

19 February 2015

Full Year 2014 Results

FULL YEAR 2014

- ▶ Revenues of 24.9 billion euros, stable (+0.3%) like-for-like¹
- ▶ EBITDA² of 1,589 million euros, down 266 million euros
- ▶ EBITDA of 2,014 million euros excluding the impact of the Air France pilot strike, up 159 million euros
- ▶ Operating result of -129 million euros, up 275 million euros like-for-like
- ▶ Third year of unit cost² reduction, down 1.3% like-for-like
- ▶ Net result, group share of -198 million euros, improvement of more than 1.6 billion euros
- ▶ Adjusted net result, group share² of -535 million euros
- ▶ Net debt² of 5.41 billion euros, up 59 million euros compared to 31 December 2013

FOURTH QUARTER 2014

- ▶ Revenues of 6.2 billion euros, slightly down (-0.5%) like-for-like
- ▶ EBITDA of 316 million euros, down 66 million euros
- ▶ EBITDA of 411 million euros excluding the impact of the Air France pilot strike, up 29 million euros

REINFORCED IMPLEMENTATION OF PERFORM 2020

- ▶ Cost reduction efforts reinforced: 2015-17 unit cost reduction target revised up to an average of 1.5% per year
- ▶ Investment plan revised down by 300 million euros in 2015 and 300 million euros in 2016
- ▶ 2015 targets: unit cost down 1% to 1.3%, net debt around 5 billion euros at end 2015

The Board of Directors of Air France-KLM, chaired by Alexandre de Juniac, met on 18 February 2015 to approve the accounts for Full Financial Year 2014.

Alexandre de Juniac made the following comments: *"The Transform 2015 strategic plan was completed at the end of Full Year 2014, having fully delivered on its objective of an in-depth turnaround in Air France-KLM's competitiveness. The Full Year 2014 results speak for themselves: despite the challenging economic and competitive context, once corrected for the impact of the Air France pilot strike, EBITDA is up by more than 50% in 3 years, and the operating cash flow³ has more than tripled to reach nearly 1.5 billion euros. This essential step in the turnaround of the Group was only achieved thanks to the full commitment of staff across the Group. With Perform 2020, the new strategic plan launched a few months ago, Air France-KLM is now focusing on the future: while continuing its deep transformation, the Group is investing in products, brands, and growth segments like low-cost and aeronautical maintenance... By deciding today to reinforce its unit cost reduction*

¹ Like-for-like: excluding currency, Air France pilot strike impact and Q4 one-offs. Same definition applies in rest of press release unless otherwise stated.

² See definition in appendix

³ Before change in Working Capital Requirement and Voluntary Departure Plans

efforts and adapt its investment plans, the Group is ensuring that it can achieve its key targets of improved competitiveness and deleveraging."

Key data

	Fourth quarter			Full Year		
	2014	2013*	Change	2014	2013*	Change
Passengers (thousands)	21,047	20,481	+2.8%	87,358	86,224	+1.3%
Capacity (EASK m)	81,565	81,194	+0.5%	332,602	333,480	-0.3%
Revenues (€m)	6,212	6,123	+1.5%	24,912	25,520	-2.4%
<i>Change like-for-like (%)</i>			-0.5%			+0.3%
EBITDA (€m)	316	382	-66	1,589	1,855	-266
EBITDA excluding strike (€m)	411	382	+29	2,014	1,855	+159
<i>EBITDA margin excluding strike (%)</i>	6.6%	6.2%	+0.4 pt	8.1%	7.3%	+0.8 pt
<i>EBITDA change like-for-like (€m)</i>			-6			+216
Operating result (€m)	-169	-63	-106	-129	130	-259
Operating result excluding strike (€m)	-74	-63	-11	296	130	+166
<i>Operating margin excluding strike (%)</i>	-1.2%	-1.0%	-0.2 pt	1.2%	0.5%	+0.7 pt
<i>Operating result like-for-like (€m)</i>			+6			+275
Net result, group share (€m)	316	-1,176	+1,492	-198	-1,827	+1,629
Adjusted net result, group share (€m)	-304	-149	-155	-535	-463	-72
Earnings per share (€)	1.07	-3.97	+5.04	-0.67	-6.17	+5.50
Diluted earnings per share (€)	0.78	-3.97	+4.75	-0.67	-6.17	+5.50
Adjusted earnings per share (€)	-1.03	-3.97	+2.94	-1.81	-1.56	-0.25
Diluted adjusted earnings per share (€)	-1.03	-3.97	+2.94	-1.81	-1.56	-0.25
Operating free cash flow ² (€m)				-164	530	-694
Net debt at end of period (€m)				5,407	5,348 ³	+59

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

During the Second Half 2014, activity was affected by a fourteen-day **strike by Air France pilots**, which had an estimated negative impact of 425 million euros on the operating result (330 million euros in the third quarter and 95 million euros in the fourth quarter). Total revenues were reduced by 495 million euros, partly offset by 70 million euros of net savings on costs. The strike led the Group to cancel 4,249 million ASKs and 213 million ATKs resulting in an equivalent cancellation of 4.75 billion EASKs (Equivalent Available Seat Kilometer).

In addition, in the fourth quarter, the Group recorded several **one-off items** for a net positive change of 48 million euros versus the fourth quarter of 2013:

- The Group recognized an unusually high level of revenues on tickets that have been issued but will never be used. This change of 100 million euros compared to Q4 2013 has been removed from the like-for-like computations.
- On the cost side, it recorded 52 million euros of one-off provisions mainly related to the fleet.

On top of these two items, "like-for-like" computations take into account **currency effects**, which had a significant impact on 2014 results, depressing revenues by 279 million euros, and costs by 121 million euros, for a net negative impact of 158 million euros on the operating result.

Full Year 2014 total revenues stood at 24.9 billion euros versus 25.5 billion euros in 2013, down 2.4%, but stable (+0.3%) like-for-like.

Total operating costs were 1.4% lower year-on-year and 0.8% lower on a like-for-like basis. Ex-fuel, they decreased by 0.4% and by 0.5% on a like-for-like basis. Unit cost per EASK was reduced by 1.3%, on a constant currency, fuel price and pension basis, excluding the strike and Q4 one-offs, against capacity measured in EASK up by +1.2%, corrected for the strike. The fuel bill amounted to 6,629 million euros, down 3.9% and 1.5% like-for-like. Total employee costs including temporary staff were down 1.9% to 7,510 million euros. On a constant scope and pension expense basis and adjusted for the strike, they declined by 119 million euros as a result of the Transform 2015 actions.

EBITDA amounted to 1,589 million euros, a decrease of 266 million euros. Strike-adjusted, EBITDA amounted to 2,014 million euros, up 159 million euros. The strike-adjusted EBITDA margin reached 8.1%, up 0.8 points compared to 2013. On a like-for-like basis, EBITDA improved by 216 million euros.

The operating result stood at -129 million euros versus 130 million euros in 2013, a 259 million euro decrease. Like-for-like, the operating result increased by 275 million euros, corrected for the strike (negative impact of 425 million euros), currency effects (negative impact of 158 million euros) and Q4 one-offs (positive impact of 48 million euros).

The net result, group share stood at -198 million euros against -1,827 million euros a year ago. It included notably the non-current result related to the changes in Dutch fiscal rules on pensions (+824 million euros) and the capital gain on the sale of Amadeus shares (+187 million euros), partly offset by impairments in the cargo activity (-113 million euros), the change in value of the fuel hedging portfolio (-92 million euros, the majority of the fall in value of the hedging portfolio being recorded directly in shareholders' equity through "other comprehensive income") and the impact of changes to fiscal rules regarding Dutch pensions on the deferred tax assets (-206 million euros). On an adjusted basis², the net result, group share stood at -535 million euros against -463 million euros in 2013, a 72 million euro decrease.

Earnings and diluted earnings per share stood at -0.67 euros (-0.17 euros in 2013), and at -1.81 euros on an adjusted basis (-1.56 euros in 2013). The Board of Directors decided not to submit a proposed dividend distribution to the next Annual General Meeting.

The return on capital employed² (ROCE) was stable at 1.6% compared to 2013. Strike-adjusted, it reached 5.1%, up 2.2 points.

In the **Fourth Quarter 2014**, total revenues stood at 6.2 billion euros versus 6.1 billion euros in 2013, up 1.5%, but down -0.5% on a like-for-like basis. Unlike in previous quarters, currencies had a positive 98 million euro impact on revenues, primarily due to the strengthening of the dollar against the euro.

EBITDA amounted to 316 million euros, down by 66 million euros. Strike-adjusted, EBITDA amounted to 411 million euros, up 29 million euros. On a like-for-like basis, EBITDA was stable (-6 million euros).

The operating result stood at -169 million euros versus -63 million euros in 2013. Currencies had a 65 million euro negative impact on the operating result in Fourth Quarter 2014.

Passenger business

Passenger	Full Year 2014	Full Year 2013*	Change	Change like-for-like
Passengers (thousands)	77,450	77,328	+0.2%	-
Capacity (ASK m)	270,789	272,416	-0.6%	+1.0%
Traffic (RPK m)	229,347	228,313	+0.5%	-
Load factor	84.7%	83.8%	+0.9 pt	-
Total passenger revenues (€m)	19,570	20,112	-2.7%	-
Total passenger revenues excl. strike (€m)	20,021	20,112	-0.5%	+0.3%
Scheduled passenger revenues (€m)	18,695	19,200	-2.6%	+0.4%
Unit revenue per ASK (€ cts)	6.90	7.05	-2.0%	-0.6%
Unit revenue per RPK (€ cts)	8.15	8.41	-3.1%	-
Unit cost per ASK (€ cts)	6.93	6.98	-0.7%	-1.7%
Operating result (€m)	-83	174	-257	-
Operating result excluding strike (€m)	289	174	+115	+208
Of which long-haul (estimated)	730	800	-70	
Of which medium-haul hub feeding (est.)	-320	-400	+80	
Of which medium-haul point-to-point (est.)	-120	-220	+100	

* Restated for IFRIC 21, CityJet reclassified as discontinued operation, and restated for change in revenue allocation (24 million euros transferred from "other passenger" to "scheduled passenger" revenues in FY 2013)

Full Year 2014 total passenger revenues amounted to 19,570 million euros, down 2.7%. Corrected for the strike, revenues stood at 20,021 million euros, down -0.5% and up 0.3% like-for-like. The operating result of the passenger business stood at -83 million euros, versus 174 million euros over the Full Year 2013. Corrected for the strike, the operating result would have amounted to 289 million euros, an increase of 115 million euros. Like-for-like, the operating result improved by 208 million euros.

The Group maintained its strict capacity discipline, increasing total passenger capacity by only 1.0% excluding the strike impact. Unit revenue per Available Seat Kilometer (RASK) remained volatile, down by 0.6% on a like-for-like basis over the Full Year. In the First Half, RASK was up by +0.5% on a like-for-like basis, but decreased in the Second Half, falling by -1.8% in Q3 and by -1.1% in Q4 on a like-for-like basis.

On the long-haul network, unit revenue was affected by industry overcapacity on certain parts of the network and a weak performance on the Latin American network on the back of a worsening economic situation in several key markets and high comparables in the Second Half. Excluding the strike, the estimated long-haul operating result was down 70 million euros to 730 million euros.

As planned within the framework of Transform 2015, short and medium-haul point-to-point capacity (excluding the Paris and Amsterdam hubs) was further reduced (down 12.8%, excluding strike impact), leading to a significant improvement in unit revenue (estimated at +7.5% like-for-like), whereas for hub-related short and medium-haul traffic, unit revenues remained stable (+0.1% like-for-like). Excluding the strike, the medium-haul estimated operating result was up 180 million euros.

Over the Full Year 2015, the Group will maintain its strict capacity discipline in the passenger business, with planned capacity growth of 1.1% (excluding mechanical rebound in Q3 linked to the strike), including notably stable capacity in the First Quarter of 2015.

As a result of Transform 2015, and despite the low capacity growth, the passenger activity delivered a further decrease in unit cost, with Cost per Available Seat Kilometer (CASK) down by 1.7% like-for-like.

Passenger	Q4 2014	Q4 2013*	Change	Change Like-for-like
Passengers (thousands)	19,095	18,840	+1.4%	-
Capacity (ASK m)	67,019	67,155	-0.2%	-
Traffic (RPK m)	55,763	55,383	+0.7%	-
Load factor	83.2%	82.5%	+0.7 pt	-
Total passenger revenues (€m)	4,861	4,845	+0.3%	-
Total passenger revenues excl. strike (€m)	4,932	4,845	+1.8%	-1.4%
Scheduled passenger revenues (€m)	4,632	4,614	+0.4%	-1.3%
Unit revenue per ASK (€ cts)	6.91	6.87	+0.6%	-1.1%
Unit revenue per RPK (€ cts)	8.31	8.33	-0.3%	-
Unit cost per ASK (€ cts)	7.17	6.96	+3.0%	-0.7%
Operating result (€m)	-171	-59	-112	-
Operating result excluding strike (€m)	-84	-59	-25	-19

* Restated for IFRIC 21, CityJet reclassified as discontinued operation, restated for change in revenue allocation (24 million euros transferred from "other passenger" to "scheduled passenger" revenues in FY 2013, none in Q4 2013)

In the **Fourth Quarter of 2014**, passenger revenues amounted to 4,861 million euros, up 0.3%, but down 1.4% like-for-like. The operating result of the passenger business stood at -171 million euros, versus -59 million euros in the same period last year. Corrected for the strike, the operating result amounted to -84 million euros, down 25 million euros against the same period last year. Like-for-like, it decreased by 19 million euros.

Unit revenue per Available Seat Kilometer (RASK) increased by +0.6% and decreased by 1.1% like-for-like. Unit costs (CASK) were reduced by 0.7% like-for-like.

Cargo business

Cargo	Full Year 2014	Full Year 2013	Change	Change Like-for-like
Tons (thousands)	1,302	1,341	-2.9%	-
Capacity (ATK m)	15,608	15,972	-2.3%	-0.9%
Traffic (RTK m)	9,843	10,089	-2.4%	-
Load factor	63.1%	63.2%	-0.1 pt	-
Total Cargo revenues (€m)	2,681	2,816	-4.8%	-
Total Cargo revenues excluding strike (€m)	2,725	2,816	-3.2%	-2.4%
Scheduled cargo revenues (€m)	2,509	2,619	-4.2%	-1.8%
Unit revenue per ATK (€ cts)	16.08	16.40	-2.0%	-0.9%
Unit revenue per RTK (€ cts)	25.49	25.96	-1.8%	-
Unit cost per ATK (€ cts)	17.43	17.66	-1.3%	-1.9%
Operating result (€m)	-212	-202	-10	-
Operating result excluding strike (€m)	-188	-202	+14	+33

The Group continued to restructure its cargo activity to address the weak global trade and structural air cargo industry overcapacity. During **Full Year 2014**, full-freighter capacity was reduced by more than 7%, leading to a strike-adjusted decrease in total capacity of 0.9%. Revenue per Available Ton Kilometer (ATK) was nevertheless down by 0.9% like-for-like, resulting in a further decrease of Full Year revenues, down 2.4% like-for-like.

Thanks to the good performance on unit costs, the operating result improved by 33 million euros like-for-like, but it remains negative (-188 million euros excluding strike impact).

Within the framework of Perform 2020, the Group is accelerating the phase out of 9 full-freighters and plans to operate only 5 full-freighters by the end of 2016. This reduction should enable the full-freighter business to return to operating breakeven in 2017 (versus a loss of 101 million euros in 2014).

Cargo	Q4 2014	Q4 2013	Change	Change Like-for-like
Tons (thousands)	334	345	-3.2%	-
Capacity (ATK m)	3,944	3,957	-0.3%	-
Traffic (RTK m)	2,546	2,626	-3.0%	-
Load factor	64.6%	66.4%	-1.8 pt	-
Total Cargo revenues (€m)	714	723	-1.2%	-
Total Cargo revenues excluding strike (€m)	722	723	-0.1%	-2.8%
Scheduled cargo revenues (€m)	676	674	+0.3%	-1.3%
Unit revenue per ATK (€ cts)	17.14	17.03	+0.6%	-1.2%
Unit revenue per RTK (€ cts)	26.55	25.67	+3.4%	-
Unit cost per ATK (€ cts)	17.90	17.49	+2.4%	-2.7%
Operating result (€m)	-31	-18	-13	-
Operating result excluding strike (€m)	-23	-18	-5	+10

In the **Fourth Quarter of 2014**, cargo revenues amounted to 714 million euros, down 1.2% but stable excluding the strike, helped by the strengthening of the dollar against the euro. On a like-for-like basis, revenue were down by 2.8%. Unit revenue per Available Ton Kilometer (RATK) decreased by 1.2% on a like-for-like basis.

The Group continued its efforts to reduce unit costs, down 2.7% on a like-for-like basis. The operating result improved by 10 million euros like-for-like.

Maintenance

Maintenance	Full Year 2014	Full Year 2013	Change	Change Like-for-like
Total revenues (€m)	3,392	3,280	+3.4%	-
Third party revenues (€m)	1,251	1,225	+2.1%	+3.5%
Operating result (€m)	174	159	+15	-
Operating result excluding strike (€m)	196	159	+37	+42
Operating margin excluding strike (%)	5.8%	4.8%	+1.0 pt	+1.1 pt

Full Year 2014 third party maintenance revenues amounted to 1,251 million euros, up 2.1% and by 3.5% like-for-like. The Air France pilot strike had a 22 million euro negative impact on the operating result due to lower internal revenues from the maintenance of the Air France fleet. Corrected for this impact, the operating result would have reached 196 million euros, up 37 million euros year-on-year, and up 42 million euros like-for-like.

Over the period, the Group recorded a 28% increase in its order book to 5.6 billion euros, including a major contract with Air China covering the maintenance of GE90 engines.

Maintenance	Q4 2014	Q4 2013	Change	Change Like-for-like
Total revenues (€m)	919	819	+12.2%	-
Third party revenues (€m)	356	298	+19.5%	11.6%
Operating result (€m)	61	48	+13	+9
Operating margin (%)	6.6%	5.9%	+0.8 pt	+0.3 pt

In the **Fourth Quarter of 2014**, third party maintenance revenues were 356 million euros, up 19.5% on the back of the strengthening of the dollar relative to the euro and dynamic activity in engine maintenance. The operating result increased by 13 million euros to 61 million euros.

Other business: Transavia

Transavia	Full Year 2014	Full Year 2013	Change
Passengers (thousands)	9,908	8,896	+11.4%
Capacity (ASK m)	21,299	19,675	+8.3%
Traffic (RPK m)	19,136	17,716	+8.0%
Load factor	89.8%	90.0%	-0.2 pt
Total passenger revenues (€m)	1,056	984	+7.3%
Scheduled passenger revenues (€m)	1,001	948	+5.6%
Unit revenue per ASK (€ cts)	4.94	4.98	-0.7%
Unit revenue per RPK (€ cts)	5.50	5.53	-0.5%
Unit cost per ASK (€ cts)	5.11	5.09	+0.3%
Operating result (€m)	-36	-23	-13

In the **Full Year 2014**, as planned within the Transform 2015 framework, Transavia capacity was up by 8.3%, reflecting the accelerated development in France (capacity up by 21%, with an average load factor above 87%) and the ongoing repositioning in the Netherlands (with scheduled capacity up 11.8% and charter capacity down 4.3%). Traffic rose 8.0% and passengers almost reached 10 million. The load factor remained high (89.8%, down 0.2 point) despite the strong increase in capacity.

Total revenues stood at 1,056 million euros, up 7.3%. Unit revenue per ASK decreased by 0.7% while unit cost per ASK was stable (+0.3%). The operating result was -36 million euros, down by 13 million euros, reflecting the rapid ramp up in France.

In December 2014, Air France and its pilots' unions signed an agreement relating to the development of Transavia in France. This agreement ensures the entirety of the Transavia development plan in France over the next five years:

- Continued strong growth in Summer 2015: 21 aircraft in operation versus 16 in Summer 2014, Transavia to become the number one low cost carrier at Paris-Orly by Summer 2015.
- 37 Boeing 737s in operation by 2019, potentially operating flights from all French airports excluding the Paris-CDG hub, including on destinations already served by Air France.

Transavia will maintain its own operating and remuneration conditions, which are key to achieving its unit cost and operating flexibility objectives.

The development of Transavia will further accelerate in 2015: capacity up 30% in France, operation of a network of 44 destinations from Paris, new brand identity, new web site, order for 20 Boeing 737s, closer ties with Flying Blue, etc.

Transavia	Q4 2014	Q4 2013	Change
Passengers (thousands)	1,952	1,641	+19.0%
Capacity (ASK m)	4,316	3,790	+13.9%
Traffic (RPK m)	3,794	3,308	+14.7%
Load factor	87.9%	87.3%	+0.6 pt
Total passenger revenues (€m)	193	171	+12.9%
Scheduled passenger revenues (€m)	181	162	+11.7%
Unit revenue per ASK (€ cts)	4.52	4.49	+0.7%
Unit revenue per RPK (€ cts)	5.14	5.14	+0.0%
Unit cost per ASK (€ cts)	5.31	5.41	-1.9%
Operating result (€m)	-34	-35	+1

In the **Fourth Quarter of 2014**, Transavia capacity was up 13.9%. Traffic rose 14.7% resulting in a load factor increase of 0.6 point to 87.9%. Unit revenue per ASK was up 0.7%. Transavia's total revenue stood at 193 million euros, up 12.9%. The operating result was -34 million euros, up 1 million euros year-on-year.

Other business: Catering

Catering	Full Year 2014	Full Year 2013	Change	Change Like-for-like*
Total revenues (€m)	871	915	-4.8%	+2.1%
Third party revenues (€m)	311	341	-8.8%	+5.9%
Operating result (€m)	18	24	-25.0%	+20.8%

* Like-for-like: 2013 restated for sale of Air Chef and excluding strike impact

In **Full Year 2014**, third party catering revenues amounted to 311 million euros, down 8.8%. At constant scope (excluding the impact of the sale of Air Chef occurring in Q2 2013), third party revenues increased by 5.9%, reflecting the signature of new contracts and the launch of new operations, including in Brazil. The operating result stood at 18 million euros, up 20.8% at constant scope and corrected for the impact of the Air France pilot strike on internal revenues. Catering increased its profitability while continuing to reduce costs for its internal customers.

Catering	Q4 2014	Q4 2013	Change	Change Like-for-like
Total revenues (€m)	216	216	+0.0%	-
Third party revenues (€m)	77	75	+2.7%	-
Operating result (€m)	6	5	+20.0%	-

In the **Fourth Quarter of 2014**, third party catering revenues amounted to 77 million euros, up 2.7%. The operating result was up 20%.

Financial situation

In € million	Full Year 2014	Full Year 2013*	Change
Cash flow before change in WCR and Voluntary Departure Plans, continued operations	+1,039	+1,311	-272
Cash out related to Voluntary Departure Plans	-154	-183	+29
Change in Working Capital Requirement (WCR)	+113	+343	-230
Operating cash flow	+998	+1,471	-473
Net investments before <i>sale & lease-back</i>	-1,360	-1,064	-296
Cash received through <i>sale & lease-back</i> transactions	+198	+123	+75
Net investments after <i>sale & lease-back</i>	-1,162	-941	-221
Operating free cash flow	-164	+530	-
Operating free cash flow, excluding strike	+261	+530	-

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

In **Full Year 2014**, the fall of 266 million euros in EBITDA, primarily due to the Air France pilot strike, translated into a 272 million euro reduction in cash flow before change in WCR and cash out related to Voluntary Departure Plans.

The Group disbursed 154 million euros for Voluntary Departure Plans. The change in Working Capital Requirement contributed 113 million euros to operating cash flow. Net investments before *sale & lease-back* transactions stood at 1,360 million euros, up 296 million euros against the low level achieved in 2013.

As a result, operating free cash flow amounted to minus 164 million euros, versus a positive 530 million euros a year earlier. Strike-adjusted, operating free cash flow would have been positive by 261 million euros.

Operating free cash flow does not include free cash flow from financial investments, including the cash-in of 339 million euros from the sale of Amadeus shares in September.

Net debt amounted to 5.41 billion euros at 31 December 2014, versus 5.35 billion euros at 31 December 2013. The 12 months trailing net debt / EBITDA ratio stood at 3.4x at 31 December 2014 compared to 2.9x at 31st December 2013. Corrected for the strike impact on EBITDA, it would have fallen to 2.7x.

Despite the returns on the pension plan assets and the positive impact of the changes in Dutch fiscal rules on pensions, the 130 basis point fall in discount rate led to a significant increase in the actuarial valuation of the retirement obligations. The balance sheet pension situation thus moved from a net asset of 601 million euros at 31 December 2013 to a net liability of 710 million euros. Combined with the lower value of the fuel hedging portfolio, this evolution led to shareholder's equity becoming a negative 671 million euros at 31 December 2014. This accounting situation has no consequence on Group operations and liabilities.

The Group continues to enjoy a good level of liquidity, with net cash² of 3.5 billion euros at 31 December 2014, and undrawn credit lines of 1.77 billion euros. This compares with short term debt of 1.8 billion euros. In January 2015, the Group received net proceeds of 327 million euros on the sale of Amadeus shares.

Outlook

After three years of implementation, Transform 2015 has reached its cost reduction target, with ex-fuel unit cost down 7% compared to 2011. Nevertheless, the momentum in net debt reduction was slowed by the Air France pilot strike and the weaker unit revenues observed since Summer 2014.

The Group is currently deploying all the operational initiatives planned within the framework of the new strategic plan Perform 2020:

- The development of the passenger hub business based on an upgraded product offer, an increased customer focus, a stronger positioning of brands, and the reinforcement of strategic partnerships.
- The further optimization of its point-to-point operations, with the creation of a single business unit, aiming at a return to operating breakeven by 2017.
- A new step in the accelerated development of Air France-KLM in the European leisure market, under the Transavia brand, growing by 30% on the French market in 2015 and carrying more than 16 million passengers by 2017.
- The finalisation of the cargo repositioning
- The development of the maintenance business

In parallel, a structured approach to achieving unit cost reduction is being deployed across all entities of the Group. Negotiations with KLM unions are ongoing, and will start in the second quarter of 2015 with Air France unions.

The global context in early 2015 remains uncertain, with a significant drop in fuel prices, the continuation of the overcapacity situation on several long-haul markets, and a negative currency impact on results. In consequence, the Group believes that almost all of the expected savings on the fuel bill⁴ could be offset by unit revenue pressure and negative currency impacts.

Under these conditions, the Group has decided to reinforce the measures planned within the framework of Perform 2020:

- 2015-16 investment plan scaled back by 600 million euros: 300 million euros in 2015 and 300 million euros in 2016
- Immediate implementation of further measures at Air France including new Voluntary Departure Plans targeting 800 Full-Time Equivalents
- 2015-17 unit cost reduction target revised up from “between 1% and 1.5% per year” announced in September 2014 to “an average of 1.5% per year”

For Full Year 2015, the Group targets a unit cost reduction of 1% to 1.3%, equivalent to 250 to 350 million euros of savings, and net debt around 5 billion euros at the end of 2015, taking into account the financial impact of the pilot strike.

The Group is updating its medium-term (2017) financial targets to take into account the significant fall in fuel prices, the increased volatility of currencies and unit revenues, and the impact of the pilot strike:

- The target on debt ratio becomes: an adjusted net debt²/EBITDAR ratio of around 2.5 in 2017
- The group maintains its free cash-flow target: base businesses to consistently generate annual positive free cash flow

The medium-term 8 to 10% EBITDAR growth target issued in September 2014 was based on a constant fuel price but not constant unit revenues. The current context of a significant fall in fuel prices accompanied by a fall in unit revenue is making the achievement of this target challenging. In consequence, the Group will focus for now on its reinforced average 1.5% annual unit cost reduction efforts.

⁴ Based on the forward curve at 9 February 2015, the 2015 fuel bill is expected to reach 6.3 billion euros (7.4 billion dollars at 1.15 dollars per euro) against 6.6 billion euros (8.9 billion dollars) in 2014.

The audit procedures for the consolidated accounts have taken place. The certification report will be published following the completion of procedures necessary for the filing of the Registration Document.

The results presentation is available at www.airfranceklm-finance.com on 19 February 2015 from 7:15am CET.

An Analysts' Meeting will be held on 19 February 2015 at 09.00 CET at the Pullman Paris Tour Eiffel hotel, 18, avenue de Suffren (75015 Paris).

A live webcast of the Analysts' Meeting will also be available on the website (password AKH).

To connect to the conference call, please dial:

- France: +33 1 70 99 32 12 (Password: AKH)
- Netherlands: +31 20 7965 012 (Password: AKH)
- UK: +44 207 162 0125 (Password: AKH)
- US: +1 334 323 6203 (Password: AKH)

To listen to a recording of the conference in English, dial:

- France: +33 1 70 99 35 29 (code : 951014)
- Netherlands: +31 20 7965 345 (code : 951014)
- UK: +44 20 7031 4064 (code: 951014)
- US: 1 954 334 0342 (code: 951014)

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INCOME STATEMENTS

<i>In million euros</i>	Fourth Quarter			Full Year		
	2014	2013*	Change	2014	2013*	Change
Sales	6,212	6,123	1.5%	24,912	25,520	-2.4%
Other revenues	1	1	0.0%	18	10	80.0%
External Expenses	-4,043	-3,894	3.8%	-15,791	-15,997	-1.3%
Aircraft fuel	-1,703	-1,652	3.1%	-6,629	-6,897	-3.9%
Chartering costs	-109	-104	4.8%	-438	-455	-3.7%
Aircraft operating lease costs	-227	-221	2.7%	-873	-913	-4.4%
Landing fees and en route charges	-455	-442	2.9%	-1,840	-1,839	0.1%
Catering	-147	-143	2.8%	-591	-589	0.3%
Handling charges and other operating costs	-377	-349	8.0%	-1,476	-1,405	5.1%
Aircraft maintenance costs	-377	-328	14.9%	-1,356	-1,303	4.1%
Commercial and distribution costs	-205	-200	2.5%	-870	-852	2.1%
Other external expenses	-443	-455	-2.6%	-1,718	-1,744	-1.5%
Salaries and related costs	-1,810	-1,791	1.1%	-7,316	-7,482	-2.2%
Taxes other than income taxes	-39	-49	-20.4%	-169	-186	-9.1%
Amortization	-433	-403	7.4%	-1,589	-1,566	1.5%
Depreciation and provisions	-52	-42	23.8%	-129	-159	-18.9%
Other income and expenses	-5	-8	-37.5%	-65	-10	550%
Income from current operations	-169	-63	168%	-129	130	na
Sales of aircraft equipment	5	-7	na	0	-12	-100%
Sales of subsidiaries	0	-2	-100%	185	7	2542%
Other non-current income and expenses	805	-111	na	695	-352	na
Income from operating activities	641	-183	na	751	-227	na
Income from cash and cash equivalents	19	17	11.8%	76	77	-1.3%
Cost of financial debt	-109	-122	-10.7%	-446	-481	-7.3%
Net cost of financial debt	-90	-105	-14.3%	-370	-404	-8.4%
Foreign exchange gains (losses), net	-8	30	na	-158	74	na
Change in fair value of financial assets and liabilities	54	72	-25.0%	-92	57	na
Other financial income and expenses	-31	-18	72.2%	-68	-28	142%
Income before tax	566	-204	na	63	-528	na
Income taxes	-220	-889	-75.3%	-209	-957	-78.2%
Net income of consolidated companies	346	-1,095	na	-146	-1,485	90.2%
Share of profits (losses) of associates	-24	-1	-2300%	-39	-211	81.5%
Income from continuing operations	322	-1,096	na	-185	-1,696	89.1%
Net income from discontinued operations	0	-81	100%	-4	-122	96.7%
Net income for the period	322	-1,175	na	-189	-1,818	89.6%
Minority interest	-6	-1	500%	-9	-9	0.0%
Net income for the period - Group	316	-1,176	na	-198	-1,827	89.2%

* Restated for IFRIC 21, CityJet reclassified as discontinued

CONSOLIDATED BALANCE SHEET

Assets	December 31, 2014	December 31, 2013*
<i>In million euros</i>		
Goodwill	243	237
Intangible assets	1,009	896
Flight equipment	8,728	9,391
Other property, plant and equipment	1,750	1,819
Investments in equity associates	139	177
Pension assets	1,409	2,454
Other financial assets	1,502	1,963
Deferred tax assets	1,031	434
Other non-current assets	243	113
Total non-current assets	16,054	17,484
Assets held for sale	3	91
Other short-term financial assets	787	1,031
Inventories	538	511
Trade accounts receivables	1,728	1,775
Other current assets	961	845
Cash and cash equivalents	3,159	3,684
Total current assets	7,176	7,937
Total assets	23,230	25,421

* Restated for IFRIC 21, CityJet reclassified as discontinued

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

* Restated for IFRIC 21, CityJet reclassified as discontinued

CONSOLIDATED STATEMENT OF CASH FLOWS

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

* Restated for IFRIC 21, CityJet reclassified as discontinued

KEY FINANCIAL INDICATORS

EBITDA and EBITDAR

<i>In million euros</i>	Q4 2014	Q4 2013*	FY 2014	FY 2013*
Income/(loss) from current operations	(169)	(63)	(129)	130
Amortization	433	403	1,589	1,566
Depreciation and provisions	52	42	129	159
EBITDA	316	382	1,589	1,855
Aircraft operating lease costs	(227)	(221)	(873)	(913)
EBITDAR	543	603	2,462	2,768

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

Restated net income

	Q4 2014	Q4 2013*	FY 2014	FY 2013*
Net income/(loss), Group share (in €m)	316	(1,176)	(198)	(1,827)
Net income/(loss) from discontinued operations (in €m)	0	81	4	122
Deferred tax linked to legal modification pension plan Netherlands	206	0	206	0
Unrealized foreign exchange gains and losses, net (in €m)	(26)	(39)	122	(114)
Change in fair value of financial assets and liabilities (derivatives) (in €m)	(54)	(72)	92	(57)
Non-current income and expenses (in €m)	(810)	120	(880)	357
Depreciation of shares available for sale (in €m)	1	0	30	119
Cargo deferred tax assets (in €m)	63	937	89	937
Restated net income/(loss) (in €m)	(304)	(149)	(535)	(463)
Restated net income/(loss) per share (in €)	(0.67)	(6.17)	(1.81)	(1.56)

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

Return on capital employed (ROCE)

<i>In million euros</i>	31 Dec. 2014	31 Dec. 2013*	31 Dec. 2013*	31 Dec. 2012**
Goodwill and intangible assets	1,252	1,133	1,133	1,094
Flight equipment	8,728	9,391	9,391	10,048
Other property, plant and equipment	1,750	1,819	1,819	1,932
Investments in equity associates, <i>excluding Alitalia</i>	139	177	177	174
Other financial assets excluding shares available for sale, marketable securities and financial deposits	152	128	128	132
Provisions, excluding pension, cargo litigation and restructuring	(1,403)	(1,105)	(1,105)	(952)
WCR, excluding market value of derivatives	(4,928)	(4,905)	(4,905)	(4,535)
Capital employed on balance sheet	5,690	6 638	6,638	7,893
Average capital employed on balance sheet		6,164		13,758
Capital employed related to flight equipment under operating leases (operating leases x7)		6,111		6,391
Average capital employed (A)		12,276		13,655
Operating result, adjusted for operating leases	167		440	
- Dividends received	(17)		(9)	
- Share of profits (losses) of associates, <i>excluding Alitalia</i>	(39)		(10)	
- Tax recognized in the adjusted net result	86		(20)	
Adjusted result after tax, <i>excluding Alitalia</i> (B)	197		401	
ROCE (B/A)	1.6%		2.9%	
Adjusted result after tax, <i>excl. Alitalia</i> , excluding strike (C)	623		401	
ROCE excluding (C/A)	5.1%		2.9%	

* Restated for IFRIC 21, CityJet reclassified as discontinued operation - ** Restated IAS19 revised

Net debt

Balance sheet at (In million euros)	31 December 2014	31 December 2013
Current and non-current financial debt	9,879	10,733
Deposits on aircraft under finance lease	(584)	(626)
Financial assets pledged (OCEANE swap)	(196)	(393)
Currency hedge on financial debt	(21)	8
Accrued interest	(123)	(144)
Gross financial debt (A)	8,955	9,578
Cash and cash equivalents	3,159	3,684
Marketable securities	73	126
Cash pledges	399	432
Deposits (bonds)	166	154
Bank overdrafts	(249)	(166)
Net cash (B)	3,548	4,230
Net debt (A) – (B)	5,407	5,348

Adjusted net debt and adjusted net debt/EBITDAR ratio

	31 December 2014	31 December 2013
Net debt (in €m)	5,407	5,348
Aircraft operating leases x 7 (in €m)	6,111	6,391
Adjusted net debt (in €m)	11,518	11,739
EBITDAR (in €m)	2,462	2,768
Adjusted net debt/EBITDAR ratio	4.7x	4.2x

Operating free cash flow

In million euros	2014	2013*
Net cash flow from operating activities	998	1,471
Investment in property, plant, equipment and intangible assets	(1,431)	(1,186)
Proceeds on disposal of property, plant, equipment and intangible assets	269	245
Operating free cash flow excluding discontinued operations	(164)	530

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

Net cost per EASK

	Q4 2014	Q4 2013*	FY 2014	FY 2013*
Revenues (in €m)	6,212	6,123	24,912	25,520
Income/(loss) from current operations (in €m)	(169)	(63)	(129)	130
Total operating expense (in €m)	(6,381)	(6,186)	(25,041)	(25,390)
Passenger business – other passenger revenues** (in €m)	229	231	875	912
Cargo business – other air freight revenues (in €m)	38	49	172	197
Third-party revenues in the maintenance business (in €m)	356	298	1,251	1,225
Other businesses – revenues other than Transavia transportation (in €m)	100	95	409	419
Net cost (in €m)	5,658	5,513	22,334	22,637
Capacity produced, reported in EASK	81,565	81,194	332,602	333,480
Net cost per EASK (in € cents per EASK)	6.94	6.79	6.71	6.79
Gross change	+2.2%		-1.1%	
Net cost, excluding strike (in €m)	5,642		22,404	
Capacity produced, reported in EASK, excluding strike	81,565		337,352	
Net cost per EASK, excluding strike (in € cents per EASK)	6.92	6.79	6.64	6.79
Currency effect on net costs (in €m)		135		(90)
<i>Change at constant currency</i>		-0.6%		-1.8%
Fuel price effect (in €m)		(73)		(160)
<i>Change on a constant currency and fuel price basis</i>		+0.7%		-1.1%
Defined pension benefit expense included in salaries and related costs (in €m)	93	61	388	379
Q4 one-off effect		-0.9%		-0.2%
Net cost per EASK on a constant currency, fuel price and defined benefit pension expense basis, excluding Q4 one-offs (in € cents per EASK)	6.94	6.99	6.64	6.73
Change on a constant currency, fuel price and defined benefit pension expense basis		-0.7%		-1.3%

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

** Restated for change in revenue allocation (24 million euros transferred from "other passenger" to "scheduled passenger" revenues in FY 2013, zero in Q4 2013)

INDIVIDUAL AIRLINE RESULTS

Air France

	2014	2013*	Change	Change like-for-like
Revenue (€m)	15,582	16,129	-3.4%	-
Revenue excluding strike (€m)	16,065	16,129	-0.4%	+0.1%
EBITDA (€m)	845	1,014	-169	-
EBITDA excluding strike (€m)	1,258	1,014	+244	+237
Operating result (€m)	-314	-174	-140	-
Operating result excluding strike (€m)	99	-174	+273	+302

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

KLM

	2014	2013	Change	Change like-for-like
Revenue (€m)	9,643	9,689	-0.5%	+0.7%
EBITDA (€m)	734	846	-112	-36
Operating result (€m)	175	301	-126	-34

NB: Sum of individual airline results does not add up to Air France-KLM total due to intercompany eliminations at Group level.

GROUP FLEET AT 31 DECEMBER 2014

Air France fleet

Aircraft type	AF	Hop!	Transavia	Owned	Finance lease	Operating lease	Total	In operation	Change / 31/12/13
B747-400	7			3	1	3	7	6	-1
B777-300	37			9	11	17	37	37	
B777-200	25			14	3	8	25	25	
A380-800	10			1	4	5	10	10	1
A340-300	13			4	6	3	13	13	
A330-200	15			4	1	10	15	15	
Total long-haul	107			35	26	46	107	106	
B747-400ERF	2					2	2	2	
B777-F	2			2			2	2	
Total cargo	4			2		2	4	4	
B737-800			14			14	14	14	3
A321	25			6	6	13	25	24	-1
A320	46			9	2	35	46	45	1
A319	41			15	10	16	41	41	
A318	18			11	7		18	18	
Total short and medium-haul	130		14	41	25	78	144	142	3
ATR72-500		11		1	3	7	11	11	3
ATR72-200									-1
ATR42-500		13		4	4	5	13	13	
Canadair Jet 1000		13		13			13	13	
Canadair Jet 700		15		13	2		15	13	
Canadair Jet 100		11		11			11	4	-3
Embraer 190		10		4		6	10	10	
Embraer 170		16		8	2	6	16	16	
Embraer 145		19		17	2		19	15	-3
Embraer 135		5		4	1		5	1	-1
Total regional	113			75	14	24	113	96	-5

TOTAL*	241	113	14	153	65	150	368	348	-2
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* At constant scope. CityJet and VLM were disposed, resulting in an additional decrease of -34 aircraft of which -31 in operation

KLM fleet

Aircraft type	KLM	KLM Cityhopper	Transavia	Martinair	Owned	Finance lease	Operating lease	Total	In operation	Change / 31/12/13
B747-400	22				15	2	5	22	22	
B777-300	8					8		8	8	
B777-200	15					6	9	15	15	
A330-300	5						5	5	5	+1
A330-200	12					6	6	12	12	
MD11	1				1			1	0	-4
Total long-haul	63				16	22	25	63	62	-3
B747-400ERF				4		3	1	4	3	
B747-400BCF				3			3	3	1	
MD-11-CF				3	3			3	3	
MD-11-F				3		2	1	3	3	
Total cargo				13	3	5	5	13	10	
B737-900	5				1	1	3	5	5	
B737-800	25		22		7	10	30	47	47	2
B737-700	18		9		2	9	16	27	27	
Total short and medium-haul	48		31		10	20	49	79	79	2
Embraer 190		28				13	15	28	28	4
Fokker 70		20			20			20	19	-7
Total Regional		48			20	13	15	48	47	-3
KLM	111	48	31	13	49	60	94	203	198	-4
TOTAL Air France-KLM*					202	125	244	571	546	-6

* At constant scope. CityJet and VLM were disposed, resulting in an additional decrease of -34 aircraft, of which -31 in operation