

**COMPLETED ACQUISITION BY  
AIR FRANCE FINANCE S.A.S / CITY JET LTD OF VLM AIRLINES N.V.**

**UNDERTAKINGS GIVEN BY AIR FRANCE S.A., CITYJET LTD, KLM ROYAL DUTCH AIRLINES N.V. AND VLM AIRLINES N.V. TO THE OFFICE OF FAIR TRADING PURSUANT TO SECTION 73 OF THE ENTERPRISE ACT 2002**

**WHEREAS:**

- (a) On 14 February 2008, Air France Finance S.A.S. completed the acquisition of the entire issued share capital of VLM;
- (b) It appears to the OFT that, as a consequence of that transaction, a relevant merger situation has been created in the UK;
- (c) The OFT has a duty to refer a completed merger to the CC for further investigation where it believes that it is or may be the case that the creation of that merger situation has resulted or may be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services;
- (d) Under section 73 of the Act the OFT may, instead of making such a reference and for the purpose of remedying, mitigating or preventing the substantial lessening of competition concerned or any adverse effect which may be expected to result from it, accept undertakings to take such action as it considers appropriate, from such of the parties concerned as it considers appropriate, in particular having regard to the need to achieve as comprehensive a solution as is reasonable and practicable to the substantial lessening of competition and any adverse effects resulting from it;
- (e) The OFT considers that, in the absence of appropriate undertakings, it would be under a duty to refer the acquisition of VLM to the CC; and
- (f) The OFT further considers that the undertakings given below by the AFKLM Companies are appropriate to remedy, mitigate or prevent the substantial lessening of competition, or any adverse effect which has or may have resulted from it, or may be expected to result from it, as specified in the Decision.

**NOW THEREFORE** the AFKLM Companies hereby give to the OFT the following undertakings for the purpose of remedying, mitigating or preventing the substantial lessening of competition, or any adverse effect which has or may have resulted from it or may be expected to result from it.

**Effective date of the undertakings**

- 1.1 These undertakings shall take effect from the date that, having been signed by the AFKLM Companies, they are accepted by the OFT.

## **Transfer of the LCY Divestment Slots and AMS Divestment Slots**

- 2.1 The AFKLM companies shall, prior to acceptance of these undertakings by the OFT, enter into a legally binding agreement (or agreements) to make available to the satisfaction of the OFT the LCY Divestment Slots and the AMS Divestment Slots to the proposed slot acquirer, Eastern, on terms approved by the OFT in advance of acceptance of these undertakings.
- 2.2 For the avoidance of doubt, the AFKLM Companies shall:
- (a) not be materially remunerated or compensated for the making available of the LCY Divestment Slots and the AMS Divestment Slots or for relinquishing any rights associated thereto;
  - (b) ensure that any fees, costs or charges due in respect of the period prior to 4 January 2009 and payable by the AFKLM Companies to LCY and/or AMS in respect of the use of the LCY Divestment Slots and the AMS Divestment Slots which are to be made available to the proposed slot acquirer are paid in full prior to the transfer;
  - (c) to the extent within its control, facilitate the transfer of the LCY Divestment Slots and the AMS Divestment Slots to the proposed slot acquirer together with the benefit of any and all grandfathering or other incumbent rights that are connected to the LCY Divestment Slots and the AMS Divestment Slots; and
  - (d) not frustrate or impede, or permit, to the extent within its control, a third party to frustrate or impede, the prompt fulfilment of all or any part of the undertakings.
- 2.3 The AFKLM companies shall, at the IATA Summer 2009 conference, make a request for equivalent slots for the IATA Summer 2009 season to the LCY Divestment Slots and the AMS Divestment Slots, and shall thereafter make available such slots granted to it to the proposed slot acquirer on equivalent terms to those specified in paragraphs 2.1 and 2.2 above.
- 2.4 The AFKLM companies' obligation under paragraphs 2.1 and 2.3 above shall be extinguished in respect of the IATA Winter 2008/2009 season and the IATA Summer 2009 season to the extent that slots for the relevant season equivalent to the LCY Divestment Slots and/or the AMS Divestment Slots are offered or made available to the proposed slot acquirer by ACL/LCY or by the co-ordinator responsible for AMS respectively within 15 minutes before or after the time requested by the proposed slot acquirer.
- 2.5 The AFKLM companies shall provide the proposed slot acquirer with all reasonable assistance to support the proposed slot acquirer's request for slots equivalent to the LCY Divestment Slots and AMS Divestment Slots for

all IATA Winter seasons subsequent to the IATA Winter 2008/2009 season and for all IATA Summer seasons subsequent to the IATA Summer 2009 season for as long as LCY is not a Level 3 airport.

### **Transfer of the LCY Parking Stand**

- 3.1 The AFKLM companies shall, using their best endeavours and acting in good faith and to the extent within their control, procure to the satisfaction of the OFT that the proposed slot acquirer shall have the use of the LCY Parking Stand, and shall relinquish any rights associated thereto by 4 January 2009 to allow for the proposed slot acquirer to secure the LCY Parking Stand in accordance with the provisions of these undertakings.
- 3.2 If for any reason the proposed slot acquirer does not proceed to secure the LCY Parking Stand, the obligations on the AFKLM Companies under these undertakings shall continue to apply.
- 3.3 For the avoidance of doubt, the AFKLM Companies shall:
  - (a) not be materially remunerated or compensated for the vacation of the LCY Parking Stand or for relinquishing any rights associated thereto;
  - (b) only be obliged to vacate the LCY Parking Stand in accordance with the provisions of these undertakings;
  - (c) ensure that any fees, costs or charges due in respect of the period prior to 4 January 2009 and payable by the AFKLM Companies to LCY in respect of the use of the LCY Parking Stand which are to be vacated to allow for the proposed slot acquirer are paid in full prior to vacating the LCY Parking Stand;
  - (d) to the extent within its control, facilitate the transfer of the use of the LCY Parking Stand to the proposed slot acquirer; and
  - (e) not frustrate or impede, or permit, to the extent within its control, a third party to frustrate or impede, the prompt fulfilment of all or any part of the undertakings.
- 3.4 The AFKLM companies' obligation under paragraph 3.1 above shall be extinguished to the extent that the proposed slot acquirer is able to obtain an LCY Parking Stand from LCY from 4 January 2009.

## **Approval of proposed slot acquirer and terms of transfer**

- 4.1 For the purposes of the OFT approving Eastern as the proposed slot acquirer in accordance with these undertakings, the AFKLM Companies shall, save as required or permitted by the OFT, satisfy the OFT that:
- (a) the transfer to the proposed slot acquirer of the LCY Divestment Slots and AMS Divestment Slots, and subsequent equivalent slots for the IATA Summer 2009 season as provided for by these undertakings, mitigates or prevents the substantial lessening of competition concerned or any adverse effect which has or may have resulted from it, or may be expected to result from it, in particular, having regard to the need to achieve as comprehensive a solution as is reasonable and practicable to the substantial lessening of competition and any adverse effects resulting from it;
  - (b) the proposed slot acquirer is independent of and unconnected to the AFKLM Companies and the Group of Interconnected Bodies Corporate to which each of the AFKLM Companies belongs and any Associated Person or Affiliate of any of the AFKLM Companies or such Group of Interconnected Bodies;
  - (c) the proposed slot acquirer has the financial resources, expertise (including the managerial, operational and technical capability), incentive and incentive to operate a viable and active business in competition with the AFKLM Companies and other competitors on the LCY-AMS route;
  - (d) the proposed slot acquirer has obtained all necessary approvals and consents; and
  - (e) the transfer to the proposed slot acquirer of the LCY Divestment Slots and the AMS Divestment Slots, and subsequent equivalent slots for the IATA Summer 2009 season as provided for by these undertakings, is not expected to result in a substantial lessening of competition within any market or markets in the UK.
- 4.2 The OFT may require the AFKLM Companies and/or a proposed slot acquirer to provide it with such information and documentation as it may reasonably require to satisfy the OFT that the proposed slot acquirer will fulfil the requirements set out in paragraph 4.1 above.

## **Appointment of Monitoring Trustee**

- 5.1 The OFT may at any point require the AFKLM Companies to appoint as soon as reasonably practicable and in any event within twenty Working Days of the OFT's request, a Monitoring Trustee nominated by one or more of the AFKLM Companies and approved by the OFT in advance in writing on such terms to be approved by the OFT in advance in writing and remunerated by the AFKLM Companies.

- 5.2 The Monitoring Trustee shall possess appropriate qualifications and experience to carry out the Monitoring Trustee's Functions.
- 5.3 The Monitoring Trustee shall be independent of the AFKLM Companies, their Affiliates and any member of the same Group of Interconnected Bodies Corporate and shall have no conflict of interest in relation to the performance of the Monitoring Trustee's Functions.
- 5.4 In the event that:
- (a) the AFKLM Companies fail to nominate any person or persons in accordance with the provisions of paragraph 5.1 above within twenty Working Days of the request from the OFT; or
  - (b) none of the persons nominated by the AFKLM Companies pursuant to paragraph 5.1 above is approved by the OFT; or
  - (c) the AFKLM Companies are unable for any reason to conclude within the time limit stipulated in paragraph 5.1 above the appointment of any such person following approval by the OFT

the AFKLM Companies shall use their best endeavours to appoint from such person or persons nominated by the OFT one person to act as Monitoring Trustee in accordance with such a mandate as is approved in advance in writing by the OFT. The AFKLM companies shall use their best endeavours to make such appointment within 7 Working Days of receiving the nominations from the OFT.

- 5.5 In the event that the appointment of a Monitoring Trustee terminates for any reason prior to the fulfilment of the undertakings to the satisfaction of the OFT, including where the Monitoring Trustee has ceased to perform or to be able to perform its functions or for any other good cause (including a conflict of interest or illness), the AFKLM Companies shall, if directed to do so by the OFT, upon the direction of the OFT, use their best endeavours to appoint from such person or persons nominated by the OFT another person to act as Monitoring Trustee in accordance with such mandate as is approved by the OFT. The AFKLM companies shall use their best endeavours to make such appointment within seven Working Days of receiving the nominations from the OFT. Where required by the OFT, the outgoing Monitoring Trustee shall continue as Monitoring Trustee until a new Monitoring Trustee is in place and a full handover of all relevant information has taken place.

### **Functions of Monitoring Trustee**

- 6.1 The Monitoring Trustee shall monitor the AFKLM Companies' compliance with all or any part of these undertakings.

- 6.2 Without prejudice to the generality of paragraph 6.1, the Monitoring Trustee may take any measures to the extent such measures may be necessary to effect the making available of the LCY Divestment Slots and the AMS Divestment Slots, and subsequent equivalent slots for the IATA Summer 2009 season as provided for by these undertakings, to the slot acquirer and the transfer of the LCY Parking Stand in accordance with these undertakings.
- 6.3 The Monitoring Trustee shall, as soon as reasonably practicable, comply at all times with any reasonable instructions or written directions made by the OFT and such person nominated by the OFT for the purposes of carrying out or securing compliance with the undertakings (or any matter incidental thereto) and shall provide to the OFT and/or ACL such information and reports in relation to the carrying out of the Monitoring Trustee Functions as the OFT and/or ACL may require. The Monitoring Trustee shall promptly report in writing to the OFT if the Monitoring Trustee concludes on reasonable grounds that the AFKLM Companies are failing to comply with any of their obligations under these undertakings.
- 6.4 The Monitoring Trustee shall ensure that:
- (a) no arrangements are put in place or completed that affect the ability of the AFKLM Companies to comply with their obligations under these undertakings;
  - (b) the AFKLM Companies take no action or make no omission that might adversely affect the AFKLM Companies' compliance with their obligations under these undertakings; and
  - (c) the AFKLM Companies take no action or make no omission that might adversely affect the ability of a proposed slot acquirer to secure the LCY Divestment Slots and/or the AMS Divestment Slots, and subsequent equivalent slots for future IATA Summer and Winter seasons as provided for by these undertakings, and/or the LCY Parking Stand in accordance with the provisions of these undertakings.
- 6.5 The Monitoring Trustee shall:
- (a) facilitate the provision of information by the AFKLM Companies to ACL and/or the OFT in accordance with paragraph 10 of these undertakings; and
  - (b) have access to all relevant information and documents which it shall pass to the OFT and/or ACL if so requested.

- 6.6 In furtherance of the Monitoring Trustee's functions outlined above, the Monitoring Trustee shall take such steps as it reasonably considers necessary including:
- (a) giving such directions to the officers or staff of the AFKLM Companies, including any person holding such position on a temporary basis, as are reasonably necessary for the fulfilment of the Monitoring Trustee's functions; and
  - (b) the monitoring of such communications between the AFKLM Companies on the one hand and the OFT, ACL and/or the proposed slot acquirer on the other including written and electronic communications, telephone conversations and attending any relevant internal and external meetings (including board meetings, and meetings of any committee of the board) of the AFKLM Companies as the Monitoring Trustee considers reasonably necessary for the fulfilment of the Monitoring Trustee's functions.

#### **Remuneration of Monitoring Trustee**

7. The AFKLM Companies shall pay the Monitoring Trustee a reasonable remuneration for the services it provides in carrying out the Monitoring Trustee Functions, and shall pay the Monitoring Trustee in a way that does not impede the independent and effective fulfilment of the Monitoring Trustee Functions, as referred to in paragraph 6 above.

#### **Obligations of the AFKLM Companies following appointment of Monitoring Trustee**

- 8.1 The AFKLM Companies shall not give any instruction or request to the Monitoring Trustee which conflicts with the Monitoring Trustee Functions.
- 8.2 The AFKLM Companies shall take all such steps as are reasonably necessary to enable the Monitoring Trustee to carry out the Monitoring Trustee Functions, including but not limited to:
- (a) complying with such written directions as the Monitoring Trustee may from time to time give pursuant to paragraph 6.6(a) above; and
  - (b) providing the Monitoring Trustee with all such assistance and information, as it may reasonably require in carrying out the Monitoring Trustee Functions.

#### **Compliance**

- 9.1 The AFKLM Companies shall comply promptly with such written directions as the OFT may from time to time give:
- (a) to take such steps as may be specified or described in the directions for the purpose of carrying out or securing compliance with these undertakings; or

- (b) to do or refrain from doing anything so specified or described which they might be required by these undertakings to do or to refrain from doing.
- 9.2 The AFKLM Companies shall procure that any member of the same Group of Interconnected Bodies Corporate as each of the AFKLM Companies complies with these undertakings as if it had given them and actions and omissions of the members of the same Group of Interconnected Bodies Corporate as each of the AFKLM Companies shall be attributed to the respective AFKLM Company for the purposes of these undertakings.
- 9.3 Where any Affiliate of any of the AFKLM Companies is not a member of the same Group of Interconnected Bodies Corporate as the relevant AFKLM Company, the AFKLM Company in question shall use its best endeavours to procure that any such Affiliate shall comply with these undertakings as if it had given them.

#### **Provision of Information**

- 10.1 The AFKLM Companies shall furnish promptly to the OFT:
  - (a) an explanation of any matter relevant to the undertakings that the OFT may require;
  - (b) such additional information and documentation as the OFT requires or considers appropriate to monitor the undertakingsin each case including for the avoidance of doubt any Confidential Information or documentation.

#### **Continuation and Termination**

- 11.1 The AFKLM Companies accept that these undertakings shall continue in force until such time as they are varied, released or superseded under the Act.
- 11.2 The AFKLM Companies accepts that the variation, release or supersession of the undertakings shall not affect the validity and enforceability of any rights or obligations that arose prior to such variation, release or supersession.

#### **Interpretation**

- 12.1 The Interpretation Act 1978 shall apply to these undertakings as it does to Acts of Parliament.
- 12.2 References in these undertakings to any English law term for any legal status, interest, concept or thing shall in respect of any jurisdiction other

than England and Wales be deemed to include what most nearly approximates in that jurisdiction to the English law term.

12.3 In these undertakings the word “including” shall mean including without limitation or prejudice to the generality of any description, definition, term or phrase preceding that word and the word “include” and its derivatives shall be construed accordingly.

12.4 For the purposes of these undertakings:

“**ACL**” means Airport Coordination Limited or its successors or assigns responsible for the coordination of landing and take off times at LCY;

“**Acquisition**” means the acquisition completed on 14 February 2008 by Air France Finance S.A.S of VLM;

“**the Act**” means the Enterprise Act 2002;

“**Affiliate**” of a person is another person who satisfies the following condition, namely that any enterprise (which, in this context, has the meaning given in section 129(1) of the Act) that the first person carries on and any enterprise that the second person carries on from time to time would be regarded as being under common control for the purposes of section 26 of the Act;

“**the AFKLM Companies**” means Air France S.A., CityJet Ltd, KLM Royal Dutch Airlines N.V. and VLM Airlines N.V.;

“**AMS**” means Amsterdam Schipol Airport;

“**AMS Divestment Slots**” means, for the IATA Winter 2008/2009 season, pairs of slots at AMS to enable the proposed slot acquirer to operate two frequencies (Monday to Friday) on the AMS-LCY route with a departure from AMS between 06:30 and 10:00 Amsterdam time and two frequencies (Monday to Friday) on the AMS-LCY route with a departure from AMS between 16:00 and 22:00.

“**Associated Person**” means a person or persons associated with the AFKLM Companies within the meaning of section 127(4) of the Act and includes any Subsidiary of such a person or persons;

“**business**” has the meaning given by section 129(1) and (3) of the Act;

“**CC**” means the Competition Commission;

“**Confidential Information**” means any business secrets, know-how, commercially sensitive information, intellectual property or any other information of a confidential or proprietary nature;

**“Control”** shall be construed in accordance with section 26 of the Act, and in the case of a body corporate, a person shall be deemed to Control it if he holds, or has an interest in, shares of that body corporate amounting to 10 per cent or more of its issued share capital or carrying an entitlement to vote at meetings of that body corporate of 10 per cent or more of the total number of votes which may be cast at such meetings;

**“the Decision”** means the OFT’s decision under section 22 of the Act dated 9 May 2008 in connection with the Acquisition;

**“Eastern”** means Eastern Airways (UK) Limited;

**“Group of Interconnected Bodies Corporate”** has the meaning given in section 129(2) of the Act; references to a Group of Interconnected Bodies Corporate shall be to the Group of Interconnected Bodies Corporate as constituted from time to time;

**“IATA”** means the International Air Transport Association;

**“IATA Summer 2009 season”** means 29 March 2009 to 24 October 2009;

**“IATA Summer 2009 conference”** means the 123<sup>rd</sup> IATA slot conference to be held in Athens on 13-16 November 2008;

**“IATA Winter 2008/2009 season”** means 26 October 2008 to 28 March 2009;

**“Interest”** includes shares, an interest in shares and any other interest carrying an entitlement to vote at shareholders’ meetings; and for this purpose “an interest in shares” includes an entitlement by a person other than the registered holder, to exercise any right conferred by the holding of these shares or an entitlement to Control the exercise of such right;

**“LCY”** means London City Airport;

**“LCY-AMS”** means London City Airport – Amsterdam Schipol Airport;

**“LCY Divestment Slots”** means, for the IATA Winter 2008/2009 season, pairs of slots at LCY to enable the proposed slot acquirer to operate two frequencies (Monday to Friday) on the LCY-AMS route with a departure from LCY between 06:30 and 10:00 London time and two frequencies (Monday to Friday) on the LCY-AMS route with a departure from LCY between 16:00 and 22:00.

**“LCY Parking Stand”** means a parking stand located at LCY designated by ACL for use for overnight parking of an aircraft prior to the operation of a scheduled passenger service, including any space set aside by LCY for the overnight parking of commercial aircraft;

**“Level 3 airport”** means an airport where, in order to land or take off, during the periods for which it is coordinated, it is necessary for an air carrier or any other aircraft operator to have a slot allocated by a coordinator;

**“Monitoring Trustee”** means the person appointed pursuant to paragraph 4 to carry out the Monitoring Trustee Functions;

**“Monitoring Trustee Functions”** means the functions set out in paragraph 5;

**“OFT”** means the Office of Fair Trading;

**“Slot”** means either (i) in relation to a Level 3 airport, the permission given by a coordinator in accordance with Council Regulation 95/93 (as amended) to use the full range of airport infrastructure necessary to operate an air service at a coordinated airport on a specific date and time for the purpose of landing or take-off; and/or (ii) in relation to a Level 2 airport, the permission granted by the operator of the airport alone or in consultation with the slot facilitator for that airport to use the full range of airport infrastructure necessary to operate an air service at that airport on a specific date and time for the purpose of landing or take-off;

**“Subsidiary”** shall be construed in accordance with section 736 of the Companies Act 1985 (as amended), unless otherwise stated;

**“UK”** means the United Kingdom of Great Britain and Northern Ireland;

**“VLM”** means VLM Airlines N.V..

**“Working Day”** means mean any days of the week other than a Saturday, Sunday or any other day that is a public holiday in England; and unless the context requires otherwise, the singular shall include the plural and vice versa.

FOR AND ON BEHALF OF

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.....	Name	.....	Name
.....	Title	.....	Title
.....	Date	.....	Date
(Director)		Director/Company Secretary	

FOR AND ON BEHALF OF

.....	Signature	.....	Signature
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(Director)		Director/Company Secretary	

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