

# **AIR FRANCE-KLM**

Public limited company (*société anonyme*) with share capital of 300,219,278 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, 2013**

# AIR FRANCE – KLM

## INCOME STATEMENT

	Notes	2013	2012
<i>In € millions</i>			
Operating income	2	19	19
External expenses	3	(25)	(13)
Salaries and related costs		(1)	(1)
Other expenses			(1)
Total operating expenses		(26)	(15)
<b>Income from current operations</b>		<b>(7)</b>	<b>4</b>
Financial income		50	45
Financial expenses		(377)	(172)
<b>Net financial income</b>	4	<b>(327)</b>	<b>(127)</b>
<b>Earnings before tax and non-recurring items</b>		<b>(334)</b>	<b>(123)</b>
Non-recurring income		8	3
Non-recurring expenses			(1)
<b>Non-recurring income/- (loss)</b>	5	<b>8</b>	<b>2</b>
Income tax	6	4	5
<b>Net income/(loss)</b>		<b>(322)</b>	<b>(116)</b>

# AIR FRANCE – KLM

## BALANCE SHEET

<b>Assets</b>	<b>Notes</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<i>In € millions</i>			
Long-term investments	7	3,927	4,109
Loans & receivables related to long -term investment	7-11	774	672
<b>Fixed assets</b>		<b>4,701</b>	<b>4,781</b>
Trade receivables	11	29	5
Other receivables	11	31	19
Marketable securities	8	1,350	1,189
Cash		148	1
Prepaid expenses		1	1
<b>Current assets</b>		<b>1,559</b>	<b>1,215</b>
Amortisation of capital expenses		8	8
Bond redemption premium		4	5
<b>Total Assets</b>		<b>6,272</b>	<b>6,009</b>

# AIR FRANCE – KLM

<b>Liabilities &amp; equity</b>	<b>Notes</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<i>In € millions</i>			
Capital	<b>9.1</b>	300	300
Additional paid-in capital		2,971	2,971
Legal reserve		70	70
Reserves		735	851
Income for the year		(322)	(116)
<b>Shareholders' equity</b>	<b>9.2</b>	<b>3,754</b>	<b>4,076</b>
Financial debt	<b>10</b>	2,485	1,895
Trade payable:	<b>11</b>	11	25
including trade payables and related accounts		10	25
Other trade payable		1	
Other liabilities		22	13
<b>Liabilities</b>	<b>11</b>	<b>2,518</b>	<b>1,933</b>
<b>Total Liabilities &amp; equity</b>		<b>6,272</b>	<b>6,009</b>

# AIR FRANCE – KLM

## NOTES

The following information constitutes the notes to the financial statements for the year ended December 31, 2013.

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).

# AIR FRANCE – KLM

## 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 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 that of 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 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 (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, 2013.

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.

# AIR FRANCE – KLM

## **Debts**

Debts are valued at their nominal amount.

## **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.

# AIR FRANCE – KLM

## 2. OTHER INCOME

This primarily involves royalties of € 18 million paid by Air France and KLM at December 31, 2013 to use the “Air France-KLM” brand (€17 million as of December 31, 2012)

## 3. EXTERNAL EXPENSES

*In € millions*

<b>Period</b>	<b>2013</b>	<b>2012</b>
Fees and surveys	9	2
Insurance	2	2
Sub-contracting and rents re-invoiced by Air France and KLM	10	5
Financial communication	3	3
Other	1	1
<b>Total</b>	<b>25</b>	<b>13</b>

During the financial year, the teams assigned to Air France KLM holding company were reinforced with additional staff. They represent 40 full time equivalent seconded from Air France and 6 full time equivalent seconded from KLM. As a result the amount of sub-contracting re-invoiced by Air France and KLM increased.



# AIR FRANCE – KLM

## 4. FINANCIAL INCOME

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

*In € millions*

<b>Period</b>	<b>2013</b>	<b>2012</b>
Interests on loans and other financial expenses <sup>(1)</sup>	(156)	(107)
<i>of which related companies</i>	(29)	(20)
Financial income from equity investment	1	1
<i>of which related companies</i>	1	1
Interests received on loans	32	20
<i>of which related companies</i>	30	20
Other financial income <sup>(2)</sup>	16	14
<i>of which related companies</i>	6	6
Allocation to provisions <sup>(3)</sup>	(221)	(65)
Reversal of provisions on treasury shares	1	10
<b>Total</b>	<b>(327)</b>	<b>(127)</b>

<sup>(1)</sup> of which interests on OCEANE amounting to € (41) million at December 31, 2013 and € (33) million at December 31, 2012 , on bond amounting to €(79) million at December 31, 2013 and € (49) million at December 31, 2012, commission on the guarantees granted by Air France and KLM amounting to €(29) million at December 31, 2013 and € (20) at December 31, 2012.

<sup>(2)</sup> of which € 10 million of income in respect of investment in mutual funds and certificates of deposit certificates at December 31, 2013 and € 8 million at December 31, 2012 (see note 8).

<sup>(3)</sup> of which € (221) million on Compagnia Aerea Italiana SpA shares at December 31, 2013 and (65) million on Compagnia Aerea Italiana SpA shares at December 31, 2012.

## 5. NON RECURRING INCOME

This corresponds mainly to the conversion premium booked at conversion of the shareholder loan granted to Compagnia Aerea Italiana Spa (see notes 7.1 and 7.2)

# AIR FRANCE – KLM

## 6. 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, primarily includes Air France-KLM, Air France, the French regional companies and, 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 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 that are beneficiaries of the tax consolidation scope paid a tax consolidation bonus of € 4 million to Air France KLM for this financial year (€ 5 million on the previous financial year).

## 7. LONG-TERM INVESTMENTS

### 7.1. NET BOOK VALUE

*In € millions*

	Beginning of year	Acquisitions Capital increases	Transfer	Provision Variation	End of year
Equity investments	4,200	14 <sup>(3)</sup>	24 <sup>(2)</sup>		4,238
Loans & receivables related to long term investment	672	126 <sup>(1)(2)</sup>	(24) <sup>(2)</sup>		774
Other long- term investments	75				75
<b>Gross amount</b>	<b>4,947</b>	<b>140</b>			<b>5,087</b>
<b>Depreciation</b>	<b>(166)</b>			<b>(220)</b>	<b>(386)</b>
<b>Net amount</b>	<b>4,781</b>	<b>140</b>		<b>(220)</b>	<b>4,701</b>

<sup>(1)</sup>Net amount of increases and reimbursements of loans & receivables related to long term investment granted to Air France and KLM for € million 102

<sup>(2)</sup>Along with other shareholders, Air France-KLM granted a shareholder loan consisting of convertible bonds to Alitalia-Compagnia Aerea Italiana SpA in February 2013 totaling € 24 million. This loan together with the accrued interest and conversion premium was converted into Compagnia Aerea Italiana SpA shares in December 2013 (see note 7.2)

<sup>(3)</sup> Capital increase of company Air France-KLM Finance for € 5 million and accrued interests and conversion premium of Compagnia Aerea Italiana for €9 million

# AIR FRANCE – KLM

## 7.2. 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	33		356
Air France KLM Finance		5		5
<b>Total</b>	<b>4,200</b>	<b>38</b>		<b>4,238</b>

<sup>(1)</sup>The holding in Compagnia Aerea italiana SpA's share capital decreased from 25% to 7,08% and the gross value of the shares is now € 356 million (see note 7.1). This change is the result of the following operations :

- Compagnia Aerea italiana SpA Extraordinary shareholder meeting decided to allocate registered losses to the share capital;
- Shareholders capital increase that Air France-KLM did not subscribe to ;
- Conversion in shares of the convertible bond granted in February 2013.

*In € millions*

COMPANIES	Provisions at beginning of year	Allocations	Reversal	Provisions at end of year
Compagnia Aerea Italiana SpA	(113)	(221)		(334)
<b>Impairment</b>	<b>(113)</b>	<b>(221)</b>		<b>(334)</b>
<b>Net Value</b>	<b>4,087</b>			<b>3,904</b>

Compagnia Aerea italiana SpA shares are impaired up to share of net equity in the company.

## 7.3. 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	(53)		1	(52)
<b>Net Value</b>	<b>22</b>			<b>23</b>

# AIR FRANCE – KLM

## 8. MARKETABLE SECURITIES

<i>In € millions</i>	December 31, 2013	December 31, 2012
	<b>Net carrying amount</b>	<b>Net carrying amount</b>
Treasury shares held within the liquidity agreement subscribed with a bank	-	-
Mutual funds, certificates of deposit & marketable term notes	1,349	1,188
Money market fund <sup>(1)</sup>	1	1
<b>Total</b>	<b>1,350</b>	<b>1,189</b>

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

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

## 9. SHAREHOLDERS' EQUITY

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

The issued capital comprises 300,219,278 fully paid-up shares with a nominal value of one euro. Each share confers one voting right.

	<i>% of capital</i>		<i>% of voting rights</i>	
	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
French State	16%	16%	16%	16%
Employees and former employees <sup>(1)</sup>	7%	10%	7%	10%
Treasury stock	1%	1%	-	-
Public	76%	73%	77%	74%
<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

In April 2005, Air France issued €450 million of bonds with an option of conversion and /or exchange for new or existing Air France KLM shares » (OCEANE) maturing in fifteen years. At December 31, 2013 only 595 OCEANE have been converted, of which 510 into 525 new shares during 2007-08 financial year. Between January 1, 2013 and December 31, 2013, no bonds were converted. 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 postponing until April 2016 the probability of the repayment option initially foreseen for April 1, 2012.

See note 10 for comments on other OCEANE

# AIR FRANCE – KLM

## 9.2. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

*In € millions*

	Capital	Additional paid-in capital	Reserves	Earnings for the year	Shareholders' equity
<b>At December 31, 2011</b>	<b>300</b>	<b>2,971</b>	<b>1,033</b>	<b>(112)</b>	<b>4,192</b>
Allocation of earnings			(112)	112	-
Earnings for the period				(116)	(116)
<b>At December 31, 2012</b>	<b>300</b>	<b>2,971</b>	<b>921</b>	<b>(116)</b>	<b>4,076</b>
Allocation of earnings	-	-	(116)	116	-
Earnings for the period	-	-	-	(322)	(322)
<b>At December 31, 2013</b>	<b>300</b>	<b>2,971</b>	<b>805</b>	<b>(322)</b>	<b>3,754</b>

## 10. FINANCIAL DEBT

<i>In € millions</i>	<i>December 31, 2013</i>	<i>December 31, 2012</i>
<b>Non-current financial debt</b>		
OCEANE (convertible bonds)	1,211	661
Bonds	1,200	1,200
<b>Total non-current debt</b>	<b>2,411</b>	<b>1,861</b>
<b>Current Financial debt</b>		
Accrued interest	74	34
<b>Total current debt</b>	<b>74</b>	<b>34</b>
<b>Total</b>	<b>2,485</b>	<b>1,895</b>

On June 26, 2009, Air France-KLM issued 56,016,949 bonds with an option of conversion and/or exchange for new or existing Air France-KLM shares (OCEANE) maturing on April 1, 2015 for a total amount of €661 million (see note 11). As of December 31, 2013, 9,072 OCEANE had been converted into 9,072 existing shares, of which 88 during the 2013 financial year. The conversion ratio is one Air France-KLM share for one bond. Each bond has a nominal value of €11.80 and the annual coupon is 4.97%.

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

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 (see note 11). The bonds have a nominal value of 10.30 € and the annual coupon is 2.03%. The conversion ratio is one Air France-KLM share for one bond.

As of December 31, 2013, 9,513 OCEANE had been converted into 9,513 existing shares.

Some of the proceeds were used to issue loans to Air France and KLM. As of December 31, 2013 these loans amount to €283 million with Air France and € 491 million with KLM. (see note 7.1).

# AIR FRANCE – KLM

## 11. MATURITY OF TRADE RECEIVABLES AND TRADE PAYABLES

At December 31, 2013

In € millions

Trade 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	774		774	774
<b>Current assets</b>				
Trade receivables and related accounts	29	29		28
Other receivables (including tax receivables) <sup>(1)(2)</sup>	31	31		7
<b>Total</b>	<b>834</b>	<b>60</b>	<b>774</b>	<b>809</b>

<sup>(1)</sup>Of which € 7 million as accrued income with related companies and € 6million on December 31, 2012.

<sup>(2)</sup> The €42 million CICE 2013 tax receivable of the tax group was sold to a bank, thus this receivable has been withdrawn from assets

In € millions

Trade payables	Gross amount	Up to one year	More than one year	Related companies
Financial debt <sup>(1)</sup>	2,485	74	2,411	
Trade payables and related accounts	11	11		6
Other payables	22	22		22
<b>Total</b>	<b>2,518</b>	<b>107</b>	<b>2,411</b>	<b>28</b>

<sup>(1)</sup> see note 10

This amount includes € 74 million of accrued interests (€34 million at December 31, 2012).

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## 12. 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 booked during financial year
				Gross	Net					
<i>Detailed information about individual investment whose gross value exceeds € 15 million</i>										
<b>1. Subsidiaries (held at more than 50%)</b>										
Société Air France (France) <sup>(1)</sup>	127	(593)	100%	3,060	3,060	283	18	14,976	(410)	
KLM (Netherlands) <sup>(1)</sup>	94	1,518	99.1%	817	817	491	-	9,688	133	1
<b>2. Equity investments (held at less than 50%)</b>										
Compagnia Aerea Italiana SpA <sup>(2)</sup>	652	(354)	7.08%	356	22			1,598	(294)	

<sup>(1)</sup> Statutory financial statements at December 31, 2013

<sup>(2)</sup> Consolidated financial statements in Italian Gaap at June 30, 2013 and after capital increase and conversion of convertible debenture.

## 13. 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>	3,060	3,060	3,060	3,060
<b>KLM</b>	817	817	817	817
<b>Compagnia Aerea Italiana SpA</b>	323	210	356	22

Estimated value of equity investments is based on IFRS or Italian Gaap equity or on medium term profitability outlook. This estimated value support net book value at year end.

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## 14. ITEMS CONCERNING RELATED COMPANIES

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*In € millions*

		<b>Amount</b>
Trade receivables & related accounts		
of which	Air France	17
	KLM	11
Other receivables		
	Air France	5
	KLM	2
Trade payables and related accounts		
of which	Air France	5
	KLM	1
Other payables		
of which	Air France	12
	Servair	3
	Acna	1
	CPA	1
	Regional	1
	Other	4

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## 15. 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-KM 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).

### ▪ **Other**



## **AIR FRANCE – KLM**

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.

The guarantee is expressly limited to € 18 million.

### **16. LITIGATION**

#### **Litigations concerning anti-trust laws in the air-freight industry**

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

As of December 31, 2013 most of these proceedings had resulted in Plea Agreements made by Air France, KLM and Martinair with the appropriate agencies, and the payment of settlement amounts.

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 in the air freight industry. 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 filed an appeal against the decision before the General Court of the European Union.

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

On January 10, 2014 the Swiss anti-trust authority (COMCO) imposed a fine of €3.2 million on Air France and KLM. The Group companies intend to file an appeal on this decision before the Federal Administrative Tribunal.

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 €8.8 million which was paid in January 2011. The Group companies filed an appeal before the competent Seoul High Court in December 2010.

On May 16, 2012 the 6<sup>th</sup> chamber of the Seoul High Court vacated the KFTC's decision against Air France-KLM on the grounds that Air France-KLM was not engaged in the air freight transportation business after it converted to a holding company on September 15, 2004. Accordingly this decision, which was issued after the expiration of the statute of limitations, was illegal. With regard to the appeals of Air France and KLM, the Court found in favour of the KFTC. Appeal filings against the Court decisions were submitted to the Supreme Court by both Air France and KLM in June 2012. Generally, the Supreme Court appeal process will take 1-2 years to conclude.

Since January 10, 2014 (the imposition of a fine by the Swiss antitrust authorities), the Group companies have no longer been exposed to anti-trust proceedings with respect to alleged of concerted actions in the air freight industry.

As of December 31, 2013, the total amount of provisions amounts to €372 million in respect of all the proceedings which have not yet been concluded by a final decision.

### **17. 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 of Air France –KLM subsidiaries.

#### **Litigations concerning anti-trust laws in the air-freight industry**

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

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 several countries 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

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November 9, 2010. The Group companies vigorously oppose all such civil actions.

## *United States*

In the United States, the Group concluded a Settlement Agreement with the representatives of the class action in July 2010, bringing to an end all claims and, court proceedings in connection with unlawful practices for cargo transportation to, from and within the United States.

With respect to those Air France, KLM and Martinair customers who chose to be excluded, a portion of the settlement proportional to the revenue Air France, KLM and Martinair received from those parties over the relevant period as compared with the overall revenue for this same period has been segregated in a separate escrow account. The parties who opted out are free to sue Air France, KLM and Martinair individually.

## *Netherlands*

a) Litigation vehicle Equilib has initiated two largely overlapping proceedings before the Amsterdam District Court aimed at establishing liability on behalf of 184 groups, whereby the actual amounts are to be determined in follow-up proceedings. Following the annulment by the Amsterdam Court of Appeal of the interim decision of the District Court to stay the proceedings, Air France, KLM and Martinair are due to file their statement of defence on April 2, 2014 in the first proceeding. The second proceeding will be introduced during the second half of 2014.

Air France, KLM and Martinair initiated contribution proceedings before the Amsterdam District Court against the other airlines included in the European Commission decision, which were stayed with the main proceedings. As the annulment of this stay by the Amsterdam Court of Appeal did not affect the stay of the contribution proceedings, Air France, KLM and Martinair asked the Court of Appeal in a separate appeal to annul the stay of the contribution proceedings, which would again synchronize the main and contribution proceedings.

b) A second litigation vehicle, East West Debt (“EWD”), also initiated proceedings before the Amsterdam District Court to obtain compensation from the Group, as well as two other European airlines, for the claims of 8 individual shippers. Following the annulment by the Amsterdam Court of Appeal of the interim decision of the District Court to stay the proceedings, the case is expected to resume at the District Court where a date will be set for filing the statement of defence. The Group has also initiated contribution proceedings at the Amsterdam District Court against the other airlines included in the decision.

c) A third litigation vehicle Stichting Cartel Compensation (“SCC”) initiated proceedings before the Amsterdam District Court to obtain compensation from the Group and several other European and Asian airlines, for the claims of 877 individual shippers. The proceedings will be introduced on April 2, 2014.

## *United Kingdom*

In the United Kingdom, a civil suit has been filed against British Airways with the competent court by two flower importers. British Airways issued contribution proceedings against all the airlines fined by the European Commission including entities of the Group. To date, British Airways has neither quantified nor substantiated its purported claims. These contribution proceedings have been stayed. In the main proceedings, the plaintiffs were granted permission to add parties to the proceedings, resulting in over 500 plaintiffs.

## *Australia*

Within the context of ongoing class action proceedings instituted in 2007 against seven airlines (excluding the Air France-KLM Group) in the Australian Federal Court, cross claims have been filed against Air France, KLM and Martinair by Singapore Airlines (August 15, 2011), Cathay Pacific (August 15, 2011), Lufthansa (November 4, 2011), Air New Zealand (December 5, 2011) and British Airways (December 19, 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 contributions from the cross respondents. The Group companies have filed defences to these cross claims in which they deny that the respondent airlines are entitled to any contribution from them. As of December 31, 2013 this proceeding was still pending.

## *Norway*

## **AIR FRANCE – KLM**

On May 25, 2012, a civil suit was filed by a company named Marine Harvest before the Norwegian court on the grounds of allegedly additional costs caused by anti-competitive practices. The Group companies have requested a stay of the proceeding upon which the court has not ruled yet.

### **Legislation concerning anti-trust laws in the passenger sector**

#### *Canada*

A civil class action was reinitiated in 2013 by claimants in Ontario against seven airlines including Air France and KLM. The plaintiffs allege that the defendants participated in a conspiracy to increase the price of passenger services by an adjustment in fuel surcharges to and from Canada and on transatlantic destinations, for which they are claiming damages. Air France and KLM strongly deny any participation in such a conspiracy and intend to file a motion to dismiss.

### **Other litigations**

#### a) KLM minority shareholders

On December 31, 2012, two KLM minority shareholders filed a request with the Enterprise Chamber of the Amsterdam Court of Appeal to order an enquiry into, amongst other matters, the KLM's dividend policy in respect of the years 2004-2005 to 2010-2011 periods.

This file relates to a claim for higher dividend for the fiscal year 2007-2008 by these shareholders together with the Vereniging van Effectenbezitters (VEB) initiated in January 2008 against KLM and Air France-KLM. In this last proceeding, a final decision ruling from the Dutch Supreme Court on July 2013 definitively rejected all claims against KLM.

The Enterprise Chamber did, however, uphold the request for an enquiry into the dividend policy for the period under consideration. The main focus of the enquiry is the manner in which Air France-KLM, in its capacity as the sole priority shareholder, and KLM's Management and Supervisory Boards executed clause 32 of KLM's Articles of Association. This provides that the priority shareholder may reserve part of the profits after consulting with the Management Board and the Supervisory Board of 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 should 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 matters specified under paragraphs 16 and 17, the Group 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.

## **18. SUBSEQUENT EVENTS**

None