

# **AIR FRANCE-KLM**

Public limited company (*société anonyme*) with share capital of 428,634,035 euros

Registered office: 2 Rue Robert Esnault Pelterie - 75007 Paris

Registered with the Paris Trade and Company Register no. 552 043 002

## **STATUTORY FINANCIAL STATEMENTS**

**Year ending December 31, 2017**

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# AIR FRANCE – KLM

## INCOME STATEMENT

Year ending December 31,	Notes	2017	2016
<i>In € millions</i>			
Operating income	3	40	31
External expenses	4	(40)	(39)
Salaries and related costs	5	(4)	(2)
Other expenses		(1)	(1)
Total operating expenses		(45)	(42)
<b>Income from current operations</b>		<b>(5)</b>	<b>(11)</b>
Financial income		75	33
Financial expenses		(136)	(195)
<b>Net financial income</b>	6	<b>(61)</b>	<b>(162)</b>
<b>Earnings before tax and non-recurring items</b>		<b>(66)</b>	<b>(173)</b>
Non-recurring income		30	74
Non-recurring expenses		(30)	(73)
<b>Non-recurring income/- (loss)</b>	7	<b>0</b>	<b>1</b>
Income tax	8	36	11
<b>Net income/(loss)</b>		<b>(30)</b>	<b>(161)</b>

# AIR FRANCE – KLM

## BALANCE SHEET

<b>Assets</b>	<b>Notes</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<i>In € millions</i>			
Long-term investments	<b>9</b>	4,662	4,655
Loans & receivables related to long -term investment	<b>9-13</b>	920	489
<b>Fixed assets</b>		<b>5,582</b>	<b>5,144</b>
Trade receivables	<b>13</b>	24	26
Other receivables	<b>13</b>	255	26
Marketable securities	<b>10</b>	2,163	1,304
Cash		244	160
Prepaid expenses		7	6
<b>Current assets</b>		<b>2,693</b>	<b>1,522</b>
Amortisation of capital expenses		12	17
Bond redemption premium		1	2
<b>Total Assets</b>		<b>8,288</b>	<b>6,685</b>

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<b>Liabilities &amp; equity</b>	<b>Notes</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<i>In € millions</i>			
Capital	<i>11.1</i>	429	300
Additional paid-in capital	<i>11.2</i>	4,139	2,971
Legal reserve		70	70
Reserves		16	177
Income for the year	<i>11.2</i>	(30)	(161)
<b>Shareholders' equity</b>	<i>11.2</i>	<b>4,624</b>	<b>3,357</b>
<b>Other equity</b>	<i>12</i>	<b>600</b>	<b>600</b>
Provision for risks & liabilities	<i>12-17</i>	-	2
Financial debt	<i>12</i>	1,676	2,252
Trade payable:	<i>13</i>	15	11
including trade payables and related accounts		13	10
including tax and social debts		2	1
Other liabilities		1,357	463
<b>Liabilities</b>	<i>13</i>	<b>3,048</b>	<b>2,726</b>
<b>Unrealized foreign exchange gain</b>		<b>16</b>	
<b>Total Liabilities &amp; equity</b>		<b>8,288</b>	<b>6,685</b>

# AIR FRANCE – KLM

## NOTES

The following information constitutes the notes to the financial statements for the year ended December 31, 2017.

It is an integral part of the financial statements.

Air France KLM SA, a Public Limited Company (*société anonyme*) with registered office at 2 Rue Robert Esnault Pelterie 75007 Paris, is the parent company of the Air France-KLM Group. It is listed for trading in Paris (Euronext) and Amsterdam (Euronext).

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## 1. ACCOUNTING POLICIES AND PROCEDURES

Generally accepted accounting policies have been applied, consistent with the prudence principle and in accordance with the legal and regulatory provisions applicable in France and to the base assumptions whose aim is to provide a true and faithful representation of the company:

- going concern;
- consistent accounting methods from year to year;
- independence of financial periods;

and in accordance with the general rules for establishing and presenting annual financial statements.

The basic method used to value items recorded in the financial statements is the historical cost method.

### **THE MAIN ACCOUNTING METHODS USED ARE THE FOLLOWING:**

#### **Long-term investments**

Investments in equity securities are presented on the balance sheet at their acquisition cost net of impairment, if any. A provision for impairment is recorded as soon as the fair value falls below the acquisition value. The fair value of securities is determined by taking into account the share of shareholders' equity, the outlook for profitability and the stock market values that can be used as a reference.

Transfer taxes, fees or commissions and legal fees related to the acquisition of securities are expensed, according to the option offered by the regulations.

Treasury shares not allocated to employees or to a capital decrease are booked in long-term investments. They are shown at the lower of their acquisition cost or fair value. The fair value is determined based on the average market price for the last month of the financial year.

#### **Trade receivable**

Trade receivables are valued at their nominal value. They are valued on a case-by-case basis and a provision is set up as required based on the assessed risks.

#### **Marketable securities**

Marketable securities are shown on the balance sheet at the lower of their acquisition cost and their market value. In the case of listed shares, this market value is determined based on the market price at the end of the financial year.

Treasury shares invested as part of a liquidity agreement are valued at the lower of their acquisition price and fair value. The fair value is determined based on the last month average market price at the end of the financial year.

Negotiable debt securities (certificates of deposits, and bills issued by financial companies) are booked at their acquisition cost. Interest is booked as financial income, on a-prorata temporis basis.

#### **Foreign currency transactions**

Operating expense and income transactions in foreign currencies are recognized at the average exchange rate for each relevant month.

Trade payable and receivable in foreign currencies are valued at the exchange rate in effect at December 31, 2017.

Unrealized losses and gains are recognized as assets and liabilities on the balance sheet. Provisions are established for unrealized losses, except for the following cases:

- transactions where the currency and the term contribute to an overall positive currency position and;
- currency hedging contracts concerning the payment of future investment deliveries.

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## Debts

Debts are valued at their nominal amount. When fully hedged, debt in foreign currency is valued at hedged rate Euro/Dollar.

## Financial instruments

Financial derivative instruments are used to reduce exposure to interest rates risk and to foreign exchange. They are over the counter instruments with first class counterpart. Group management policy bans subscription of trading instruments.

## Dividends received

Dividends are recognized - when they are approved by the competent bodies in the companies (i.e.: the Board of Directors or the General Shareholders' Meeting depending on the local regulations) – or according to the terms of the bylaws.

## 2. SIGNIFICANT EVENTS OF THE PERIOD

On October 3, 2017, Air France KLM announced completion of the capital increases reserved to China Eastern Airlines and Delta Airlines. The 75,054,820 resulting shares were listed at Euronext Paris and Amsterdam. These capital increases had been approved by General Shareholders' Meeting on September 4, 2017.

Both China Eastern Airlines and Delta Airlines own 8.8% apiece of Air France KLM's share capital, as a consequence they both have a Director sitting at the Board of Directors.

The Group also announced the strengthening of its strategical partnerships with the creation of a worldwide partnership between Air France KLM, Delta Airlines and Virgin Atlantic. Air France KLM will purchase 31% of the share capital of Virgin Atlantic for GBP 220 million. Delta owns 49% of Virgin Atlantic's share capital. The creation of the worldwide partnership is subject to approval by competent regulatory authorities.

On November 15, 2017, Air France KLM proceeded with the early redemption of its convertible bonds (OCEANE). 53,359,937 OCEANES, i.e. 99.96% of outstanding convertible bonds, were converted into 53,359,937 new ordinary shares with a nominal value of EUR 1.00 each.

These two issues are detailed in note 11.1

## 3. OTHER INCOME

This primarily involves royalties of 17 millions paid by Air France and KLM at December 31, 2017 to use the "Air France-KLM" brand (€17 million as of December 31, 2016). It also encloses the provision of services paid by Air France and KLM for 22 millions as of December 31, 2017 (including an adjustment of €2 million on previous financial year), €13 millions as of December 31, 2016.

## 4. EXTERNAL EXPENSES

<b>Period</b>	<b>2017</b>	<b>2016</b>
Fees and surveys	13	12
Insurance	1	1
Sub-contracting and rents re-invoiced by Air France and KLM	21	21
Financial communication	2	2
Other	3	3
<b>Total</b>	<b>40</b>	<b>39</b>

During the financial year 2017, the teams assigned to Air France-KLM holding company represent 57 full time equivalent seconded from Air France and 21 full-time equivalent seconded from KLM.

## 5. SALARIES & RELATED COSTS

The gross remuneration including social charges of the company officers and Comex members is booked for €3.8 million for 2017 (€2.3 million for 2016).

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## 6. NET FINANCIAL INCOME

This section regroups interest paid or received, currency losses and gains, and allocations and reversal of financial provisions. The break-down is as follows.

<b>Period</b>	<b>2017</b>	<b>2016</b>
<b>Interest on loans and other financial expenses</b>	<b>(136)</b>	<b>(163)</b>
<i>Of which related companies commission on the guarantees granted by Air France and KLM &amp; interests on current account</i>	<i>(11)</i>	<i>(13)</i>
<i>Of which interest on OCEANE</i>	<i>(1)</i>	<i>(11)</i>
<i>Of which interest on bonds</i>	<i>(75)</i>	<i>(89)</i>
<i>Of which perpetual subordinated loan</i>	<i>(37)</i>	<i>(37)</i>
<i>Of which cost of sale of CICE receivable</i>	<i>-</i>	<i>(1)</i>
<i>Of which others</i>	<i>(12)</i>	<i>(12)</i>
<b>Interest on loans</b>	<b>42</b>	<b>23</b>
<i>Of which related companies</i>	<i>42</i>	<i>23</i>
<b>Other financial income</b>	<b>25</b>	<b>10</b>
<i>Of which related companies</i>	<i>19</i>	<i>2</i>
<i>Of which investment in mutual funds and certificates of deposit</i>	<i>5</i>	<i>8</i>
<b>Allocation to provisions</b>	<b>8</b>	<b>(32)</b>
<i>Of which provision for risks &amp; liabilities</i>	<i>1</i>	<i>(2)</i>
<i>Of which Air France KLM Finance shares</i>	<i>7</i>	<i>(25)</i>
<i>Of which treasury shares</i>	<i>-</i>	<i>(5)</i>
<b>Total</b>	<b>(61)</b>	<b>(162)</b>

## 7. NON-RECURRING INCOME

It is a non recurring receivable fully provided.

## 8. INCOME TAX

Air France-KLM has benefited from the tax consolidation scheme since April 1, 2002.

The consolidation scope, for which Air France-KLM is the parent company, mainly includes Air France-KLM, Air France, and HOP! Company.

The tax consolidation agreement is based on the so-called neutrality method and puts each member company of the tax group in the situation in which it would have been in without consolidation.

The tax consolidation group benefits from tax losses that can be carried forward for an unlimited period.

The subsidiaries recording a net earning, generated a tax consolidation gain of €41 million to Air France KLM of which €40 million for this financial year (€ 11 million on the previous financial year).

At the same time the Group booked a corporate tax of (5) millions – after the allocation of a part of the tax losses in accordance with the tax rules- and including the exceptional contributions implemented this year.



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## 9. LONG-TERM INVESTMENTS

### 9.1. NET BOOK VALUE

*In € millions*

	Beginning of year	Acquisitions Capital increases	Monetary decrease	Transfer	End of year
Equity investments	5,035	-	-	(355) <sup>(1)</sup>	4,680
Loans & receivables related to long term investment	490	430 <sup>(2)</sup>	-	-	920
Other long- term investments	01	-	-	-	-
<b>Gross amount</b>	<b>5,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,600</b>
<b>Depreciation</b>	<b>(381)</b>	<b>-</b>	<b>7<sup>(3)</sup></b>	<b>355</b>	<b>(18)</b>
<b>Net amount</b>	<b>5,144</b>	<b>430</b>	<b>7</b>	<b>-</b>	<b>5,582</b>

<sup>(1)</sup> Transfer of the Securities Compagnia Aerea Italiana Spa in marketable securities because of a detention rate of 0.73 % and due to the withdrawal, in 2017, of the latter from the Partnership agreement with Air France KLM.

<sup>(2)</sup> Net increases of loans & receivables related to long term investment granted to KLM, Air France KLM Finance, and Transavia Company.

<sup>(3)</sup> reversal of provision on Air France KLM Finance shares

### 9.2. EQUITY INVESTMENTS

*In € millions*

COMPANIES	Gross value at beginning of year	Transfers or Acquisitions	Allocation	Gross value at end of year
Air France	3,821	-	-	3,821
KLM	824	-	-	824
Compagnia Aerea Italiana SpA	355	(355)	-	-
Air France KLM Finance	31	-	-	31
Transavia Company	4	-	-	4
Air France KLM International Mobility	NA	-	-	-
<b>Total</b>	<b>5,035</b>	<b>(355)</b>	<b>-</b>	<b>4,680</b>

*In € millions*

COMPANIES	Provisions at beginning of year	Transfers or Acquisitions	Allocation	Provisions at end of year
Compagnia Aerea Italiana SpA <sup>(1)</sup>	(355)	355	-	-
Air France KLM Finance	(25)	-	7	(18)
<b>Impairment</b>	<b>(380)</b>	<b>-</b>	<b>-</b>	<b>(18)</b>
<b>Net Value</b>	<b>4,655</b>	<b>-</b>	<b>7</b>	<b>4,662</b>

<sup>(1)</sup> Compagnia Aerea italiana SpA shares are fully impaired.

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## 9.3. OTHER FINANCIAL INVESTMENTS

*In € millions*

	Gross value at beginning of year	Acquisitions	Reversal	Sales	Gross value at end of year
Treasury shares	1	-	-	-	1
	Provision at beginning of year	Allocation	Reversal	Sales	Provision at end of year
Impairment on treasury shares	(1)	-	-	-	(1)
<b>Net Value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 10. MARKETABLE SECURITIES

<i>In € millions</i>	December 31, 2017	December 31, 2016
	Net carrying amount	Net carrying amount
Mutual funds, certificates of deposit & marketable term notes	2,163	1,304
Securities Compagnia Aerea Italiana <sup>(1)</sup>	0	NA
<b>Total</b>	<b>2,163</b>	<b>1,304</b>

The net carrying amount for the marketable securities, mutual funds and certificates of deposit is the market value.

<sup>(1)</sup> Compagnia Aerea italiana SpA shares are fully impaired.

## 11. SHAREHOLDERS' EQUITY

### 11.1. DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS

The issued capital comprises 428,634,035 fully paid-up shares with a nominal value of one euro. Each share is entitled to one voting right. However since April 3, 2016, any shareholder who has been owning registered shares for more than two years is entitled to double voting rights, raising the number of voting rights to 50,115,633 as at December 31, 2017.

Distribution is as follows:

	% of capital		% of voting rights	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
French State	14%	18%	23%	27%
Delta Airlines	9%		7%	
China Eastern Airlines	9%		7%	
Employees and former employees <sup>(1)</sup>	4%	6%	7%	10%
Public	64%	76%	56%	63%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>(1)</sup> Employees and former employees identified in funds or by a Sicovam code.

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On October 3rd, 2017, within the framework of the reserved capital increase, 37,527,410 new shares were issued further to the capital participation of the company Delta Airlines and 37,527,410 new shares were issued further to the capital participation of the China company Eastern Airlines. These new shares were issued with a 338 million euro share premium for each of both contributions.

By decision published October 16th, 2017, Air France KLM proceeded to the early redemption of Oceane with due date in February 15th, 2023. On this occasion almost all of the carriers of Oceane requested the conversion of their securities in shares. On November 10th, 2017 and November 15th, 2017 a total of 53,359,937 new shares were issued as such, with a share premium of 496 million euros.

After allocation of issuing costs, the net increase of the share premium for these two transactions, amounts to 1,168 million euros.

### 11.2. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

*In € millions*

	Capital	Additional paid-in capital	Reserves	Earnings for the year	Shareholders' equity
<b>At December 31, 2015</b>	<b>300</b>	<b>2,971</b>	<b>372</b>	<b>(125)</b>	<b>3,518</b>
Allocation of earnings	-	-	(125)	125	-
Earnings for the period	-	-	-	(161)	(161)
<b>At December 31, 2016</b>	<b>300</b>	<b>2,971</b>	<b>247</b>	<b>(161)</b>	<b>3,357</b>
Allocation of earnings	-	-	(161)	161	-
Capital increases	129	1,168	-	-	1,297
Earnings for the period	-	-	-	(30)	(30)
<b>At December 31, 2017</b>	<b>429</b>	<b>4,139</b>	<b>86</b>	<b>(30)</b>	<b>4,624</b>

### 12. FINANCIAL DEBT AND OTHER EQUITY

<i>In € millions</i>	December 31, 2017	December 31, 2016
<b>Other equity</b>	-	-
Perpetual subordinated loan	600	600
<b>Total Other equity</b>	<b>600</b>	<b>600</b>
<b>Non-current financial debt</b>	-	-
OCEANE (convertible bonds)	-	550
Bonds	1,121	1,637
<b>Total non-current debt</b>	<b>1,121</b>	<b>2,187</b>
<b>Current Financial Debt</b>	-	-
Bonds	500	-
Accrued interest	55	65
<b>Total current debt</b>	<b>555</b>	<b>65</b>
<b>Total financial debt</b>	<b>1,676</b>	<b>2,252</b>

On December 14, 2012, Air France KLM issued € 500 million of bonds maturing on January 18, 2018 with an annual coupon of 6.25%.

On March 28, 2013, Air France-KLM issued 53,398,058 bonds with an option of conversion and/or exchange for new or existing Air France-KLM shares (OCEANE) maturing on February 15, 2023 for a total amount of €550 million. The bonds have a nominal

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value of €10.30 and the annual coupon is 2.03%. Continuation in particular in the early refund described in the paragraph 10.1, during the financial year 2017, 53,362,764 OCEANE were converted according to the ratio of conversion equal to a KLM Air France share for a bond. Within the framework of this early refund only 23,768 Oceane were paid in cash.

On June 18, 2014, Air France KLM issued € 600 million of bonds maturing on June 18, 2021 with an annual coupon of 3.875%. In August 2015, an amount of €200 million has been hedged and converted to a floating rate through a swap and is connected to a floor. On December 31, 2017, the fair value of the floor is 0.5 € million leading to a provision for risks and liabilities of the same amount (see note 17).

Between April 1 and April 17, 2015, Air France KLM issued a €600 million perpetual subordinated loan, presented as other equity. These securities, which have no maturity date, have a first repayment option in 2020 at Air France KLM discretion. They carry an annual coupon of 6.25 % paid for €18 million in 2015 and € 37.5 million for each following year 2016 and 2017.

On October 12, 2016, Air France KLM issued €400 million of bonds with a 6 years maturity. The annual coupon arises 3.75%.

On December 15, 2016, Air France KLM issued -fully hedged- USD 145 million senior notes by way of unlisted private placement to Asian institutional investors. Maturity is December 15, 2026 and annual coupon arises 4.35%. This loan is the object of a complete cover. (See note 17).

Some of the proceeds were used to issue loans to Air France, KLM, Air France KLM Finance and Transavia Company. As of December 31, 2017 these loans amount to € 648 million with Air France, € 198 million with KLM, € 73 million with Air France KLM Finance. (See note 9.1).

### 13. MATURITY OF RECEIVABLES AND DEBT

As of December 31, 2017

In € millions

Receivables	Gross amount	Up to one year	More than one year	Related companies
<b>Non-current assets</b>				
Loans and receivables related to long-term investment	920	74	846	920
<b>Current assets</b>				
Trade receivables and related accounts	24	24	-	24
Other receivables (including tax receivables) <sup>(1)</sup>	255	255	-	180
<b>Total</b>	<b>1,199</b>	<b>353</b>	<b>846</b>	<b>1,124</b>

<sup>(1)</sup>Of which € 5million as accrued income with related companies on December 31, 2017.

In € millions

Debt	Gross amount	Up to one year	More than one year	Related companies
Financial debt <sup>(1)</sup>	1,676	555	1,121	-
Trade payables and related accounts <sup>(2)</sup>	15	15	-	4
Other liabilities <sup>(3)</sup>	1,357	1,357	-	1,357
<b>Total</b>	<b>3,048</b>	<b>1,927</b>	<b>1,121</b>	<b>1,361</b>

<sup>(1)</sup> See note 12.

This amount includes € 55 millions of accrued interests (€ 65 millions at December 31, 2017).

<sup>(2)</sup> Including tax and social debts

<sup>(3)</sup> Other liabilities comprise, mainly, a financial current account with Air France including cash pooling.

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## 14. LIST OF SUBSIDIARIES AND EQUITY INVESTMENTS

*In € millions*

Companies or Groups of companies	Capital	Shareholders' equity other than capital after earnings	Share of capital held	Carrying amount of shares held		Loans & advances granted and not reimburs ed	Amount of security and guarant ees given	Revenues (excl. tax) for financial year	Net profit or loss for financia l year	Dividen ds booked during financia l year
				Gross	Net					

*Detailed information about individual investment whose gross value exceeds € 15 million*

### 1. Subsidiaries (held at more than 50%)

Société Air France (France) <sup>(1)</sup>	127	25	100 %	3 820	3 820	648	21	14,699	187	-
KLM (Netherlands) <sup>(1)</sup>	94	833	99,7%	824	824	198	42	10,340	(703)	17
Air France KLM Finance <sup>(1)</sup>	15	-	100%	31	14	73	-	-	5	-

<sup>(1)</sup> Statutory financial statements at December 31, 2017.

## 15. ESTIMATED VALUE OF THE PORTFOLIO

<i>In € millions</i>	Amount at beginning of year		Amount at end of year	
	gross carrying amount	net carrying amount	gross carrying amount	net carrying amount
Portfolio fractions valued				
<b>Air France</b>	3,820	3,820	3,820	3,820
<b>KLM</b>	821	824	824	824
<b>Air France KLM Finance</b>	31	7	31	14
<b>Compagnia Aerea Italiana SpA</b>	356	-	NA	NA

Estimated value is based on consolidated equity or on medium term profitability outlook.  
This estimated value supports net book value at year end.

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## 16. ITEMS CONCERNING RELATED COMPANIES

As of December 31, 2017

<i>In € millions</i>		<b>Amount</b>
Trade receivables & related accounts		
of which	Air France	18
	KLM	6
Other receivables		
of which	Air France	177
of which	KLM	3
Trade payables and related accounts		
of which	Air France	3
	KLM	1
Other payables		
of which	Air France	1,324
	Other members of the tax group	32

## 17. COMMITMENTS

### ▪ KLM shares

During the business combination of the Air France and KLM groups, the Dutch government undertook to reduce its stake in KLM proportionally to any reduction by the French government of its stake in Air France-KLM's capital. To this end, the Dutch government had to sell its cumulative preferred shares to Air France-KLM or to a Dutch foundation in the name of and on behalf of Air France-KLM, if the transfer had occurred during the first three years following the business combination.

In the latter case, the foundation would have issue, to the benefit of Air France-KLM, share certificates corresponding to the cumulative A preferred shares transferred to the foundation. These share certificates would have conferred to Air France-KLM all of the economic rights attached to the said shares, the voting rights attached to the said shares being exercised by the foundation until Air France exchanges the share certificates against the said shares.

At the end of the initial three-year period, Air France-KLM had the option to exchange the share certificates against the cumulative A preferred shares, which it could hold directly. As Air France-KLM decided in 2007 to maintain SAK I and SAK II foundations, Air France-KLM did not carry out this exchange.

Moreover, the Dutch government has the right to sell to Air France-KLM at any time as many cumulative A preferred shares as it wants.

After the sale of 5,103,885 shares to Air France-KLM in April 2005 for €11.6 million, the acquisition price of the 3,708,615 cumulative A preferred shares still held by the Dutch government amounts to €8.4 million (i.e. a unit price of €2.27 per cumulative A preferred share, which has to be paid pro rata during any sale or transfer under the conditions above).

### ▪ Hedges

The €600 million bond dated June 18, 2014, is hedged for a nominal value of €200 million converting fix rate to a floating rate through a swap connected to a floor-isolated open position. On December 31, 2017, the fair value of the swap is € 7million and the fair value of the floor amounts to € (0.5) million. (See note 11).

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The \$145 million bond is fully hedged by a cross currency swap. As of December 31, the fair value of this derivative instrument is € (24) million. (See note 12).

The future purchase of 31% of the share capital of Virgin Atlantic for GBP 220 million is partially hedged by forwards. As of December 31, 2017, the fair value of these derivatives is €1 million. (see note 2)

### ▪ Other

Since January 2009, Air France-KLM has acted as a guarantor for Société Air France within the framework of its commitments to Aéroport de Paris in respect of civil leases. This guarantee has been renewed in July 2014. The guarantee is now expressly limited to €21 million.

Air France KLM guarantees a debt that KLM holds on the Airline GOL for an amount of USD50 million.

Air France KLM guarantees the payment by Transavia Holland to a lessor, of outstanding operational leases until 2024 for an amount of USD 58 million.

## 18. LITIGATION

### 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 antitrust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted actions in the air freight industry.

As of December 31, 2017, 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 antitrust authority, which are still pending.

In Europe, the decision of the European Commission of 2010 against eleven air cargo carriers, including the companies of the Group, Air France, KLM and Martinair, was annulled by the General Court of the European Union on 16 December 2015. On 17 March 2017, the European Commission issued a new decision against eleven air cargo carriers, including Air France, KLM and Martinair. The total amount of fines imposed on the Air France-KLM Group is €325 million. This amount has been reduced by €15 million as compared to the initial decision owing to a lower fine for Martinair due to technical reasons. On 29 and 30 May 2017 the Group companies filed an appeal against this decision before the General Court of the European Union. The Group has maintained a provision covering these fines.

In Switzerland, Air France and KLM are challenging a decision imposing a €3 million fine before the relevant court. The Group has provisioned the totality of this fine.

## 19. CONTINGENT LIABILITIES

The Group is involved in several governmental, judicial and arbitration procedures for which, in most cases, provisions have not been recorded in the financial statements in accordance with applicable accounting rules. Indeed, with respect to most cases the Group is not in a position at this stage of these procedures to give a reliable estimate of the potential loss that would be incurred in connection with these disputes.

### Litigations concerning antitrust laws in the airfreight industry

Following the initiation of various investigations by competition authorities in 2006 and the initial European 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 a number of jurisdictions.

## **AIR FRANCE – KLM**

Under these civil lawsuits, shippers and freight forwarders are claiming for damages to compensate alleged higher prices due to the alleged competition law infringement.

Air France, KLM and/or Martinair remain defendants, either as main defendants (in particular in The Netherlands, Norway, and South Korea) 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.

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.

### **Litigations concerning antitrust 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 Canada on the cross-Atlantic routes, for which they are claiming damages. Air France and KLM strongly deny any participation in such a conspiracy.

#### **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.

##### ***US Department of Justice investigation related to United States Postal Service***

In March 2016, the US Department of Justice (DOJ) informed Air France and KLM of a civil inquiry regarding contracts with the United States Postal Service for the international transportation of mail by air. In September 2016, a Civil Information Demand from the DOJ has been received seeking certain information relating to these contracts. The DOJ has indicated it is investigating potential violations of the False Claims Act. Air France and KLM are cooperating with the DOJ investigation.

Except for the matters specified under the paragraphs 18.1 and 18.2, 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 covering at least the past twelve months.

## **20. SUBSEQUENT EVENTS**

Nil.