

# **AIR FRANCE-KLM**

Public Limited company with registered capital of 300,219,278 euros  
Head office: 2 Rue Robert Esnault Pelterie - 75007 Paris  
Registered with the Paris Companies Trade Register No. 552 043 002

## **STATUTORY FINANCIAL STATEMENTS** **Year ending December 31, 2011**

# AIR FRANCE – KLM

## INCOME STATEMENT

	Notes	From April 1 2011 to December 31 2011 (9 months)	From April 1 2011 to December 31 2011 (12 months)
<i>In € millions</i>			
Other income	3	14	17
<b>Total operating income</b>		<b>14</b>	<b>17</b>
External expenses	4	(10)	(12)
Salaries and related costs		(1)	(1)
Other expenses		(1)	(1)
<b>Total operating expenses</b>		<b>(12)</b>	<b>(14)</b>
<b>Income from current operations</b>		<b>2</b>	<b>3</b>
Financial income		36	34
Financial expenses		(153)	(109)
<b>Net financial income</b>	5	<b>(117)</b>	<b>(75)</b>
<b>Earnings before tax and non recurring items</b>		<b>(115)</b>	<b>(72)</b>
Non-recurring income			42
Non-recurring expenses		(1)	(43)
<b>Non recurring income (loss)</b>	6	<b>(1)</b>	<b>(1)</b>
Income tax	7	4	4
<b>Net earnings</b>		<b>(112)</b>	<b>(69)</b>

# AIR FRANCE – KLM

## BALANCE SHEET

<b>Assets</b>	<b>Notes</b>	<b>December 31, 2011</b>	<b>March 31, 2011</b>
<i>In € millions</i>			
Long-term investments	<b>8</b>	4,165	4,236
Loan & receivable related to long term investment	<b>8-11-12</b>	787	386
<b>Fixed assets</b>		<b>4,952</b>	<b>4,622</b>
Trade receivables	<i>12</i>	5	11
Other receivables	<i>12</i>	8	1
Marketable securities	<i>9</i>	622	1,025
Cash		1	51
Prepaid expenses		1	1
<b>Current assets</b>		<b>637</b>	<b>1,089</b>
Amortisation of capital expenses		8	9
Bond redemption premium		3	4
<b>Total Assets</b>		<b>5,600</b>	<b>5,724</b>

# AIR FRANCE – KLM

<b>Liabilities &amp; equity</b>	<b>Notes</b>	<b>December 31, 2011</b>	<b>March 31, 2011</b>
<i>In € millions</i>			
Capital	<b>10.1</b>	300	300
Additional paid-in capital		2,971	2,971
Legal reserve		70	70
Reserves		963	1,032
Income for the year		(112)	(69)
<b>Shareholders' equity</b>	<b>10.2</b>	<b>4,192</b>	<b>4,304</b>
Financial debt	<b>11</b>	1,394	1,414
Trade payable:		12	3
including trade payables and related accounts		11	2
Other trade payable		1	1
Other liabilities		2	3
<b>Liabilities</b>	<b>12</b>	<b>1,408</b>	<b>1,420</b>
<b>Total Liabilities &amp; equity</b>		<b>5,600</b>	<b>5,724</b>

## NOTES

The information hereafter constitutes the notes to the financial statements for the year ended December 31, 2011.

It is an integral part of the financial statements.

Air France KLM SA, Public Limited Company with head office at 2 Rue Robert Esnault Pelterie 75007 Paris, is the parent company of Air France KLM group. It is listed in Paris (Euronext) and Amsterdam (Euronext).

### **1- PERIOD EVENT**

The Extraordinary Shareholders' Meeting of July 7, 2011 approved the change of closing date for Air France-KLM S.A.'s financial statements from March 31 to December 31, proposed by the Board of Directors on May 18, 2011. This decision was taken to facilitate analysis and comparison with most other airline companies which close their accounting periods on December 31. This change in accounts closing date becomes effective this financial year with a 9 month financial year ended on December 31, 2011. Due to this change, the accounts for the 9 month period ended December 31, 2011 are not strictly comparable with the last published accounts for the 12 months period ended March 31, 2011.

# AIR FRANCE – KLM

## 2. ACCOUNTING POLICIES AND PROCEDURES

Generally accepted accounting policies were applied, consistent with the prudence principle and in accordance with the legal and regulatory provisions applicable in France and the basic assumptions in order 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.

### MAIN METHODS USED ARE THE FOLLOWING :

#### Long-term investments

Companies' equity investments 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 is below the acquisition value. The fair value of securities corresponds to the value in use for the Company. It 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 are not allocated to employees or to a capital decrease and 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 last month average market price at the end of the financial year.

#### Trade receivable

Trade receivable 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 (deposits, and financial companies notes) are booked at acquisition price. Interests are booked -prorata temporis- in financial income.

#### Foreign currency transactions

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

Trade payable and receivable in foreign currencies are valued at the exchange rate in effect at December 31, 2011.

Unrealised losses and gains are recognised as assets and liabilities on the balance sheet. Provisions are established for unrealised losses, except for the following cases:

- transactions where the currency and the term contribute to a global positive exchange position and,
- exchange hedging contracts involving the payment of future investment deliveries.

# AIR FRANCE – KLM

## **Debts**

Debts are valued at their nominal amount.

## **Dividends received**

Dividends are recognised when they are approved by the companies' competent bodies (i.e.: the Board of Directors or the General Shareholders' Meeting depending on the local regulations).

# AIR FRANCE – KLM

## 3. OTHER INCOME

This primarily involves royalties of €13 million paid by Air France and KLM at December 31, 2011 to use the “Air France-KLM” brand (€15 million at March 31, 2011)

## 4. EXTERNAL EXPENSES

*In € millions*

<b>Period</b>	<b>From April 1, 2011 to December 31, 2011 (9 months)</b>	<b>From April 1, 2010 to March 31, 2011 (12 months)</b>
Lawyers & advisors fees	1	-
Statutory auditor fees	1	2
Insurance	1	2
Subcontracting re-invoiced by Air France and KLM	3	4
Financial communication expenses	3	3
Other	1	1
<b>Total</b>	<b>10</b>	<b>12</b>

# AIR FRANCE – KLM

## 5. FINANCIAL INCOME

This section groups interest paid or received, exchange losses and gains, and allocations and write-backs of financial provisions. It breaks down as follows below.

*In € millions*

Period	From April 1, 2011 to December 31, 2011 (9 months)	From April 1, 2010 to March 31, 2011 (12 months)
Interests on loans and other financial expenses <sup>(1)</sup>	(79)	(107)
<i>of which related companies</i>	(15)	(21)
Financial income from equity investment	9	-
<i>of which related companies</i>	9	-
Interests received on loans	11	13
<i>of which related companies</i>	11	13
Other financial income <sup>(2)</sup>	16	17
<i>of which related companies</i>	5	6
Allocation to provisions <sup>(3)</sup>	(74)	
Reversal of provisions	-	4
Loss on treasury shares sale		(2)
<b>Total</b>	<b>(117)</b>	<b>(75)</b>

<sup>(1)</sup> of which interests on OCEANE €(25) million on December 31, 2011 and €(33) million on March 31, 2011, on bond €(35) million on December 31, 2011 and €(46) million on March 31, 2011, commission on guaranty delivered by Air France and KLM €(15) million on December 31, 2011 and €(21) on March 31, 2011.

<sup>(2)</sup> of which €2 million generated from the investment in mutual funds and deposit certificates on December 31, 2011 and €10 million on March 31, 2011 (see note 9).

<sup>(3)</sup> of which €(48) million on Compagnia Aerea Italiana SpA shares and €(26) million on treasury shares

## 6. NON RECURING INCOME

March 31, 2011 : loss on transfer of shares of former Alitalia company previously fully depreciated.

# AIR FRANCE – KLM

## 7. INCOME TAX

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

The consolidation scope, where Air France-KLM is the parent company, primarily includes Air France-KLM, Air France, regional French companies and, since January 1, 2005, Servair and its subsidiaries.

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

The tax consolidation group benefits from tax losses that can be infinitely carried forward.

The subsidiaries that are beneficiaries of the tax consolidation scope paid Air France-KLM a tax consolidation bonus of €4 million for this financial year ( €4 million on former financial year).

## 8. LONG-TERM INVESTMENTS

### 8.1. NET BOOK VALUE

*In € millions*

	Beginning of year	Acquisitions Capital increases	Provision Variation	End of year
Equity investments	4,200			4,200
Loan & receivable related to long term investment	386	401		787
Other long term investments	75			75
<b>Gross amount</b>	<b>4,661</b>	<b>401</b>		<b>5,062</b>
<b>Depreciation</b>	<b>39</b>		<b>71</b>	<b>110</b>
<b>Net amount</b>	<b>4,622</b>	<b>401</b>	<b>71</b>	<b>4,952</b>

Increase of loan & receivable related to long term investment concerns short term loans granted to Air France for €250 million, and KLM for €150 million.

# AIR FRANCE – KLM

## 8.2. EQUITY INVESTMENTS

*In € millions*

COMPANIES	Gross value at beginning of year	Acquisitions	Transfers or Sales	Gross value at end of year
Air France	3,060	-	-	3,060
KLM	817		-	817
Compagnia Aerea Italiana SpA	323			323
<b>Total</b>	<b>4,200</b>			<b>4,200</b>

*In € millions*

COMPANIES	Provisions at beginning of year	Allocations	Reversal	Provisions at end of year
Compagnia Aerea Italiana SpA		48		48
<b>Impairment</b>		<b>48</b>		<b>48</b>
<b>Net Value</b>	<b>4,200</b>			<b>4,152</b>

## 8.3. OTHER FINANCIAL INVESTMENTS

*In € millions*

	Gross value at beginning of year	Acquisitions	Sales	Gross value at end of year
Treasury shares	75	-	-	75
	Provision at beginning of year	Allocation	Reversal	Provision at end of year
Impairment on treasury shares	39	23	-	62
<b>Net Value</b>	<b>36</b>	<b>23</b>		<b>13</b>

# AIR FRANCE – KLM

## 9. MARKETABLE SECURITIES

<i>In € millions</i>	December 31,2011	March 31, 2011
	<b>Net carrying amount</b>	<b>Net carrying amount</b>
Treasury shares invested as part of the liquidity agreement subscribed with a bank	6	4
Mutual funds & deposit certificates	605	1,006
Money market fund <sup>(1)</sup>	11	15
<b>Total</b>	<b>622</b>	<b>1,025</b>

<sup>(1)</sup> Cash invested as part of a liquidity agreement, subscribed with a bank.

Net carrying amount of mutual funds and deposit certificates is market value.

## 10. SHAREHOLDERS' EQUITY

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

Fully paid capital comprises 300,219,278 shares with a €1 nominal value. Each share confers one voting right.

	<i>% of capital</i>		<i>% of voting rights</i>	
	<b>December 31, 2011</b>	<b>March 31, 2011</b>	<b>December 31, 2011</b>	<b>March 31, 2011</b>
French government	16%	16%	16%	16%
Employees and former employees <sup>(1)</sup>	10%	10%	10%	12%
Shares held by the Group	2%	2%	-	-
Public	72%	72%	74%	74%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>(1)</sup> Personnel and former employees identified in the fund or by a Sicovam code

In April 2005, Air France issued a 15 years - €450 million « Bond with an option of conversion and /or exchange for new or existing Air France KLM shares » (OCEANE). Between April 2007 and March 2008 only 595 OCEANE were converted, including 510 converted into 525 new shares. As of December 31, 2011, the conversion ratio is 1.03 Air France-KLM shares for one bond.

Furthermore on December 6, 2011, Air France signed a Swap contract with Natixis. This transaction postpones until April 2016 the repayment option potentially exercisable on April 1, 2012.

As of June 26, 2009, Air France-KLM issued a bond with an option of conversion and/or exchange for new or existing Air France-KLM shares (OCEANE) with a maturity date fixed at April 1, 2015. 56,016,949 bonds were issued for a total amount of €661 million (see note 11). As of December 31, 2011, 8,916 OCEANE were converted into 8,916 existing shares, including 435 regarding fiscal year April 2011- December 2011. The conversion ratio is one Air France-KLM share for one bond.

# AIR FRANCE – KLM

## 10.2. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

*In € millions*

Source of movements	Capital	Additional paid-in capital	Reserves	Earnings for the year	Shareholders' equity
<b>At March 31, 2010</b>	<b>2,552</b>	<b>719</b>	<b>1,135</b>	<b>(33)</b>	<b>4,373</b>
Decrease of share nominal value	(2,252)	2,252			
Allocation of earnings			(33)	33	-
Earnings for the period				(69)	(69)
<b>At March 31, 2011</b>	<b>300</b>	<b>2,971</b>	<b>1,102</b>	<b>(69)</b>	<b>4,304</b>
Allocation of earnings	-	-	(69)	69	-
Earnings for the period	-	-	-	(112)	(112)
<b>At December 31, 2011</b>	<b>300</b>	<b>2,971</b>	<b>1,033</b>	<b>(112)</b>	<b>4,192</b>

## 11. FINANCIAL DEBT

<i>In € millions</i>	December 31, 2011	March 31, 2011
<b>Non current financial debt</b>		
OCEANE (convertible bond)	661	661
Bond	700	700
<b>Total non current debt</b>	<b>1,361</b>	<b>1,361</b>
<b>Current Financial debt</b>		
OCEANE (convertible bond)	-	-
Bond	-	-
Accrued interest	33	53
<b>Total current debt</b>	<b>33</b>	<b>53</b>
<b>Total</b>	<b>1,394</b>	<b>1,414</b>

As of June 26, 2009, Air France-KLM issued a bond with an option of conversion and/or exchange for new or existing Air France-KLM shares (OCEANE) with a maturity date fixed at April 1, 2015. 56,016,949 bonds were issued for a total amount of €661 million. Each bond has a nominal value of €11.80. The annual coupon amounts to 4.97%.

As of October 27, 2009, Air France-KLM issued bonds for a total amount of €700 million, maturing on October 27, 2016 and with an interest rate of 6.75%.

A part of the bonds was lent, at the end of March 2010 at market interest rate, to KLM for €386 million and in December 2011 to Air France for €250 million and to KLM for €150 million.

# AIR FRANCE – KLM

## 12. MATURITY OF TRADE RECEIVABLE AND TRADE PAYABLE

At December 31, 2011

*In € millions*

Trade receivable	Gross amount	Up to one year	More than one year	Related companies
<b>Non current assets</b>				
Loans and receivable related to long term investment	787	401	386	787
<b>Current assets</b>				
Trade receivables and related accounts	5	5	-	5
Other receivables (including tax receivables) <sup>(1)</sup>	8	8	-	7
<b>Total</b>	<b>800</b>	<b>414</b>	<b>386</b>	<b>799</b>

<sup>(1)</sup> of which €5 million as accrued income with related companies.

*In € millions*

Trade payable	Gross amount	Up to one year	More than one year	Related companies
Financial debt <sup>(1)</sup>	1,394	33	1,361	
Trade payables and related accounts	11	11	-	9
Taxes and social contributions due	1	1	-	-
Other payables	2	2	-	1
<b>Total</b>	<b>1,408</b>	<b>47</b>	<b>1,361</b>	<b>10</b>

<sup>(1)</sup> see note 11

This amount includes €33 million of accrued interests (€3 million at March 31, 2011).

# AIR FRANCE – KLM

## 13. 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 reimbursed	Amount of security and guarantees given	Revenues (excl. tax) for last financial year	Net profit or loss for last financial year	Dividends cashed during the past financial year
				Gross	Net					

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

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

Société Air France (France) <sup>(1)</sup>	1,901	(1,490)	100%	3,060	3,060	250	18	11,016	(820)	-
KLM (Netherlands) <sup>(1)</sup>	94	2,464	99.1%	817	817	536	-	6,984	47	9

### 2. Equity investments (held at less than 50%)

Compagnia Aerea Italiana SpA <sup>(2)</sup>	668	(189)	25%	323	275			3,478	(69)	-
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<sup>(1)</sup> Statutory financial statements at December 31, 2011

<sup>(2)</sup> consolidated financial statements in Italian Gaap at December 31, 2011

## 14. 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	estimated value <sup>(1)</sup>	gross carrying amount	net carrying amount	estimated value <sup>(2)</sup>
Portfolio fractions valued						
<b>Air France</b>	3,060	3,060	3,460	3,060	3,060	2,827
<b>KLM</b>	817	817	2,657	817	817	2,556
<b>Compagnia Aerea Italiana SpA</b>	323	323	148	323	275	124

<sup>(1)</sup> Based for Air France and for KLM on IFRS net equity share at March 31, 2011 and for Compagnia Aerea Italiana SpA on IFRS net equity share at December 31, 2010

<sup>(2)</sup> Based on IFRS net equity shares at December 31, 2011

## 15. ITEMS CONCERNING RELATED COMPANIES

# AIR FRANCE – KLM

*In € millions*

			<b>Amount</b>
Trade receivables & related accounts			5
of which	Air France	4	
	KLM	1	
Other receivables			7
	Air France	5	
	Other	2	
Trade payables and related accounts			9
of which	Air France	1	
	KLM	8	
Other payables			1

## 16. 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 will sell its cumulative A 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 occurs during the first three years following the business combination.

In the latter case, the foundation will issue, to the benefit of Air France-KLM, share certificates corresponding to the cumulative A preferred shares transferred to the foundation. These share certificates will confer 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 (for 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).

### ▪ **Other**

Since January 2009, Air France-KLM guarantees Société Air France commitments towards Aéroport de Paris regarding civil leases.

The guaranty has an absolute limitation of €18 million.

# AIR FRANCE – KLM

## 17. LITIGATION

### Litigation concerning anti-trust laws

#### In the air-freight industry

##### a) Investigation of the anti-trust authorities

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 action in the air-freight industry.

The proceedings initiated in the United States, Australia and Canada resulted, during financial year 2008-09, in Plea Agreements made by Air France, KLM and Martinair with the appropriate agencies, and the payment of fines putting an end to those proceedings. As of December 31, 2011 discussions are underway with the Competition Commission of South Africa to conclude a settlement agreement which would result in the payment by the Group of a penalty of €1.8 million.

In Europe, the European Commission announced, on November 9, 2010, its decision to impose fines on 14 airlines including Air France, KLM and Martinair related to anti-competition practices - mainly concerning fuel surcharges. The Commission imposed an overall fine of €340 million on the Air France-KLM Group companies.

As the Group's parent company, Air France-KLM was considered by the European Commission to be jointly and severally liable for the anti-competitive practices of which the Group companies were found guilty.

On January 24 and 25, 2011, the Group companies have filed an appeal against the decision before the General Court of European Union.

Since the appeal does not suspend the payment of the fines, the Group companies have chosen not to pay fine immediately, but to provide bank guarantees until a definitive ruling by the European Courts.

In South Korea on November 29, 2010, the Korean antitrust authority (KFTC) imposed on Air France-KLM, Air France and KLM a total fine of €3.8 million for anti-competitive practices previous from September 2004. This fine will not impact the financial statements of the Group given that provisions have already been booked. The Group companies have filed an appeal before the competent Court.

##### b) Civil actions

On September 19, 2011 the Group companies entered into a Settlement agreement with the Canadian plaintiffs achieving a final resolution of all claims in Canada. Under the settlement agreement the Group companies have paid an amount of CAD 6.5 million (€4.6 million). This agreement is subject to the approval of the Ontario court.

The total amount of provisions as of December 31, 2011 amounts to €51 million for the whole proceedings.

# AIR FRANCE – KLM

## 18. CONTINGENT LIABILITIES

The Group is involved in a number of governmental, legal and arbitrage procedures for which provisions have not been recorded in the financial statements.

### Litigations concerning anti-trust laws

These litigations have not been provisioned given that the Group is unable, given the current status of proceedings, to evaluate its exposure.

#### a) In the air-freight industry

##### a.1) Investigation of the anti-trust authorities

The proceedings in Switzerland and Brazil, are still ongoing as of December 31, 2011. With regard to the revenues involved, these risks are not individually significant.

##### a.2) Civil Suits

Pursuant to the initiation in February 2006 of the various competition authority investigations, class actions were brought by forwarding agents and air-freight shippers in the United States and Canada against Air France, KLM and Martinair, and the other freight carriers. In addition, civil suits have been filed in Europe by shippers following the European Commission's decision of November 9, 2010.

#### *United States*

In the United States, the Group concluded a Settlement Agreement with the representatives of the class action in July 2010. The Settlement Agreement, under which the Group accepted to pay USD 87 million, brings to a close all claims, lawsuits and legal proceedings in the past, present or future by plaintiffs seeking to obtain financial compensation from the Air France-KLM Group for unlawful practices in freight transportation to, from or within the United States.

On March 14, 2011, The Court issued an order granting final approval of the Air France-KLM settlement with the class action plaintiffs. Prior to that date, pursuant to procedures established by the Court, 36 entities elected to be excluded from the settlement, which permits them to separately pursue claims, although only four of those were customers of Air France, KLM or Martinair.

With respect to those Air France and KLM customers who have chosen to be excluded, a portion of the settlement proportional to the revenue Air France and KLM received from those parties for a specified period as compared with Air Air France and KLM's overall revenue for that period will be segregated in a separate escrow. If claims by those parties, including written demands, are made against Air France and KLM, then the portion of the separate escrow attributable to the claiming parties will be transferred to Air France and KLM.

In 2011, written demands have been made to Air France and KLM by two customers. Consequently a portion of the escrow amount attributable to those customers, have been transferred to Air France and KLM.

#### *Netherlands*

In the Netherlands, KLM, Martinair and Air France have been summoned on September 30, 2010, to appear before the District Court of Amsterdam in a civil suit brought by a company named Equilib which states that it has purchased claims from 145 purchasers of airfreight services who allegedly suffered losses as a result of an anti-trust infringement in the European market between 2000 and 2006.

Equilib is seeking to obtain a declaratory judgment confirming that the Group companies have been guilty of unlawful conduct and are jointly and severally liable, along with other carriers, for the losses suffered by the airfreight purchasers. Equilib initially estimates its claims at €400 million. So far it has not substantiated its claim.

The Group companies served a contribution writ of summons on the other airlines fined by the European Commission on November 9, 2010 and simultaneously a claim to make these airlines join the proceedings. Latter claim was however denied by the court. Meanwhile some airlines have voluntarily joined the proceedings.

In addition, the Group asked to the tribunal of Amsterdam to stay the proceedings until a final decision will be made by the courts of the European Union concerning the recourse on annulment brought against the penalty decision of the European Commission.

In April 2011, the Group companies have filed a claim against Equilib with the Commercial Court of Paris requesting that Equilib be declared a fictitious company and, as such, be deemed as invalid.

## **AIR FRANCE – KLM**

Under a ruling made on January 31, 2012, the Commercial Court declared inadmissible the claim made by the Group companies. This decision can be appealed.

### ***United Kingdom***

In the United Kingdom, a civil suit has been filed with the competent court in the UK against British Airways by two flower importers. British Airways issued contribution proceedings against all the airlines fined by the European Commission including entities of the Group.

### ***Australia***

In the context of an ongoing class action proceedings instituted in 2007 against seven airlines (excluding the Air France-KLM group) in the Federal Court in Australia, cross claims have been filed against Air France, KLM and Martinair by Singapore Airlines (15 August 2011), Cathay Pacific (15 August 2011), Lufthansa (4 November 2011), Air New Zealand (5 December 2011) and British Airways (19 December 2011). In the cross claims, the respondent airlines claim that if, despite their denial of the claims of wrongdoing in the class action, they are ordered to pay damages, they will seek contribution from the cross respondents including Air France. Air France has filed defences to these cross claims in which it denies that the respondent airlines are entitled to any contribution from Air France, in particular since Air France did not operate direct flights to or from Australia during the relevant period. It is unlikely that any trial in the class action proceeding will occur during 2012.

The Group companies intend to vigorously oppose all such civil actions.

### **b) In the air transport industry (passengers)**

#### **b.1) Investigation of the European Commission into the air transport industry (passengers) between Europe and Japan**

Air France and KLM, like other air carriers, were subject on March 11, 2008 to searches and seizures in connection with an investigation by the European Commission into possible anti-competitive agreements or concerted practices in the area of air transport services (passengers) between the States parties to the agreement on the European Economic Area and Japan. On 10<sup>th</sup> of November 2011, the European Commission informed Air France and KLM that this file had been closed.

#### **b.2) Civil actions**

During 2009, Air France and KLM were subpoenaed in a class action involving all the airlines operating transpacific routes between the United States and Asia/Oceania, on the basis of allegations of price-fixing on such routes. Air France, which has only one transpacific route between the United States and Tahiti, and KLM, which is not involved on these routes, strongly deny these allegations.

### **Other litigations**

#### **a) KLM minority shareholders**

On January 2008, the association Vereniging vzw Effectenbezitters (VEB) served KLM and Air France-KLM before the Amsterdam Civil Court claiming that KLM and Air France-KLM be ordered to pay to minority shareholders a higher dividend than the €0.58 per ordinary share paid for fiscal year 2007-2008.

On September 1, 2010 the Court dismissed the case on the grounds that the dividend resolution met the test of reasonableness and fairness. VEB have appealed the Amsterdam Court decision.

On November 15, 2011 the Amsterdam Court of appeals upheld the decision.

Claimants have filed for cassation with the Netherlands Supreme Court on February 15, 2012.

## **AIR FRANCE – KLM**

### b) Rio-Paris AF447 flight

Following to the crash of the Rio-Paris AF447 flight in the South Atlantic, a number of legal actions have been brought in the United States and Brazil and more recently in France by the victims' heirs.

All these proceedings are aimed at receiving damages as reparation for the losses suffered by the heirs of the passengers who died in the crash.

In the United States, all the proceedings have been consolidated in California before the Northern district Court.

On October 4, 2010, the District judge granted the defendants' motion for dismissal on grounds of "forum non convenience" and suggested that they pursue their claim in France.

On March 17 and 18, 2011 respectively, Airbus and Air France were indicted for manslaughter by the investigating magistrate and incur the penalties of fines prescribed by law. Air France intends to challenge its implication in this case.

These penalties can not have a material effect on the financial situation of Air France.

The damages as reparation for the losses suffered by the heirs of the passengers who died in the crash are covered by Air France's third-party liability insurance policy.

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

## **19. SUBSEQUENT EVENTS**

None