	1	164	16
Other debtors	336	3	181	-
Gross value	**967**	**243**	**847**	**113**
Opening valuation allowance	**(2)**	**-**	**(2)**	**-**
Charge to allowance	(5)	-	(1)	-
Use of allowance	1	-	1	-
Closing valuation allowance	**(6)**	**-**	**(2)**	**-**
Net realizable value of other assets	**961**	**243**	**845**	**113**

As of December 31, 2014, non-current derivatives include €19 million relating to currency hedges on financial debt.

28. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

In € millions **As of December 31**	**2014**	**2013**
Liquidity funds (SICAV) (assets at fair value through profit and loss)	754	1 563
Bank deposits and term accounts (assets at fair value through profit and loss)	1 475	1 141
Cash in hand	930	980
Total cash and cash equivalents	**3 159**	**3 684**
Bank overdrafts	(249)	(166)
Cash, cash equivalents and bank overdrafts	**2 910**	**3 518**

The Group holds €3 159 million in cash as of December 31, 2014, including €89 million on Venezuelan bank accounts, valued at the rate applicable to airlines. This amount comes from the sale of airline tickets locally during the period from February 2012 to December 2013. Under the exchange control, monthly requests for money transfers have been made to the Commission of Currency Administration (*Comisión de Administración de-Divisas - CADIVI*). Given the Venezuelan economic and political context, some currency transfers are still pending.

29. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM SA

29.1. Issued capital

As of December 31, 2014, the issued capital of Air France-KLM comprised 300 219 278 fully paid-up shares. Each share with a nominal value of one euro is entitled to one vote.

The change in the number of issued shares is as follows:

In number of shares **As of December 31**		**2014**	**2013**
At the beginning of the period		**300 219 278**	**300 219 278**
Issuance of shares for OCEANE conversion		-	-
At the end of the period		**300 219 278**	**300 219 278**
Of which:	- number of shares issued and paid up	300 219 278	300 219 278
	- number of shares issued and not paid up	**-**	**-**

The shares comprising the issued capital of Air France-KLM are subject to no restrictions or priority concerning dividend distribution or reimbursement of the issued capital.

Authorized stock

The Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2013 authorized the Board of Directors, for a period of 26 months from the date of the Meeting, to issue shares and/or other securities conferring immediate or future rights to Air France-KLM's capital limited to a total maximum nominal amount of €120 million

Breakdown of the share capital and voting rights

The breakdown of the share capital and voting rights is as follows:

	% of capital		% of voting rights	
As of December 31	**2014**	**2013**	**2014**	**2013**
French State	16	16	16	16
Employees and former employees	7	7	7	7
Treasury shares	1	1	-	-
Other	76	76	77	77
Total	**100**	**100**	**100**	**100**

The line "Employees and former employees" includes shares held by employees and former employees identified in the "Fonds Communs de Placement d'Entreprise (FCPE)".

Other securities giving access to common stock

OCEANE

See note 32.2.

29.2. Additional paid-in capital

Additional paid-in capital represents the difference between the nominal value of equity securities issued and the value of contributions in cash or in kind received by Air France-KLM.

29.3. Treasury shares

	Treasury shares	
	Number	In € millions
December 31, 2012	**4 189 405**	**(85)**
Change in the period	(9 601)	-
December 31, 2013	**4 179 804**	**(85)**
Change in the period	-	-
December 31, 2014	**4 179 804**	**(86)**

As of December 31, 2014, Air France-KLM holds 3 063 384 of its own shares acquired pursuant to the annual authorizations granted by the Shareholders' Meeting. As of December 31, 2014, the Group also holds 1 116 420 of its own shares in respect of KLM's stock option programs. All these treasury shares are classified as a reduction of equity.

29.4. Reserves and retained earnings

In € millions	**December 31, 2014**	**December 31, 2013 (restated)**
Legal reserve	70	70
Distributable reserves	412	734
Pension defined benefit reserves	(2 846)	(1 193)
Derivatives reserves	(881)	(47)
Available for sale securities reserves	428	655
Other reserves	(841)	667
Net income (loss) – Group share	(198)	(1 827)
Total	**(3 856)**	**(941)**

As of December 31, 2014, the legal reserve of €70 million represents 23 per cent of Air France-KLM's issued capital. French company law requires that a limited company (*société anonyme*) allocates 5 per cent of its unconsolidated statutory net income each year to this legal reserve until it reaches 10 per cent of the Group's issued capital. The amount allocated to this legal reserve is deducted from the distributable income for the current year.
The legal reserve of any company subject to this requirement may only be distributed to shareholders upon liquidation of the company.

30. SHARE-BASED COMPENSATION

30.1. Outstanding share-based compensation plans and other plans as of December 31, 2014

As of December 31, 2014 there is no outstanding share-based compensation plans in the Air France-KLM Group.

30.2. KLM PPSs plan

During the periods ending December 31, 2014 and December 31, 2013 cash-settled share-based compensation plans index-linked to the change in the Air France-KLM share price were granted by KLM. They correspond to share-based plans with settlement in cash (PPS).

Plans	Grant date	Number of PPSs granted	Start date for PPSs exercise	Date of expiry	Number of PPSs exercised as of 12/31/2014
KLM	01/07/2009	136 569	01/07/2009	01/07/2014	53 900
KLM	01/07/2010	145 450	01/07/2010	01/07/2015	37 966
KLM	01/07/2011	144 235	01/07/2011	01/07/2016	15 260
KLM	01/04/2012	146 004	01/04/2012	01/04/2017	-
KLM	01/04/2013	150 031	01/04/2013	01/04/2018	-
KLM	01/04/2014	143 721	01/04/2014	01/04/2019	-

The changes in PPSs were as follows:

	Number of PPSs
PPSs outstanding as of December 31, 2012	**573 646**
Of which:PPSs exercisable at December 31, 2012	***357 687***
PPSs granted during the period	150 031
PPSs exercised during the period	(104 255)
PPSs forfeited during the period	(99 064)
PPSs outstanding as of December 31, 2013	**520 358**
Of which:PPSs exercisable at December 31, 2013	***330 807***
PPSs granted during the period	143 721
PPSs exercised during the period	(107 126)
PPSs forfeited during the period	(31 250)
PPSs outstanding as of December 31, 2014	**525 703**
Of which:PPSs exercisable at December 31, 2014	***342 836***

The vesting conditions of the PPSs plans granted by KLM are such that one third of the options vest at grant date, with a further one third after one and two years, respectively. Vesting is conditional on KLM achieving predetermined non-market-dependent performance criteria.

The fair value of the services provided under the PPSs plan has been determined according to the market value of the Air France-KLM share at the closing date i.e. €7 96 and amounts to €4 million.

31. PROVISIONS AND RETIREMENT BENEFITS

In € millions		Retirement benefits note 31.1	Maintenance and restitution of aircraft	Restructuring	Litigation	Others	Total
Amount as of December 31, 2012		**1 965**	**641**	**428**	**439**	**240**	**3 713**
Of which:	*Non-current*	*1 965*	*545*	*4*	*429*	*215*	***3 158***
	Current	*-*	*96*	*424*	*10*	*25*	***555***
New provision		99	272	282	76	97	**826**
Use of provision		(39)	(123)	(233)	(43)	(79)	**(517)**
Reversal of unnecessary provisions		-	(18)	(34)	-	(6)	**(58)**
Fair value revaluation		(162)	-	-	-	-	**(162)**
Currency translation adjustment		(9)	(1)	-	-	(1)	**(11)**
Change in scope		2	-	-	-	(2)	**-**
Accretion impact		-	(2)	-	-	-	**(2)**
Reclassification		(3)	(15)	(1)	2	-	**(17)**
Amount as of December 31, 2013		**1 853**	**754**	**442**	**474**	**249**	**3 772**
Of which:	*Non-current*	*1 853*	*606*	*-*	*439*	*204*	***3 102***
	Current	*-*	*148*	*442*	*35*	*45*	***670***
New provision		40	282	72	41	94	**529**
Use of provision		(90)	(136)	(192)	(31)	(101)	**(550)**
Reversal of unnecessary provisions		-	(2)	(2)	(4)	(7)	**(15)**
Fair value revaluation		311	-	-	-	-	**311**
Currency translation adjustment		7	1	-	-	2	**10**
Accretion impact		-	20	-	-	6	**26**
Reclassification		(2)	139	3	(1)	-	**139**
Amount as of December 31, 2014		**2 119**	**1 058**	**323**	**479**	**243**	**4 222**
Of which:	*Non-current*	*2 119*	*742*	*-*	*447*	*183*	***3 491***
	Current	*-*	*316*	*323*	*32*	*60*	***731***

As of December 31, 2014, the impact on the net periodic pension cost linked to the restructuring plans of Air France and its regional subsidiaries amounting to €36 million is recorded in “Other non-current income and expenses” (see note 11). As of December 31, 2013, this impact was €54 million.
Movements in provisions for restructuring which have an impact on the income statement are recorded in “other non-current income and expenses” when the plans concerned have a material impact (see note 11).
Movements in provisions for restitution of aircraft which have an impact on the income statement are recorded in “provisions”, except for the accretion impact which is recorded in “other financial income and expenses” (see note 12).
Movements in provisions for litigation and in provisions for other risks and charges which have an impact on the income statement are recorded, depending on their nature, in the different lines of the income statement.
As of December 31, 2014, the amount of reclassification on provisions for maintenance and restitution of aircraft (€139 million) is linked to the finalization of some harmonization purposes inside the Group, for which the counterpart was mainly booked in other current and non-current liabilities.

31.1. RETIREMENT BENEFITS

The Group has a large number of retirement and other long-term benefits plans for its employees, several of which are defined benefit plans. The specific characteristics (benefit formulas, funding policies and types of assets held) of the plans vary according to the regulations and laws in the particular country in which the employees are located.

31.1.1 Characteristics of the main defined benefit plans

Pension plan related to KLM flight deck crew – The Netherlands

The pension plan related to the flight deck crew in the KLM entity is a defined benefit plan based on average salary with a reversion to the spouse on the beneficiary's death. The retirement age defined in the plan is 56 years.

The Board of the pension fund comprises members appointed by the employer and employees and has full responsibility for the administration and management of the plan. KLM can only control the financing agreement between KLM and the pension fund. The financing agreement is part of the Collective Labor Agreement between KLM and the Unions/Works Council.

To satisfy the requirements of the Dutch regulations and the agreements defined between the employer and the pension fund Board, the plan has a minimum mandatory funding ratio of 105 per cent of the projected short-term obligation, and approximately 115 per cent to 120 per cent of the projected long-term obligation. The projection of these commitments is calculated based on the local funding rules. A new Financial Assessment Framework (FTK) is applicable as per January 1, 2015. This amongst others resulted in higher minimum required solvency levels. On the other hand pension funds have more time to recover from immediate and material shortages through a rolling 10 year recovery plan.

Based on the criteria under the Dutch Pension Law, as set by the Dutch Central Bank, the funding ratio of the Cockpit Crew pension fund is 126.3 per cent as at December 31, 2014 versus 132.8 per cent as at December 31, 2013.

If the coverage ratio is under the funding agreement detailed above, the company is required to make additional contributions: within the current year for non-compliance with the 105 per cent threshold or within 10 years for non-compliance with the 115 per cent to 120 per cent threshold. The amount of normal and additional employer contributions is not limited. The employee contributions cannot be increased in the event of non-compliance with these minimum funding rules.
A reduction in the employer contribution is possible if the indexation of pensions is fully funded. This reduction is not capped and can be realized either via a reimbursement of contributions, or by a reduction in future contributions. Given the new Dutch fiscal rules, amongst others, a maximum pensionable salary of EUR 100,000 and lower future accrual rate are applicable as from 2015.

The return on plan assets, the discount rate used to value the obligations and the longevity and characteristics of the active population are the main factors liable to influence the coverage ratio and lead to a risk of additional contributions for KLM.

The funds, which are fully dedicated to the KLM Group companies, are mainly invested in bonds, equities and real estate.
The management of most assets is outsourced to a private institution, under a service contract.

The required funding of this pension plan also includes a buffer against the following risks: interest rate risks, equity risks, currency risks, credit risks, actuarial risks and real estate risks.
For example, about 90 per cent of the currency risk is hedged. Put options are in place, which cover a decrease of about 25 per cent of the value of the equity portfolio.

Pension plan related to KLM ground staff – The Netherlands

The pension plan related to the ground staff in the KLM entity is a defined benefit plan based on average salary with a reversion to the spouse on the beneficiary's death. The retirement age defined in the plan was 65 years until December 31, 2013 and 67 years after this date.

The Board of the pension fund comprises members appointed by the employer and employees and has full responsibility for the administration and management of the plan. KLM can only control the financing agreement between KLM and the pension fund. The financing agreement is part of the Collective Labor Agreement between KLM and the Unions/Works Council.

To satisfy the requirements of Dutch regulations and the agreements defined between the employer and the pension fund Board, the plan has a minimum mandatory funding ratio of 105 per cent of the projected short-term obligation, and approximately 115 per cent to 120 per cent of the projected long-term obligation. The projection of these commitments is calculated based on the local funding rules. A new Financial Assessment Framework (FTK) is applicable as per January 1, 2015. This amongst others resulted in higher minimum required solvency levels. On the other hand pension funds have more time to recover from immediate and material shortages through a rolling 10 year recovery plan. As a consequence the existing recovery plan for the Ground Staff plan will need to be updated before July 1, 2015.

Based on the criteria under the Dutch Pension Law, as set by the Dutch Central Bank, the funding ratio of the Ground Staff pension fund is 116.3 per cent as at December 31, 2014 versus 122.1 per cent as at December 31, 2013.

If the coverage ratio is under the funding agreement detailed above, the company and the employee are required to make additional contributions: within the current year for non-compliance with the 105 per cent threshold or within 15 years for non-compliance with the 115 per cent to 120 per cent threshold. The amount of basic and additional employer contributions is not limited. Any additional employee contributions are limited to 2 per cent of the pension basis.
A reduction in contributions is possible if the indexation of pensions is fully funded. This reduction is not capped and can be realized either via a reimbursement of contributions, or by a reduction in future contributions. Given the new Dutch fiscal rules, amongst others, a maximum pensionable salary of EUR 100,000 and lower future accrual rate are applicable as from 2015.

The return on plan assets, the discount rate used to value the obligations and the longevity and characteristics of the active population are the main factors liable to both influence the coverage ratio and the level of the normal contribution for future pension accrual. The normal contributions are limited to 24 per cent of the pension base.

The funds, which are fully dedicated to the KLM Group companies, are mainly invested in bonds, equities and real estate. The management of most assets is outsourced to a private institution, under a service contract.

The required funding of this pension plan also includes a buffer against the following risks: interest rate risks, equity risks, currency risks, credit risks, actuarial risks and real estate risks.
For example, an interest hedge is foreseen to halve the potential impact of the sensitivity to an interest rate decrease.
Similarly, about 90 per cent of the currency risk is hedged. Put options are in place, which cover a decrease of about 25 per cent of the value of the equity portfolio.

Pension plan related to cabin crew – The Netherlands

The pension plan related to the cabin crew in the KLM entity is a defined benefit plan with a reversion to the spouse on the beneficiary's death. The pension is based on final salary. For a closed group the pension is based on average salary. The retirement age defined in the plan is 60 years.

The Board of the pension fund comprises members appointed by the employer and employees and has full responsibility for the administration and management of the plan. KLM can only control the financing agreement between KLM and the pension fund. The financing agreement is part of the Collective Labor Agreement between KLM and the Unions/Works Council.

To satisfy the requirements of Dutch regulations and the agreements defined between the employer and the pension fund Board, the plan has a minimum mandatory funding ratio of 105 per cent of the projected short-term obligation, and approximately 115 per cent to 120 per cent of the projected long-term obligation. The projection of these commitments is calculated based on the local funding rules. A new Financial Assessment Framework (FTK) is applicable as per January 1, 2015. This amongst others resulted in higher minimum required solvency levels. On the other hand pension funds have more time to recover from immediate and material shortages through a rolling 10 year recovery plan. As a consequence the existing recovery plan for the Cabin Crew plan will need to be updated before July 1, 2015.

Based on the criteria under the Dutch Pension Law, as set by the Dutch Central Bank, the funding ratio of the Cabin Crew pension fund is 115.1 per cent as at December 31, 2014 versus 123.0 per cent as at December 31, 2013.

If the coverage ratio is under the funding agreement detailed above, the company and the employee have to pay additional contributions: within three years for non-compliance with the 105 per cent threshold or within 15 years for non-compliance with the 115 per cent to 120 per cent threshold. The amount of normal and additional employer contributions is capped at 48 per cent of the pension basis. Any additional employee contributions are limited to 0.7 per cent of the pension basis.
A reduction in contributions is possible if the indexation of pensions is fully funded. This reduction is limited to twice the normal annual contribution. Given the new Dutch fiscal rules, amongst others, a lower future accrual rate is applicable as from 2015.

The return on plan assets, the discount rate used to value the obligations and the longevity and characteristics of the active population are the main factors liable to both influence the coverage ratio and the level of the normal contribution for future pension accrual. The regular contributions are limited to 24 per cent of the pensionable base.

The funds, which are fully dedicated to the KLM Group companies, are mainly invested in bonds, equities and real estate. The management of most assets is outsourced to a private institution, under a service contract.

The required funding of this pension plan also includes a buffer against the following risks: interest rate risks, equity risks, currency risks, credit risks, actuarial risks and real estate risks.
For example, an interest hedge is foreseen to halve the potential impact of the sensitivity to an interest rate decrease.
Similarly, about 90 per cent of the currency risk is hedged. Put options are in place, which cover a decrease of about 25 per cent of the value of the equity portfolio.

Air France pension plan (CRAF) – France

The employees covered by this plan are the Air France ground staff affiliated to the CRAF until December 31, 1992.
The participants receive, or will receive on retirement, an additional pension paid monthly and permanently calculated based on the data known as of December 31, 1992 and expressed in the form of points.
The value of each point is reevaluated every year based on the weighted increases seen in the CNAV and ARRCO schemes over the last twelve months.
Until 2009, the CRAF had the legal form of a supplementary pension institution (pursuant to the “Sécurité Sociale” Code).
With this status, the CRAF was responsible, on behalf of the Air France ground staff employed in France, for managing the pension plan resulting from the merging of the Air France ground staff plan with the mandatory pension plan for the private sector.
Following the 2003 law on pension reform, foreseeing the disappearance of supplementary pension institutions as of December 31, 2008, the CRAF’s Board of directors opted to transform it into an institution managing supplementary pensions. The CRAF is now responsible for the administrative functions linked to the plan.
The pension rights were not amended by this reform. Air France is directly responsible for the pension obligations.
As of December 31, 2008, all the funds managed by the CRAF had been transferred to two insurance companies. On December 31, 2012, one of the insurance contracts was terminated and its funds were transferred to the other, which thus became the only insurer.
This guarantees a capital of 10 per cent equal to the amount of capital invested in units of account in its collective fund, this percentage being automatically set to increase over time.
The annual payments made by Air France to the insurance company are governed by the agreement signed with the employee representative bodies on December 14, 2009. The minimum annual payment defined by this agreement amounts to €32.5 million. If the value of the funds falls below 50 per cent of the total obligations calculated for funding purposes, Air France is required to make an additional payment to achieve a minimum 50 per cent coverage rate.
The funds are invested in bonds, equities and general assets of the insurance company. Studies of assets/liabilities allocation are carried out regularly, to verify the relevance of the investment strategy.

Air France end of service benefit plan (ICS) - France

Pursuant to French regulations and the company agreements, every employee receives an end of service indemnity on retirement.
In France, this indemnity depends on the number of years of service, the professional category of the employee (flight deck crew, cabin crew, ground staff, agent, technician and executive) and, in some cases, on the age of the employee at retirement.
On retirement, employees consequently receive an end of service indemnity based on their final salaries over the last twelve-months and on their seniority.
The indemnity is only payable to employees on their retirement date.
There is no mandatory minimum funding requirement for this scheme.
Air France has nevertheless signed contracts with three insurance companies to pre-finance the plan. The company has sole responsibility for payment of the indemnities, but remains free to make payments to the insurance companies.
The relevant outsourced funds are invested in bonds and equities.

As of December 31, 2014, the three Dutch plans and the two French plans presented above represented a respective 81 per cent and 11 per cent of the Group's pension liabilities and 91 per cent and 4 per cent of the Group's pension assets.

31.1.2 Description of the actuarial assumptions and related sensitivities

Actuarial valuations of the Group’s benefit obligation were made as of December 31, 2014 and December 31, 2013. These calculations include:

- assumptions on staff turnover and life expectancy of the beneficiaries of the plan;
- assumptions on salary and pension increases;
- assumptions of retirement ages varying from 55 to 67 years depending on the localization and the applicable laws;
- long term inflation rate reflecting the evolution of the market.

As of December 31	2014	2013
Zone euro – Duration 10 to 15 years	1.70%	2.00%
Zone euro – Duration 15 years and more	1.70%	1.90%

- Discount rates used to determine the actuarial present value of the projected benefit obligations.

  The discount rates for the different geographical areas are thus determined based on the duration of each plan, taking into account the average trend in interest rates on high quality bonds, observed on the main available indices. In some countries, where the market regarding this type of bond is not broad enough, the discount rate is determined with reference to government bonds. Most of the Group's benefit obligations are located in the Euro zone, where the discount rates used are as follows:

As of December 31	2014	2013
Euro zone - Duration 10 to 15 years	1.65%	3.00%
Euro zone - Duration 15 years and more	2.35%	3.65%

The duration between 10 and 15 years mainly concerns the plans located in France while the duration of 15 years and beyond mainly concerns plans located in the Netherlands.

- On an average basis, the main assumptions used to value the liabilities are summarized below:

The rate of salary increase (excluding inflation) is 1.65 per cent for the Group as of December 31, 2014 against 1.75 per cent as of December 31, 2013.

The rate of pension increase (excluding inflation) is 1.29 per ent for the Group as of December 31, 2014 against 1.36 per cent as of December 31, 2013.

- The sensitivity of the pension obligations to a change in assumptions, based on actuarial calculations, is as follows:

Sensitivity to changes in the inflation rate

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2014**	**Sensitivity of the assumptions for the year ended December 31, 2013**
0.25% increase in the inflation rate	743	618
0.25% decrease in the inflation rate	(668)	(483)

Sensitivity to changes in the discount rate

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2014**	**Sensitivity of the assumptions for the year ended December 31, 2013**
0.25% increase in the discount rate	(911)	(688)
0.25% decrease in the discount rate	1 040	792

Sensitivity to changes in salary increase (excluded inflation)

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2014**	**Sensitivity of the assumptions for the year ended December 31, 2013**
0.25% increase in the salary increase rate	118	142
0.25% decrease in the salary increase rate	(105)	(127)

Sensitivity to changes in pension increase (excluded inflation)

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2014**	**Sensitivity of the assumptions for the year ended December 31, 2013**
0.25% increase in the pension increase rate	889	629
0.25% decrease in the pension increase rate	(733)	(538)

31.1.3 Evolution of commitments

The following table details the reconciliation between the benefits obligation and plan assets of the Group and the amounts recorded in the financial statements for the years ended December 31, 2014 and December 31, 2013.

(In € millions)	**As of December 31, 2014**			**As of December 31, 2013**		
	Netherlands	**France**	**Others**	**Netherlands**	**France**	**Others**
Benefit obligation at beginning of year	**13 669**	**2 116**	**797**	**13 258**	**2 191**	**870**
Service cost	355	60	12	386	65	13
Interest cost	490	60	36	478	64	31
Employees' contribution	57	-	1	45	-	1
Plan amendments and curtailment	(824)	-	1	(41)	(56)	(5)
Change in consolidation scope	-	-	-	-	2	-
Settlement	(47)	(37)	-	-	-	-
Benefits paid	(381)	(106)	(32)	(383)	(101)	(28)
Transfers of assets/liability through balance sheet	5	(1)	(4)	2	(5)	-
Actuarial loss / (gain) demographic assumptions	(279)	(4)	(2)	(16)	(3)	(1)
Actuarial loss / (gain) financial assumptions	3 928	308	24	(203)	(25)	(43)
Actuarial loss / (gain) experience gap	(100)	(23)	(9)	133	(16)	(6)
Currency translation adjustment and other	(11)	-	54	10	-	(35)
Benefit obligation at end of year	**16 862**	**2 373**	**878**	**13 669**	**2 116**	**797**
Including benefit obligation resulting from schemes totally or partly funded	*16 752*	*2 305*	*764*	*13 575*	*2 055*	*690*
Including unfunded benefit obligation	*110*	*68*	*114*	*94*	*61*	*107*
Fair value of plan assets at beginning of year	**15 903**	**748**	**532**	**15 528**	**787**	**515**
Actual return on plan assets	2 084	72	42	346	71	38
Employers' contributions	398	23	29	361	(11)	14
Employees' contributions	57	-	1	45	-	1
Change in consolidation scope	-	-	-	(1)	-	1
Settlements	(32)	-	-	-	-	(1)
Benefits paid	(368)	(92)	(29)	(375)	(99)	(21)
Currency translation adjustment and other	(3)	(1)	39	(1)	-	(15)
Fair value of plan assets at end of year	**18 039**	**750**	**614**	**15 903**	**748**	**532**
Amounts recorded in the balance sheet(*) :						
Pension asset (note 23)	1 407	-	2	2 452	-	2
Provision for retirement benefits	(233)	(1 624)	(262)	(220)	(1 368)	(265)
Net amount recognized	**1 174**	**(1 624)**	**(260)**	**2 232**	**(1 368)**	**(263)**
Net periodic cost:						
Service cost	355	60	12	386	65	13
Interest cost	(89)	40	11	(90)	41	12
Plan amendments, curtailment and settlement	(839)	(36)	-	(40)	(57)	(4)
Actuarial losses/ (gain) recognized in income statement	10	-	-	-	-	-
Net periodic cost	**(563)**	**64**	**23**	**256**	**49**	**21**

(*) All the obligations are recorded as non-current liabilities, except for the pension plans for which the balance is a net asset fully recorded as a non-current asset.

Amendments, curtailment and settlement of pension plans

- **As of December 31, 2014**

KLM follows the new Dutch fiscal pension rules as from January 1, 2015. These new fiscal rules consist of lower future annual accrual rates and a maximum pensionable salary of €100 000 for all Dutch employees. The related amendments have been agreed with the respective Dutch Collective Labor Parties in December 2014.
This lower the defined benefit obligations of the KLM pension plans €824 million. Given the significant impact of these amendments, the result of €824 million has been recorded in Other non-current income as of December 31, 2014 (see note 11).

In addition the KLM Catering Services defined benefit plan has been closed in 2014, resulting in a €11 million release. As from 2014 the KLM Catering Services employees have a (collective) defined contribution plan, partly at an industry wide pension plan for the catering industry and partly a separate insured pension plan.

As of December 31, 2014, a curtailment of the pension plan at Air France and its regional subsidiaries is made, amounting to €36 million, within the framework of the voluntary departure plan.

- **As of December 31, 2013**

As of December 31, 2013, a curtailment was booked by Air France and its subsidiaries amounting to €54 million, within the framework of the voluntary departure plan (see note 11).
At KLM, amendments to pension plans led to a €40 million decrease of the defined benefit obligation: €25 million further to the modification of the retirement age from 65 to 67 years concerning the ground staff pension plan and €15 million further to the reduction of the annual accrual rates on the cabin crew and ground staff pension plans.

31.1.4 Asset allocation

The weighted average allocation of the funds invested in the Group's pension and other long-term benefit plans is as follows:

	Funds invested as of December 31, 2014		**Funds invested as of December 31, 2013**	
	France	**The Netherlands**	**France**	**The Netherlands**
Equities	39%	36%	41%	38%
Bonds	48%	52%	46%	50%
Real estate	-	4%	-	10%
Others	13%	8%	13%	2%
Total	**100%**	**100%**	**100%**	**100%**

Equities are mainly invested in active markets in Europe, United States and emerging countries. The bonds primarily comprise government bonds, rated at least BBB, and invested in Europe, United States and emerging countries.
The real estate assets are mainly located in Europe and in the United States.

The Group's pension assets do not include assets occupied or used by the Group.

31.1.5 Expected cash flows and risks linked to the pension obligations

The expected cash flows relative to the defined benefit pension plans will amount to €192 million for the year ending December 31, 2015. The weighted average duration of the obligation is 19 years.

The funding, capitalization and matching strategies implemented by the Group are presented in paragraph 30.1.
According to this description. both the fiscal rules for accruing pensions as well as the Financial Assessment Framework, part of the Dutch pension law, in The Netherlands change as per January 2015. Amongst other this results in higher minimum required solvency levels. On the other hand pension funds have more time to recover from immediate and material shortages through a rolling ten year recovery plan.

The risk for the Group, although depending of the outcome of the collective labour negotiations in the first half year of 2015, could remain that in case of a shortage, based on existing or future financing agreements, KLM could be required to make additional cash payments (actual funding ratios are presented in note 31.1.1).
For 2015, this additional payment risk is mitigated by the solvency levels noted since December 31, 2014.

31.2. PROVISIONS FOR RESTRUCTURING

As of December 31, 2014 and December 31, 2013, the provision for restructuring mainly includes the voluntary departure plans at Air France, its regional affiliates and Martinair.

31.3. PROVISIONS FOR LITIGATION

31.3.1. Provision for litigation with third parties

An assessment of litigation risks with third parties was carried out with the Group's attorneys and provisions have been recorded whenever circumstances require.
Provisions for litigation with third parties also include provisions for tax risks. Such provisions are set up when the Group considers that the tax authorities could reasonably challenge a tax position adopted by the Group or one of its subsidiaries.

In the normal course of its activities, the Air France-KLM Group, its subsidiaries Air France and KLM and their subsidiaries are involved in litigation cases, some of which may be significant as described below.

31.3.2. Provision for anti-trust cases in the air-freight industry

Air France, KLM and Martinair, a wholly-owned subsidiary of KLM since January 1, 2009, have been involved, since February 2006, with up to twenty-five other airlines in investigations initiated by the anti-trust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted actions in the air-freight industry.

As of December 31, 2014 most of these investigations have been terminated following the entry into plea agreements between Air France, KLM and Martinair and the appropriate competition authorities providing for the payment of settlement amounts or fines, with the exception of the proceedings initiated by the European Commission, the Swiss anti-trust authority, which are still pending.

In Europe, Air France, KLM and Martinair have filed an appeal before the EU General Court against the 2010 European Commission decision. The €340 million fine decided by the commission has been recognized as a provision.

In Switzerland, Air France and KLM are challenging a decision imposing a €3 million fine before the relevant court.

In South Korea, the procedure is definitely closed: in December 2014, the Supreme Court confirmed the fines against Air France and KLM for a total of approximately €7 million but dismissed the action against Air France-KLM and accordingly decided the annulment of the fine against Air France-KLM.

As of December 31, 2014, the total amount of provisions in connection with the anti-trust cases amounts to €377 million.

31.3.3. Other provisions

Other provisions relate principally to power-by-the-hour contracts (maintenance activity of the Group), provisions for onerous leases, provisions for the portion of CO_2 emissions not covered by the free allocation of quotas and provisions for the dismantling of buildings.

31.4. CONTINGENT LIABILITIES

The Group is involved in several governmental, judicial and arbitration procedures for which provisions have not been recorded in the financial statements in accordance with applicable accounting rules.

31.4.1. Third-party claims for damages in connection with alleged anti-competitive behaviors in the air-freight industry

Following the initiation of various investigations by competition authorities in 2006 and the E.U. Commission decision in 2010 several collective and individual actions were brought by forwarders and air-freight shippers in civil courts against Air France, KLM and Martinair, and the other airlines in several jurisdictions.

Under these civil lawsuits, shippers and freight forwarders are claiming for damages to compensate alleged higher prices due to the cartel.
Air France, KLM and/or Martinair remain defendants, either as main defendants (in particular in The Netherlands, Norway, South Korea and the United States of America) or as third parties interveners brought in these cases by other main defendants under “contribution proceedings” (in the UK for example). Where Air France, KLM and/or Martinair are main defendants, they have also initiated contribution proceedings against other airlines.

No provision has been recognized at present in connection with these disputes as the Group is not in a position at this stage of the judicial proceedings to give a reliable estimate of the potential loss that would be incurred if the outcome of these proceedings were negative. In particular, although significant amounts have been reported by the media, plaintiffs are mostly claiming for unspecified and/ or insufficiently substantiated damages against defendants taken as a whole (and not individually) and the EU decision to which the plaintiffs generally refer to is still not definitive.

The Group companies and the other airlines involved in these lawsuits continue to vigorously oppose all such civil claims.

31.4.2. Third-party claims for damages in connection with alleged anti-competitive behaviors in the passenger sector

Canada

A civil class action was reinitiated in 2013 by claimants in Ontario against seven airlines including Air France and KLM. The plaintiffs allege that the defendants participated in a conspiracy in the passenger air transport service from/to Canada on the cross-Atlantic routes, for which they are claiming damages. Air France and KLM strongly deny any participation to such conspiracy.

31.4.3. Other litigations cases

a) KLM minority shareholders

On December 31, 2012, a KLM minority shareholder filed a request with the Enterprise Chamber of the Amsterdam Court of Appeal to order an enquiry into KLM’s dividend policy from 2004-2005 to 2010-11. The Enterprise Chamber upheld such order and an inquiry is now being performed although KLM has filed an appeal against such decision.

b) Rio-Paris AF447 flight

Following to the crash in the South Atlantic Ocean of the Rio-Paris AF447 flight, a number of legal actions for damages have been brought by heirs of the victims in the United States and Brazil and more recently in France. Damages to heirs of the victims are covered by third-party liability insurance subscribed by Air France.

In 2011, Air France and Airbus were indicted as legal entities for unintentional manslaughter and therefore are exposed to applicable fines under the French criminal code. Air France is challenging its implication in this criminal case.

Except for the matters specified under the paragraphs 31.3 and 31.4, the Group is not aware of any governmental, judicial and arbitration dispute or proceedings, (including any proceedings of which the issuer is aware or that are pending or threatened against it) that could have a significant impact on the Group's financial position, earnings, assets, liabilities or profitability for a period including at least the past twelve months.

32. FINANCIAL DEBT

In € millions **As of December 31**	**2014**	**2013**
Non-current financial debt		
Perpetual subordinated loan stock in Yen	216	211
Perpetual subordinated loan stock in Swiss francs	348	341
OCEANE (convertible bonds)	873	1 478
Bonds	1 706	1 200
Capital lease obligations	3 469	3 808
Other debt	1 382	1 558
Total	**7 994**	**8 596**
Current financial debt		
OCEANE (convertible bond)	655	-
Bonds	-	741
Capital lease obligations	654	599
Other debt	453	653
Accrued interest	123	144
Total	**1 885**	**2 137**

32.1. Perpetual subordinated bond

32.1.1 Perpetual subordinated bond in Japanese Yen

The perpetual subordinated bond in Japanese Yen was issued by KLM in 1999 for a total amount of JPY 30 billion, i.e. €216 million as of December 31, 2014.
Until 2019, this perpetual subordinated bond is subject to the payment of a 5.28 per cent coupon on a notional of USD 248 million.
The debt is perpetual. It is nevertheless reimbursable at its nominal value at the Group's discretion as of August 28, 2019. This reimbursement does not involve a premium. A premium would be due if the debt were to be reimbursed in a currency other than the yen.
This debt is subordinated to all other existing and future KLM debts.

32.1.2 Perpetual subordinated bond in Swiss francs

The perpetual subordinated bond in Swiss francs was issued by KLM in two installments in 1985 and 1986 for a total original amount of CHF 500 million. Following the purchases made by KLM, the outstanding subordinated bond amounts to CHF 419 million, i.e. €348 million as of December 31, 2014.
The bonds are reimbursable on certain dates at the Group's discretion at a price between nominal value and 101.25 per cent (depending on the bond and date of early repayment).

This loan is subject to the payment of a coupon considered to be fixed-rate (5.75 per cent on a CHF 270 million portion and 2.125 per cent on a CHF 149 million portion).

This debt is subordinated to all other existing and future KLM debts.

32.2. OCEANE

32.2.1. OCEANE issued in 2005

In April 2005, the company Air France, a subsidiary of the Air France-KLM Group, issued convertible bonds maturing in 15 years. The conversion option allows for conversion and/or exchange at any time into new or existing Air France-KLM shares (OCEANE). 21 951 219 bonds were issued for a total amount of €450 million. Each bond has a nominal value of €20.50. As of December 31, 2014, the conversion ratio is 1.03 Air France-KLM shares for one bond.

The maturity date for this convertible bond is April 1, 2020. Bond holders could request reimbursement as of April 1, 2012 and will also be able to do this as of April 1, 2016. Air France holds a call option triggering early cash reimbursement which can be exercised starting April 1, 2010 and, under certain conditions, encouraging OCEANE holders to convert into Air France-KLM shares. The annual coupon is 2.75 per cent payable in arrears at the end of each period ended April 1.
The conversion period of these bonds runs from June 1, 2005 to March 23, 2020, except in the event of early reimbursement.

On December 6, 2011, to optimize its debt repayment schedule by neutralizing the exercise of the OCEANE repayment option on April 1, 2012, Air France signed a swap agreement relating to these OCEANEs (total return swap) with Natixis expiring on April 1, 2016 at the latest. In order to hedge this contract, Natixis launched a contractual acquisition procedure to purchase the aforementioned OCEANEs.

This contract was thus reflected in the following operations:

- The purchase by Natixis of 18 692 474 OCEANEs (i.e. 85.16 per cent of the amount initially issued) at a fixed price of €21 following a contractual acquisition procedure open between December 7 and December 13, 2011. Natixis is the owner of the acquired OCEANEs and did not exercise its early repayment option on April 1, 2012.

- A swap contract, effective as from December 14, 2011 and expiring on April 1, 2016 has a notional amount of €392.5 million (number of OCEANEs acquired by Natixis multiplied by the purchase price of €21). Regarding this swap, Air France receives the coupon on the OCEANEs i.e. 2.75 per cent and pays variable interest indexed to Euribor 6 months. At the swap termination, Air France and Natixis will also exchange the difference between the OCEANE price at that date and the initial price of €21.

- Air France has a termination option on the swap starting December 19, 2012 and expiring on February 1, 2016.
- Since January 2014 the contract is the subject to a guarantee with cash collateral for half of the notional of the swap, and to a pledge of Amadeus shares for the other half (see note 24).

Of the 3 258 150 OCEANEs not purchased by Natixis within the framework of the contractual acquisition procedure, 1 501 475 OCEANEs were reimbursed on April 2, 2012, for an amount of €31 million, following exercise of the repayment option by some holders.

As of December 31, 2014, the debt value amounts to €402 million.

32.2.2. OCEANE issued in 2009

As of June 26, 2009, Air France-KLM issued a bond with an option of conversion and/or exchange for new or existing Air France-KLM shares (OCEANE) with a maturity date fixed at April 1, 2015. 56 016 949 bonds were issued for a total amount of €661 million. Each bond has a nominal value of €11.80. The annual coupon amounts to 4.97 per cent.
The conversion period of these bonds runs from August 6, 2009 to the seventh working day preceding the normal or early reimbursement date.

Since April 1, 2013 Air France-KLM has had the option to impose the cash reimbursement of these bonds by exercising a call if the share price exceeds 130 per cent of the nominal, i.e. €15.34, encouraging OCEANE owners to convert their bonds into Air France-KLM shares.

Upon issue of this convertible debt, Air France-KLM recorded a debt of €556 million, corresponding to the present value of future payments of interest and nominal discounted at the rate of a similar bond without a conversion option. As of December 31, 2014, the debt value amounts to €655 million.

The option value was evaluated by deducting this debt value from the total nominal amount (i.e. €661 million) and was recorded in equity.

32.2.3 OCEANE issued in 2013

On March 28, 2013, Air France-KLM issued 53 398 058 bonds convertible and/or exchangeable for new or existing Air France-KLM shares (OCEANE) with a maturity date fixed at February 15, 2023 for a total nominal amount of €550 million. Each bond has a nominal value of €10.30. The annual coupon amounts to 2.03 per cent.
The conversion period of these bonds runs from May 7, 2013 to the seventh working day preceding the normal or early reimbursement date. The conversion ratio is one share for one bond.

Repayment at par, plus accrued interest, will be possible as of February 15, 2019 on request of the bond holders. Air France-KLM can impose the cash reimbursement of these bonds by exercising a call from September 28, 2016 if the share price exceeds 130 per cent of the nominal, amounting to €13.39, encouraging OCEANE owners to convert their bonds into Air France-KLM shares.

Upon issue of this convertible debt, Air France-KLM recorded a debt of €443 million, corresponding to the present value of future payments of interest and nominal discounted at the rate of a similar bond without a conversion option. As of December 31, 2014, the debt value amounts to €471 million.

The option value was evaluated by deducting this debt value from the total nominal amount (i.e. €550 million) and was recorded in equity.

32.3. Bonds

32.3.1. Bonds issued in 2009

On October 27, 2009, Air France-KLM issued bonds for a total amount of €700 million, maturing on October 27, 2016 and bearing an annual interest rate of 6.75 per cent.

As of June 18, 2014, a nominal amount of €93.8 million of these bonds were repurchased and cancelled by Air France-KLM following an intermediated exchange offer and the issue of new bonds (see note 32.2.3). After this transaction, the outstanding nominal amount of the bonds issued in 2009 is €606.2 million.

32.3.2. Bonds issued in 2012

On December 14, 2012, Air France-KLM issued bonds for a total amount of €500 million, maturing on January 18, 2018 and bearing an annual interest rate of 6.25 per cent.

32.3.3. Bonds issued in 2014

As of June 4, 2014, Air France-KLM issued bonds for a total amount of €600 million, maturing on June 18, 2021 and bearing an annual interest rate of 3.875 per cent.

32.4. Capital lease commitments

The breakdown of total future minimum lease payments related to capital leases is as follows:

In € millions **As of December 31,**		**2014**	**2013**
Aircraft			
Future minimum lease payments – due dates			
Y+1		655	637
Y+2		539	612
Y+3		548	549
Y+4		513	526
Y+5		508	469
Over 5 years		1 200	1 560
Total		**3 963**	**4 353**
Including:	Principal	3 655	3 893
	Interest	308	460
Buildings			
Future minimum lease payments – due dates			
Y+1		66	65
Y+2		52	67
Y+3		58	51
Y+4		61	55
Y+5		37	58
Over 5 years		247	288
Total		**521**	**584**
Including:	Principal	385	426
	Interest	136	158
Other property, plant and equipment			
Future minimum lease payments – due dates			
Y+1		13	13
Y+2		11	12
Y+3		10	10
Y+4		10	10
Y+5		10	10
Over 5 years		68	78
Total		**122**	**133**
Including:	Principal	83	88
	Interest	39	45

The lease expenses over the period do not include contingent leases. Deposits made on purchase options are presented in note 24.

32.5. Other debt

Other debt breaks down as follows:

In € millions **As of December 31**	**2014**	**2013**
Reservation of ownership clause and mortgage debt	1 049	1 321
Other debt	786	890
Total	**1 835**	**2 211**

Other debt corresponds mainly to bank borrowings.

Mortgage debt is a debt secured by a mortgage on an aircraft. The mortgage is filed at the national civil aviation authority (the DGAC in France) in order to be publicly available to third parties. A mortgage grants to the mortgagee a right to enforce the security (by order of a judge), the sale of the asset and a priority claim on the sale proceeds in line with the amount of the loan, the balance reverting to the other creditors.

32.6. Maturity analysis

The financial debt maturities break down as follows:

In € millions **As of December 31**		**2014**	**2013**
Maturities in			
Y+1		2 414	2 500
Y+2		2 020	1 871
Y+3		1 160	2 095
Y+4		1 410	1 034
Y+5		1 323	1 291
Over 5 years		3 172	3 491
Total		**11 499**	**12 282**
Including:	- Principal	9 879	10 733
	- Interest	1 620	1 549

As of December 31, 2014, the expected financial costs amounts to €537 million for the 2015 financial year, €732 million for the financial years 2016 to 2019, and €351 million thereafter.

As of December 31, 2014, it has been considered that the perpetual subordinated loan stocks and the OCEANEs would be reimbursed according to their most probable maturity:

- probable exercise date of the issuer call for the perpetual subordinated loans;
- second exercise date of the investor put, i.e. April 1, 2016, for the majority of the OCEANEs issued in 2005 (see note 32.2.1);
- probable exercise date of the investor put, i.e. February 15, 2019, for the majority of the OCEANEs issued in 2013 (see note 32.2.3);
- contractual maturity date for the OCEANE issued in 2009.

Repayable bonds issued in 2009, 2012 and 2014 will be reimbursed at their contractual maturity date (see notes 32.3).

32.7. Currency analysis

The breakdown of financial debt by currency after impact of derivative instruments is as follows:

In € millions **As of December 31**	**2014**	**2013**
Euro	8 235	9 131
US dollar	595	587
Swiss franc	359	351
Yen	690	664
Total	**9 879**	**10 733**

32.8. Credit lines

As of December 31, 2014, the Group holds undrawn credit lines amounting to €1 770 million. The three main credit lines amounts, respectively, to €1 060 million for Air France, €540 million for KLM and €150 million for the holding company Air France-KLM.

On April 4, 2011, Air France renewed its credit facility maturing on April 7, 2013 with a €1 060 million revolving credit facility maturing on April 4, 2016, subject to the following financial covenants based on the Air France Group's consolidated financial statements:

- EBITDAR must not be lower than two and a half times the net interest charges increased by one third of operating lease payments;
- tangible and financial assets in the balance sheet, not pledged as collateral, must be at least equal to unsecured financial net debts.

These ratios are calculated every six months based on Air France Group's consolidated financial statements and are respected at December 31, 2014.

KLM's credit facility, which amounts to €540 million with a maturity on July 12, 2016, is subject to the company respecting the following financial covenants:

- EBITDAR must not be lower than two and a half times the sum of net interest charges and one third of operating lease payments;
- tangible and financial assets in the balance sheet, not pledged as collateral, must be at least equal to unsecured net debts.

These ratios are calculated every six months based on KLM Group's consolidated financial statements and are respected at December 31, 2014.

Air France-KLM's credit facility, with a maturity as of October 4, 2017, amounts to €150 million as of December 31, 2014. It will be reduced by €50 million every year on its October 4 anniversary, and, is subject to respect of the following financial covenants calculated based on the Air France-KLM consolidated financial statements:

- EBITDAR must be at least equal to one and a half times net interest charges added to one third of operating lease payments;
- tangible and financial assets in the balance sheet, not pledged as collateral, must be at least equal to unsecured. financial net debt.

These ratios are calculated every six months and are respected at December 31, 2014.

33. OTHER LIABILITIES

In € millions **As of December 31**	**2014**		**2013 (Restated)**	
	Current	**Non current**	**Current**	**Non current**
Tax liabilities	688	-	704	-
Employee-related liabilities	810	-	832	-
Non current assets' payables	46	-	87	-
Derivative instruments	1 153	433	118	319
Deferred income	231	67	120	6
Other	402	36	468	72
Total	**3 330**	**536**	**2 329**	**397**

The derivative instruments comprise €1 million of currency hedges on financial debts as of December 31, 2014, as non-current liability (against €88 million as of December 31, 2013, of which €86 million no-current liability and €2 million current liability).

34. FINANCIAL INSTRUMENTS

34.1. Risk management

- **Market risk management**

Market risk coordination and management is the responsibility of the Risk Management Committee (RMC) which comprises the Chief Executive Officers of Air France and of KLM, the Chief Financial Officer of Air France-KLM, and the Chief Financial Officers of Air France and of KLM. The RMC meets each quarter to review Group reporting of the risks relating to the fuel price, the principal currency exchange rates, interest rates and carbon quota prices, and to decide on the hedging to be implemented: targets for hedging ratios, the time periods for the respect of these targets and, potentially, the preferred types of hedging instrument. The aim is to reduce the exposure of Air France-KLM to the market fluctuations. The RMC also defines the counterparty-risk policy.
The decisions made by the RMC are implemented by the treasury and fuel purchasing departments within each company. In-house procedures governing risk management prohibit speculation.
The instruments used are swaps, futures and options.
Regular meetings are held between the fuel purchasing and treasury departments of both companies in order to exchange information concerning matters such as hedging instruments used, strategies planned and counterparties.
The treasury management departments of each company circulate information on the level of cash and cash equivalents to their respective executive managements on a daily basis. Every month, a detailed report including, amongst other information, interest rate and currency positions, the portfolio of hedging instruments, a summary of investments and financing by currency and the monitoring of risk by counterparty is transmitted to the executive managements.
The implementation of the policy on fuel hedging is the responsibility of the fuel purchasing departments, which are also in charge of purchasing fuel for physical delivery. A weekly report, enabling the evaluation of the net-hedged fuel cost of the current fiscal year and the two following years, is sent to the executive management. This mainly covers the transactions carried out during the week, the valuation of all the positions, the hedge percentages as well as the breakdown of instruments and the underlying used, average hedge levels, the resulting net prices and stress scenarii, as well as market commentary. Furthermore, the fuel purchasing department issues a weekly Air France-KLM Group report (known as the GEC Report) which consolidates the figures from the two companies relating to fuel hedging and physical cost.
Lastly, a monthly report, which is submitted to the executive management by the fuel purchasing department, indicates the level of advancement on carbon quota purchases and the forecast related expenditure.

- **Currency risk**

Most of the Group's revenues are generated in euros. However, because of its international activities, the Group incurs a foreign exchange risk. The principal exposure is to the US dollar.
With regard to the US dollar, since expenditure on items such as fuel, operating leases and component costs exceed the level of revenues, the Group is a net buyer. This means that any significant appreciation in the dollar against the euro could result in a negative impact on the Group's activity and financial results.

Conversely, the Group is a net seller of other currencies, the level of revenues exceeding expenditure. The main exposures concern the yen and sterling. As a result, any significant decline in these currencies relative to the euro could have a negative effect on the Group's activity and financial results.
In order to reduce its currency exposure, the Group has adopted hedging strategies.
Both companies progressively hedge their net exposure over a rolling 24-month period.
Aircraft are mainly purchased in US dollars, meaning that the Group is highly exposed to a rise in the dollar against the euro for its aeronautics investments. The hedging policy plans the progressive and systematic implementation of hedging between the date of the aircraft order and their delivery date.
The exchange rate risk on the Group's financial debt is limited. At December 31, 2014, 86% of the Group's gross debt, after taking into account derivative instruments, was issued in or converted into euros, thereby markedly reducing the risk of currency fluctuation on the debt. The exposure of the debt to other currencies mainly concerns the yen, US dollar and Swiss Franc.
Despite this active hedging policy, not all exchange rate risks are covered. The Group and its subsidiaries might then encounter difficulties in managing currency risks, which could have a negative impact on the Group's business and financial results.

- **Interest rate risk**

The financing of assets are mainly contracted at floating rates, in line with market practice. Given the historically low interest rates, a portion of this debt has been converted to fixed rate through swaps and options. Market financing is contracted at fixed rates. After hedging, the Air France-KLM Group's gross debt contracted at fixed rates represents 69% of the overall total.

- **Fuel price risk**

Risks linked to the jet fuel price are hedged within the framework of a hedging strategy for the whole of the Air France-KLM Group and approved by the executive management. The RMC reconsider the hedging strategy quarterly and can change the hedge percentage or underlyings.

Main characteristics of the hedge strategy

Hedge horizon: 2 years

Minimum hedge percentage:
- quarter underway: 60% of the volumes consumed;
- quarter 1 to quarter 3: 60% of the volumes consumed;
- quarter 4: 50% of the volumes consumed;
- quarter 5: 40% of the volumes consumed;
- quarter 6: 30% of the volumes consumed;
- quarter 7: 20% of the volumes consumed;
- quarter 8: 10% of the volumes consumed.

Increment of coverage ratios: 10% by quarter

Underlyings: Brent, Diesel and Jet Fuel
The strategy of the Group recommends the use of three underlying instruments which are Brent, Diesel and Jet Fuel. Currently, the volumes are mainly hedged in Brent given the few relatively unattractive market prices for Diesel and Jet Fuel.

Instruments:
Swap, call, call spread, three ways, four ways and collar.

IAS 39 rule:
The instruments and underlyings used within the framework of the strategy must be compliant with IAS 39.

Implementation of monitoring indicators on positions:
To ensure more effective monitoring of the marked-to-market positions and a dynamic management of its exposure, the Group uses the VAR (value at risk) metric to help measure the risk incurred by its portfolio. This monitoring is also reinforced by taking into account the maximum loss and maximum gain which limit the scale of variation of this same portfolio and enable the appropriate reaction.

- **Risks on carbon credit**

To meet its regulatory obligations, the CO2 emission quota acquisition strategy has been monitored and reviewed during every RMC meeting since October 2011. Its implementation led to the progressive hedging of the requirement for the current year (2014) and to anticipate the needs of the following year (2015) by hedging a portion of the latter based on an applicable scope similar to the 2013's one.

Underlyings: EUA quotas.

Instruments: Forwards, delivery and payment during the quarter preceding the compliance application date.

- **Investment risks**

The cash resources of Air France, KLM and Air France-KLM are currently invested in short term, primarily deposits, money market mutual funds and certificates mainly rated A1/P1, the other lines being rated A2/P2.
Lastly, in order to reduce the currency risk on the debt, a portion of KLM's liquid assets is invested in high-quality foreign-currency denominated bonds.

- **Equity risks**

The Air France-KLM Group holds a limited number of shares which are listed for trading.
The value of these investments may vary during their period of ownership. These investments are accounted for using either the equity method (associates) if the Group has the ability to exercise significant influence, or at their fair value. If the fair value cannot be determined from a practical point of view, the value of the investment is measured at its acquisition cost.

On September 9, 2014, as part of its active balance sheet management policy, the Group sold 4 475 819 shares of the Spanish company Amadeus IT Holding S.A. ("Amadeus") by a private placement, representing 1.0 per cent of the company's share capital.
The Group simultaneously sold in addition 10 345 200 shares, representing 2.31 per cent of the company's share capital, in the framework of the settlement of the hedging transaction implemented in 2012 and covering 12 000 000 shares in Amadeus. These transactions generated cash received of €339 million for Air-France KLM (see notes 3, 11 and 24).
On November 25, 2014, the Group entered into a hedge agreement with Deutsche Bank covering 9.9 million Amadeus shares, representing around a half of its stake. This hedging transaction (collar) enables the Group to protect the value of these shares (see notes 3 and 24).
Furthermore the portion of shared that were not covered by the hedge transaction as of December 31, 2014 were sold in January 2015 (see note 3.2). The Group consequently had a minor risk exposure of an important and unexpected change in the market value of these Amadeus shares.

The treasury shares held by Air France-KLM are not deemed to be investments. Furthermore, the treasury shares are not deemed to be exposed to risk, since any variation in the value of these shares is only recognized directly in equity when they are sold in the market, with no impact on the net result.

- **Counterparty risk management**

The transactions involving potential counterparty risk are as follows:
- financial investments;
- derivative instruments;
- trade receivables.

- Counterparty risk linked to financial investments and derivative instruments is managed by the Risk Management Committee which establishes limits by counterparty, for all instruments except investments in money market funds (OPCVM) for which the counterparty risk is deemed not to be significant. The Group's counterparty-risk reporting is circulated each month to the executive managements, the risk being measured at the fair market value of the various instruments. Any exceeding of a limit immediately results in the implementation of corrective measures.

- The counterparty risk linked to derivative instruments is taken into account in the valuation of their market value as described in the note 4.10.3. Derivative instruments are governed the ISDA and FBF compensation master agreements. In these agreements, compensation (in the event of default) must be made by counterparty for all the derivatives governed by each type of agreement.

- Counterparty risk relating to trade receivables is limited due to the large number and geographical diversity of the customers comprising the trade receivables portfolio.

The Group has identified the following exposure to counterparty risk:

LT Rating (Standard & Poors)	**Total exposure in € millions**	
	As of December 31, 2014	**As of December 31, 2013**
AAA	168	145
AA	100	196
A	1 674	1 880
BBB	100	96
Total	**2 042**	**2 317**

- **Liquidity risk**

The liquidity risk relates to the credit lines held by the Group, as described in note 32.8.

34.2. Derivative instruments

As of December 31, 2014 the fair value of the Group's derivative instruments and their expected maturities are as follows:

In € millions		**Total**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Y+5**	**> Y+5**
Commodities derivative instruments	Asset	1	-	1	-	-	-	-
	Liability	(1 385)	(1 126)	(259)	-	-	-	-
Interest rate derivative instruments	Asset	26	3	3	-	-	-	20
	Liability	(109)	(2)	(10)	(14)	(18)	(20)	(45)
Currency exchange derivative instruments	Asset	450	241	154	17	18	2	18
	Liability	(82)	(29)	(34)	(8)	(8)	(1)	(2)
OCEANE swap* instrument	Asset	4	-	-	4	-	-	-
	Liability	-	-	-	-	-	-	-
Amadeus shares derivative instrument	Asset	-	-	-	-	-	-	-
	Liability	(14)	-	(14)	-	-	-	-
Carbon credit derivative instruments	Asset	6	4	2	-	-	-	-
	Liability	4	4	-	-	-	-	-
Total	**Asset**	**487**	**248**	**160**	**21**	**18**	**2**	**38**
	Liability	**(1 586)**	**(1 153)**	**(317)**	**(22)**	**(26)**	**(21)**	**(47)**

*see note 32.2.1

As of December 31, 2013 the fair value of the Group's derivative instruments and their expected maturities are as follows:

In € millions		**Total**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Y+5**	**> Y+5**
Commodities derivative instruments	Asset	255	205	50	-	-	-	-
	Liability	(10)	(9)	(1)	-	-	-	-
Interest rate derivative instruments	Asset	14	1	-	1	-	-	12
	Liability	(129)	(4)	(11)	(19)	(14)	(18)	(63)
Currency exchange derivative instruments	Asset	95	61	26	-	2	3	3
	Liability	(182)	(105)	(48)	(8)	(7)	(5)	(9)
OCEANE swap* instrument	Assets	-	-	-	-	-	-	-
	Liability	(8)	-	-	(8)	-	-	-
Amadeus shares derivative instrument	Asset	-	-	-	-	-	-	-
	Liability	(108)	-	(72)	(36)	-	-	-
Total	**Asset**	**364**	**267**	**76**	**1**	**2**	**3**	**15**
	Liability	**(437)**	**(118)**	**(132)**	**(71)**	**(21)**	**(23)**	**(72)**

*see note 32.2.1

34.2.1. Commodity risk linked to fuel prices

The Group's commitments on Brent, Diesel and Jet CIF are presented below, at their nominal value:

- **Year ended December 31, 2014**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Commodity risk (cash flow hedging operating flows)								
Swap	133	133	-	-	-	-	-	(50)
Options	2 986	2 476	510	-	-	-	-	(1 334)
Total	**3 119**	**2 609**	**510**	**-**	**-**	**-**	**-**	**(1 384)**

The fair value is highly negative since the option portfolio mainly comprises collars, strongly impacted by the decrease of the Brent price.

- **Year ended December 31, 2013**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Commodity risk (cash flow hedging operating flows)								
Swap	617	617	-	-	-	-	-	38
Options	4 931	3 377	1 554	-	-	-	-	207
Total	**5 548**	**3 994**	**1 554**	**-**	**-**	**-**	**-**	**245**

Fuel hedge sensitivity

The impact on "income before tax" and on "gains/(losses) taken to equity" of a variation in the fair value of the fuel hedges following a +/- USD 10 variation in the price of a barrel of Brent is as follows:

In € millions	**2014**		**2013**	
As of December 31	**Increase of USD 10 per barrel of Brent**	**Decrease of USD 10 per barrel of Brent**	**Increase of USD 10 per barrel of Brent**	**Decrease of USD 10 per barrel of Brent**
Income before tax	32	(25)	(66)	(187)
Gains / (losses) taken to equity	396	(389)	477	(181)

34.2.2. Exposure to interest rate risk

To manage the interest rate risk on its short and long-term borrowings, the Group uses instruments with the following nominal values:

- **Year ended December 31, 2014**

In € millions	Nominal	Maturity below 1 year	Maturity between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging	**1 741**	**170**	**197**	**427**	**252**	**121**	**574**	**(97)**
Interest rate swaps	1 501	90	167	297	252	121	574	(95)
Options	240	80	30	130				(2)
Operations qualified as fair value hedging	**225**	**10**	**32**	**-**	**-**	**-**	**183**	**23**
Interest rate swaps	225	10	32	-	-	-	183	23
Operations qualified as fair value through profit and loss	**79**	**-**	**10**	**-**	**-**	**69**	**-**	**(9)**
Interest rate swaps	79	-	10	-	-	69	-	(9)
Others	-	-	-	-	-	-	-	-
TOTAL	**2 045**	**180**	**239**	**427**	**252**	**190**	**757**	**(83)**

- **Year ended December 31, 2013**

In € millions	Nominal	Maturity below 1 year	Maturity between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging	**2 272**	**294**	**184**	**461**	**251**	**316**	**766**	**(112)**
Interest rate swaps	1 983	201	154	319	251	292	766	(107)
Options	289	93	30	142	-	24	-	(5)
Operations qualified as fair value hedging	**261**	**28**	**17**	**35**	**-**	**-**	**181**	**1**
Interest rate swaps	261	28	17	35	-	-	181	1
Operations qualified as fair value through profit and loss	**117**	**-**	**-**	**48**	**-**	**-**	**69**	**(4)**
Interest rate swaps	83	-	-	14	-	-	69	(10)
Others	34	-	-	34	-	-	-	6
TOTAL	**2 650**	**322**	**201**	**544**	**251**	**316**	**1 016**	**(115)**

Taking into account the hedging operations, the Group's exposure to interest rate risks breaks down as follows:

In € millions	**2014**				**2013**			
As of December 31	**Before hedging**		**After hedging**		**Before hedging**		**After hedging**	
	Base	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**
Fixed-rate financial assets and liabilities								
Fixed-rate financial assets	2 337	2.2%	2 336	2.3%	2 052	2.8%	2 052	2.8%
Fixed-rate financial liabilities	5 655	4.5%	6 861	4.1%	5 965	4.4%	7 486	4.1%
Floating-rate financial assets and liabilities								
Floating-rate financial assets	1 485	0.7%	1 485	0.7%	2 400	0.5%	2 400	0.5%
Floating-rate financial liabilities	4 533	1.6%	3 597	1.9%	4 934	1.7%	3 413	2.1%
Without-rate financial assets	**1 624**	**-**	**1 624**	**-**	**2 226**	**-**	**2 226**	**-**

As of December 31, 2014 and December 31, 2013, without-rate financial assets mainly include cash and the revaluation of Amadeus shares at their fair value.

Interest rate sensitivity

The Group is exposed to the risk of interest rate variation. A 100 basis point variation (increase or decrease) in interest rates would have an impact of €6 million on the financial income for the year ended December 31, 2014 versus €12 million for the year ended December 31, 2013.

34.2.3. Exposure to exchange rate risk

The nominal amounts of futures and swaps linked to exchange rates are detailed below given the nature of the hedging operations:

- **Year ended December 31, 2014**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Exchange risk (cash flow hedging of operating flows)	**3 655**	**2 548**	**1 107**	**-**	**-**	**-**	**-**	**238**
Exchange rate options	1 880	1 230	650	-	-	-	-	105
Forward purchases	1 447	1 032	415	-	-	-	-	127
Forward sales	328	286	42	-	-	-	-	6
Exchange risk (fair value hedging of flight equipment acquisition)	**2 603**	**718**	**922**	**280**	**138**	**131**	**414**	**127**
Forward purchases	2 122	558	622	259	138	131	414	154
Forward sales	481	160	300	21	-	-	-	(27)
Exchange risk (trading)	**445**	**70**	**27**	**110**	**126**	**30**	**82**	**3**
Forward purchases	209	35	-	55	63	15	41	22
Forward sales	209	35	-	55	63	15	41	(22)
Other	27	-	27	-	-	-	-	3
Total	**6 703**	**3 336**	**2 056**	**390**	**264**	**161**	**496**	**368**

- **Year ended December 31, 2013**

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Exchange risk (cash flow hedging of operating flows)	**4 143**	**2 785**	**1 347**	**11**	**-**	**-**	**-**	**(33)**
Exchange rate options	2 222	1 511	711	-	-	-	-	(15)
Forward purchases	1 509	1 003	495	11	-	-	-	(57)
Forward sales	412	271	141	-	-	-	-	39
Exchange risk (Fair value hedging of flight equipment acquisition)	**1 338**	**429**	**408**	**251**	**120**	**81**	**49**	**(54)**
Forward purchases	1 338	429	408	251	120	81	49	(54)
Exchange risk (trading)	**438**	**72**	**62**	**-**	**98**	**110**	**96**	**-**
Forward purchases	219	36	31	-	49	55	48	3
Forward sales	219	36	31	-	49	55	48	(3)
Total	**5 919**	**3 286**	**1 817**	**262**	**218**	**191**	**145**	**(87)**

Currency hedge sensitivity

The value in euros of the monetary assets and liabilities is presented below:

In € millions	Monetary assets		Monetary liabilities	
As of December 31	**2014**	**2013**	**2014**	**2013**
US dollar	159	143	502	519
Pound sterling	26	23	1	-
Yen	5	8	745	727
Swiss franc	6	11	348	341

The amount of monetary assets and liabilities disclosed above do not include the effect of the revaluation of assets and liabilities documented in fair value hedge.

The impact on “income before tax” and on “gains/(losses) taken to equity” of a 10 per cent appreciation in foreign currencies relative to the euro is presented below:

In € millions	US dollar		Pound Sterling		Yen	
As of December 31	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Income before tax	(14)	37	(8)	(8)	(75)	(70)
Gains / (losses) taken to equity	299	312	(23)	(24)	(25)	(37)

The impact of the change in fair value of currency derivatives on “income before tax” and on “gains/ (losses) taken to equity” of a 10 per cent depreciation in foreign currencies relative to the euro is presented below:

In € millions	US dollar		Pound Sterling		Yen	
As of December 31	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Income before tax	(5)	(108)	3	-	64	62
Gains / (losses) taken to equity	(215)	(220)	18	23	31	34

34.2.4. Carbon credit risk

As of December 31, 2014, the Group has hedged its future purchases of CO_2 quotas via forward purchase for a nominal of €25 million with a fair value of € 9 million, versus a nominal of €15 million with a nil fair value as of December 31, 2013.

These contracts mostly expire within less than 2 years.

34.3. Market value of financial instruments

Market values are estimated for most of the Group’s financial instruments using a variety of valuation methods. However, the methods and assumptions used to provide the information set out below are theoretical in nature. They bear the following inherent limitations:
* Estimated market values cannot take into consideration the effect of subsequent fluctuations in interest or exchange rates,
* Estimated amounts as of December 31, 2014 and December 31, 2013 are not indicative of gains and/or losses arising upon maturity or in the event of cancellation of a financial instrument.

The application of alternative methods and assumptions may, therefore, have a significant impact on the estimated market values.
The methods used are as follows:

** Cash, trade receivables, other receivables, short-term bank facilities, trade payables and other payables:*
The Group believes that, due to its short-term nature, net book value can be deemed a reasonable approximation of market value.

** Marketable securities, investments and other securities:*

The market value of securities is determined based mainly on the market price or the prices available on other similar securities. Securities classified under assets available for sale are recorded at their stock market value. Where no comparable exists, the Group uses their book value, which is deemed a reasonable approximation of market value in this instance.

** Borrowings, other financial debts and loans:*

The market value of fixed and floating-rate loans and financial debts is determined based on discounted future cash flows at market interest rates for instruments with similar features.

** Derivative instruments:*

The market value of derivative instruments corresponds to the amounts payable or receivable if the positions would be closed out as of December 31, 2014 and December 31, 2013 calculated using the year-end market rate.

Only the financial assets and liabilities whose fair value differs from their net book value are presented in the following table:

In € millions	2014		2013	
As of December 31	**Net book value**	**Estimated market value**	**Net book value**	**Estimated market value**
Financial assets				
Loans	175	181	164	167
Financial liabilities				
Bonds			3 419	3 788
OCEANE 2005	402	447	390	428
OCEANE 2009	655	690	633	717
OCEANE 2013	471	613	455	588
Bond 2006/2007	-	-	741	743
Bond 2009	606	652	700	765
Bond 2012	500	547	500	547
Bond 2014	600	602		
Perpetual subordinated loans	564	264	552	248
Other borrowings and financial debt	1 770	1 663	1 857	1 770

34.4. Valuation methods for financial assets and liabilities at their fair value

The breakdown of the Group's financial assets and liabilities is as follows based on the three classification levels (see note 4.10.7):

In € millions	Level 1		Level 2		Level 3		Total	
As of December 31	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Financial assets available for sale								
Shares	702	1 100	17	35	-	-	**719**	**1 135**
Assets at fair value through profit and loss								
Marketable securities and cash secured	38	31	630	920	-	-	**668**	**951**
Cash equivalents	729	1 552	1 500	1 152	-	-	**2 229**	**2 704**
Derivative instruments assets								
Interest rate derivatives	-	-	26	14	-	-	**26**	**14**
Currency exchange derivatives	-	-	450	95	-	-	**450**	**95**
Commodity derivatives	-	-	1	255	-	-	**1**	**255**
ETS derivatives	-	-	5	-	-	-	**5**	**-**
Others	-	-	4	-	-	-	**4**	**-**

Financial liabilities at fair value comprise the fair value of interest rate, foreign exchange and commodity derivative instruments. These valuations are classified as level 2.

35. LEASE COMMITMENTS

35.1. Capital leases

The debt related to capital leases is presented in note 32.4.

35.2. Operating leases

The minimum future payments on operating leases are as follows:

In € millions **As of December 31**	**Minimum lease payments**	
	2014	**2013**
Flight equipment		
Due dates		
Y+1	1 041	912
Y+2	1 009	814
Y+3	960	743
Y+4	818	694
Y+5	704	573
Over 5 years	1 727	1 695
Total	**6 259**	**5 431**
Buildings		
Due dates		
Y+1	210	221
Y+2	159	152
Y+3	132	136
Y+4	111	108
Y+5	94	94
Over 5 years	768	878
Total	**1 474**	**1 589**

The Group may sub-lease flight equipment and buildings. The revenue generated by this activity is not significant for the Group.

36. FLIGHT EQUIPMENT ORDERS

Due dates for commitments in respect of flight equipment orders are as follows:

In € millions **As of December 31**	**2014**	**2013**
Y+1	566	381
Y+2	797	436
Y+3	811	616
Y+4	1 064	536
Y+5	1 001	931
Over 5 years	3 792	3 828
Total	**8 031**	**6 728**

These commitments relate to US dollars amounts, converted into euros at the closing date exchange rate. Furthermore these amounts are hedged.

The number of aircraft under firm order as of December 31, 2014 increase by 16 units compared with December 31, 2013 and stood at 80 aircraft.

The changes are explained by the order for 17 aircraft, the delivery of three aircraft and the conversion of two options into a firm order over the period.

Long-haul fleet

Passenger

The Group took delivery of one Airbus A380, which was later sold into a sale and leaseback transaction.
Also, two Boeing B777 aircraft were converted into a firm order.

Medium-haul fleet

The Group took delivery of two Boeing B737s, one of which was then sold into a sale and leaseback transaction.
The group signed a firm order for 17 Boeing B737.

The Group's commitments concern the following aircraft:

Aircraft type	To be delivered in year	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond Y+5	Total
Long-haul fleet – passenger								
A380	As of December 31, 2014	-	-	-	2	-	-	**2**
	As of December 31, 2013	1	-	-	-	2	-	**3**
A350	As of December 31, 2014	-	-	-	2	6	17	**25**
	As of December 31, 2013	-	-	-	-	2	23	**25**
B787	As of December 31, 2014	-	1	4	4	3	13	**25**
	As of December 31, 2013	-	-	3	5	3	14	**25**
B777	As of December 31, 2014	3	3	1	-	-	-	**7**
	As of December 31, 2013	-	3	2	-	-	-	**5**
Medium-haul fleet								
A320	As of December 31, 2014	-	3	-	-	-	-	**3**
	As of December 31, 2013	-	-	3	-	-	-	**3**
B737	As of December 31, 2014	5	7	5	-	-	-	**17**
	As of December 31, 2013	2	-	-	-	-	-	**2**
Regional fleet								
CRJ 1000	As of December 31, 2014	1	-	-	-	-	-	**1**
	As of December 31, 2013	-	1	-	-	-	-	**1**

37. OTHER COMMITMENTS

37.1. Commitments made

In € millions **As of December 31**	**2014**	**2013**
Call on investment securities	4	3
Warranties, sureties and guarantees	348	288
Secured debts	5 194	5 756
Other purchase commitments	149	155

The restrictions and pledges as of December 31, 2014 are as follows:

In € millions	**Starting date of pledge**	**End of pledge**	**Amount pledged**	**NBV of balance sheet entry concerned**	**Corresponding %**
Intangible assets	-	-	-	1 009	-
Tangible assets	March 1999	September 2027	6 185	10 478	59.0%
Other financial assets	November 1999	May 2027	1 812	2 289	79.2%
Total			**7 997**	**13 776**	

37.2. Commitments received

In € millions **As of December 31**	**2014**	**2013**
Warranties, sureties and guarantees	178	135

Warranties, sureties and guarantees principally comprise letters of credit from financial institutions.

38. RELATED PARTIES

38.1. Transactions with the principal executives

As of December 31, 2014, directors and their relatives held less than 0.02 per cent of the voting rights.

Short term benefits granted to the principal company officers and booked in expenses amount to €0.6 million as of December 31, 2014 and for December 31, 2013.
During these two financial years, there were no payments of post-employment benefits.

38.2. Transactions with other related parties

The total amounts of transactions with related parties are as follows:

In € millions **As of December 31**	**2014**	**2013**
Assets		
Net trade accounts receivable	108	126
Other current assets	17	25
Other non-current assets	8	7
Total	**133**	**158**
Liabilities		
Trade accounts payable	95	114
Other current liabilities	56	56
Other long-term liabilities	72	72
Total	**223**	**242**

In € millions **As of December 31**	**2014**	**2013**
Net sales	227	244
Landing fees and other rents	(407)	(394)
Other selling expenses	(156)	(153)
Passenger service	(41)	(53)
Other	(30)	(49)
Total	**(407)**	**(405)**

As a part of its normal business, the Group enters into transactions with related parties including transactions with State-owned and governmental entities such as the Defense Ministry, the Paris Airport Authority ("Aéroports de Paris", or "ADP") and the French civil aviation regulator ("DGAC"). Air France-KLM considers that such transactions are concluded on terms equivalent to those on transactions with third parties. The most significant transactions are described below:

Aéroports De Paris (ADP)

- Land and property rental agreements,
- Airport and passenger-related fee arrangements.

In addition, ADP collects airport landing fees on behalf of the French State.

Total expenses incurred by the Group in connection with the above-mentioned arrangements amounted to a respective €361 million and €372 million for the periods ended December 31, 2014 and December 31, 2013.

Defense Ministry

Air France-KLM has entered into contracts with the French Defense Ministry concerning the maintenance of aircraft in the French Air Force. The net revenue derived from this activity amounts to €31 million for the year ended December 31, 2014 versus €42 million as of December 31, 2013.

Direction Générale de l'Aviation Civile (DGAC)

This civil aviation regulator is under the authority of the French Ministry of Transport, which manages security and safety in the French air space and at airport. As a result, the DGAC charges fees to Air France-KLM for the use of installations and services which amounts to €106 million as of December 31, 2014 versus €105 million for the year ended December 31, 2013.

Amadeus

For the year ended December 31, 2014, total transactions with Amadeus amounts to an expense of €130 million for the Group, compared with €132 million for the year ended December 31, 2013.

Alitalia

For the year ended December 31, 2014, the amount of transactions realized with Alitalia represents revenues of €64 million for the Group (compared with €81 million for the year ended December 31, 2013) and a cost of €7 million (compared with €12 million for the year ended December 31, 2013).

39. CONSOLIDATED STATEMENT OF CASH FLOW

39.1. Other non-monetary items and impairment

Other non-monetary items and impairment can be analyzed as follows:

In € millions	*Notes*		
As of December 31		**2014**	**2013**
Variation of provisions relating to restructuring plan		(154)	17
Variation of provisions relating to pension		(88)	(51)
Variation of provisions relating to goodwill	*17*	-	11
Impairment of CityJet VLM Group	*14*	-	66
Impairment of cargo CGU	*19*	113	-
Changes of pension plan KLM	*31.1.3*	(824)	-
Depreciation of assets held for sale	*11*	11	102
Other		14	61
Total		**(928)**	**206**

39.2. Acquisitions of subsidiaries, of shares in non-controlled entities

Net cash disbursements related to the acquisition of subsidiaries and investments in associates were as follows:

In € millions		
As of December 31	**2014**	**2013**
Cash disbursement for acquisitions	(45)	(33)
Cash from acquired subsidiaries	2	6
Net cash disbursement	**(43)**	**(27)**

During 2014, the Group acquired the Barfield company, based in the United States, and whose activity is maintenance (see note 5).

39.3. Disposal of subsidiaries without loss of control, of owned shares

As of December 31, 2014, this line essentially consists of the sale of Amadeus shares, as described in note 11.

As of December 31, 2013, no cash proceeds was recorded.

39.4. Non cash transactions

During the financial year ended December 31, 2014, the Group entered into a non-monetary transaction on engines. The Group also concluded non-monetary financial leases. The total amount of the transactions is €36 million.

During the financial year ended December 31, 2013, the Group had renewed a lease contract for a car park with Aéroports de Paris. This contract was classified as a financial lease.
A lease contract on one A340 aircraft, classified as a financial lease in 2012, was also reclassified as an operational lease.

These operations have no impact on the cash flow statement.

40. FEES OF STATUTORY AUDITORS

In € millions	KPMG			
As of 31 December 31	**2014**		**2013**	
	Amount	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	3.8	91%	3.7	88%
- Air France-KLM SA	*0.7*	-	*0.7*	-
- Consolidated subsidiaries	*3.1*	-	*3.0*	-
Other ancillary services and audit services	0.3	7%	0.2	5%
- Air France-KLM SA	*0.1*	-	*0.1*	-
- Consolidated subsidiaries	*0.2*	-	*0.1*	-
Sub-total	**4.1**	**98%**	**3.9**	**93%**
Other services				
Legal, tax and corporate	0.1	2%	0.3	7%
Information technology	-	-	-	-
Internal audit	-	-	-	-
Others	-	-	-	-
Total Air France-KLM	**4.2**	**100%**	**4.2**	**100%**

In € millions	Deloitte & Associés			
As of December 31	**2014**		**2013**	
	Amount	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	3.7	94%	3.7	90%
- Air France-KLM SA	*0.7*	-	*0.7*	-
- Consolidated subsidiaries	*3.0*	-	*3.0*	-
Other ancillary services and audit services	0.1	3%	0.3	8%
- Air France-KLM SA	*0.1*	-	*0.1*	-
- Consolidated subsidiaries	-	-	*0.2*	-
Sub-total	**3.8**	**97%**	**4.0**	**98%**
Other services				
Legal, tax and corporate	0.1	3%	0.1	2%
Information technology	-	-	-	-
Internal audit	-	-	-	-
Others	-	-	-	-
Total Air France-KLM	**3.9**	**100%**	**4.1**	**100%**

41. CONSOLIDATION SCOPE AS OF DECEMBER 31, 2014

The scope includes 152 fully-consolidated entities and 42 equity affiliates.
Based on the Air France-KLM ownership in terms of both voting rights and equity interest and on the functioning mode of the Group's Executive Committee, Air France-KLM has the power to manage the KLM Group's financial and operational strategies and controls KLM. As a result, KLM is fully consolidated in Air France-KLM's consolidated financial statements.

41.1Consolidated entities

Entity	Country	Segment	% interest	% control
AIR FRANCE SA	France	Multisegment	100	100
KONINKLIJKE LUCHTVAART MAATSCHAPPIJ N.V.	Netherlands	Multisegment	99	49
MARTINAIR HOLLAND N.V.	Netherlands	Multisegment	99	49
AIR FRANCE GROUND HANDLING INDIA PVT LTD	India	Passenger	51	51
HOP! AIRLINAIR	France	Passenger	100	100
BLUE LINK	France	Passenger	100	100
BLUE LINK INTERNATIONAL	France	Passenger	100	100
BLUELINK INTERNATIONAL AUSTRALIA	Australia	Passenger	100	100
BLUELINK INTERNATIONAL CZ	Czech Rep.	Passenger	100	100
BLUELINK INTERNATIONAL MAURITIUS	Mauritius	Passenger	100	100
BLUE CONNECT	Mauritius	Passenger	70	70
HOP! BRIT AIR	France	Passenger	100	100
COBALT GROUND SOLUTIONS LIMITED	United Kingdom	Passenger	99	49
CONSTELLATION FINANCE LIMITED	Ireland	Passenger	100	100
CYGNIFIC B.V.	Netherlands	Passenger	99	49
HOP!	France	Passenger	100	100
IAS ASIA INCORPORATED	Philippines	Passenger	99	49
IASA INCORPORATED	Philippines	Passenger	99	49
HOP!- TRAINING	France	Passenger	100	100
INTERNATIONAL AIRLINE SERVICES EUROPE LIMITED	United Kingdom	Passenger	99	49
INTERNATIONAL AIRLINE SERVICES LIMITED	United Kingdom	Passenger	99	49
INTERNATIONAL MARINE AIRLINE SERVICES LIMITED	United Kingdom	Passenger	99	49
INTERNATIONAL AIRLINE SERVICES AMERICAS L.P	United States	Passenger	99	49
KLM CITYHOPPER B.V.	Netherlands	Passenger	99	49
KLM CITYHOPPER UK LTD	United Kingdom	Passenger	99	49
KLM EQUIPMENT SERVICES B.V.	Netherlands	Passenger	99	49
KLM LUCHTVAARTSCHOOL B.V.	Netherlands	Passenger	99	49
LYON MAINTENANCE	France	Passenger	100	100
HOP! REGIONAL	France	Passenger	100	100
STICHTING STUDENTENHUISVESTING VLIEGVELD EELDE	Netherlands	Passenger	99	49
BLUE CROWN B.V.	Netherlands	Cargo	99	49
MEXICO CARGO HANDLING	Mexico	Cargo	100	100
SODEXI	France	Cargo	65	65
AEROMAINTENANCE GROUP	United States	Maintenance	100	100
AIR FRANCE INDUSTRIE US	United States	Maintenance	100	100
AIR FRANCE KLM COMPONENT SERVICES CO LTD	China	Maintenance	100	100
AIR ORIENT SERVICES	France	Maintenance	100	100
BARFIELD INC	United States	Maintenance	100	100
CRMA	France	Maintenance	100	100
EUROPEAN PNEUMATIC COMPONENT OVERHAUL AND REPAIR (EPCOR) B.V.	Netherlands	Maintenance	99	49

Entity	Country	Segment	% interest	% control
KLM E&M MALAYSIA SDN BHD	Malaysia	Maintenance	99	49
KLM UK ENGINEERING LIMITED	United Kingdom	Maintenance	99	49
REGIONAL JET CENTER B.V.	Netherlands	Maintenance	99	49
ACNA	France	Other	98	100
ACSAIR	France	Other	50	51
SERVAIR FORMATION	France	Other	98	100
AFRIQUE CATERING	France	Other	50	51
AIDA	Mauritius	Other	77	77
AIR FRANCE FINANCE	France	Other	100	100
AIR FRANCE FINANCE IRELAND	Ireland	Other	100	100
AIR FRANCE KLM FINANCE	France	Other	100	100
AIR LOUNGES MANAGEMENT	United States	Other	98	100
AIRPORT MEDICAL SERVICES B.V.	Netherlands	Other	79	39
AIRPORT MEDICAL SERVICES C.V.	Netherlands	Other	79	39
ASP BEHEER B.V.	Netherlands	Other	59	49
AMSTERDAM SCHIPOL PIJPLEIDING C.V.	Netherlands	Other	75	49
BLUE YONDER IX B.V.	Netherlands	Other	99	49
BLUE YONDER X B.V.	Netherlands	Other	99	49
BLUE YONDER XIV B.V.	Netherlands	Other	99	49
B.V. KANTOORGEBOUW MARTINAIR	Netherlands	Other	99	49
CATERING FDF	France	Other	98	100
CATERING PTP	France	Other	98	100
CELL K16 INSURANCE COMPANY	United Kingdom	Other	99	0
DAKAR CATERING	Senegal	Other	64	65
EUROPEAN CATERING SERVICES	United States	Other	98	100
FONDEG CATERING CONGO	Congo	Other	50	51
GIE JEAN BART	France	Other	10	10
GIE SERVCENTER	France	Other	98	100
GIE SURCOUF	France	Other	100	100
GUINEENNE DE SERVICES AEROPORTUAIRES S.A.	Guinea	Other	30	60
HORIZON CATERING	Mali	Other	70	100
INTERNATIONALE FINANCIERING EN MANAGEMENT MAATSCHAPPIJ B.V.	Netherlands	Other	99	49
KLM AIR CHARTER B.V.	Netherlands	Other	99	49
KLM CATERING SERVICES SCHIPHOL B.V.	Netherlands	Other	99	49
KLM FINANCIAL SERVICES B.V.	Netherlands	Other	99	49
KLM HEALTH SERVICES B.V.	Netherlands	Other	99	49
KLM INTERNATIONAL CHARTER B.V.	Netherlands	Other	99	49
KLM OLIEMAATSCHAPPIJ B.V.	Netherlands	Other	99	49
KLM UNTERSTUTZUNGSKASSEN GMBH	Germany	Other	99	49
KROONDUIF B.V.	Netherlands	Other	99	49
LYON AIR TRAITEUR	France	Other	98	100
MALI CATERING	Mali	Other	70	99
MARTINAIR VESTIGING VLIEGVELD LELYSTAD B.V.	Netherlands	Other	99	49
MARTINIQUE CATERING	France	Other	91	93
MAURITANIA CATERING	Mauritania	Other	25	51
NAS AIRPORT SERVICES LIMITES	Kenya	Other	58	100
O'FIONNAGAIN HOLDING COMPANY LIMITED	Ireland	Other	100	100
ORION-STAETE B.V.	Netherlands	Other	99	49
ORLY AIR TRAITEUR	France	Other	98	100
SERVAIR BURKINA FASO	Burkina Faso	Other	84	86
PARIS AIR CATERING	France	Other	98	100
PASSERELLE CDG	France	Other	64	66
PELICAN	Luxembourg	Other	100	100

Entity	Country	Segment	% interest	% control
PMAIR	France	Other	50	51
PRESTAIR	France	Other	98	100
PYRHELIO-STAETE B.V.	Netherlands	Other	99	49
QUASAR-STAETE B.V.	Netherlands	Other	99	49
RIGEL-STAETE B.V.	Netherlands	Other	99	49
SENCA	Senegal	Other	32	51
SEREP	Senegal	Other	57	59
SERVAIR (Cie d’exploitation des services auxiliaires aériens)	France	Other	98	98
SERVAIR ABIDJAN	Ivory Coast	Other	84	86
SERVAIR BRASIL REFEICOES AEREAS E SERVICOS LTDA	Brasil	Other	50	100
SERVAIR CARAIBES	France	Other	98	98
SERVAIR GHANA	Ghana	Other	56	57
SERVAIR RETAIL FORT DE FRANCE	France	Other	50	51
SERVAIR SATS	Singapore	Other	50	51
SERVAIR SOLUTION ITALIA S.R.L.	Italy	Other	98	100
SERVANTAGE	France	Other	98	100
SERVASCO	Macao	Other	59	60
SERVAIR SOLUTIONS	France	Other	98	100
SERVAIR GABON	Gabon	Other	54	55
SERVLOGISTIC	France	Other	98	100
SHELTAIR	France	Other	50	51
SIA AFRIQUE	France	Other	98	98
SIA NWK HOLDING	France	Other	98	98
FFSI	France	Other	50	51
SIA KENYA HOLDING LIMITED	Kenya	Other	58	59
SISALOGISTIC NETHERLANDS B.V.	Netherlands	Other	99	49
SKYCHEF	Seychelles	Other	54	55
SKYLOGISTIQUE AFRIQUE	France	Other	64	66
SERVAIR INVESTISSEMENTS AEROPORTUAIRES	France	Other	98	100
SOGRI	France	Other	95	97
SORI	France	Other	49	50
SPICA-STAETE B.V.	Netherlands	Other	99	49
STICHTING GARANTIEFONDS KLM LUCHTVAARTSCHOOL	Netherlands	Other	99	49
SVRL@LA REUNION	France	Other	49	50
TAKEOFF 1 LIMITED	Ireland	Other	100	100
TAKEOFF 2 LIMITED	Ireland	Other	100	100
TAKEOFF 3 LIMITED	Ireland	Other	100	100
TAKEOFF 4 LIMITED	Ireland	Other	100	100
TAKEOFF 5 LIMITED	Ireland	Other	100	100
TAKEOFF 6 LIMITED	Ireland	Other	100	100
TAKEOFF 7 LIMITED	Ireland	Other	100	100
TAKEOFF 8 LIMITED	Ireland	Other	100	100
TAKEOFF 9 LIMITED	Ireland	Other	100	100
TAKEOFF 10 LIMITED	Ireland	Other	100	100
TAKEOFF 11 LIMITED	Ireland	Other	100	100
TAKEOFF 12 LIMITED	Ireland	Other	100	100
TAKEOFF 13 LIMITED	Ireland	Other	100	100
TAKEOFF 14 LIMITED	Ireland	Other	100	100
TAKEOFF 15 LIMITED	Ireland	Other	100	100
TAKEOFF 16 LIMITED	Ireland	Other	100	100
TRANSAVIA AIRLINES B.V.	Netherlands	Other	99	49
TRANSAVIA AIRLINES C.V.	Netherlands	Other	99	49
TRANSAVIA AIRLINES LTD.	Bermuda	Other	99	49

Entity	Country	Segment	% interest	% control
TRANSAVIA COMPANY	France	Other	100	100
TRANSAVIA FRANCE S.A.S.	France	Other	100	100
TRAVEL INDUSTRY SYSTEMS B.V.	Netherlands	Other	99	49
TREASURY SERVICES KLM BV	Netherlands	Other	99	49
UILEAG HOLDING COMPANY LIMITED	Ireland	Other	100	100
WEBLOK B.V.	Netherlands	Other	99	49

41.2 Equity affiliates

Entity	Country	Segment	% interest	% control
AIR COTE D'IVOIRE	Ivory Coast	Passenger	20	20
AEROLIS	France	Passenger	50	50
KENYA AIRWAYS LIMITED	Kenya	Passenger	26	27
SPAIRLINERS	Germany	Maintenance	50	50
AAF SPARES	Ireland	Maintenance	50	50
AEROSTRUCTURES MIDDLE EAST SERVICES	United Arab Emirates	Maintenance	50	50
AEROTECHNIC INDUSTRIES	Morocco	Maintenance	50	50
MAX MRO SERVICE	India	Maintenance	26	26
NEW TSI	United States	Maintenance	50	50
ATLAS AIR CATERING AIRLINES SERVICES	Morocco	Other	39	40
AIRCRAFT CAPITAL LTD	United Kingdom	Other	40	40
CITY LOUNGE SERVICES	France	Other	17	35
COTONOU CATERING	Benin	Other	24	49
DOUAL'AIR	Cameroun	Other	25	25
FLYING FOOD CATERING	United States	Other	48	49
FLYNG FOOD JFK	United States	Other	48	49
FLYING FOOD MIAMI	United States	Other	48	49
FLYING FOOD SAN FRANCISCO	United States	Other	48	49
FLYING FOOD SERVICES	United States	Other	48	49
FLYING FOOD SERVICES USA	United States	Other	49	49
GUANGZHOU NANLAND AIR CATERING	China	Other	24	25
GUEST LOUNGE SERVICES	France	Other	17	35
INTERNATIONAL AEROSPACE MANAGEMENT COMPANY S.C.R.L.	Italy	Other	25	25
DUTYFLY SOLUTIONS	France	Other	49	50
DUTYFLY SOLUTIONS SPAIN	Spain	Other	49	50
DUTYFLY SOLUTIONS ITALY	Italy	Other	49	50
LOME CATERING SA	Togo	Other	17	35
MACAU CATERING SERVICES	Macao	Other	17	34
MAINPORT INNOVATION FUND B.V.	Netherlands	Other	25	25
NEWREST SERVAIR BELGIUM	Belgium	Other	49	50
NEWREST SERVAIR CHILE	Chile	Other	34	35
NEWREST SERVAIR LCY UK LTD	United Kingdom	Other	39	40
OVID	France	Other	32	33
PRIORIS	France	Other	33	34
SCHIPHOL LOGISTICS PARK B.V.	Netherlands	Other	45	45
SCHIPHOL LOGISTICS PARK C.V.	Netherlands	Other	52	45
SERVAIR CONGO	Congo	Other	49	50

Entity	Country	Segment	% interest	% control
SERVICHEF	France	Other	44	45
SKYNRG B.V.	Netherlands	Other	30	30
SIA MOROCCO INVEST	Morocco	Other	50	51
TERMINAL ONE GROUP ASSOCIATION	United States	Other	25	25