Air France-KLM Group

CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Commission for use in the European Union

January 1, 2015 – December 31, 2015

Air France-KLM Group

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Air France-KLM Group

CONSOLIDATED INCOME STATEMENT

In € millions **Period from January 1 to December 31**	*Notes*	**2015**	**2014 Restated(*)**
Sales	***6***	**26,059**	**24,912**
Other revenues		**3**	**18**
Revenues		**26,062**	**24,930**
External expenses	***7***	(15,682)	(15,171)
Salaries and related costs	***8***	(7,852)	(7,636)
Taxes other than income taxes		(167)	(169)
Other income and expenses	***10***	1,113	508
EBITDAR	***2***	**3,474**	**2,462**
Aircraft operating lease costs		(1,027)	(873)
EBITDA	***2***	**2,447**	**1,589**
Amortization, depreciation and provisions	***9***	(1,631)	(1,718)
Income from current operations		**816**	**(129)**
Sales of aircraft equipment	***11***	(6)	-
Other non-current income and expenses	***11***	305	880
Income from operating activities		**1,115**	**751**
Cost of financial debt	***12***	(373)	(446)
Income from cash and cash equivalents		63	76
Net cost of financial debt		***(310)***	***(370)***
Other financial income and expenses	***12***	(605)	(359)
Income before tax		**200**	**22**
Income taxes	***13***	(43)	(195)
Net income of consolidated companies		**157**	**(173)**
Share of profits (losses) of associates	***22***	(30)	(39)
Net income from continuing operations		**127**	**(212)**
Net income from discontinued operations	***14***	-	(4)
Net income for the period		**127**	**(216)**
Non controlling interests		*9*	*9*
Net income - Group part		*118*	*(225)*
Earnings per share – Equity holders of Air France-KLM (in euros)			
- basic and diluted	***16***	0.34	(0.76)
Net income from continuing operations - Equity holders of Air France-KLM (in euros)			
- basic and diluted	***16***	0.34	(0.75)
Net income from discontinued operations - Equity holders of Air France-KLM (in euros)			
- basic and diluted	***16***	-	(0.01)

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

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

Air France-KLM Group

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

In € millions **Period from January 1 to December 31**	***Notes***	**2015**	**2014 Restated(*)**
Net income for the period		**127**	**(216)**
Fair value adjustment on available-for-sale securities			
Change in fair value recognized directly in other comprehensive income		71	7
Change in fair value transferred to profit or loss		(221)	(250)
Fair value hedges			
Effective portion of changes in fair value hedge recognized directly in other comprehensive income		(60)	27
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		(955)	(1,387)
Change in fair value transferred to profit or loss		1,216	123
Currency translation adjustment		**8**	**10**
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	***13.2***	**(48)**	**341**
Total of other comprehensive income that will be reclassified to profit or loss		***11***	***(1,055)***
Remeasurements of defined benefit pension plans		**498**	**(2,260)**
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	***13.2***	**(295)**	**583**
Total of other comprehensive income that will not be reclassified to profit or loss		***203***	***(1,677)***
Total of other comprehensive income, after tax		**214**	**(2,732)**
Recognized income and expenses		**341**	**(2,948)**
- Equity holders of Air France-KLM		**330**	**(2,942)**
- Non-controlling interests		11	(6)

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

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

Air France-KLM Group

CONSOLIDATED BALANCE SHEET

Assets *In € millions*	***Notes***	**December 31, 2015**	**December 31, 2014 Restated (*)**
Goodwill	***17***	247	243
Intangible assets	***18***	1,018	1,009
Flight equipment	***20***	8,743	8,728
Other property, plant and equipment	***20***	1,670	1,750
Investments in equity associates	***22***	118	139
Pension assets	***23***	1,773	1,409
Other financial assets	***24***	1,224	1,502
Deferred tax assets	***13.4***	702	1,042
Other non-current assets	***27***	295	243
Total non current assets		**15,790**	**16,065**
Assets held for sale	***15***	4	3
Other short-term financial assets	***24***	967	787
Inventories	***25***	532	538
Trade receivables	***26***	1,800	1,728
Other current assets	***27***	1,138	961
Cash and cash equivalents	***28***	3,104	3,159
Total current assets		**7,545**	**7,176**
Total assets		**23,335**	**23,241**

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

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

Air France-KLM Group

CONSOLIDATED BALANCE SHEET (continued)

Liabilities and equity *In € millions*	***Notes***	**December 31, 2015**	**December 31, 2014 Restated (*)**
Issued capital	***29.1***	300	300
Additional paid-in capital	***29.2***	2,971	2,971
Treasury shares	***29.3***	(85)	(86)
Perpetual	***29.4***	600	-
Reserves and retained earnings	***29.5***	(3,561)	(3,877)
Equity attributable to equity holders of Air France-KLM		**225**	**(692)**
Non-controlling interests		48	39
Total equity		**273**	**(653)**
Pension provisions	***31***	1,995	2,119
Other provisions	***32***	1,513	1,404
Long-term debt	***33***	7,060	7,994
Deferred tax liabilities	***13.4***	11	14
Other non-current liabilities	***35***	484	536
Total non-current liabilities		**11,063**	**12,067**
Other provisions	***32***	742	731
Current portion of long-term debt	***33***	2,017	1,885
Trade payables		2,395	2,444
Deferred revenue on ticket sales		2,515	2,429
Frequent flyer programs		760	759
Other current liabilities	***35***	3,567	3,330
Bank overdrafts	***28***	3	249
Total current liabilities		**11,999**	**11,827**
Total liabilities		**23,062**	**23,894**
Total equity and liabilities		**23,335**	**23,241**

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

(*) See note 2 in notes to the 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	Perpetual	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Non-controlling interests	Total equity
December 31, 2013 - Restated (*)	**300,219,278**	**300**	**2,971**	**(85)**	**-**	**(935)**	**2,251**	**48**	**2,299**
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 result for the period	-	-	-	-	-	(225)	**(225)**	9	**(216)**
Total of income and expenses recognized	-	-	-	-	-	**(2,942)**	**(2,942)**	**(6)**	**(2,948)**
Treasury shares	-	-	-	(1)	-	-	**(1)**	-	**(1)**
Dividends paid	-	-	-	-	-	-	-	(3)	**(3)**
December 31, 2014 - Restated (*)	**300,219,278**	**300**	**2,971**	**(86)**	**-**	**(3,877)**	**(692)**	**39**	**(653)**
December 31, 2014 - Restated (*)	**300,219,278**	**300**	**2,971**	**(86)**	**-**	**(3,877)**	**(692)**	**39**	**(653)**
Fair value adjustment on available for sale securities	-	-	-	-	-	(138)	**(138)**	-	**(138)**
Gain / (loss) on cash flow hedges	-	-	-	-	-	179	**179**	-	**179**
Gain / (loss) on fair value hedges	-	-	-	-	-	(38)	**(38)**	-	**(38)**
Remeasurements of defined benefit pension plans	-	-	-	-	-	201	**201**	2	**203**
Currency translation adjustment	-	-	-	-	-	8	**8**	-	**8**
Other comprehensive income	-	-	-	-	-	***212***	***212***	***2***	***214***
Net result for the period	-	-	-	-	-	118	**118**	**9**	**127**
Total of income and expenses recognized	-	-	-	-	-	**330**	**330**	**11**	**341**
Perpetual	-	-	-	-	600	-	**600**	-	**600**
Dividends paid and coupons on perpetual	-	-	-	-	-	(12)	**(12)**	(5)	**(17)**
Change in scope	-	-	-	-	-	(2)	**(2)**	3	**1**
Treasury shares	-	-	-	1	-	-	**1**	-	**1**
December 31, 2015	**300,219,278**	**300**	**2,971**	**(85)**	**600**	**(3,561)**	**225**	**48**	**273**

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

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

Air France-KLM Group

CONSOLIDATED STATEMENT OF CASH FLOWS

Period from January 1 to December 31 *In € millions*	***Notes***	**2015**	**2014** **Restated (*)**
Net income from continuing operations		127	(212)
Net income from discontinued operations	***14***	-	(4)
Amortization, depreciation and operating provisions	***9***	1,631	1,725
Financial provisions	***12***	59	68
Loss (gain) on disposals of tangible and intangible assets	***11***	(224)	(19)
Loss (gain)on disposals of subsidiaries and associates	***11***	(224)	(184)
Derivatives – non monetary result		91	73
Unrealized foreign exchange gains and losses, net		294	163
Share of (profits) losses of associates	***22***	30	39
Deferred taxes	***13***	4	158
Impairment	***41.1***	5	114
Other non-monetary items	***41.1***	32	(1,042)
Financial capacity		**1,825**	**879**
Including discontinued operations		-	*(6)*
(Increase) / decrease in inventories		36	(24)
(Increase) / decrease in trade receivables		(55)	98
Increase / (decrease) in trade payables		(62)	29
Change in other receivables and payables		156	10
Change in working capital requirement		**75**	**113**
Change in working capital from discontinued operations		-	20
Net cash flow from operating activities		**1,900**	**1,012**
Acquisition of subsidiaries, of shares in non-controlled entities	***41.2***	(7)	(43)
Purchase of property plants and equipment and intangible assets	***21***	(1,647)	(1,431)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	***11***	342	354
Proceeds on disposal of property plants and equipment and intangible assets	***11***	353	269
Dividends received		5	20
Decrease (increase) in net investments, more than 3 months		(208)	285
Net cash flow used in investing activities of discontinued operations		-	(20)
Net cash flow used in investing activities		**(1,162)**	**(566)**
Capital increase		1	-
Perpetual	***29.4***	600	-
Sale of minority interest without change in control		4	-
Issuance of debt		1,077	1,583
Repayment on debt		(1,549)	(2,024)
Payment of debt resulting from finance lease liabilities		(664)	(565)
New loans		(89)	(10)
Repayment on loans		140	36
Dividends and coupons on perpetual paid		(24)	(3)
Net cash flow from financing activities		**(504)**	**(983)**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		(43)	(77)
Change in cash and cash equivalents and bank overdrafts		**191**	**(614)**
Cash and cash equivalents and bank overdrafts at beginning of period	***28***	2,910	3,518
Cash and cash equivalents and bank overdrafts at end of period	***28***	3,101	2,910
Change in cash of discontinued operations		-	(6)
Income tax (paid) / reimbursed (flow included in operating activities)		(41)	(35)
Interest paid (flow included in operating activities)		(359)	(420)
Interest received (flow included in operating activities)		37	39

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

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

Air France-KLM Group

Period from January 1 to December 31 *in € millions*	**2015**	**2014** **Restated**
Net cash flow from operating activities	1,900	1,012
Purchase of property plants and equipment and intangible assets	(1,647)	(1,431)
Proceeds on disposal of property plants and equipment and intangible assets	353	269
- Net cash flow from operating activities from discontinued operations	-	(14)
Operating free cash flow excluding discontinued activities	**606**	**(164)**

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.
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 presentation currency used in the Group’s financial statements is the euro, which is also Air France-KLM’s functional currency.

2. RESTATEMENT OF ACCOUNTS 2014

2.1. Modification in the presentation of the income statement

To facilitate performance analysis, the Group decided, as from January 1, 2015, to isolate the items relating to capitalized production in a single line of the income statement (“Other income and expenses”) whereas they had previously been allocated by type of expenditure. To facilitate comparison the consolidated financial statements as of December 31, 2014 have been restated. The impacts of this reclassification on the income statement as of December 31, 2014 are the following:

In € millions	**December 31, 2014**
External expenses	(445)
Salaries and related costs	(128)
Other income and expenses	573
Income from current operations	**-**

2.2. Modification in the conversion method for provisions in foreign currencies

The Group records provisions for maintenance and restitution of aircraft under operating leases. A significant portion of these provisions is made to cover the purchase of spare parts that will be paid for in US dollars whatever the functional currency of the entity. To facilitate analysis of the impacts linked to the dollar variation, the Group decided, as from January 1, 2015, to isolate the foreign currency effects on provisions in “Other financial income and expenses” whereas these effects had previously been recorded in “Amortization, depreciation and provisions”.
Furthermore, the closing rate will be used to convert provisions at the closing date. Previously, the Group used the average rate of the US dollar to convert the maintenance provisions. The consolidated financial statements as of December 31, 2014 have been restated to facilitate comparison.

The impacts of this restatement on the income statement are the following:

In € millions	**December 31, 2014**
Other financial income and expenses	(41)
Income before tax	**(41)**
Income taxes	14
Net income for the period	**(27)**

The impacts of this restatement on the balance sheet are the following:

In € millions	**January 1, 2014**	**December 31, 2014**
Deferred tax assets	(3)	11
Total assets	**(3)**	**11**
Reserves and retained earnings	6	(21)
Other provisions	(9)	32
Total equity and liabilities	**(3)**	**11**

2.3. Change in the presentation of the financial statements in conformity with the other sources of financial communication

In conformity with the reporting standard IAS 1 "Presentation of Financial Statements" and the guide the AMF (Autorité des Marché Financiers) issued on July 1, 2015, the Group Air France-KLM chose to change the presentation of its financial statements to align them more closely with the aggregates used for the Group's financial communication. The changes in the presentation are the following:

Consolidated income statement:

- Presentation of the EBITDAR and EBITDA lines

These indicators are defined in note 4.9. Note 6.1 "Information by business segment" has been changed accordingly. This change includes the presentation of a line "Aircraft operating lease costs" and the following reclassification:

In € millions	**December 31, 2014**
External expenses	873
Aircraft operating lease costs	(873)
Total	**-**

- Reclassification of temporary staff expenses from "external expenses" to "salaries and related costs" and the disclosure on the number of employees (see notes 7 and 8)

In € millions	**December 31, 2014**
External expenses	192
Salaries and related costs	(192)
Total	**-**

Consolidated statement of cash flows:

- Presentation of the sub-total "Change in working capital from discontinued operations";
- Re-naming of the sub-total "Cash flow" in "Financial capacity";
- Disclosure of operating free cash flow excluding discontinued activities. This indicator is defined in note 4.9.

Net debt:

- Presentation of the calculation of net debt (see note 34)

3. SIGNIFICANT EVENTS

3.1. Events that occurred in the financial year

Shares in Amadeus

On January 15, 2015, the Group sold a block of 9,857,202 shares in the Spanish company Amadeus IT Holding S.A. ("Amadeus"), representing approximately 2.2 per cent of the company’s share capital. The net result from the sale amounted to €218 million, for cash proceeds of €327 million (see note 11).
After this operation, the Group still holds 9.9 million Amadeus shares. The value of these shares is completely covered by a hedging transaction concluded on November 25, 2014 (see notes 24 and 36.1).

Voluntary departure plans

During the meeting of the Corporate Works Council on February 13, 2015, the Air France management presented voluntary departure plans for ground staff and cabin crew, aimed at the departure of approximately 800 full time equivalents. The Group accordingly charged an amount of €56 million to the income statement as of December 31, 2015.

After earlier voluntary departure measures implemented in 2014, Martinair, in consultation with the pilot union, initiated another voluntary departure arrangement on May 8, 2015 to reduce the number of Martinair Cargo cockpit crew further to the phasing out of the full freighters, corresponding to around 110 full time equivalents. The Group accordingly charged an amount of €40 million to the income statement as of December 31, 2015.

In June 2015, KLM presented a voluntary departure plan to reduce the number of employees in the cargo and maintenance businesses by around 330 full time equivalents. The Group accordingly charged an amount of €31 million to the income statement as of December 31, 2015.

The provisions mentioned above are the best estimate of the costs involved in these voluntary departure plans, as mentioned in note 11.

Perpetual subordinated bond

In order to consolidate its financial structure during the Perform 2020 implementation period, in early April 2015, the Group issued a perpetual subordinated bond amounting to a total of €600 million. These securities, which have no maturity date and bear an annual coupon of 6.25%, have a first repayment option in October 2020, at the issuer’s discretion. They are classified as equity, in accordance with the IFRS rules (see note 29.4).
On October 1, 2015, Air France-KLM paid the first coupon relating to this instrument, amounting to a total of €18 million.

Credit line

On April 29, 2015, the Group signed a credit facility for €1.1 billion, finalizing the early refinancing of the Air France’s credit facility maturing in April 2016. This new credit facility, implemented through a syndicate of 13 leading banks, comprises two €550 million tranches with respective three and five-year maturities (see note 33.8).

On July 2, 2015, KLM signed a €575 million revolving credit facility with 10 international banks, finalizing the early refinancing of its credit facility which was due to mature in July 2016. The facility has a duration of five years (see note 33.8).

Sale of slots

On October 21, 2015 the Group transferred to Delta Air Lines six pairs of slots at London Heathrow airport in return for total proceeds of €247 million, and generating a gain of €230 million (see note 11).

3.2. Subsequent events

Litigation relating to anti-trust cases in the air-freight industry

On January 13, 2016, within the context of its decision made on December 16, 2015 (see note 32.1.3), the European Commission Court cancelled its guarantee requirement through a cash pledge. This event has been taken into account for the determination of the amount of pledged assets as of December 31, 2015 (see notes 24 and 39.1).

4. ACCOUNTING POLICIES

4.1. Accounting principles

Accounting principles used for the consolidated financial statements

Pursuant to the European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of the Air France-KLM Group as of December 31, 2015 were established in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Commission on the date these consolidated financial statements were established.

IFRS, as adopted by the European Union 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 17, 2016.

Change in accounting principles

- 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 is effective as from February 1, 2015. This amendment has no significant impact on the financial statements of the Group as of December 31, 2015.

- IFRS standards and IFRIC interpretations which are applicable on a mandatory basis to the 2016 financial statements

  - Amendment to IFRS 11 "Joint Arrangements", effective for the period beginning January 1, 2016;
  - Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets", effective for the period beginning January 1, 2016;
  - Amendment to IAS 1 "Presentation of Financial Statements", effective for the period beginning January 1, 2016.

  The Group does not expect any significant impact on the amendments mentioned above.

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

  - Amendment to IAS 28 “Investments in Associates and Joint Ventures” and IFRS 10 “Consolidated Financial Statements”, effective for the period beginning January 1, 2016;
  - Standard IFRS 15 “Revenue Recognition from Contracts with Customers”, effective for the period beginning January 1, 2018 and replacing the standards IAS 18 “Revenues”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programmes”;
  - Standard IFRS 9 “Financial Instruments”, effective for the period beginning January 1, 2018.

The Group does not expect any significant impact on the amendments mentioned above.

The implementation of IFRS 9 and IFRS 15 is followed as a project. For each standard, the Group has set up dedicated working groups with the individual business segment and department concerned. The initial aim is to identify the changes relative to the current standards, so as to be in a second step, in the position to evaluate the financial impacts.

After the IASB issued IFRS 16 “Leases” on January 13, 2016, whose application date will be January 1, 2019, the Group will start a project to be able to establish the impact of the new standard.

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, 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 areas of estimates are disclosed in the following notes:

- 4.6 Revenue recognition related to deferred revenue on ticket sales;
- 4.7 Flying Blue frequent flyer program;
- 4.11 Financial assets;
- 4.13/14 Tangible and intangible assets;
- 4.18 Pension assets and provisions;
- 4.19/20 Other provisions;
- 4.23 Deferred tax assets.

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 on the basis of financial parameters available at the closing date. Concerning the non-current assets, the assumptions are based on a limited level of growth.
Actual results could differ from these estimates depending on changes in the assumptions used or different conditions.

4.3. Consolidation principles

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.

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 joint when decisions about the relevant activities of the partnership require the unanimous consent of the Group and the other parties with whom control is shared. 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
- 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.

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.

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

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.

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 4.14).

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 4.11. "Financial instruments, valuation of financial assets and liabilities".

4.5. Business combinations

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.

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 tickets and freight awb's are consequently recorded as "Deferred revenue upon 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 airlines of the Group 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" 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. Aggregates used within the framework of financial communication

EBITDA (Earnings Before Interests, Taxes, Depreciation and Amortization): by extracting the main line of the income statement which does not involve cash disbursement (“Amortization, depreciation and provision”) from income from current operations, EBITDA provides a simple indicator of the Group’s cash generation on current operational activities. It is thus commonly used for the calculation of the financial coverage and enterprise value ratios.

EBITDAR (Earnings Before Interests, Taxes, Depreciation, Amortization and Rents) : this aggregate is adapted to sectors like the air transport industry which can finance a significant proportion of their assets using operating leases. It is obtained by subtracting aircraft operating lease costs from EBITDA (as defined above). It is also used to calculate the financial coverage and enterprise value ratios.

Operating free cash flow: this corresponds to the cash available after investment in flight equipment, other property, plant and equipment and intangible assets for solely operational purposes, net of proceeds on disposals. It does not include the other cash flows linked to investment operations, particularly investments in subsidiaries and other financial assets and net cash flow from the operating activities of discontinued operations.

4.10. Earnings per share

Earnings per share are calculated by dividing the 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.

4.11. Financial instruments, valuation of financial assets and liabilities

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.

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 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 their acquisition cost is objective evidence of impairment.

Factors used 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.

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.

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 the 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.

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 has 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.

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.

Fair value hierarchy of the financial assets and liabilities

The table presenting a breakdown of financial assets and liabilities categorized by value (see note 36.4) 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.

4.12. 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 4.15, 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.

4.13. 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 4.15 is recorded.

Since January 1, 2012, airlines have been subject to the ETS (Emission Trading Scheme) market regulations as described in note 4.21 and the “Risks on carbon credit” paragraph in note 36.1. 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

The development on information technology is amortized over the same useful life as the underlying software. In some, well documented, cases the developed information technology could be amortized over a longer period.

4.14. Property, plant and equipment

Principles applicable

Property, plant and equipment are recorded at their 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).

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 spare parts (maintenance business) 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.

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 20 years
Flight simulators	10 to 20 years
Equipment and tooling	3 to 15 years

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.

Assets held under finance leases 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.

4.15. 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.

4.16. 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.

4.17. 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.

4.18. 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 recognized in the income statement.

The Group recognizes 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").

4.19. 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. This provision is based on the standard cost of a shop visit and is estimated using the phase-out costs indicated in the contract and taking into consideration the probability of the aircraft phase-out at the end of the contract.

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.

4.20. 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 formalized restructuring plan which has been announced to the parties concerned.

4.21. 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.

4.22. 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.

4.23. 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 the 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 relating 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 4.15).

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 as 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".

4.24. 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 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.

5. CHANGE IN THE CONSOLIDATION SCOPE

• Year ended December 31, 2015

In 2015, several operations have been initiated within the catering business (Servair Group). The main transactions are the following:
- Acquisition of Panima;
- Increase of the share capital in Lomé Catering, Macau Catering Services and Dutyfly Solutions.

All these entities are fully consolidated as of fiscal year 2015.

The goodwill generated by these transactions amounts to €2 million as of December 31, 2015.

• Year ended December 31, 2014

Scope in

On June 30, 2014, Air France Industries US and Sabena technics signed an agreement in which the maintenance business of the Group acquired 100 per cent of the capital of Barfield, an US maintenance company specialized in equipment support.

Pursuant to 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, the Irish and Belgium regional airlines CityJet and VLM, to Intro Aviation GmbH.
Since these two entities had been valued at their disposal value within the framework of their classification under discontinued operations in 2013, the result on their disposal had no significant impact on the Group’s consolidated financial statements as of December 31, 2014.

6. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

Business segments

The segment information 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 network: Passenger network operating revenues primarily come from passenger transportation services on scheduled flights with the Group's airline code (except Transavia), 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 and 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.

Transavia: The revenues from this segment come from the "low cost" activity realized by Transavia. Until December 31, 2014, these revenues had been included in the "Others" segment. The revenues relating to this activity are henceforth disclosed as a separate business segment for both the actual and the 2014 comparative figures.

Other: The revenues from this segment come primarily from catering supplied by the Group 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 accounts receivable, 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 evaluated based on normal market conditions.

Geographical segments

• Activity by origin of sales area

Group activities by origin of sale are broken down into eight geographical areas:

- Metropolitan France
- Benelux
- Europe (excluding France and Benelux) and North Africa
- Africa (excluding 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.

Air France-KLM Group

• Activity by destination

Group activities by destination are broken down into six geographic areas:

- Metropolitan France
- Europe (excluding France) and North Africa
- Caribbean, West Indies, French Guyana and Indian Ocean
- Africa (excluding North Africa), Middle East
- Americas and Polynesia
- Asia and New Caledonia

6.1. Information by business segment

• Year ended December 31, 2015

In € millions	**Passenger network**	**Cargo**	**Mainte-nance**	**Transavia**	**Other**	**Non allocated**	**Total**
Total sales	21,972	2,446	3,990	1,100	1,045	-	30,553
Intersegment sales	(1,431)	(21)	(2,413)	(1)	(628)	-	(4,494)
External sales	**20,541**	**2,425**	**1,577**	**1,099**	**417**	**-**	**26,059**
EBITDAR	3,016	(196)	453	122	79	-	3,474
EBITDA	2,124	(210)	453	2	78	-	2,447
Income from current operations	842	(245)	214	(35)	40	-	816
Income from operating activities	1,180	(286)	179	10	32	-	1,115
Share of profits (losses) of associates	(37)	-	1	-	6	-	(30)
Net cost of financial debt and other financial income and expenses	-	-	-	-	-	(915)	(915)
Income taxes	-	-	-	-	-	(43)	(43)
Net income from continuing operations	**1,143**	**(286)**	**180**	**10**	**38**	**(958)**	**127**
Depreciation and amortization for the period	(1,247)	(48)	(236)	(29)	(36)	-	(1,596)
Other non monetary items	(386)	23	(27)	21	(235)	(238)	(842)
Total assets	**10,310**	**879**	**2,975**	**460**	**475**	**8,236**	**23,335**
Segment liabilities	6,693	639	1,007	370	111	5,162	13,982
Financial debt, bank overdraft and equity	-	-	-	-	-	9,353	9,353
Total liabilities	**6,693**	**639**	**1,007**	**370**	**111**	**14,515**	**23,335**
Purchase of property, plant and equipment and intangible assets (continuing operations)	**1,245**	**15**	**194**	**86**	**107**	**-**	**1,647**

The non-allocated assets, amounting to €8.2 billion, mainly concern the financial assets held by the Group. They notably comprise cash and cash equivalents of €4 billion, pension assets of €1.8 billion, financial assets of €0.9 billion, deferred tax of €0.7 billion and derivatives of €0.8 billion.

The non-allocated segment liabilities, amounting to €5.2 billion, mainly comprise pension provisions for €2 billion, a portion of other provisions for €0.3 billion, tax and employee-related liabilities of €1.2 billion and derivatives of €1.6 billion.

Financial debts, bank overdrafts and equity are not allocated.

Air France-KLM Group

• Year ended December 31, 2014 restated

In € millions	**Passenger network**	**Cargo**	**Mainte-nance**	**Transavia**	**Other**	**Non allocated**	**Total**
Total sales	21,007	2,701	3,392	1,057	961	-	29,118
Intersegment sales	(1,437)	(20)	(2,141)	(1)	(607)	-	(4,206)
External sales	**19,570**	**2,681**	**1,251**	**1,056**	**354**	**-**	**24,912**
EBITDAR	2,013	(127)	444	74	59	-	2,463
EBITDA	1,243	(150)	444	(8)	60	-	1,589
Income from current operations	(86)	(212)	177	(36)	28	-	(129)
Income from operating activities	772	(253)	169	39	24	-	751
Share of profits (losses) of associates	(46)	-	1	-	6	-	(39)
Net cost of financial debt and other financial income and expenses	-	-	-	-	-	(729)	(729)
Income taxes	-	-	-	-	-	(195)	(195)
Net income from continuing operations	**726**	**(253)**	**170**	**39**	**30**	**(924)**	**(212)**
Depreciation and amortization for the period	(1,199)	(53)	(278)	(27)	(32)	-	(1,589)
Other non monetary items	138	45	45	69	(311)	(83)	(97)
Total assets	**10,397**	**928**	**2,863**	**401**	**469**	**8,183**	**23,241**
Segment liabilities	6,695	673	753	336	98	5,211	13,766
Financial debt, bank overdraft and equity	-	-	-	-	-	9,475	9,475
Total liabilities	**6,695**	**673**	**753**	**336**	**98**	**14,686**	**23,241**
Purchase of property, plant and equipment and intangible assets (continuing operations)	**1,076**	**48**	**139**	**77**	**91**	**-**	**1,431**

The non-allocated assets, amounting to €8.2 billion, mainly concern 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 pension provisions for €2.1 billion, a portion of other provisions for €0.4 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.

Air France-KLM Group

6.2. Information by geographical area

External sales by geographical area

- **Year ended December 31, 2015**

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	5,823	1,799	4,465	948	505	1,957	2,970	1,240	19,707
Other passenger sales	346	144	146	55	5	91	24	23	834
Total passenger	**6,169**	**1,943**	**4,611**	**1,003**	**510**	**2,048**	**2,994**	**1,263**	**20,541**
Scheduled cargo	313	252	664	158	36	432	260	148	2,263
Other cargo sales	30	13	37	14	2	22	33	11	162
Total cargo	**343**	**265**	**701**	**172**	**38**	**454**	**293**	**159**	**2,425**
Maintenance	943	511	25	-	-	-	98	-	1,577
Transavia	390	647	50	-	4	2	6	-	1,099
Others	235	33	11	79	-	9	-	50	417
Total	**8,080**	**3,399**	**5,398**	**1,254**	**552**	**2,513**	**3,391**	**1,472**	**26,059**

- **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
Transavia	324	732	-	-	-	-	-	-	1,056
Others	218	32	2	67	-	1	-	34	354
Total	**7,758**	**3,382**	**5,419**	**1,161**	**487**	**2,442**	**2,871**	**1,392**	**24,912**

Traffic sales by geographical area of destination

- **Year ended December 31, 2015**

In € millions	Metropolitan France	Europe (except France) North Africa	Caribbean, French Guyana, Indian Ocean	Africa (except North Africa) Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1,902	4,538	1,504	2,590	5,808	3,365	19,707
Scheduled cargo	3	39	141	467	933	680	2,263
Total	**1,905**	**4,577**	**1,645**	**3,057**	**6,741**	**4,045**	**21,970**

- **Year ended December 31, 2014**

In € millions	Metropolitan France	Europe (except France) North Africa	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**

7. EXTERNAL EXPENSES

In € millions	**2015**	**2014**
Period from January 1 to December 31		**Restated**
Aircraft fuel	6,183	6,629
Chartering costs	430	438
Landing fees and air route charges	1,947	1,840
Catering	655	591
Handling charges and other operating costs	1,536	1,476
Aircraft maintenance costs	2,372	1,729
Commercial and distribution costs	896	870
Other external expenses	1,663	1,598
Total	**15,682**	**15,171**
Excluding aircraft fuel	*9,499*	*8,542*

8. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

In € millions	2015	2014
Period from January 1 to December 31		**Restated**
Wages and salaries	5,548	5,315
Pension costs linked to defined contribution plans	578	595
Net periodic pension cost of defined benefit plans	296	388
Social contributions	1,174	1,157
Cost of temporary employees	185	192
Other expenses	71	(11)
Total	**7,852**	**7,636**

The Group pays contributions to a multi-employer plan in France, the CRPN (public pension fund for crew). This multi-employer plan being assimilated with a French State plan, it is accounted for as a defined contribution plan in “pension costs linked to defined contribution plans”.

Average number of employees

Period from January 1 to December 31	2015	2014
		Restated
Flight deck crew	7,856	8,027
Cabin crew	21,287	21,552
Ground staff	64,158	65,087
Temporary employees	3,116	3,181
Total	**96,417**	**97,847**

9. AMORTIZATION, DEPRECIATION AND PROVISIONS

In € millions	2015	2014
Period from January 1 to December 31		
Amortization		
Intangible assets	111	98
Flight equipment	1,246	1,253
Other property, plant and equipment	238	238
	1,595	**1,589**
Depreciation and provisions		
Inventories	(6)	2
Trade receivables	8	8
Risks and contingencies	34	119
	36	**129**
Total	**1,631**	**1,718**

The amortization changes for intangible and tangible assets are presented in notes 18 and 20.
As at December 31, 2014, the amortization on aeronautical assets included an amount of €35 million relating to the Boeing B747-400 aircraft further to the review of the amortization 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 32.

10. OTHER INCOME AND EXPENSES

In € millions	**2015**	**2014**
Period from January 1 to December 31		**Restated**
Capitalized production	875	573
Joint operation of routes	(87)	(88)
Operations-related currency hedges	310	42
Other	15	(19)
Other income and expenses	**1,113**	**508**

As from January 1, 2015, the Group opted to isolate the items relating to capitalized production in a line of the income statement ("Other income and expenses") whereas they had previously been allocated by type of expenditure. To facilitate comparison the consolidated financial statements 2014 have been restated, as mentioned in note 2.

11. OTHER NON-CURRENT INCOME AND EXPENSES

In € millions	**2015**	**2014**
Period from January 1 to December 31		
Modification on pension plans	20	824
Depreciation of CGU Cargo	-	(113)
Depreciation of assets available for sale	(4)	(11)
Restructuring costs	(159)	2
Disposal of slots	230	-
Disposal of shares available for sale	221	187
Disposals of subsidiaries and affiliates	3	(3)
Other	(6)	(6)
Other non-current income and expenses	**305**	**880**

- **Year ended December 31, 2015**

Change in pension plans

Further to a renegotiation of pilots pension plans in KLM and Transavia Airlines C.V., the Group booked, as of December 31, 2015, a net income of €20 million in "Other non-current income and expenses", as described in note 31.3.

Restructuring costs

As of December 31, 2015, this line mainly includes provisions, amounting to:

- €56 million relating to the new voluntary departure plans announced by Air France in February 2015;
- €40 million relating to the voluntary departure plan for Martinair pilots;
- €31 million relating to the new voluntary departure plan announced by KLM in June 2015.

These voluntary departure plans are presented in note 3.1.

This line also includes provisions, amounting to:

- €22 million relating to the new voluntary departure plans announced by HOP*!* Group in the context of its reorganization and merger initiated between several entities of the Group;
- €11 million relating to several voluntary departure plans initiated in the other Air France and KLM subsidiaries and establishments located abroad.

Sale of slots

On October 21, 2015, the Group transferred to Delta Air Lines six pairs of slots at London Heathrow airport in return for a total of €247 million, generating a gain of €230 million (see note 3.1).

Disposal of shares available for sale

On January 15, 2015, the Group sold a block of 9,857,202 shares in the Spanish company Amadeus IT Holding S.A. ("Amadeus"), representing approximately 2.2 per cent of the company's share capital. As mentioned in note 3.1, this transaction generated:

- A positive result on the disposal of the shares amounting to €218 million in the "Other non-current income and expenses" part of the income statement;
- Cash proceeds of €327 million.

After this operation, the Group still holds 9.9 million of Amadeus shares. The value of these shares was fully hedged in a transaction concluded on November 25, 2014.

- **Year ended December 31, 2014**

Legal modification on pension plans

Following a change to the legislation governing pension plans in The Netherlands, the Group had recorded a non-current income amounting to €824 million as of December 31, 2014, under the pilot, cabin crew and ground staff plans.

Depreciation of CGU Cargo

After a significant reduction in activity at Paris CDG in recent years, the Group decided to decrease its full-freighter fleet at Schiphol (The Netherlands) in financial year 2014. An impairment amounted to €113 million had been recognized in non-current expenses to decrease the cargo CGU's carrying value into line with its market value, based on appraiser's valuations, in respect of both the aeronautical assets and the other tangible assets.

Depreciation of assets held for sale

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

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.

Disposal of shares available for sale

On September 9, 2014, as part of its active balance sheet management policy, the Group had 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 had simultaneously sold an additional 10,345,200 shares, representing 2.31 per cent of the company's share capital, within the framework of the settlement of the hedging transaction implemented in 2012 and covering 12 million 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 continued to hold circa 4.4 per cent of Amadeus IT Holding S.A.'s share capital.

Gain on disposal of subsidiaries and affiliates

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

Other

This line mainly included:
- The result on the sale of several tangible assets, amounting to €15 million;
- A book loss of €17 million on engines no longer in use.

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

In € millions **Period from January 1 to December 31**	**2015**	**2014** **Restated**
Income from marketable securities	17	25
Other financial income	46	51
Financial income	**63**	**76**
Loan interests	(230)	(268)
Lease interests	(68)	(72)
Capitalized interests	14	10
Other financial expenses	(89)	(116)
Gross cost of financial debt	**(373)**	**(446)**
Net cost of financial debt	**(310)**	**(370)**
Foreign exchange gains (losses), net	(360)	(199)
Change in fair value of financial assets and liabilities	(178)	(92)
Including fuel derivatives	*(163)*	*(135)*
Including currency derivatives	*(9)*	*50*
Including interest rates derivatives	*(4)*	*(1)*
Including other derivatives	*(2)*	*(6)*
Net (charge)/ release to provisions	(28)	(44)
Other	(39)	(24)
Other financial income and expenses	**(605)**	**(359)**
Total	**(915)**	**(729)**

Net cost of financial debt

The financial income mainly consists of interest income and the result on the disposal of financial assets at fair value recorded in the income statement.
As of December 31, 2015 the gross cost of financial debt includes an amount of €36 million corresponding to the difference between the nominal and effective interest rate (after taking into account the equity component) of the OCEANE bonds issued (€51 million as of December 31, 2014).

Foreign exchange gains (losses)

As of December 31, 2015, the foreign exchange losses mainly include:

- A currency loss on the net debt amounting to €188 million mainly linked to the appreciation in the US dollar, Swiss francs and Japanese yen relative to the euro and also to an additional adjustment in the value of the cash held by the Group in Venezuelan bank accounts to take into account the currency conversion risk;
- A currency loss of €112 million mainly linked to the revaluation of the US dollar portion of the maintenance and restitution provisions relating to aircraft in operational lease.

As of December 31, 2014, the foreign exchange losses mainly included an adjustment in the value of the cash held 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.
As explained in note 2, foreign exchange gain (loss) as of December 31, 2014, was restated due to modification in the conversion method for provisions for maintenance and restitution of aircraft under operational leases.

Net (charge) / release to provisions

As of December 31, 2015, the net addition to provisions comprises mainly the constitution of a provision on GOL shares.

As of December 31, 2014, the line "Net (charge) release to provisions" included a loss of €21 million relating to the Alitalia shares – resulting from the conversion of the bonds subscribed in December 2013 within the framework of the financial restructuring of Alitalia – to reduce this shareholding to its fair value.

Other financial income and expenses

As of December 31, 2015, the line "other" comprises mainly the effect of the accretion on long-term provisions (€57 million expense) and a €26 million gain on repurchase by KLM of perpetual subordinated loan stock in Swiss francs.

As of December 31, 2014, other financial income and expenses included especially the effect of the accretion on long-term provision.

13. INCOME TAXES

13.1. Income tax charge

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

In € millions **Period from January 1 to December 31**	**2015**	**2014** **Restated**
Current tax (expense) / income	**(39)**	**(37)**
Change in temporary differences	191	(141)
CAVE impact	3	3
(Use / de-recognition) / recognition of tax loss carry forwards	(198)	(20)
Deferred tax income / (expense) from continuing operations	**(4)**	**(158)**
Total	**(43)**	**(195)**

The current income tax charge relates to the amounts paid or payable in the short term to the tax authorities for the period, in accordance with the regulations prevailing in various countries and any applicable treaties.

- **French fiscal group**

In France, tax losses can be carried forward for an unlimited period. However, there is 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 recoverability of the deferred tax losses corresponds to a period of seven years, consistent with the Group's 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.

In 2015, some accounting principles in the KLM income tax fiscal unity have been changed as a result of which the result for tax purposes increased with €730 million. This decrease in tax losses carried forward is fully offset by an increase in temporary differences. After this change in tax accounting, the recoverability period of the deferred tax losses is four years.

In 2014, the 3 years target for the Group showed that for part of the tax losses generated in 2009-10 (yearly closing March 31, 2010) was not expected to be recovered in the nine year window. To take this into account, a tax limitation of €65 million was recorded as of December 31, 2014. The recoverability period of the deferred tax losses was seven years.

- **Martinair**

As of December 31, 2014, within the framework of its considerations on the full-freighter activity at Schiphol, the KLM Group had decided to fully de-recognize the deferred tax asset on Martinair's pre-acquisition fiscal losses. This created a tax expense of €24 million.

For both the French and Dutch fiscal groups, the calculation of the recoverability of deferred tax losses is based on the future taxable income projected in the three year target, approved by the management and used, as outlined in note 19 for the impairment test of tax assets.

If the assumptions in the three year plan are not achieved, this could have an impact on the horizon of recoverability of the deferred tax assets.

13.2. Deferred tax recorded in equity (equity holders of Air France-KLM)

In € millions	**2015**	**2014**
Period from January 1 to December 31		
Other comprehensive income that will be reclassified to profit and loss	**(48)**	**341**
Assets available for sale	12	15
Derivatives	(60)	326
Other comprehensive income that will not be reclassified to profit and loss	**(295)**	**583**
Pensions	(295)	583
Total	**(343)**	**924**

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	**2015**	**2014**
Period from January 1 to December 31		**Restated**
Income before tax	200	22
Standard tax rate in France	34.43%	34.43%
Theoretical tax calculated based on the standard tax rate in France	(69)	(8)
Differences in French / foreign tax rates	12	58
Non deductible expenses or non-taxable income	71	11
Variation in unrecognized deferred tax assets	(40)	(249)
CAVE impact	(20)	(20)
Other	3	13
Income tax expenses	**(43)**	**(195)**
Effective tax rate	21.4%	NS*

* Not significant

For 2015, 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, 2015, 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, 2015 (Restated) *	Amounts recorded in income statement	Amounts recorded in OCI	Currency translation adjustment	Reclassification and other	December 31, 2015
Flight equipment	(1,163)	(30)	-	-	-	(1,193)
Pension assets	(297)	(12)	(87)	-	-	(396)
Financial debt	763	76	-	-	6	845
Deferred revenue on ticket sales	165	49	-	-	-	214
Debtors and creditors	365	-	(59)	-		306
Provisions	344	112	(210)	2	-	248
Others	(359)	(1)	13	-	1	(346)
Deferred tax corresponding to fiscal losses	1,210	(198)	-	1	-	1,013
Deferred tax asset/ (liability) net	**1,028**	**(4)**	**(343)**	**3**	**7**	**691**

In € millions	January 1, 2014 (Restated)	Amounts recorded in income statement	Amounts recorded in OCI	Reclassification and other	December 31, 2014 (Restated)*
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
Provisions	295	(56)	97	8	344
Others	(379)	4	15	1	(359)
Deferred tax corresponding to fiscal losses	1,229	(20)	-	1	1,210
Deferred tax asset/ (liability) net	**253**	**(158)**	**924**	**9**	**1,028**

* See the note 2

The deferred taxes recognized on fiscal losses for the French fiscal group amounts to €710 million as of December 31, 2015 and 2014 with a basis of €2,062 million.

The deferred taxes recognized on fiscal losses for the Dutch fiscal group amounts to €274 million as of December 31, 2015 versus €479 million as of December 31, 2014 with the respective bases of €1,107 million and €1,916 million.

As of December 31, 2015, the position of deferred tax on temporary differences in the French fiscal group being close to nil and the time schedule of the deferred tax asset on fair value revaluation on pension provision being uncertain, the Group completely impaired this deferred tax asset, amounting to €155 million, through the "other comprehensive income".

13.5. Unrecognized deferred tax assets

In € millions	December 31 2015		December 31 2014	
	Basis	**Tax**	**Basis**	**Tax**
Temporary differences	731	248	337	115
Tax losses	5,105	1,721	4,931	1,664
Total	**5,836**	**1,969**	**5,268**	**1,779**

- **French fiscal group**

As of December 31, 2015, the cumulative effect of the limitation on the deferred tax assets results in the non-recognition of a deferred tax asset amounting to €1,827 million (corresponding to a basis of €5,306 million), including €1,586 million relating to tax losses and €241 million relating to temporary differences (non-recognition of deferred tax assets relating to restructuring provisions and pensions).

As of December 31, 2014, the cumulative effect of the limitation on the deferred tax assets resulted in the non-recognition of a deferred tax asset amounted 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).

- **Dutch fiscal group**

As of December 31, 2015 and 2014, the cumulative effect of the limitation on the deferred tax assets resulted in the non-recognition of a deferred tax asset amounting to €65 million (corresponding to a basis of €260 million), entirely constituted of tax losses.

Other unrecognized deferred tax assets mainly correspond to a portion of the tax loss carry forward by Air France and KLM subsidiaries, not belonging to the fiscal groups, in particular some in the United Kingdom.

14. NET INCOME FROM DISCONTINUED OPERATIONS

As of December 31, 2014, the line "Net income from discontinued operations" corresponded to the contribution from the CityJet and VLM entity amounting to €(4) million.

15. ASSETS HELD FOR SALE

- **Year ended December 31, 2015**

As of December 31, 2015, the line “assets held for sale” includes the fair value of eight aircraft held for sale for a total amount of €4 million.

- **Year ended December 31, 2014**

As of December 31, 2014, the line "Assets held for sale" includes the fair value of four aircraft held for sale for a total amount of €3 million.

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 results used to calculate earnings per share are as follows:

- **Results used for the calculation of basic earnings per share:**

In € millions **As of December 31**	**2015**	**2014** **Restated**
Net income for the period – Equity holders of Air France-KLM	118	(225)
Net income from continuing operations – Equity holders of Air France – KLM	118	(221)
Résultat net des activités non poursuivies – propriétaires de la société mère	-	(4)
Coupons on perpetual	(18)	-
Basic net income for the period – Equity holders of Air France-KLM	100	(225)
Basic net income from continuing operations – Equity holders of Air France – KLM	100	(221)
Basic net income from discontinued operations – Equity holders of Air France – KLM	-	(4)

Since perpetual subordinated loan is considered as preferred shares, coupons are included in the basic earning per share.

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

As of December 31	**2015**	**2014**
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	(3,040,345)	(3,063,384)
Number of shares used to calculate basic earnings per share	**296,062,513**	**296,039,474**
OCEANE conversion	-	-
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	**296,062,513**	**296,039,474**

16.2 Non-dilutive instruments

The Air France-KLM Group held no non-dilutive instrument as of December 31, 2015.

16.3 Instruments issued after the closing date

No instruments were issued subsequent to the closing date.

17. GOODWILL

17.1 Detail of consolidated goodwill

In € millions	2015			2014		
As of December 31	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Passenger network	195	-	195	195	-	195
Cargo	1	-	1	1	-	1
Maintenance	25	(4)	21	23	(4)	19
Other	31	(1)	30	29	(1)	28
Total	**252**	**(5)**	**247**	**248**	**(5)**	**243**

17.2 Movement in net book value of goodwill

In € millions	2015	2014
As of December 31		
Opening balance	**243**	**237**
Acquisitions	-	2
Change in scope	2	-
Currency translation adjustment	2	4
Closing balance	**247**	**243**

18. INTANGIBLE ASSETS

In € millions	Trademarks and slots	Customer relationships	Other intangible assets	Total
Gross value				
Amount as of December 31, 2013	**293**	**107**	**1,066**	**1,466**
Additions	-	-	210	**210**
Change in scope	4	2	-	**6**
Disposals	-	-	(11)	**(11)**
Reclassification	-	-	5	**5**
Amount as of December 31, 2014	**297**	**109**	**1,270**	**1,676**
Additions	-	-	174	**174**
Change in scope	-	-	-	**-**
Disposals	(17)	-	(74)	**(91)**
Reclassification	-	-	(2)	**(2)**
Amount as of December 31, 2015	**280**	**109**	**1,368**	**1,757**
Depreciation				
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)**
Charge to depreciation	(1)	(1)	(109)	**(111)**
Releases on disposals	-	-	36	**36**
Reclassification	-	-	3	**3**
Amount as of December 31, 2015	**(5)**	**(107)**	**(627)**	**(739)**
Net value				
As of December 31, 2014	293	3	713	**1,009**
As of December 31, 2015	275	2	741	**1,018**
Including:				
Passenger network	*263*			
Other	*5*			
Maintenance	*6*			
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

- **Year ended December 31, 2015**

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 (other than cargo) has been determined by reference to their value in use as of December 31, 2015. 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 recoverable value of the cargo CGU assets has been determined by reference to their market value, based on appraiser’s valuations, for both aeronautical assets and other tangible assets.

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, 2015 as at December 31, 2014.

After the aforementioned test, no impairment was recognized on the Group’s other CGUs.

A 50-basis point increase in the WACC would have no impact on the Group’s CGUs evaluated as of December 31, 2015. A 50-basis point decrease in the long-term growth rate would also have no impact on the value of the CGUs as of the same date. The same holds true for a 50-basis point decrease in the target operating margin.

- **Year ended December 31, 2014**

After a reduction in activity at Paris CDG in recent years, the Group had decided to decrease its full freighter fleet at Schiphol (The Netherlands). An impairment amounting to €113 million was recognized in non-current expenses (see note 11) to reduce the cargo CGU’s carrying value and align this with its market value, based on appraiser valuations, in respect of both the aeronautical assets and the other main tangible assets.

After the recognition of this impairment, the net carrying amount of the CGU stood at €647 million of which €370 million related to aeronautical assets and €140 million to other tangible assets.

Air France-KLM Group

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, 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)**
Reclassification	155	270	(559)	190	56	(41)	10	(57)	11	(77)	**(21)**
Currency translation	-	-	-	-	-	-	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**
Acquisitions	163	1	1,110	86	1,360	10	38	94	23	165	**1,525**
Disposals	(621)	(111)	(4)	(191)	(927)	(5)	(19)	(7)	(32)	(63)	**(990)**
Change in scope	-	-	-	-	-	5	5	1	2	13	**13**
Fair value	-	-	(112)	-	(112)	-	-	-	-	-	**(112)**
Reclassification	981	(34)	(1,024)	166	89	74	(86)	(140)	155	3	**92**
Currency translation	-	-	-	-	-	1	4	-	1	6	**6**
Impairment	(4)	-	-	-	(4)	(1)	-	-	-	(1)	**(5)**
As of December 31, 2015	**8,869**	**6,739**	**513**	**2,357**	**18,478**	**2,889**	**1,310**	**83**	**1,056**	**5,338**	**23,816**
Depreciation											
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**
Reclassification	110	(99)	-	(81)	(70)	69	8	-	(2)	75	**5**
Currency translation	-	-	-	-	-	-	(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)**
Charge to depreciation	(673)	(423)	-	(123)	(1,219)	(124)	(70)	-	(44)	(238)	**(1,457)**
Releases on disposal	580	111	-	126	817	5	17	-	25	47	**864**
Change in scope	-	-	-	-	-	(1)	(3)	-	(2)	(6)	**(6)**
Reclassification	(400)	401	-	10	11	17	89	-	(110)	(4)	**7**
Currency translation	-	-	-	-	-	-	(2)	-	-	(2)	**(2)**
As of December 31, 2015	**(5,864)**	**(2,847)**	**-**	**(1,024)**	**(9,735)**	**(1,826)**	**(972)**	**-**	**(870)**	**(3,668)**	**(13,403)**
Net value											
As of December 31, 2014	2,979	3,947	543	1,259	**8,728**	1,082	365	135	168	**1,750**	**10,478**
As of December 31, 2015	3,005	3,892	513	1,333	**8,743**	1,063	338	83	186	**1,670**	**10,413**

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

Note 39 details the amount of pledged tangible assets.

Commitments to property purchases are detailed in notes 38 and 39.

The net book value of tangible assets financed under capital lease amounts to €4,373 million as of December 31, 2015 versus €4,438 million as of December 31, 2014.

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**	**2015**	**2014**
Acquisition of tangible assets	1,526	1,217
Acquisition of intangible assets	174	210
Accounts payable on acquisitions and capitalized interest	(53)	4
Total	**1,647**	**1,431**

22. EQUITY AFFILIATES

Movements over the period

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

In € millions	**Passenger Network**	**Maintenance**	**Other**	**Total**
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**
Share in net income of equity affiliates	(37)	1	6	(30)
Distributions	-	-	(2)	(2)
Change in consolidation scope	-	3	-	3
Other variations	2	-	-	2
Currency translation adjustment	2	1	3	6
Carrying value of share in investment as of December 31, 2015	**(3)**	**48**	**73**	**118**

Passenger network

As of December 31, 2015 and 2014, 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 financial statements of Kenya Airways as of March 31, 2015 include revenues for €970 million, a net result of €(227) million, equity for €(58) million and total balance sheet for €1,756 million.
The market value of the shares in this listed company amounts to €18 million as at December 31, 2015.
Given the net equity position of this entity, the carrying amount of the Kenya Airways shares is zero as of December 31, 2015.

Maintenance

As of December 31, 2015 and 2014, 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 43.2, have been concluded either with airlines or with independent players in the maintenance market.

Other

As of December 31, 2015 and 2014, 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 43.2.

23. PENSION ASSETS

In € millions **As of December 31,**	**2015**	**2014**
Opening balance	**1,409**	**2,454**
Net periodic pension (cost) / income for the period	(159)	515
Contributions paid to the funds	190	390
Reclassification	(25)	-
Fair value revaluation	358	(1,950)
Closing balance	**1,773**	**1,409**

The detail of these pension assets is presented in note 31.

Further to a renegotiation of the pilot pension plan in KLM, the Group booked a non-current expense of €(25) million as of December 31, 2015. Following a change in the legislation governing pension plans in The Netherlands, the Group recorded non-current income of €824 million as of December 31, 2014. These items are described in notes 11 and 31.3.

24. OTHER FINANCIAL ASSETS

In € millions **As of December 31**	**2015**		**2014**	
	Current	**Non-current**	**Current**	**Non-current**
Financial assets available for sale				
Available shares	-	29	-	85
Shares secured	-	403	-	634
Assets at fair value through profit and loss				
Marketable securities	406	60	13	60
Cash secured	411	-	595	-
Loans and receivables				
Financial lease deposit (bonds)	-	204	25	141
Financial lease deposit (others)	131	322	132	452
Loans and receivables	19	229	22	151
Gross value	**967**	**1,247**	**787**	**1,523**
Impairment at opening date	**-**	**(21)**	**-**	**(19)**
New impairment charge	-	(2)	-	(2)
Impairment at closing date	**-**	**(23)**	**-**	**(21)**
Total	**967**	**1,224**	**787**	**1,502**

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, 2015						
Amadeus (*)	403	2.21%	NA(**)	NA(**)	40.69	December 2015
Alitalia CAI	-	1.04%	NA(**)	NA(**)	NA(***)	December 2015
Other	29	-	-	-	-	-
Total	**432**					
As of December 31, 2014						
Amadeus (*)	654	4.41%	1,867	632	33.09	December 2014
Alitalia CAI	-	1.11%	(93)	(578)	NA(***)	December 2014
Other	65	-	-	-	-	-
Total	**719**					

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

Financial assets available for sale

On January 15, 2015, the Group sold a block of 9,857,202 shares in the Spanish company Amadeus IT Holding S.A. ("Amadeus"), representing approximately 2.2 per cent of the capital of the company (see note 3.1).
After this transaction, the Group still holds 9.9 million Amadeus shares. The value of these shares is fully covered by a hedging transaction concluded on November 25, 2014 (see note 36.1).

Following the acquisition by Etihad of an equity interest in Alitalia in 2014, Air France-KLM's shareholding in Alitalia was diluted. As of December 31, 2015, the interest in Alitalia CAI is 1.04 per cent. Since this operation, the Group is no longer represented 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 33).

Loans and receivables

Loans and receivables mainly include deposits on flight equipment made within the framework of operational 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, 2015, the amount of transferred receivables stood at €108 million (versus €109 million as of December 31, 2014). The associated loan stood at €81 million as of December 31, 2015 (versus €80 million as of December 31, 2014).

Loan of shares agreement

On November 25, 2014, the Group entered into a loan of shares agreement on Amadeus shares. This loan was linked to the hedging transaction to protect the value of Amadeus shares. The entire 2.21 per cent of Amadeus shares is covered by this hedge contract.

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 €233 million as of December 31, 2015, against €247 million as of December 31, 2014.
The Group retains the risk of dilution regarding these transferred assets for which guarantees have been secured for €15 million as of December 31, 2015, against €16 million as of December 31, 2014.

At the end of December 2015, 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) 2015 with a notional amount of €63 million versus €64 million as of December 31, 2014. 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	2015	2014
Aeronautical spare parts	544	520
Other supplies	135	171
Production work in progress	16	12
Gross value	**695**	**703**
Opening valuation allowance	**(165)**	**(164)**
Charge to allowance	(18)	(15)
Use of allowance	22	13
Currency translation adjustment	(1)	-
Reclassification	(1)	1
Closing valuation allowance	**(163)**	**(165)**
Net value of inventory	**532**	**538**

26. TRADE ACCOUNTS RECEIVABLES

In € millions As of December 31	2015	2014
Airlines	445	347
Other clients:		
* Passenger network	641	642
* Cargo	329	348
* Maintenance	430	429
* Other	60	60
Gross value	**1,905**	**1,826**
Opening valuation allowance	**(98)**	**(87)**
Charge to allowance	(25)	(19)
Use of allowance	17	11
Currency translation adjustment	(2)	-
Reclassification	3	(3)
Closing valuation allowance	**(105)**	**(98)**
Net value	**1,800**	**1,728**

27. OTHER ASSETS

In € millions **As of December 31**	2015		2014	
	Current	**Non-current**	**Current**	**Non-current**
Suppliers with debit balances	105	-	104	-
State receivables (including income tax)	118	-	109	-
Derivative instruments	480	291	248	239
Prepaid expenses	128	-	170	1
Other debtors	310	4	336	3
Gross value	**1,141**	**295**	**967**	**243**
Opening valuation allowance	**(6)**	**-**	**(2)**	**-**
Charge to allowance	(1)	-	(5)	-
Use of allowance	4	-	1	-
Closing valuation allowance	**(3)**	**-**	**(6)**	**-**
Net value	**1,138**	**295**	**961**	**243**

As of December 31, 2015, non-current derivatives include €37 million relating to currency hedges on financial debt, against €22 million as of December 31, 2014.
As of December 31, 2015, current derivatives include €4 million relating to currency hedges on financial debt. This amount was nil as of December 31, 2014.

28. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

In € millions **As of December 31**	**2015**	**2014**
Liquidity funds (SICAV) (assets at fair value through profit and loss)	1,085	754
Bank deposits and term accounts (assets at fair value through profit and loss)	1,261	1,475
Cash in hand	758	930
Total cash and cash equivalents	**3,104**	**3,159**
Bank overdrafts	(3)	(249)
Cash, cash equivalents and bank overdrafts	**3,101**	**2,910**

The Group holds €3,104 million in cash and cash equivalents as of December 31, 2015.
The cash position in local currency in Venezuela is €3 million and has been valued using the SIMADI rate given the political and economic situation in Venezuela.

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

29.1 Issued capital

As of December 31, 2015, 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	2015	2014
As of December 31		
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 restriction or priority concerning dividend distribution or reimbursement of the issued capital.

Authorized stock

The Combined Ordinary and Extraordinary Shareholders' Meeting of May 21, 2015 authorized the Board of Directors, for a period of 26 months from the date of the Meeting, outside the context of public tender offers, 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 €150 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	**2015**	**2014**	**2015**	**2014**
French State	18	16	18	16
Employees and former employees	7	7	7	7
Treasury shares	1	1	-	-
Other	74	76	75	77
Total	**100**	**100**	**100**	**100**

The line "Employees and former employees" includes the 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 33.2.

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, 2013	**4,179,804**	**(85)**
Change in the period	-	-
December 31, 2014	**4,179,804**	**(86)**
Change in the period	(30,209)	-
December 31, 2015	**4,149,595**	**(85)**

All the treasury shares are classified as a reduction of equity.

29.4 Perpetual subordinated bond

In order to consolidate its financial structure during the Perform 2020 implementation period, in early April 2015, the Group issued a perpetual subordinated bond for a total amount of €600 million. These securities, which have no maturity date and bear an annual coupon of 6.25 per cent, have a first repayment option in October 2020, at the issuer’s discretion. They are classified as equity, in accordance with the IFRS rules. The loan is subordinated to all other existing and future Air France-KLM debts.
On October 1, 2015, Air France-KLM paid €18 million for the first coupon relating to this instrument.

29.5 Reserves and retained earnings

In € millions	**December 31, 2015**	**December 31, 2014 (Restated)**
Legal reserve	70	70
Distributable reserves	301	412
Pension defined benefit reserves	(2,660)	(2,846)
Derivatives reserves	(736)	(881)
Available for sale securities reserves	289	428
Other reserves	(943)	(835)
Net income (loss) – Group share	118	(225)
Total	**(3,561)**	**(3,877)**

As of December 31, 2015, 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

KLM PPSs plan

During the periods ending December 31, 2015 and December 31, 2014, 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 December 31, 2015
KLM	7/1/2010	145,450	7/1/2010	7/1/2015	43,107
KLM	7/1/2011	144,235	7/1/2011	7/1/2016	18,270
KLM	4/1/2012	146,004	4/1/2012	4/1/2017	8,575
KLM	4/1/2013	150,031	4/1/2013	4/1/2018	-
KLM	4/1/2014	143,721	4/1/2014	4/1/2019	-
KLM	4/1/2015	133,018	4/1/2015	4/1/2020	-

The changes in PPSs were as follows:

	Number of PPSs
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***
PPSs granted during the period	133,018
PPSs exercised during the period	(69,952)
PPSs forfeited during the period	(65,397)
PPSs outstanding as of December 31, 2015	**523,372**
Of which: PPSs exercisable at December 31, 2015	***355,416***

The vesting conditions on 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. €7.02 and amounts to €4 million.

31. RETIREMENT BENEFITS

In € millions	Retirement benefits
Amount as of December 31, 2013	**1,853**
Of which: Non-current	*1,853*
New provision	40
Use of provision	(90)
Fair value revaluation	311
Currency translation adjustment	7
Reclassification	(2)
Amount as of December 31, 2014	**2,119**
Of which: Non-current	*2,119*
New provision	94
Use of provision	(77)
Fair value revaluation	(135)
Currency translation adjustment	17
Reclassification	(23)
Amount as of December 31, 2015	**1,995**
Of which: Non-current	*1,995*

As of December 31, 2015, a curtailment of the pension plan at Air France and its regional subsidiaries is made, amounting to €22 million, within the framework of the voluntary departure plan and has been recorded to ”Other non-current income and expenses” (see note 11). As of December 31, 2014, the amount was €36 million.

31.1 Characteristics of the main defined benefit plans

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.

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. For the year 2015 the age of retirement defined in the plan is 56 years old. As of July 2016 the retirement age for pension accrual will gradually increase to 58 years. Implementation of the increase is phased in four steps of a half year starting July 2016. As of July 2019 the retirement will be 58 years for all members.
The Board of the pension fund is composed of members appointed by the employer and employees. The board is full responsible for the execution 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.

To satisfy the requirements of the Dutch regulations and the rules set between the employer and the board of the pension fund, the plan imposes a mandatory funding level of approximately 123% to 125% of the projected long-term obligation. The projection of these commitments is calculated according to local funding rules. The mandatory funding ratio is based on the new Financial Assessment Framework (nFTK) applicable as per January 1, 2015. The impact of the nFTK 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 that also includes projected future return on investments.

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 122.0 per cent as at December 31, 2015 versus 126.3 per cent as at December 31, 2014.

If the coverage ratio is under the funding ratio detailed above, the pension fund is required to implement a recovery plan that aims for compliance with the 125 per cent threshold within 10 years and includes projected future returns on investment. If the threshold cannot be realized within 10 years (transitionary period of 12 years as from 2015) additional contributions are payable by the company and the employees. The amount of regular 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 limited and can be performed either by 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 commitments and the longevity and characteristics of the active population are the main factors that impact the coverage ratio and could lead to a risk of additional contributions for KLM on the long term.

The funds, 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.

Pension plan related to KLM ground staff – The Netherlands

The pension plan related to the ground staff of the KLM entity is a defined benefit plan based on average salary with reversion to the spouse on the beneficiary's death. The age of retirement defined in the plan is 67 years.

The Board of the pension fund is composed of members appointed by the employer and employees. The board is fully responsible for the execution 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 rules set between the employer and the board of the pension fund, the plan imposes a mandatory funding level of approximately 125 per cent of the projected long-term obligation. The projection of these commitments is calculated according to local funding rules. The mandatory funding ratio is based on new Financial Assessment Framework (nFTK) applicable as per January 1, 2015. The impact of nFTK 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 that also includes projected future return on investment. As a consequence the existing recovery plan for the Ground Staff plan has been updated as per 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 109.2 per cent as at December 31, 2015 versus 116.3 per cent as at December 31, 2014.

If the coverage ratio is under the funding ratio detailed above, the pension fund is required to implement a recovery plan that aims for compliance with the 125 per cent threshold within 10 years and includes projected future returns on investment. If the threshold cannot be realized within 10 years (transitionary period of 12 years as from 2015) additional contributions are payable by the company and the employee. The amount of regular 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 limited and can be performed either by 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 that impact both the coverage ratio and the level of the regular contribution for future pension accrual. The regular contributions are limited to 22 per cent of the pension base.

The funds, 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, to reduce the sensitivity to a decline of the interest rate, approximately 50 per cent of the sensitivity to an interest rate shock on all maturities is covered by an interest hedge.

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 reversion to the spouse on the beneficiary's death. The pension is based on final salary. For a closed group of active members the pension is based on an average salary. The age of retirement defined in the plan is 60 years.

The Board of the pension fund is composed of members appointed by the employer and employees. The board is fully responsible for the execution 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.

To satisfy the requirements of Dutch regulations and rules set between the employer and the board of the pension fund, the plan imposes a mandatory funding ratio of approximately 125 per cent of the projected long-term obligation. The projection of these commitments is calculated according to local funding rules. The mandatory funding ratio is based on the new Financial Assessment Framework (nFTK), applicable as per January 1, 2015. The impact of the nFTK 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 that also includes projected future return on investment. As a consequence the existing recovery plan for the Cabin Crew plan has been updated as per 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 106.3 per cent as at December 31, 2015 versus 115.1 per cent as at December 31, 2014.

If the coverage ratio is under the funding ratio detailed above, the pension fund is required to implement a recovery plan that aims for compliance with the 125 per cent threshold within 10 years and includes projected future returns on investment. If the threshold cannot be realized within 10 years (transitionary period of 12 years as from 2015) additional contributions are payable by the company and the employee. The amount of regular and additional employer contributions is limited to 48 per cent of the pension basis. Any additional employee contributions are limited to 0.7 per cent of the pension basis.
A reduction of contribution is possible if the indexation of pensions is fully funded. This reduction in a year 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 that impact both the coverage ratio and the level of the regular contribution for future pension accrual.

The funds, 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, to reduce the sensitivity to a decline of the interest rate, approximately 50 per cent of the sensitivity to an interest rate shock on all maturities is covered by an interest hedge.

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, 2015, the three Dutch plans and the two French plans presented above represented a respective 80 per cent and 10 per cent of the Group's pension liabilities and 92 per cent and 4 per cent of the Group's pension assets.

31.2 Description of the actuarial assumptions and related sensitivities

Actuarial valuations of the Group's benefit obligation were made as of December 31, 2015 and December 31, 2014. 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;
- Inflation rates are determined using the inflation swaps listed as reference applied on the Group cash-flows and are also determined according to the schemes duration:

As of December 31	2015	2014
Zone euro – Duration 10 to 15 years	1.50%	1.70%
Zone euro – Duration 15 years and more	1.65%	1.70%

- 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	**2015**	**2014**
Euro zone - Duration 10 to 15 years	1.80%	1.65%
Euro zone - Duration 15 years and more	2.35%	2.35%

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 1.36 per cent for the Group as of December 31, 2015 against 1.65 per cent as of December 31, 2014.

The rate of pension increase (excluding inflation) is 1.12 per cent for the Group as of December 31, 2015 against 1.29 per cent as of December 31, 2014.

- 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, 2015**	**Sensitivity of the assumptions for the year ended December 31, 2014**
25 bp increase in the inflation rate	283	743
25 bp decrease in the inflation rate	(264)	(668)

The sensitivity to the change in the inflation rate diminished in 2015 since KLM changed for its main pension fund the type of rate used to determine the impact on the indexation.

Sensitivity to changes in the discount rate

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2015**	**Sensitivity of the assumptions for the year ended December 31, 2014**
100 bp increase in the discount rate	(3,141)	(3,397)
100 bp decrease in the discount rate	4,162	4,506

Sensitivity to changes in salary increase (excluded inflation)

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2015**	**Sensitivity of the assumptions for the year ended December 31, 2014**
25 bp increase in the salary increase rate	106	118
25 bp decrease in the salary increase rate	(97)	(105)

Sensitivity to changes in pension increase

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2015**	**Sensitivity of the assumptions for the year ended December 31, 2014**
25 bp increase in the pension increase rate	835	889
25 bp decrease in the pension increase rate	(658)	(733)

Air France-KLM Group

31.3 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, 2015 and 2014

In € millions	As of December 31, 2015			As of December 31, 2014		
	Netherlands	**France**	**Others**	**Netherlands**	**France**	**Others**
Benefit obligation at beginning of year	**16,862**	**2,373**	**878**	**13,669**	**2,116**	**797**
Service cost	212	73	13	355	60	12
Interest cost	391	38	36	490	60	36
Employees' contribution	129	-	1	57	-	1
Plan amendments and curtailment	26	-	(9)	(824)	-	1
Settlement	(438)	(23)	-	(47)	(37)	-
Benefits paid	(414)	(96)	(36)	(381)	(106)	(32)
Transfers of assets/liability through balance sheet	2	-	-	5	(1)	(4)
Actuarial loss / (gain) demographic assumptions	3	8	2	(279)	(4)	(2)
Actuarial loss / (gain) financial assumptions	(433)	(134)	(18)	3,928	308	24
Actuarial loss / (gain) experience gap	(121)	(13)	(22)	(100)	(23)	(9)
Currency translation adjustment and other	1	-	47	(11)	-	54
Benefit obligation at end of year	**16,220**	**2,226**	**892**	**16,862**	**2,373**	**878**
Including benefit obligation resulting from schemes totally or partly funded	*16,108*	*2,159*	*777*	*16,752*	*2,305*	*764*
Including unfunded benefit obligation	*112*	*67*	*115*	*110*	*68*	*114*
Fair value of plan assets at beginning of year	**18,039**	**750**	**614**	**15,903**	**748**	**532**
Actual return on plan assets	223	39	(37)	2,084	72	42
Employers' contributions	202	13	18	398	23	29
Employees' contributions	129	-	1	57	-	1
Settlements	(394)	-	-	(32)	-	-
Benefits paid	(393)	(91)	(28)	(368)	(92)	(29)
Currency translation adjustment and other	-	1	30	(3)	(1)	39
Fair value of plan assets at end of year	**17,806**	**712**	**598**	**18,039**	**750**	**614**
Amounts recorded in the balance sheet(*) :						
Pension asset	1,773	-	-	1,407	-	2
Provision for retirement benefits	(187)	(1,514)	(294)	(233)	(1,624)	(262)
Net amount recognized	**1,586**	**(1,514)**	**(294)**	**1,174**	**(1,624)**	**(260)**
Net periodic cost:						
Service cost	212	73	13	355	60	12
Interest cost	(32)	27	10	(89)	40	11
Plan amendments, curtailment and settlement	(18)	(23)	(9)	(839)	(36)	-
Actuarial losses/ (gain) recognized in income statement	-	-	-	10	-	-
Net periodic cost	**162**	**77**	**14**	**(563)**	**64**	**23**

(*) 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, 2015**

As of January 1, 2016, Transavia Airlines Cockpit Crew pension plan changed from a defined benefit to a defined contribution arrangement. The plan assets and defined benefit obligations decreased with respectively €394 million and €439 million. The net positive settlement amounts to €45 million and has been recorded in “Other non-current income and expenses” (see note 11).

In addition for the KLM Cockpit crew pension plan an increase of the pension age from 56 to 58 years offset by an increased yearly accrual rate was agreed, which overall resulted in a negative settlement of €25 million. This settlement is recorded in “Other non-current income and expenses” (see note 11).

As of December 31, 2015, a curtailment of the pension plan at Air France and its regional subsidiaries is made, amounting to a profit of €22 million, within the framework of the voluntary departure plan.

- **As of December 31, 2014**

KLM followed 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 had been agreed with the respective Dutch Collective Labor Parties in December 2014.
This lowered the defined benefit obligations of the KLM pension plans €824 million. Given the significant impact of these amendments, the result of €824 million was recorded in other non-current income as of December 31, 2014 (see note 11).

In addition the KLM Catering Services defined benefit plan had 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 was made, amounting to €36 million, within the framework of the voluntary departure plan.

31.4 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, 2015		**Funds invested as of December 31, 2014**	
	France	**The Netherlands**	**France**	**The Netherlands**
Equities	38%	32%	39%	36%
Bonds	47%	53%	48%	51%
Real estate	-	13%	-	13%
Others	15%	2%	13%	-
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.

31.5 Expected cash flows and risks linked to the pension obligations

The expected cash flows relative to the defined benefit pension plans will amount to €245 million for the year ending December 31, 2016. The weighted average duration of the obligation is 19 years.

The funding, capitalization and matching strategies implemented by the Group are presented in note 31.1.

According to this description, both the fiscal rules for accruing pensions as well as the new Financial Assessment Framework, part of the Dutch pension law, in The Netherlands has changed as from January 1, 2015. Amongst other this results in higher minimum required solvency levels. The risk for the Group could remain that in case of a long term 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). On the other hand, as from 2015, pension funds have more time to recover from immediate and material shortages through a rolling ten year recovery plan.

For 2016, this additional payment risk is mitigated by the solvency levels and the rolling 10 year recovery plan noted since December 31, 2015.

32. OTHER PROVISIONS

In € millions	**Maintenance and restitution of aircraft**	**Restructuring**	**Litigation**	**Others**	**Total**
Amount as of December 31, 2013 (Restated)*	**745**	**442**	**474**	**249**	**1,910**
Of which: Non-current	*597*	*-*	*439*	*204*	***1,240***
Current	*148*	*442*	*35*	*45*	***670***
New provision	282	72	41	94	**489**
Use of provision	(136)	(192)	(31)	(101)	**(460)**
Reversal of unnecessary provisions	(2)	(2)	(4)	(7)	**(15)**
Currency translation adjustment	42	-	-	2	**44**
Accretion impact	20	-	-	6	**26**
Reclassification	139	3	(1)	-	**141**
Amount as of December 31, 2014 (Restated)*	**1,090**	**323**	**479**	**243**	**2,135**
Of which: Non-current	*774*	*-*	*447*	*183*	***1,404***
Current	*316*	*323*	*32*	*60*	***731***
New provision	333	161	26	86	**606**
Use of provision	(279)	(195)	(29)	(142)	**(645)**
Reversal of unnecessary provisions	(1)	-	(15)	(7)	**(23)**
Currency translation adjustment	102	-	-	6	**108**
Accretion impact	51	-	-	6	**57**
Reclassification	(26)	21	13	9	**17**
Amount as of December 31, 2015	**1,270**	**310**	**474**	**201**	**2,255**
Of which: Non-current	*895*	*-*	*464*	*154*	***1,513***
Current	*375*	*310*	*10*	*47*	***742***

* See note 2

The movements on restructuring provision with a significant impact on the income statement are charged to “Other non-current income and expenses” (see note 11).

The movements on maintenance and restitution provisions relating to operational leased aircraft with a significant impact on the income statement are charged to “Amortization, depreciation and provisions”. Only the effect of accretion is recognized in “Other financial income and expenses” (see note 12).
The discount rate used for the calculation of these provisions for maintenance and restitution relating to operational leased aircraft, based on a short term risk-free increased by a spread on risky debt (used for the companies with high financial leverage), is 6 per cent as of December 31 2015 and remains unchanged since December 31, 2014.

The Group is exposed to the risk of variation of the discount rate mentioned above. A 25 basis point variation (increase or decrease) of this discount rate would have an impact of €6 million on the line "Amortization, depreciation and provisions" on the income statement.

The movements on provisions for litigation and other risks and charges with an impact on the income statement are charged to the accounts of the income statement corresponding to the nature of the expenses.

As of December 31, 2014, the reclassification of provisions for the maintenance and restitution of aircraft, amounting to €139 million, were made after the finalization of some harmonization projects within the Group. The counter balance was accounted for in the rubric 'Other current and non-current liabilities'.

32.1 Provisions

32.1.1 Restructuring provisions

As of December 31, 2015 and 2014, the restructuring provisions mainly concern the voluntary departure plans of Air France and its regional subsidiaries, KLM and Martinair.

32.1.2 Litigation

An assessment of litigation risks with third parties has been 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.

32.1.3 Litigation concerning anti-trust laws 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, 2015, 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, and by the Swiss anti-trust authority, which are still pending.

In Europe, the decision of the European Commission of 2010 against a dozen airline companies, including the companies of the Group Air France, KLM and Martinair, was annulled by the General Court of the European Union on December 16, 2015.

As the grounds for the annulment of the European Commission decision do not preclude the European Commission from pursuing the proceedings against Air France-KLM, Air France, KLM and Martinair, the €340 million provision in respect of the fine has been maintained in the accounts of the Group as of December 31, 2015.

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

As of December 31, 2015, the total amount of provisions in connection with the anti-trust cases amounts to €386 million.

32.1.4 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 CO2 emissions not covered by the free allocation of quotas and provisions for the dismantling of buildings.

32.2 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.

32.2.1 Litigations concerning anti-trust laws in the air-freight industry

Following the initiation of various investigations by the 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 party 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 the 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.

32.2.2 Litigations concerning anti-trust laws 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 in such a conspiracy.

32.2.3 Other litigations

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 32.1 and 32.2, 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.

33. FINANCIAL DEBT

In € millions **As of December 31**	**2015**	**2014**
Non-current financial debt		
Perpetual subordinated loan stock in Yen	238	216
Perpetual subordinated loan stock in Swiss francs	346	348
OCEANE (convertible bonds)	489	873
Bonds	1,104	1,706
Capital lease obligations	3,647	3,469
Other debt	1,236	1,382
Total	**7,060**	**7,994**
Current financial debt		
OCEANE (convertible bond)	415	655
Bonds	603	-
Capital lease obligations	577	654
Other debt	327	453
Accrued interest	95	123
Total	**2,017**	**1,885**

33.1 Perpetual subordinated bond

33.1.1 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. €238 million as of December 31, 2015. 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.

33.1.2 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. In 2015, this loan is the result of a partial redemption by mutual agreement for an amount of CHF 44 million. Following the repurchases made by KLM, the outstanding subordinated bond amounts to CHF 375 million, i.e. €346 million as of December 31, 2015.
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 a fixed-rate (5.75 per cent on a CHF 270 million portion and 0.75 per cent on a CHF 105 million portion).

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

33.2 OCEANE

33.2.1. 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, 2015, 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 at a fixed price of €21. 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 with a notional amount of €392.5 million.
- The contract is subject to a cash pledge guarantee (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, 2015, the debt value amounts to €415 million.

33.2.2 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, 2015, the debt value amounts to €489 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.

33.3 Bonds

33.3.1. 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 €94 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 33.2.2). On October 1, 2015, a nominal amount of €4 million was repurchased and cancelled by Air France KLM. After these transactions, the outstanding nominal amount of the bonds issued in 2009 is €603 million.

33.3.2. 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.

33.3.3. 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.

33.4 Capital lease commitments

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

In € millions **As of December 31**	**2015**	**2014**
Aircraft		
Future minimum lease payments – due dates		
Y+1	583	655
Y+2	640	539
Y+3	576	548
Y+4	573	513
Y+5	418	508
Over 5 years	1,259	1,200
Total	**4,049**	**3,963**
Including: - Principal	*3,789*	*3,655*
- Interest	*260*	*308*
Buildings		
Future minimum lease payments – due dates		
Y+1	53	66
Y+2	57	52
Y+3	61	58
Y+4	38	61
Y+5	39	37
Over 5 years	241	247
Total	**489**	**521**
Including: - Principal	*359*	*385*
- Interest	*130*	*136*
Other property, plant and equipment		
Future minimum lease payments – due dates		
Y+1	12	13
Y+2	11	11
Y+3	10	10
Y+4	10	10
Y+5	10	10
Over 5 years	57	68
Total	**110**	**122**
Including: - Principal	*76*	*83*
- Interest	*34*	*39*

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

33.5 Other debt

Other debt breaks down as follows:

In € millions **As of December 31**	**2015**	**2014**
Reservation of ownership clause and mortgage debt	814	1,049
Other debt	749	786
Total	**1,563**	**1,835**

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.

Other debt corresponds mainly to bank borrowings.

33.6 Maturity analysis

The financial debt maturities break down as follows:

In € millions **As of December 31**	**2015**	**2014**
Maturities in		
Y+1	2,439	2,414
Y+2	1,239	2,020
Y+3	1,471	1,160
Y+4	1,397	1,410
Y+5	664	1,323
Over 5 years	3,084	3,172
Total	**10,294**	**11,499**
Including: - Principal	9,077	9,879
- Interest	1,217	1,620

As of December 31, 2015, the expected financial costs amounts to €431 million for the 2016 financial year, €507 million for the financial years 2017 to 2020, and €279 million thereafter.

As of December 31, 2015, it has been considered that the perpetual subordinated loan stocks and the OCEANEs would be reimbursed according to their most probable maturities:

- 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 33.2.1);
- probable exercise date of the investor put, i.e. February 15, 2019, for the majority of the OCEANEs issued in 2013 (see note 33.2.2).

Repayable bonds issued in 2009, 2012 and 2014 will be reimbursed at their contractual maturity date (see notes 33.3).

33.7 Currency analysis

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

In € millions **As of December 31**	**2015**	**2014**
Euro	7,293	8,235
US Dollar	650	595
Swiss franc	356	359
Yen	778	690
Total	**9,077**	**9,879**

33.8 Credit lines

As of December 31, 2015, the Group holds undrawn credit lines amounting to €1,775 million. The two main undrawn credit lines amount, respectively, to €1,100 million for the holding Air France-KLM and Air France and €575 million for KLM.

On April 29, 2015, the Group signed a credit facility for €1.1 billion, finalizing the early refinancing of the Air France’s credit facility maturing in April 2016. This new credit facility, implemented through a syndicate of 13 leading banks, comprises two €550 million tranches with respective three and five-year maturities (see note 3.1).
The financial covenant ratios are calculated based on Air France-KLM’s consolidated financial statements and are respected as of December 31, 2015.

On July 2, 2015, KLM signed a €575 million revolving credit facility with 10 international banks, finalizing the early refinancing of its credit facility which was due to mature in July 2016. The facility has a duration of five years (see note 3.1).
The financial covenant ratios are calculated based on the KLM Group’s consolidated financial statements and are respected as of December 31, 2015.

34. NET DEBT

In € millions	*Note*	**2015**	**2014**
As of December 31			
Current and non-current financial debt	*33*	9,077	9,879
Financial lease deposits (others)	*24*	(453)	(584)
Cash secured on OCEANE swap(*)		(393)	(196)
Currency hedge on financial debt	*27 and 35*	(40)	(21)
Accrued interest	*33*	(95)	(123)
Gross financial debt (I)		**8,096**	**8,955**
Cash and cash equivalents	*28*	3,104	3,159
Marketable securities	*24*	466	73
Cash secured (on other than OCEANE swap)(*)		18	399
Financial lease deposit (bonds)	*24*	204	166
Bank overdrafts	*28*	(3)	(249)
Net cash (II)		**3,789**	**3,548**
Net debt (I-II)		**4,307**	**5,407**
(*) Cash secured	*24*	411	595

In € millions	*Note*	**2015**	**2014**
As of December 31			
Opening net debt		**5,407**	**5,348**
Operating free cash, cash flow excluding discontinued activities		(606)	164
Change in perpetual	*29.4*	(588)	-
Disposal of subsidiaries, of shares in non-controlled entities	*11*	(342)	(354)
Acquisition of subsidiaries, of shares in non-controlled entities	*41.2*	7	43
Non monetary variation of the debt	*41.4*	156	14
Currency translation adjustment		185	158
Amortization of OCEANE optional part		36	51
Reclassification		(4)	3
Change in scope		(8)	(1)
Other		64	(19)
Closing net debt		**4,307**	**5,407**

The increase of the “Cash secured on OCEANE swap” is the result of the fact that as of December 31, 2015, the OCEANE 2005 contract is the subject to a guarantee with cash collateral for 100 per cent of the notional of the swap while as at December 31, 2014, the OCEANE 2005 contract was guaranteed with cash collateral for half of the notional of the swap and with a pledge of Amadeus shares for the other half.

The decrease of the “Cash secured (on other than OCEANE swap)” is mainly the result of the cancellation of the guarantee, initially required by the General Court of the European Commission, with respect to allegations of anti-competitive agreements in the air-freight industry (see note 3).

The operating free cash flow includes an amount of €(247) million relating to the transfer to Delta Air Lines of six pairs of slots at London Heathrow airport.

35. OTHER LIABILITIES

In € millions	2015		2014	
As of December 31	**Current**	**Non-current**	**Current**	**Non-current**
Tax liabilities	680	-	688	-
Employee-related liabilities	895	-	810	-
Non current assets’ payables	70	-	46	-
Derivative instruments	1,283	319	1,153	433
Deferred income	249	97	231	67
Other	390	68	402	36
Total	**3,567**	**484**	**3,330**	**536**

As of December 31 2015 and 2014, the non-current derivatives used to cover the debts in foreign currencies amount to €1 million.

As of December 31 2015 and 2014, there is no current derivative instruments used to cover the debts in foreign currencies.

36. FINANCIAL INSTRUMENTS

36.1 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 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 market fluctuations. The RMC also defines the policy of the counterparty-risk management.
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 the 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 regular 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 scenarios, 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, operational 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, 2015, 84 per cent of the Group's 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 Francs.
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**

Market financing is contracted at fixed rates. The financing of assets are mainly contracted at floating rates, in line with market practice. The Air France-KLM Group uses interest rate swaps to modulate the fixed part of its financial debt. After hedging, the Air France-KLM Group's gross debt contracted at fixed rates represents 67 per cent 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, to reach at the end of the current quarter:
- 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, Gasoil and Jet Fuel
The strategy of the Group recommends the use of three underlying instruments which are Brent, Gasoil and Jet Fuel. To date, the volumes have mostly been hedged in Brent given the unattractive market prices for Gasoil and Jet Fuel. Since the second half-year 2015, the Group privileges the hedge in Jet Fuel for the first quarters to cover.

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

IAS 39 rule:
The instruments 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 (2015), to anticipate all the needs of the following year (2016) by hedging a portion of the latter, and also a part of the next one (2017), based on an applicable scope identical to that of 2013.

Underlyings: EUA, EUAA and CER 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 January 15, 2015, the Group sold a block of 9,857,202 shares in the Spanish company Amadeus IT Holding S.A. ("Amadeus"), representing approximately 2.2 per cent of the capital of the company. The cash proceeds were €327 million (see note 11).
After this transaction, Air France-KLM still holds 9.9 million Amadeus shares which are fully covered by a hedge agreement. This hedge transaction (collar) enables the Group to protect the value of these shares (see notes 3 and 24). The Group is only limited exposed to the risk of a significant variation in the fair value of its Amadeus IT Holding 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 note 4.11. Derivative instruments are governed by the ISDA and FBF compensation master agreements. Within the framework of 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, 2015	**As of December 31, 2014**
Higher than AA	204	168
AA	-	100
A	1 378	1 674
BBB	17	100
Total	**1 599**	**2 042**

This presentation does not include money market funds (OPCVM) and current accounts.

- **Liquidity risk**

The liquidity risk relates to the credit lines held by the Group, as described in note 33.8.

36.2 Derivative instruments

As of December 31, 2015, 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	138	136	2	-	-	-	-
	Liability	(1,300)	(1,119)	(181)	-	-	-	-
Interest rate derivative instruments	Asset	44	4	1	-	-	-	39
	Liability	(82)	(2)	(10)	(11)	(17)	(8)	(34)
Currency exchange derivative instruments	Asset	583	335	77	57	19	17	78
	Liability	(149)	(91)	(22)	(25)	(3)	(5)	(3)
OCEANE swap* instrument	Asset	-	-	-	-	-	-	-
	Liability	(7)	(7)	-	-	-	-	-
Amadeus shares derivative instrument	Asset	-	-	-	-	-	-	-
	Liability	(64)	(64)	-	-	-	-	-
Carbon credit derivative instruments	Asset	6	5	1	-	-	-	-
	Liability	-	-	-	-	-	-	-
Total	**Asset**	**771**	**480**	**81**	**57**	**19**	**17**	**117**
	Liability	**(1,602)**	**(1,283)**	**(213)**	**(36)**	**(20)**	**(13)**	**(37)**

* see note 33.2.1

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 33.2.1

36.2.1 Commodity risk linked to fuel prices

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

• As of December 31, 2015

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years 1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	Fair value
Commodity risk (cash flow hedging operating flows)								
Swap	309	217	92	-	-	-	-	(113)
Options	2,178	1,452	726	-	-	-	-	(1,049)
Total	**2,487**	**1,669**	**818**	**-**	**-**	**-**	**-**	**(1,162)**

The fair value is very negative further to the significant decrease of the price of Brent on the period.

• As of December 31, 2014

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years 1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	Fair value
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)**

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	**2015**		**2014**	
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	(26)	35	32	(25)
Gains / (losses) taken to equity	414	(422)	396	(389)

36.2.2 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:

• As of December 31, 2015

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years 1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	Fair value
Operations qualified as cash flow hedging	**3,349**	**339**	**418**	**417**	**327**	**322**	**1,526**	**(67)**
Interest rate swaps	3,239	321	385	404	314	289	1,526	(56)
Options	110	18	33	13	13	33	-	(11)
Operations qualified as fair value hedging	**195**	**17**	**-**	**-**	**-**	**-**	**178**	**33**
Interest rate swaps	195	17	-	-	-	-	178	33
Operations qualified as fair value through profit and loss	**84**	**8**	**-**	**-**	**76**	**-**	**-**	**(4)**
Interest rate swaps	84	8	-	-	76	-	-	(8)
Other								4
Total	**3,628**	**364**	**418**	**417**	**403**	**322**	**1,704**	**(38)**

• As of December 31, 2014

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years 1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	Fair value
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)
Total	**2,045**	**180**	**239**	**427**	**252**	**190**	**757**	**(83)**

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

In € millions	**2015**				**2014**			
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	2,053	2.0%	2,053	2.0%	2,337	2.2%	2,337	2.2%
Fixed-rate financial liabilities	5,110	4.2%	5,864	4.0%	5,655	4.5%	6,861	4.2%
Floating-rate financial assets and liabilities								
Floating-rate financial assets	1,931	0.4%	1,931	0.4%	1,485	0.7%	1,485	0.7%
Floating-rate financial liabilities	4,020	1.5%	3,266	1.7%	4,533	1.6%	3,364	1.9%
Without-rate financial assets	1,306	-	1,306	-	1,624	-	1,624	-

As of December 31, 2015 and December 31, 2014, 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 €9 million on the financial income for the year ended December 31, 2015 versus €6 million for the year ended December 31, 2014.

36.2.3 Exposure to exchange rate risk

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

• As of December 31, 2015

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years 1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	Fair value
Exchange risk (cash flow hedging of operating flows)	**2,718**	**1,939**	**779**	**-**	**-**	**-**	**-**	**167**
Exchange rate options	1,255	839	416	-	-	-	-	73
Forward purchases	1,032	757	275	-	-	-	-	94
Forward sales	431	343	88	-	-	-	-	-
Exchange risk (fair value hedging of flight equipment acquisition	**3,378**	**1,284**	**689**	**396**	**238**	**255**	**516**	**264**
Forward purchases	2,763	928	632	378	205	193	427	328
Forward sales	615	356	57	18	33	62	89	(64)
Exchange risk (trading)	**399**	**13**	**122**	**140**	**32**	**64**	**28**	**3**
Forward purchases	193	-	61	70	16	32	14	37
Forward sales	193	-	61	70	16	32	14	(37)
Others	13	13	-	-	-	-	-	3
Total	**6,495**	**3,236**	**1,590**	**536**	**270**	**319**	**544**	**434**

• As of December 31, 2014

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years 1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	Fair value
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)
Others	27	-	27	-	-	-	-	3
Total	**6,703**	**3,336**	**2,056**	**390**	**264**	**161**	**496**	**368**

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	**2015**	**2014**	**2015**	**2014**
US dollar	254	159	561	502
Pound sterling	36	26	-	1
Yen	1	5	843	745
Swiss francs	5	6	346	348

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	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Income before tax	(25)	(14)	(12)	(8)	(89)	(75)
Gains / (losses) taken to equity	179	299	(28)	(23)	(15)	(25)

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	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Income before tax	2	(5)	-	3	78	64
Gains / (losses) taken to equity	(131)	(215)	31	18	12	31

36.2.4 Carbon credit risk

As of December 31, 2015, the Group has hedged its future purchases of CO2 quotas via forward purchase for a nominal of €34 million with a fair value of €6 million, versus a nominal of €25 million with a fair value of €9 million as of December 31, 2014.

These contracts mostly expire within less than 2 years.

36.3 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, 2015 and 2014, 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, 2015 and 2014 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	**2015**		**2014**	
As of December 31	**Net book value**	**Estimated market value**	**Net book value**	**Estimated market value**
Financial assets				
Loans	275	279	175	181
Financial liabilities				
Bonds	2,611	2,771	3,234	3,551
OCEANE 2005	*415*	*433*	*402*	*447*
OCEANE 2009	-	-	*655*	*690*
OCEANE 2013	*489*	*577*	*471*	*613*
Bond 2009	*603*	*630*	*606*	*652*
Bond 2012	*500*	*532*	*500*	*547*
Bond 2014	*604*	*599*	*600*	*602*
Perpetual subordinated loans	584	279	564	264
Other borrowings and financial debt	1,872	1,945	1,770	1,663

36.4 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 4.11):

In € millions	Level 1		Level 2		Level 3		Total	
As of December 31	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Financial assets available for sale								
Shares	429	702	3	17	-	-	**432**	**719**
Assets at fair value through profit and loss								
Marketable securities and cash secured	37	38	840	630	-	-	**877**	**668**
Cash equivalents	1,063	729	1,283	1,500	-	-	**2,346**	**2,229**
Derivative instruments assets								
Interest rate derivatives	-	-	44	26	-	-	**44**	**26**
Currency exchange derivatives	-	-	583	450	-	-	**583**	**450**
Commodity derivatives	-	-	138	1	-	-	**138**	**1**
ETS derivatives	-	-	6	5	-	-	**6**	**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.

37. LEASE COMMITMENTS

37.1 Capital leases

The debt related to capital leases is presented in note 33.4.

37.2 Operating leases

The minimum future payments on operating leases are as follows:

In € millions **As of December 31**	**Minimum lease payments**	
	2015	**2014**
Flight equipment		
Due dates		
Y+1	1,131	1,041
Y+2	1,099	1,009
Y+3	952	960
Y+4	804	818
Y+5	640	704
Over 5 years	1,360	1,727
Total	**5,986**	**6,259**
Buildings		
Due dates		
Y+1	210	210
Y+2	153	159
Y+3	127	132
Y+4	111	111
Y+5	92	94
Over 5 years	707	768
Total	**1,400**	**1,474**

The commitments relating to operational leased aircraft are denominated in US Dollars.

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

38. FLIGHT EQUIPMENT ORDERS

Due dates for commitments to firm orders with a view to the purchase of flight equipment are as follows:

In € millions	**2015**	**2014**
As of December 31		
Y+1	811	566
Y+2	972	797
Y+3	984	811
Y+4	1,462	1,064
Y+5	1,644	1,001
> Year Y+5	2,870	3,792
Total	**8,743**	**8,031**

These commitments relate to amounts in US dollars, converted into euros at the closing date exchange rate. Furthermore these amounts are hedged.
As of December 31 2015, the total amount of commitments relating to flight equipment orders is USD 9 519 million, against USD 9 750 million as of December 31 2014.

The number of aircraft under firm order (excluding operational lease) as of December 31, 2015, increased by 14 units compared with December 31, 2014 and stood at 94 aircraft.
This change is explained by the delivery of 6 aircraft (including two new orders during the fiscal year), the order of 17 regional aircraft and substitution of A380s by A350s.

Long-haul fleet (passenger)

The Group took delivery of three Boeing B777-300s.
The Group substituted at two A380s on order, three A350-900s.

Regional fleet

The Group took delivery of two Embraer 190s ordered beginning this year.
The Group took delivery of one Bombardier CRJ1000.
The Group signed a firm order for 15 Embraer 175s and two options were converted into firm orders.

The Group's commitments concern the following aircraft:

Air France-KLM Group

Aircraft type	To be delivered in	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond Y+5	Total
Long-haul fleet – passenger								
A380	As of December 31, 2015	-	-	-	-	-	-	**-**
	As of December 31, 2014	-	-	-	2	-	-	**2**
A350	As of December 31, 2015	-	-	-	6	8	14	**28**
	As of December 31, 2014	-	-	-	2	6	17	**25**
B787	As of December 31, 2015	1	2	3	4	4	11	**25**
	As of December 31, 2014	-	1	4	4	3	13	**25**
B777	As of December 31, 2015	3	1	-	-	-	-	**4**
	As of December 31, 2014	3	3	1	-	-	-	**7**
Medium-haul fleet								
A320	As of December 31, 2015	-	2	1	-	-	-	**3**
	As of December 31, 2014	-	3	-	-	-	-	**3**
B737	As of December 31, 2015	4	8	5	-	-	-	**17**
	As of December 31, 2014	-	5	7	5	-	-	**17**
Regional fleet								
EMB 175	As of December 31, 2015	4	8	5	-	-	-	**17**
	As of December 31, 2014	-	-	-	-	-	-	**-**
CRJ 1000	As of December 31, 2015	-	-	-	-	-	-	**-**
	As of December 31, 2014	1	-	-	-	-	-	**1**
Total	**As of December 31, 2015**	**12**	**21**	**14**	**10**	**12**	**25**	**94**
	As of December 31, 2014	**4**	**12**	**12**	**13**	**9**	**30**	**80**

39. OTHER COMMITMENTS

39.1 Commitments made

In € millions **As of December 31**	**2015**	**2014**
Call on investment securities	4	4
Warranties, sureties and guarantees	280	348
Secured debts	5,051	5,194
Other purchase commitments	104	149

The restrictions and pledges as of December 31, 2015 are as follows:

In € millions	**Starting date of pledge**	**End of pledge**	**Amount pledged**	**NBV of balance sheet entry concerned**	**Corresponding %**
Intangible assets	-	-	-	1,018	-
Tangible assets	March 1999	September 2027	5,918	10,389	57.0%
Other financial assets	November 1999	May 2027	1,448	2,191	66.1%
Total			**7,366**	**13,598**	

39.2 Commitments received

In € millions **As of December 31**	**2015**	**2014**
Warranties, sureties and guarantees	185	178

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

40. RELATED PARTIES

40.1 Transactions with the principal executives

As of December 31, 2015, directors and their relatives held less than 0.2 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, 2015 and for 2014.
During these two financial years, there were no payments of post-employment benefits.

40.2 Transactions with the other related parties

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

In € millions **As of December 31**	**2015**	**2014**
Assets		
Net trade accounts receivable	65	109
Other current assets	8	17
Other non-current assets	9	8
Total	**82**	**134**
Liabilities		
Trade accounts payable	104	95
Other current liabilities	48	56
Other long-term liabilities	69	72
Total	**221**	**223**

In € millions **As of December 31**	**2015**	**2014**
Net sales	173	227
Landing fees and other rents	(421)	(407)
Other selling expenses	(158)	(156)
Passenger service	(44)	(41)
Other	(28)	(30)
Total	**(478)**	**(407)**

The variations noticed between December 31, 2015 and 2014, are mainly related to the fact that Alitalia was a related party in 2014, while it is not anymore in 2015.

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 €371 million and €361 million for the periods ended December 31, 2015 and 2014.

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 €37 million for the year ended December 31, 2015 versus €31 million as of December 31, 2014.

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 €109 million as of December 31, 2015 versus €106 million for the year ended December 31, 2014.

Amadeus

For the year ended December 31, 2015, total transactions with Amadeus amount to an expense of €128 million for the Group, compared with €130 million for the year ended December 31, 2014.

41. CONSOLIDATED STATEMENT OF CASH FLOW

41.1 Other non-monetary items and impairment

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

In € millions **As of December 31**	*Notes*	**2015**	**2014**
Variation of provisions relating to restructuring plan		(12)	(154)
Variation of provisions relating to pension		36	(88)
Other Impairment	*20*	5	-
Impairment of cargo CGU	*19*	-	113
Changes of pension plan KLM	*31.3*	(20)	(824)
Depreciation of assets held for sale	*11*	4	11
Other		24	14
Total		**37**	**(928)**

41.2 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***	**2015**	**2014**
Cash disbursement for acquisitions	(16)	(45)
Cash from acquired subsidiaries	9	2
Net cash disbursement	**(7)**	**(43)**

During 2015, the Group acquired the Panima company, based in Mayotte, and whose activity is catering. The Group has, also, taken control of several catering companies consolidated by the equity method previously (see note 5).

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

41.3 Disposal of subsidiaries without loss of control, of owned shares

As of December 31, 2015 and 2014, this line essentially consists of the sale of Amadeus shares, as described in note 11.

41.4 Non cash transactions

In financial year 2015, four operational lease contracts of B777-200 aircraft were reclassified as financial lease contracts. The total amount of these contracts was €128 million. The Group also concluded non-monetary financial leases for a total of €28 million.

During financial year 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 was €36 million.

These operations have no impact on the cash flow statement.

Air France-KLM Group

42. FEES OF STATUTORY AUDITORS

KPMG:

In € millions	2015		2014	
As of December 31	**Amount**	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	3.5	90%	3.8	91%
- Air France-KLM SA	*0.7*		*0.7*	
- Consolidated subsidiaries	*2.8*		*3.1*	
Other ancillary services and audit services	0.3	8%	0.3	7%
- Air France-KLM SA	*0.1*		*0.1*	
- Consolidated subsidiaries	*0.2*		*0.2*	
Sub-total	**3.8**	**97%**	**4.1**	**98%**
Other services				
Legal, tax and corporate	0.1	3%	0.1	2%
Total Air France-KLM	**3.9**	**100%**	**4.2**	**100%**

Deloitte & Associés:

In € millions	2015		2014	
As of December 31	**Amount**	**%**	**Amount**	**%**
Audit				
Statutory audit, certification, review of stand-alone and consolidated accounts	3.5	95%	3.7	94%
- Air France-KLM SA	*0.6*		*0.7*	
- Consolidated subsidiaries	*2.9*		*3.0*	
Other ancillary services and audit services	0.1	3%	0.1	7%
- Air France-KLM SA	*0.1*		*0.1*	
Sub-total	**3.6**	**97%**	**3.8**	**97%**
Other services				
Legal, tax and corporate	0.1	3%	0.1	3%
Total Air France-KLM	**3.7**	**100%**	**3.9**	**100%**

43. CONSOLIDATION SCOPE

As of December 31, 2015 the scope includes 160 fully-consolidated entities and 40 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.

The interest percentage in KLM is calculated based on the ordinary shares.

43.1 Consolidated entities

Entity	Country	Segment	% interest	% control
AIR FRANCE SA	France	Multisegment	100	100
KONINKLIJKE LUCHTVAART MAATSCHAPPIJ 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	40	40
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
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
MARTINAIR HOLLAND N.V.	Netherlands	Cargo	99	49
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

Entity	Country	Segment	% interest	% control
BLUE TEAM II	France	Maintenance	100	100
CRMA	France	Maintenance	100	100
EUROPEAN PNEUMATIC COMPONENT OVERHAUL AND REPAIR (EPCOR) B.V.	Netherlands	Maintenance	99	49
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
BLUE TEAM III	France	Transavia	100	100
TRANSAVIA AIRLINES B.V.	Netherlands	Transavia	99	49
TRANSAVIA AIRLINES C.V.	Netherlands	Transavia	99	49
TRANSAVIA AIRLINES LTD.	Bermuda	Transavia	99	49
TRANSAVIA COMPANY	France	Transavia	100	100
TRANSAVIA SERVICES GmbH	Germany	Transavia	99	49
TRANSAVIA FRANCE S.A.S.	France	Transavia	100	100
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
AMSTERDAM SCHIPHOL PIJPLEIDING BEHEER B.V.	Netherlands	Other	59	49
AMSTERDAM SCHIPOL PIJPLEIDING C.V.	Netherlands	Other	75	49
BLUE TEAM I	France	Other	100	100
BLUE YONDER IX B.V.	Netherlands	Other	99	49
BLUE YONDER XIV B.V.	Netherlands	Other	99	49
B.V. KANTOORGEBOUW MARTINAIR	Netherlands	Other	99	49
CELL K16 INSURANCE COMPANY	United Kingdom	Other	99	0
DAKAR CATERING	Senegal	Other	64	65
DUTY FLY SOLUTIONS	France	Other	49	50
DUTY FLY SOLUTIONS SPAIN	Spain	Other	49	100
DUTY FLY SOLUTIONS ITALY	Italy	Other	49	100
DUTY FLY SOLUTIONS LUXEMBURG	Luxemburg	Other	49	100
DUTY FLY SOLUTIONS ROMANIA	Romania	Other	49	100
EUROPEAN CATERING SERVICES	United States	Other	98	100
FONDEG CATERING CONGO	Congo	Other	32	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 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

Entity	Country	Segment	% interest	% control
LOME CATERING	Togo	Other	26	52
LYON AIR TRAITEUR	France	Other	98	100
MACAU CATERING SERVICES	Macao	Other	17	34
MALI CATERING	Mali	Other	70	99
MARTINAIR VESTIGING VLIEGVELD LELYSTAD B.V.	Netherlands	Other	99	49
MARTINIQUE CATERING	France	Other	96	98
MAURITANIA CATERING	Mauritania	Other	25	51
MAYOTTE CHR	Mayotte	Other	50	100
NAS AIRPORT SERVICES LIMITES	Kenya	Other	58	100
NEWREST SERVAIR PANAMA	Panama	Other	98	100
O'FIONNAGAIN HOLDING COMPANY LIMITED	Ireland	Other	100	100
ORION-STAETE B.V.	Netherlands	Other	99	49
ORLY AIR TRAITEUR	France	Other	96	98
PANIMA	Mayotte	Other	50	100
PARIS AIR CATERING	France	Other	98	100
PASSERELLE CDG	France	Other	50	51
PELICAN	Luxembourg	Other	100	100
PMAIR	France	Other	50	51
PYRHELIO-STAETE B.V.	Netherlands	Other	99	49
QUASAR-STAETE B.V.	Netherlands	Other	99	49
RIGEL-STAETE B.V.	Netherlands	Other	99	49
SCI BBP INVEST	France	Other	49	100
SENCA	Senegal	Other	32	51
SEREP	Senegal	Other	57	59
SERGEST	Senegal	Other	98	100
SERVAIR (Cie d'exploitation des services auxiliaires aériens)	France	Other	98	98
SERVAIR ABIDJAN	Ivory Coast	Other	78	80
SERVAIR BRASIL REFEICOES AEREAS E SERVICOS LTDA	Brasil	Other	50	100
SERVAIR BURKINA FASO	Burkina Faso	Other	84	86
SERVAIR CARAIBES	France	Other	98	100
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 OCEAN INDIEN	France	Other	50	52
SIA NWK HOLDING	France	Other	63	65
FFSI	France	Other	50	51
SIA KENYA HOLDING LIMITED	Kenya	Other	58	59
SKYCHEF	Seychelles	Other	54	55
SERVAIR INVESTISSEMENTS AEROPORTUAIRES	France	Other	98	100
SNC PANIMA INVEST	Mayotte	Other	50	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

Entity	Country	Segment	% interest	% control
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
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

43.2 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
HEATHROW CARGO HANDLING	Royaume-Uni	Cargo	50	50
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
SHS TECHNICS	Senegal	Maintenance	49	50
TRADEWINDS ENGINE SERVICES LLC	United States	Maintenance	50	50
ATLAS AIR CATERING AIRLINES SERVICES	Morocco	Other	20	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

Entity	Country	Segment	% interest	% control
FLYING FOOD SERVICES	United States	Other	48	49
FLYING FOOD SERVICES USA	United States	Other	48	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
MAINPORT INNOVATION FUND B.V.	Netherlands	Other	25	25
MAINPORT INNOVATION FUND II B.V.	Netherlands	Other	24	24
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	33	33
SCHIPHOL LOGISTICS PARK B.V.	Netherlands	Other	45	45
SCHIPHOL LOGISTICS PARK C.V.	Netherlands	Other	52	45
SERVAIR CONGO	Congo	Other	49	50
SERVICHEF	France	Other	44	45
SERVICHEF ESPACE SUD	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