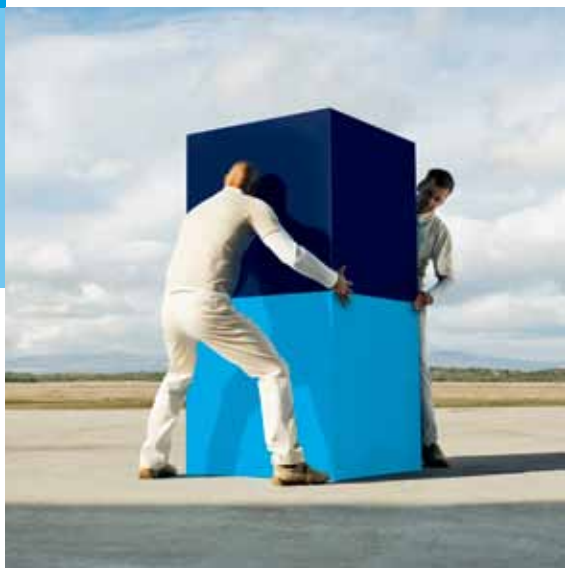
AIR FRANCE and KLM
Competition Law Compliance Manual



AIRFRANCE KLM

AIR FRANCE and KLM Competition Law Compliance Manual

Preface

This Manual contains the AIR FRANCE and KLM Competition Law Compliance policy. As we are operating in a highly competitive environment where competition laws play an increasingly important role, both companies hereby would like to emphasize their shared objective of integrity and transparency. Competition laws guard against anti-competitive agreements and the abuse of market power. Non compliance with applicable competition laws can have detrimental consequences for the financial condition, reputation and viability of our group.

Compliance with competition laws by AIR FRANCE and KLM implies compliance by every employee. However this policy is specifically targeted at those employees who are or may become involved with competition law in the course of their professional duty. Please read this booklet carefully and ensure you understand the competition rules, as we expect you to comply fully with competition laws.

This Manual also contains AIR FRANCE and KLM's general compliance policy, in which our internal procedure for possible infringements is incorporated.

Competition law is a complex area of law. We will therefore provide for training sessions and presentations in order for you to familiarize yourself with the subject. This Manual is aimed at raising your level of awareness of competition rules, but cannot answer all of your questions. That is why we urge you to seek advice from the experts named in this Manual every time you are in need of any further information. There is no harm in verifying; the real harm is in getting it wrong.

P.H. Gourgeon
CEO of AIR FRANCE - KLM
CEO of AIR FRANCE

P.F. Hartman
President and CEO of KLM

Introduction

What is competition law about?
Many national rules relate to a company's competitive behavior: consumer law, patents and trademarks, laws on advertisements. However, when we speak about competition law (and when we warn for the fierce consequences of non-compliance) in this compliance Manual, we have two very specific rules in mind:

- the prohibition of agreements, or concerted practices, between undertakings with the object or effect to restrict competition;
- the prohibition to abuse a dominant position on a relevant market.

Example:
EU competition laws allow for pricing below cost, unless a company has a dominant position in a given relevant market. In Germany, however, pricing below cost is never allowed due to applicable mandatory national laws.

Where do these laws apply?
The two prohibitions mentioned above are set forth in the European Treaty. They apply directly in all 27 EU Member States (see Annex 1). Moreover, most of the Member States also have their own national competition laws.

In the USA, similar prohibitions apply. These laws are called antitrust laws. In this Manual, we have not drawn a specific distinction between the US antitrust laws and the EU competition laws.

Competition laws are increasingly introduced elsewhere, such as in South America, Africa and Asia. Although there are many local differences, the two prohibitions as above can nevertheless be considered to be the core of those rules.

What are the risks of non-compliance?
Non-compliance may lead to heavy fines being imposed. We will elaborate on this in Chapter 4. Aside of the risk of heavy fines, the risks of non-compliance come down to:

- litigation risk: companies and firms may be sued for damages by third parties who can show that they have incurred losses or damages as a result of anti-competitive practices;
- contractual risk: agreements (or provisions in agreements) which infringe EU competition law are unenforceable;
- reputation risk: the bad publicity which surrounds any major competition case may cause damage to AIR FRANCE and KLM's respective reputation;
- management time: investigations invariably result in vast expenditure of time and resources.

Is there any personal risk involved?
In certain jurisdictions (such as the USA or the UK) employees and executives are being fined, and even jail sentences are applied.

Merger control
An important subject in competition law is merger control. Certain mergers or takeovers require prior notification to the European Commission or other authorities, who verify whether or not the transaction may give rise to competitive concerns. The European Commission has approved the merger between KLM and AIR FRANCE. This Manual does not elaborate further upon merger control issues.

What if I have further questions?
This Manual aims to provide you with a clear overview of the applicable laws, without being legalistic. We have chosen clarity rather than legal precision; for that reason, issues like the "appreciability" of agreements or the "effect on trade", which may become relevant in specific cases, are not being dealt with.

A general brochure can of course never replace individual advice. If you have any questions regarding the subject of this Manual, please do not hesitate to contact one of the following services.

- for AIR FRANCE: AIR FRANCE European & Competition Affairs Department; +33 1 4156 6266
- for KLM: KLM Corporate Legal Services; +31 20 6486931 or +31 20 6495865

1. Agreements

European competition law prohibits agreements or concerted practices between undertakings that have as their object or effect to restrict competition.

Independence
One of the underlying principles of competition law is that competition between independent undertakings ultimately provides the customer with the best products or services, for the lowest prices. Competition requires the undertakings involved to decide upon their competitive behavior independently from other undertakings. As soon as that independence is restricted, for instance by collusion or by implicit understandings, competition is restricted.

Q. In a particular market, one company always sets the price and one or two days later, the other companies follow. Is this evidence of a cartel?

A. The question is whether the companies decided about their conduct independently. Parallel behaviour is allowed, as long as it is the outcome of an independent decision. Market circumstances (e.g. resulting in behavior of a market leader being followed by smaller companies) will determine whether parallel behaviour can form an indication for the existence of a cartel.

Agreement
The prohibition of “restrictive agreements” must be interpreted widely. The concept of “agreement” in competition law includes formal as well as informal agreements, written and oral agreements, explicit or implicit deals or understandings. In other words: the actual form of the agreement is irrelevant. Anti-competitive agreements are often rather vague and comprise, e.g., an “understanding to respect each other’s customers”, however, such an agreement is sufficiently clear to fall under the prohibition. As soon as there is a “meeting of the minds”, an agreement exists.

Concerted practices
Where a “meeting of the minds” has not yet been reached, conduct can still fall within the scope of “concerted practice”. This term provides a safety net, aiming to prevent that undertakings evade the prohibition by colluding in a manner that would not constitute an agreement. A concerted practice is a form of coordination between undertakings which, without having reached the stage where an agreement has been concluded, knowingly substitute practical cooperation between them for the risks of competition. Especially exchanges of confidential information between competitors are often found to qualify as a concerted practice.

Between companies
Competition law applies to agreements between independent companies. Typically, 100% subsidiaries of a company are not considered to be independent companies, as they normally do not act autonomously but generally follow the instructions given by their parent company. Equally, ever since their merger was cleared by the European Commission, KLM and AIR FRANCE are no longer regarded as two independent companies for competition law purposes, but are considered to constitute one single “undertaking”. Within this undertaking, these companies are free to make all arrangements between them they deem useful.

Object or effect
As soon as an agreement has the object of restricting competition, the prohibition applies. The agreement does not need to be implemented first in order to be prohibited. European Commission case-law shows many precedents where the actual proven negative effects on the market were negligible (if present at all), but still, heavy fines were imposed. In other words: if a (restrictive) agreement were reached, and the parties would individually decide not to implement the agreement, they could still be fined for their agreement.

The opposite also applies. If the parties’ intent were not at all aimed at restricting competition, but the agreement would have a restrictive effect of competition, the agreement would equally be prohibited and the companies might be punished.

1.1 Contacts between competitors

Any contact between competitors may give rise to concern from a competition law perspective. Competition authorities will always be suspicious about the real intentions for competitors to meet. As a result, you should be careful when meeting competitors, also on informal occasions, and wonder whether the purposes for meeting are allowed from a competition law perspective. If you are not certain, raise the issue with your contact at KLM Corporate Legal Services or AIR FRANCE European & Competition Affairs Department.

DO's and DON'Ts' with Competitors

DO

- Avoid contact unless you have a legitimate reason for it
- Go on record as regards the purposes of your meeting
- Refuse to engage in any form of discussion with a competitor who is looking to obtain confidential information or business secrets from AIR FRANCE and/or –KLM and go on record about this
- If a competitor starts discussing any of the items listed under "DO NOT" below, always state that you cannot discuss such matters, terminate the conversation, keep an accurate file note of this and of what was said, and inform KLM Corporate Legal Services or AIR FRANCE European & Competition Affairs Department

DO NOT

- Discuss or agree to price fixing, timing of pricing changes or other terms and conditions on which KLM and/or AIR FRANCE do business
- Discuss or agree to restrictions concerning markets (by location or customer) or marketing schedules
- Discuss or agree on joint action designed to fix or manipulate the evolution of market shares artificially
- Discuss or fix quotas on output or sales (limitation of or agreement on capacities for example)
- Discuss or agree to the boycotting of any customers, competitors or suppliers
- Discuss or agree to limit or control any investment or technical development
- Allow access to, seek access from or discuss confidential or other unpublished business information (such as prices; surcharges; costs of production or distribution; profitability; strategy, business and marketing plans; product development plans; information on customers)

How about IATA, AEA or any other trade organizations?
Just like agreements between competitors, decisions of associations of companies which have the object or effect to restrict competition are equally prohibited.

The airline sector has a long tradition of meetings between competitors within associations of airlines, such as IATA. Many issues dealt with by IATA and IATA working groups of independent airlines are not at all problematic from a competition law point of view, as they deal with legitimate interests common to the airline industry (for example in safety, health or environmental fields).

Still, the fact that you meet competitors in the context of an official and long-standing trade association such as IATA or the AEA, does not mean that you should not be alert. On the contrary, competition authorities are also suspicious about such "official" meetings with competitors. In order to deal with those suspicions, IATA has a competition compliance code which it strictly adheres to. On many occasions, you will find competition lawyers present at IATA-meetings to assist in safeguarding compliance.

IATA's responsibility to ensure compliance at its meetings will, however, never relieve AIR FRANCE, nor KLM from its own responsibility to comply with the laws at those meetings.

Within trade associations

DO

- Obtain approval before joining any trade association
- Obtain approval to join the board or any decision-making body of a trade association
- Make sure that an agenda is circulated well in advance of any meeting and that this agenda is strictly complied with
- Ensure that minutes are recorded and distributed
- Actively distance yourself from any decision (to be) taken by the trade association which may infringe competition laws. If it continues, leave the room and make sure that your action is recorded
- Apply the same principles in discussions outside the formal trade association meeting (e.g., during lunches or dinners)

DO NOT

- Participate in any trade association gatherings where any of the above "MEETINGS WITH COMPETITORS - DO NOT" subjects are discussed
- Exchange commercially sensitive information such as market shares, cost factors, etc.
- As a trade association, issue advice to the members on any commercially sensitive issues, such as price and cost factors
- Use the trade association as a body to take decisions which would not be allowed if taken by a company or a group of competitors
- Implement any decision taken by a trade association which may infringe on competition laws

Areas to avoid: Agreeing on prices
It is essential that AIR FRANCE and KLM take all decisions about pricing independently. In that respect, “price” is meant to cover all matters that influence, directly or indirectly, the ticket price – including discounts, rebates, commissions, baggage allowances and surcharges as well as information about KLM’s or AIR FRANCE’s intention to alter prices, and the timing of such changes.

It is essential to avoid even discussing pricing informally with personal contacts or friends who work for competing airlines.

Areas to avoid: Sharing the market
Apart from price cartels (in the widest sense) it is also a serious breach of the competition rules to agree not to compete for certain types of customer, or in certain products or services, or in certain geographical areas – i.e., to “carve up” markets by customer type, service type or territory.

Example: SAS/ Maersk Air

SAS and Maerks Air notified a code share agreement to the European Commission. Coinciding with the entry into force of the agreement, Maersk Air withdrew from the Copenhagen-Stockholm route while SAS withdrew from Copenhagen-Venice and Frankfurt-Billund. This triggered the attention of the Commission, which started to investigate the matter. Evidence of a secret market sharing agreement was found. Maersk decided to actively cooperate with the investigation and received a reduction of the fine in turn. Maersk was fined Euro 13 million; SAS, however, was fined Euro 39 million and the SAS Board was forced to resign.

Areas to avoid: Exchanging confidential commercial information with competitors
The exchange of commercial information in an especially sensitive area can easily be regarded as a concerted practice. Also in this area, the parties need not have acted upon the information that was exchanged (e.g., a certain strategy) for the conduct to be prohibited, as competition law assumes that the information exchanged will one way or the other be taken into consideration in the company’s future conduct.
As a result, you should refrain from exchanging any information that is confidential, such as
- pricing action;
- cost prices;
- product launches;
- marketing or business plans etc.

Benchmarking; obtaining market intelligence
Obtaining information about the competition may also have pro-competitive aspects; it may enable the companies to better understand where they can improve their own performance and thus, may become stronger competitors.

Benchmarking

DO
- Obtain information from public sources or from independent third parties
- Obtain historical data only
- Obtain data through an independent body

DO NOT
- Try to obtain information directly from your competitor
- Do not engage in benchmarking if not based on public information without checking with KLM Corporate Legal Services or AIR FRANCE European & Competition Affairs Department whether the mechanism you want to apply is in compliance with competition law

Legal exception to the prohibition of agreements with competitors
In individual cases, an agreement concluded with a competitor may contain a limited restriction of competition which is offset by benefits of the agreement to the consumer. Competition laws do not prohibit an agreement restricting competition if, in short:

- the agreement creates efficiencies;
- the customer shares in the benefits;
- the restrictions of competition are not disproportionate and
- the agreement does not eliminate competition.

A code sharing agreement may, for instance, be beneficial to the passenger in that it brings air transport efficiencies which the cooperating airlines alone could not bring. However, cooperating parties should be careful not to engage in any unnecessary restrictions connected to such codesharing agreement, for instance in relation to participation in Frequent Flyer Programs, coordination of tariffs, capacity or flight schedules. In those events, a careful analysis is required of restrictive effects, on the one hand, and the benefits to the customer, on the other hand.

Determining whether or not an agreement would benefit from this legal exception requires deep knowledge of competition law. Please consult with KLM Corporate Legal Services or AIR FRANCE European & Competition Affairs Department for further advice in this area and obtain prior approval before implementation.
For information purposes, AIR FRANCE and KLM have been granted the following individual exemptions/immunities :

- Antitrust Immunity granted on June 26 , 2009 by the US Department of Transportation to AIR FRANCE,KLM; Delta, Northwest , Alitalia- CAI ,and CSA and valid until further notice to coordinate all US and exit-US passenger, cargo and logistic activities;
- Antitrust Immunity granted on June 27, 2002 by the US Department of Transportation to AIR FRANCE, Delta, Alitalia, CSA and Korean Air and valid until further notice to coordinate all US and exit-US passenger and logistic activities
- Other exemptions / immunities have been granted to AIR FRANCE and KLM with regard to specific bilateral or multilateral relationship. Contact KLM Corporate Legal Services or AIR FRANCE European & Competition Affairs Department for further information.

RED FLAG: AGREEMENTS WITH COMPETITORS
Always consult KLM Corporate Legal Services or AIR FRANCE European & Competition Affairs Department prior to negotiating the following types of agreements:

- pooling agreements (e.g., in respect of engines or other equipment)
- specialisation agreements (e.g., in respect of technical aircraft maintenance)
- interlining, code sharing, pro rate agreements or special pro rate agreements
- joint frequent flyer agreements
- joint technical inspections
- joint purchasing agreements
- all other agreements with commentators

KLM and AIR FRANCE consider many airlines as their “partner airlines” for marketing purposes only (e.g., in connection with our Flying Blue programme). While that need not be raising any issues from a competition law point of view, keep in mind that most of these partner airlines are still our competitors. We should act accordingly.

1.2 Dealing with customers

The prohibition on restrictive agreements does not only apply between competitors (on a horizontal level), but also on a vertical level (for example between one airline and its distributors and customers: agents, tour operators and (global) accounts). This area is rather more complex than “hard core” cartel-like agreements between competitors. What you can and cannot agree with your customer or distributor (e.g., exclusivity arrangements or non-compete clauses) depends on numerous factors, such as your market share on that given market.

For that reason, we will only provide you with certain highlights. When you deal with contracts with customers, you should seek specific legal advice regarding the competition law issues concerned.

Tour operators
One of the key principles in distribution is that if AIR FRANCE or KLM sells seats to a tour operator, the tour operator should be free to determine the price for the whole of the package. AIR FRANCE or KLM cannot influence, or even determine, the price charged by the tour operator for the whole travel package.

Agents
KLM or AIR FRANCE may determine the fare of a ticket sold through an agent. It is consistent with the principle of an agency agreement that KLM or AF can determine the fare; however, KLM or AIR FRANCE cannot prevent the agent from using its own commission to provide further discounts to the customer.

Players in the distribution chain

DO NOT

- Restrict customers or distributors with regard to the prices at which they resell products
- Penalize distributors for failing to keep to recommended prices (where you are allowed to recommend prices)
- Restrict passive sales

2. Dominance

The previous chapter dealt with multilateral behaviour. This chapter deals with unilateral behaviour of AIR FRANCE KLM, but only in markets where it must be considered “dominant”.

What is dominance?
The criterion for dominance is qualitative rather than quantitative. It is not strictly connected with a specific market share. Dominance is presumed by the European competition authorities where a market share of 50% or more exists on a given relevant market.

Keep in mind that being dominant is not at all problematic under European competition law; only the abuse of a dominant position on a given relevant market is prohibited.

What is a relevant market?
A relevant market has a product/services dimension as well as a geographical dimension. Market definition is one of the more intricate issues of competition law. In this respect, in applying competition laws to the air transport, the European Commission has distinguished various relevant markets, such as direct routes between city-pairs for short haul passenger transport, and direct and indirect routes between city-pairs for long haul passenger transport (typically further distinguishing between time-sensitive and non-time-sensitive passengers). In applying competition law in the field of distribution (agents/tour operators – BA/Virgin case), the European Commission has considered that countries form relevant geographical markets.

What constitutes an abuse?
Most restrictions of the behaviour of a dominant firm relate to its pricing: pricing may neither be excessive, predatory nor discriminatory. Also, rebates can constitute an issue where a dominant position is reinforced by a particular discount scheme. Other types of behaviour can also constitute an abuse, for instance tying or bundling (packaged selling of unconnected products). Under specific circumstances, a refusal to supply may also be abusive.

Excessive pricing
A dominant firm may not charge prices which are excessively high.
The European Commission has not yet developed a clear framework for determining when a price is excessive. In the Netherlands, however, the NMa has prosecuted several firms for excessive pricing and, so far, seems to determine excessiveness by reference to a company's Weighted Average Cost of Capital (WACC).

Example: KLM ticket fares Curacao/Paramaribo

In 2000, the Nederlandse Mededingings Autoriteit (NMa) investigated KLM's fares on its routes between Amsterdam and Curacao as well as between Amsterdam and Paramaribo. After a time-consuming and thorough investigation, the NMa concluded that the fares were not excessive.

Loyalty rebates
A dominant firm cannot engage in reduction schemes which enhance loyalty. Discounts may be granted, but they should always be based on efficiency gains and linked to identifiable cost savings such as on volume. In particular, fidelity rebates, i.e. rebates conditional on the customer purchasing all or a large portion of its requirements from the supplier over a certain period are unlawful. These rebates restrict the customer from switching to alternative suppliers and as a result, are able to foreclose competing suppliers from the opportunity to make sales to those customers bound.

Target rebates, i.e. rebates that are conditional upon the distributor reaching certain targets, are in most instances unlawful for dominant firms. The same applies for discount schemes making reference to market share targets or market share minima. Non-written, non-transparent or subjective rebate schemes are also unlawful.

Example: BA/Virgin

Acting on a complaint by Virgin, the Commission fined BA EUR 6 million for a loyalty scheme rewarding agents for increasing their business with BA. A subsequent complaint by BA lead to a sector wide investigation covering similar discounts for agents and corporate accounts.

Dealing with customers/distributors as a dominant firm

DO

- Treat similar customers and distributors consistently
- Ensure that if you need to refuse to supply, this is discussed in advance with the legal department and record the business reasons - justifiable reasons may include poor credit rating or product shortage

DO NOT

- Grant discounts, rebates or fidelity bonuses without consulting KLM Corporate Legal Services or AIR FRANCE European & Competition Affairs Department
- Give the false impression that KLM's or AF's prices are based on anything other than its own independent business judgment

3. “Mind your language”

Even if a company is in full compliance with competition laws, its oral and written communications may still suggest otherwise. In reality, that perfectly legal behavior can become suspect, simply because of a poor choice of words. Discussing the legality of certain behaviour in writing is inadvisable for the same reasons; while the author may be wrong in suggesting that certain behavior may not be allowed, it nevertheless raises the attention of the competition authority. Be careful with the language you choose, is the message of this chapter. If your text could be misinterpreted, give more context and/or use clearer language. Consider how documents could be read by other employees, competitors and competition law authorities.

If you are the secretary of a formal (internal or external) meeting, make sure that your language is unambiguous. And if you might have doubts as to the legality of certain decisions, consult AIR FRANCE European & Competition Affairs Department or KLM Corporate Legal Services before you finalize the minutes.

Particular care needs to be taken concerning more informal, transitory or shorthand communications such as e-mails and PowerPoint presentations. Deleting these documents from your computer does not prevent them from being retrieved and authorities are keen on obtaining copies of these documents as a source of evidence.

RED FLAG: DOCUMENT CREATION

The following are examples of terms and phrases which should be avoided in any communication, correspondence or agreement relating to AIR FRANCE’s and KLM’s activities as they could create an unwarranted inference of anticompetitive behavior or intent

- Dominant/dominate the market
- A “right” margin
- Fix prices/control prices
- Control/stabilize the market
- Prevent imports
- Divide/partition the market
- Reserve a market
- Reasonable competition; no cowboys
- Share the market/coordinate prices
- Drive out of the market
- Smash/crush the competition
- Eradicate competition
- Eliminate from the market
- Boycott
- Destroy this document/delete this e-mail after reading
- “Our” market

4. Fines, dawn raids, leniency

Fines
Both the company and, depending of the jurisdiction, employees of the company in certain cases can be held liable for infringements of competition law (see Annex 2).

Company
Fines imposed on companies which infringe competition laws are increasingly high. The maximum fine in the EU is 10 percent of the company's worldwide (AIR FRANCE's, KLM's or AIR FRANCE KLM Group's) turnover. While this maximum is hardly ever imposed, fines in the range of tens of millions, sometimes hundreds of millions of euros have been imposed for cartel infringements. The amount of a fine depends on the gravity and the duration of the infringement in question.

Individuals
Various national competition laws contain provisions which allow criminal sanctions to be imposed on individuals following a breach of competition law. In the USA, jail sentences are an important tool in the fight against cartels and also European executives have recently served time in US jails. Jail sentences were also recently introduced in the UK.

Dawn raids
The European Commission, as well as national competition authorities, is entitled to carry out surprise visits (dawn raids) at company premises, in order to copy relevant materials (paper or digital) and/or perform interrogations.

If there is a reasonable suspicion that relevant business records are kept at private homes, the European Commission may carry out dawn raids at employees' homes, provided they have first obtained a search warrant valid under national law.

Undertakings are under a duty to cooperate with these surprise visits; heavy fines may be imposed for non-cooperation risks.

Q: A person identifying himself as an EC inspector presents himself at my desk. What should I do?

A: Ask Legal Services for further guidance. If it cannot wait, provide access to those records the Commission inspector specifically asks access to. Never submit to an interrogation without a lawyer being present.

Leniency
Carrying out dawn raids are only one way for the authorities to collect evidence. Informants play an even larger role, especially in connection with so-called leniency programs. Leniency programs are designed to induce cartel members to disclose the existence of the cartel to the Commission and provide all information in their possession, by rewarding only the first cartel member who turns himself in with full immunity from fines. Needless to say that the other cartel members will be fined severely – which fines can only be reduced if they are able to provide even more information about the cartel.

Leniency programs are intended to destabilize cartels and are very effective in doing so. Since the introduction of the leniency program, the European Commission has received a large number of applications. The disclosure of these cartels also increases the risk of third parties claiming damages as a result of cartels

5. AIR FRANCE and KLM General compliance policy

It is the policy of AIR FRANCE and KLM and the obligation of every employee to strictly comply with the applicable competition laws. In order to ensure and monitor compliance, AIR FRANCE and KLM have adopted the following policy.

Article 1 – Responsibility
Each AIR FRANCE and KLM employee is responsible for compliance with the applicable competition laws. KLM's Board of Managing Directors, or AIR FRANCE's Comité Exécutif, carries the responsibility for the supervision of the company's compliance program. The responsibility for the compliance program is delegated to the respective General Counsel.
The General Counsel is assigned to take measures to prevent infringements and will promote adequate checks to ensure compliance. These actions aim to pro-actively prevent, investigate and bring an end to any possible conduct in conflict with applicable competition laws.

Article 2 - Scope
This procedure applies to the following employees:
a. the Board of Managing Directors of KLM, the Comité Exécutif of AIR FRANCE, each here after referred to individually as the Board.
b. all KLM and AIR FRANCE employees, departments, business units and individuals so designated by the Board, hereinafter referred to as the Target Group.

All persons referred to in this article will be regularly trained and updated on the contents of competition laws, the impact on the activities of AIR FRANCE and/or KLM and each company's internal procedures.

Article 3 - Compliance
All persons in article 2 shall:
a. Refrain from any activities that may infringe competition law;
b. Consult Legal Services of KLM or AIR FRANCE, or the respective General Counsel as the case may be, as per article 4 below.
c. Refrain from making any statements, whether internally or in public, either in writing or otherwise, which may give the impression that AIR FRANCE and/or KLM are participating in infringements.

Article 4 - Mandatory Consultation Legal Services
Consulting the respective Legal Services by the target group is mandatory in case:
a. any doubts exist as to whether any act, intended or not, may infringe or has infringed competition law;
b. any doubts exist as to whether any statement (either in writing or otherwise) may give the impression that AIR FRANCE and/or KLM could be involved in an infringement of competition law.

These provisions also apply to managers regarding acts or statements which involve any of their subordinates.

The Board shall consult directly with the respective General Counsel.

Article 5 - Reporting
a. If Legal Services conclude that an infringement has taken place and/or that AIR FRANCE and/or KLM may be at serious risk, it will inform the General Counsel.
b. The General Counsel shall consult with the respective Board if deemed necessary.
c. In case Members of the Board are involved in any infringement, the General Counsel shall report to the Chairman of the applicable Audit Committee of AIR FRANCE or KLM or of the AFKL Holding as the case may be.

Article 6 - Consequences of Non–Compliance or of an Infringement

a. Necessary measures
   In case of non-compliance or infringement, AIR FRANCE and/or KLM will make sure that the infringement is terminated. The Board, or as the case may be, the General Counsel, shall take all necessary measures to that end.
b. Labor law consequences.
   Non compliance by an employee with any provision of this procedure, in particular involvement in any act prohibited by applicable competition laws, may give rise to labor law consequences, explicitly including termination of the labor agreement.

Article 7 - Contacts

General Counsel for AIR FRANCE:
Jean-Marc Bardy, telephone + 33141566740,
AIR FRANCE Legal Services, telephone + 33141566722

General Counsel for KLM:
Barbara van Koppen, telephone + 31206495137
KLM Corporate Legal Services, telephone + 31206486931

Annex 1 - EU members

European Union (“EU”) 27 Members

Austria
Belgium
Bulgaria
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Latvia
Lithuania
Luxembourg
Malta
Netherlands
Poland
Portugal
Romania
Slovakia
Slovenia
Spain
Sweden
United Kingdom

European Economic Area (“EEA”)
EU MEMBER STATES PLUS:

Iceland
Liechtenstein
Norway

Annex 2 - Sanctions

USA: maximum fine is an amount equaling twice the gross pecuniary loss of the victims/twice the gross pecuniary gain (by virtue of the Federal Sentencing Guidelines set at 20% of the volume of US commerce affected). Individuals may face three years' imprisonment and a pecuniary fine.

Canada: maximum fine is CAD 10 million; however, much larger fines are achieved in practice by proceeding on multiple grounds. Individuals may face imprisonment of 5 years maximum. According to current legislation, a combination of both a fine and imprisonment is possible.

EC law: maximum fine is 10% of the undertakings world wide turnover. Based on the Commission's published policy on calculation of the fines, for horizontal infringements such as price fixing, market sharing or bid rigging, the likely base amount of the fine will be above EUR 20 million, plus 10% per year of the infringement. The amount of the fine may be increased or decreased depending on aggravating or mitigating circumstances. No fines on individuals.

Dutch law: maximum fine as in EC law. Based on the NMa's published policy on calculation of fines, for horizontal infringements such as price fixing, market sharing or bid rigging, the likely base amount of the fine is 10% of the total turnover affected by the infringement during the years of the infringement, times 1.5 – 3 depending on factors such as the gravity of the infringement. The amount of the fine may be increased or decreased depending on aggravating or mitigating circumstances. Since October 2007 the NMa can fine individuals up to EUR 450,000. One condition is that these individuals have given instructions to, or exercised de facto leadership with regard to, the infringements.

French law: maximum fine as in EC law. Fines on individuals up to EUR 75,000 and individuals may face imprisonment of 4 years maximum

UK law: maximum fine currently 10% of the UK turnover of each undertaking concerned for each of the last three years during which the infringement occurred. Law is to be aligned with EC law shortly. Directors may face disqualification for up to 15 years. Individuals may face imprisonment of up to 6 months.

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