

**CONFIDENTIAL PROTOCOL OF NEGOTIATIONS BETWEEN
DELEGATIONS OF AERONAUTICAL AUTHORITIES OF
THE FRENCH REPUBLIC AND OF THE RUSSIAN FEDERATION**

Consultations between delegations representing the Aeronautical authorities of the French republic and of the Russian Federation took place in Paris on 29 and 30 March 2012.

The list of the delegations is attached as Annex 1.

The discussions took place in the cordial atmosphere which characterises the relations between the two countries.

1. Amendment of the bilateral framework

1.1 EU clauses

Both delegations discussed amendments of the Air Services Agreement between the Government of the French Republic and the Government of the Russian Federation signed in Moscow on July 2nd 2001 (hereinafter "The Agreement") in order to bring it into conformity with EU law.

Both delegations agreed to recommend to their respective Government the signature of the Protocol attached as Annex 2.

1.2 Agreed Principles

Following the entry into force of the "Agreed Principles of the Modernisation of the existing system of utilising of the Transiberian routes" (hereinafter "the Agreed Principles") on the 1st January 2012, both delegations exchanged views on the effective implementation of these Agreed Principles.

The French delegation tabled a proposal of amendments of the bilateral arrangements which is attached as Annex 3.

The Russian Delegation took note of this proposal and stated that, due to the EU ETS, it was not ready to accept the implementation of the Agreed Principles.

2. Confirmation of frequency entitlements

For clarity and legal certainty purposes, both delegations confirmed that, in paragraph 5.5.a) of the Confidential Memorandum signed at Moscow on July 4th 2001 (CMOU), "up to seven (7) weekly services" is replaced by "up to fourteen (14) weekly services".

3. New traffic rights

Both delegations agreed on the following:

- 3.1** Notwithstanding paragraph 4 of the CMOU, each Contracting Party may designate a second airline to operate regular services between Moscow and Paris-Orly (v.v) in addition to the airline already designated to operate on the agreed service between Moscow and Paris.

In addition to the current frequency entitlement for local services, as defined in paragraph 5.1.1 of the CMOU as modified by the exchange of letters between the two Aeronautical Authorities dated 14 and 16 May 2008, the second designated airline of each Contracting Party on the agreed service between Moscow and Paris-Orly shall be allowed to operate up to seven (7) weekly services (v.v) on this Moscow - Paris-Orly sector."

- 3.2 Notwithstanding paragraph 4 of the CMOU, each Contracting Party may designate a second airline to operate regular services between Moscow and Nice (v.v) in addition to the airline already designated to operate on the agreed service between Moscow and Nice.

In addition to the current frequency entitlement for local services, as defined in paragraph 5.1.1 of the CMOU as modified by the exchange of letters between the two Aeronautical Authorities dated 14 and 16 May 2008, the second designated airline of each Contracting Party on the agreed service between Moscow and Nice shall be allowed to operate up to seven (7) weekly services (v.v) on this Moscow - Nice sector.

4. Services on the Paris-Wuhan route

The French delegation confirmed the designation of the point of Wuhan (China) on the Route 2.2.3 of the Route Schedule by the French Aeronautical authorities, in accordance with paragraph 1.2.2.b) of the Confidential Memorandum dated 4 July 2001 as modified by the exchange of letters between the two Aeronautical Authorities dated 14 and 16 May 2008. Accordingly, the Russian delegation indicated that the authorization for the Siberian overflights scheduled as from 11 April 2012 is granted to Air France with immediate effect.

5. Final provisions

The two delegations agreed that the provisions of this Confidential protocol of negotiations are applicable as from the date of its signature.

The provisions of paragraph 3 of the present Confidential protocol of negotiations will be applied provisionally pending confirmation through an exchange of diplomatic notes in accordance with article 19 of the Agreement.

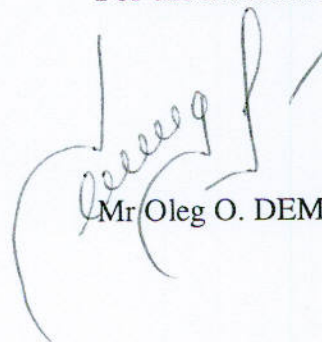
Done in Paris on 30 March 2012 in two originals both in English language.

For the French Delegation



Mr Paul SCHWACH

For the Russian Delegation



Mr Oleg O. DEMIDOV

FRENCH DELEGATION

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Air Transport Director
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Delegates:

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Deputy Director for airlines and air services
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Mr Maxime MILLEFERT
Chief air Negotiator
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Ms Aicha HAMDI
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PROTOCOL AMENDING THE AIR SERVICES AGREEMENT BETWEEN THE GOVERNMENT OF THE RUSSIAN FEDERATION AND THE GOVERNMENT OF THE FRENCH REPUBLIC DONE ON 2ND JULY 2001

The Government of the Russian Federation and the Government of the French Republic (hereinafter referred to as "Contracting Parties") amending the Air Services Agreement between the Government of the Russian Federation and the Government of the French Republic done on 2nd July 2001 (hereinafter referred to as "the Agreement")

have agreed as follows:

Article 1

To make the following changes in the Agreement:

1. To supplement Article 1 with the following point j):

"j) The expression "Air Operator Certificate" has the meaning assigned to it in Annex 6 "Operation of Aircraft" to the Convention."

2. To formulate paragraph 3 of Article 3 as follows:

"3. Each Contracting Party shall designate such airlines for the purposes of operating agreed services on the specified routes which are established on the territory of the State of either Contracting Party.

Each Contracting Party shall have the right to refuse to grant the operating authorisation referred to in paragraph 2 of this Article or to impose such conditions as it may deem necessary on the exercise by the designated airline of the rights specified in Article 2 of the Agreement, in any case where the said Contracting Party is not satisfied that:

- the designated airline of the other Contracting Party is established in the territory of the State of that other Contracting Party; or
- the designated airline of the other Contracting Party has a valid Operating Licence and Air Operator Certificate in accordance with the applicable legislation of the State of the designating Contracting Party; or
- effective regulatory control of the airline is exercised and maintained by the State responsible for issuing its Air Operator Certificate and the relevant Aeronautical Authority is clearly identified in the designation."

3. To formulate paragraph 1 of Article 4 as follows:

"1. Each Contracting Party shall have the right to revoke an operating authorization or to suspend the exercise of the rights specified in Article 2 of the Agreement by an airline designated by the other Contracting Party or to impose such conditions as it may deem necessary on the exercise of these rights:

- a) in any case where it is not satisfied that the airline fulfills the conditions set in Article 3 paragraph 3 of the Agreement; or

b) in case of a failure by that airline to comply with the legislation of the Contracting Party granting these rights; or

c) in case the airline otherwise fails to operate in accordance with the conditions prescribed under the Agreement; or

d) in case effective regulatory control over the airline designated by one Contracting Party is exercised by a State with which the other Contracting Party does not have a bilateral air services agreement and that State has denied traffic rights to the airline designated by that other Contracting Party.”

4. To delete the following wording in paragraph 5 of Article 5:

“after an agreement between the designated air carriers on the concerned sector of the specified routes”.

5. To formulate Article 8 as follows:

“Article 8
Aviation Safety

1. Each Contracting Party may request consultations at any time concerning safety standards in any area relating to aeronautical facilities, crew, aircraft or their operation adopted by the other Contracting Party. Such consultations shall take place within thirty (30) days of that request.

2. If, following such consultations, one Contracting Party finds that the other Contracting Party does not effectively maintain and administer safety standards in any area referred to in paragraph 1 of this Article that are at least equal to the minimum standards established pursuant to the Convention, the other Contracting Party is notified of those findings and of the steps considered necessary to conform with those minimum standards, and that other Contracting Party shall take appropriate corrective action. Failure by the other Contracting Party to take appropriate action within fifteen (15) days or such longer period as may be agreed shall be grounds for the application of Article 4 of the Agreement.

3. Notwithstanding the obligations mentioned in Article 33 of the Convention it is agreed that any aircraft operated by the designated airlines of one Contracting Party on services to or from the territory of the other Contracting Party may, while within the territory of the other Contracting Party, be made the subject of an examination by the authorized representatives of the other Contracting Party, on board and around the aircraft to check both the validity of the aircraft documents and those of its crew and the apparent condition of the aircraft and its equipment for its conformity with the standards of International Civil Aviation Organization (in this Article called “ramp inspection”), provided this does not lead to unreasonable delay.

4. If any such ramp inspection or series of ramp inspections gives rise to serious concerns that an aircraft or the operation of an aircraft does not comply with the minimum standards established pursuant to the Convention, or there is a lack of effective maintenance and administration of safety standards established pursuant to the Convention, the Contracting Party carrying out the inspection shall, for the purposes of Article 33 of the Convention, be

free to conclude that the requirements under which the certificates or licences in respect of that aircraft or in respect of the crew of that aircraft had been issued or rendered valid, or that the requirements under which that aircraft is operated, are not equal to the minimum standards established pursuant to the Convention.

5. Each Contracting Party reserves the right to suspend or vary the operating authorization of an airline or airlines designated by the other Contracting Party if a result of a ramp inspection or a series of ramp inspections, a denial of access for ramp inspection, consultations referred to in paragraph 1 of this Article or other factors reveal threats to the safety of the airline operation.

6. Any action by one Contracting Party in accordance with paragraphs (2) or (5) above shall be discontinued once the basis for the taking of that action ceases to exist.

7. Where one Contracting Party has designated an airline whose regulatory control is exercised and maintained by another State, the rights of the other Contracting Party under this Article shall apply equally in respect of the maintenance, exercise or administration of safety standards by that other State and in respect of the operating authorisation of that airline.”

6. To make Article 11 “Relationship between the designated airlines” null and void.

7. To formulate Article 14 “Tariffs” as follows:

“Article 14
Tariffs

1. The tariffs applicable between the territories of the two Contracting Parties shall be established at reasonable levels, due regard being paid to all relevant factors including the cost of operation, the interest of users, commercial benefits, reasonable profits, class of service and, when it is deemed suitable the tariffs of other airlines operating over whole or part of the routes.

2. Designated airlines of either Contracting Party develop the tariffs independently.

3. The Aeronautical Authorities of either Contracting Party may request to intervene in a tariff, in case of:

- (a) prevention of unreasonably discriminatory tariffs;
- (b) protection of consumers from prices that are unreasonably high or restrictive because of the abuse of a dominant position;
- (c) protection of airlines from prices to the extent that they are artificially low because of direct or indirect government subsidy; and
- (d) protection of airlines from prices that are low due to unfair competition.

4. The Aeronautical Authorities of either Contracting Party may require tariffs for approval for purposes mentioned in paragraph 3 of this article. In this case, the tariffs shall be submitted to the Aeronautical Authorities for approval 30 days prior the application of the tariff.”

Article 2

This Protocol shall enter into force from the date of the last written notification through diplomatic channels that the necessary internal procedures for the entry into force have been fulfilled by the Contracting Parties.

Done in _____ on _____ 201_ in duplicate in Russian and French languages, all texts being equally authentic.

For the Government of the
Russian Federation

For the Government of the
French Republic

(Handwritten signature)
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French proposal of amendments for the implementation of the Agreed Principles

Both delegations confirmed in accordance with the Agreed principles that the following will apply :

- as from 1 January 2012, newly operated overflight frequencies¹ on agreed specified routes shall not require prior conclusion of a commercial agreement between the designated carriers or payments² resulting therefrom;
- as from 1 July 2012:
 - the right of the French designated air carriers to omit stopping in the territory of the Russian Federation (under bilateral arrangement) shall not be subject to any special commercial agreement with Russian designated air carriers or payment resulting therefrom;
 - any code-share operation using Transsiberian routes shall not be subject to any special commercial agreement with Russian designated air carriers or payments resulting therefrom.
- no later than 1 January 2014, the obligation of the French designated air carriers to enter into commercial agreements with Russian air carriers on the Transsiberian routes shall be terminated. As a consequence, the French designated air carriers shall not make any payments resulting from commercial agreements in respect of overflights, except payments in accordance with the following paragraph.

No later than 1 January 2014, any fees and charges applicable for overflying Russian and EU territories by EU and Russian airlines, respectively, shall be cost-related, transparent and not leading to discrimination between foreign airlines. Any such fees and charges shall be paid to the relevant public authorities and be in accordance with the requirements of the Chicago Convention.

Accordingly with the above mentioned timeline, both delegations agreed on the following amendments:

A. The Confidential Memorandum (CMOU) signed at Moscow on 4th of July 2001 as amended is modified as follows:

1. Paragraph 5.1.1.b) of the CMOU:
 - the words “for which the removal of the compulsory stop in Moscow can be omitted as agreed between the designated airlines” are replaced by “for which the compulsory stop in Moscow can be omitted”;
 - paragraph c) is entirely deleted.

¹ “Newly operated overflight frequencies” means frequencies which had not been operated during prior IATA seasons.

² These payments from commercial agreements include inter alia the payments for code share, non stop services, transfer of services, use of transpolar routes, technical landings and leased frequencies.

2. Paragraph 5.2 of the CMOU:
 - at paragraph a): "seventeen (17)" is replaced by "twenty-eight (28)";
 - at paragraph b): "eighteen (18)" is replaced by "twenty-eight (28)";
 - paragraph c) is entirely deleted;
 - paragraph d) is entirely deleted;
 - paragraph e) is entirely deleted;
 - paragraph h) is entirely deleted.
3. Paragraph 5.3 of the CMOU:
 - at paragraph a): "twenty-eight (28)" is replaced by "forty-two (42)";
 - at paragraph b): "twenty-eight (28)" is replaced by "forty-two (42)";
 - paragraph c) is entirely deleted;
 - paragraph d) is entirely deleted;
 - paragraph e) is entirely deleted.
4. Paragraph 5.4 of the CMOU:
 - paragraph a) is entirely deleted;
 - paragraph b) is entirely replaced by the new following paragraph: "For the operations on the agreed services on trans-Siberian and/or trans-Polar routes between France and Taipei, with an extension to Noumea, the designated airline of France may operate up to one hundred and four (104) one way flights per year in either direction with any type of subsonic aircraft";
 - at paragraph c): the words "in paragraphs a) and b)" are replaced by "in paragraph b)".
5. At paragraph 5.5 of the CMOU, paragraph d) is entirely deleted.
6. Paragraph 8.d) of the CMOU is entirely deleted.
7. At paragraph 9 of the CMOU, the following words are deleted:

"However, both delegations agreed that, for the time being, for every six (6) non-stop flights to Japan and for every three (3) non-stop flights to Korea, Air France will make one compulsory stop in Moscow and that subject to the conclusion of a commercial agreement with Aeroflot, Air France may omit the compulsory stops in Moscow stipulated hereabove."

B. The paragraph B. of the Confidential Protocol of Negotiations dated 20 December 2002 is replaced by the following new paragraph B. :

CARGO SERVICES TO ASIA:

"The French delegation requested the possibility to operate all cargo services between France and Asia using the Trans-Siberian and/or Trans-Polar and/or Trans/Asian routes as defined in the Memorandum.

Both delegations agreed that Air France is authorised to operate, with or without a stop in Russia up to eleven (11) weekly frequencies to all points in Japan and/or China/Korea and/or Hong Kong.

Both delegations also agreed that Aeroflot is authorised to operate all cargo services between France and Asia with a compulsory stop in Moscow up to eleven (11) weekly frequencies to all points in Japan and/or China/Korea and/or Hong Kong.

The agreed services defined above can be operated with any type of cargo aircraft with a maximum take-off weight of 415 tons.

For its all cargo operations to any point in third countries, Air France is allowed to freely use any navigation routes over-flying the territory of the Russian Federation West of Meridian 60 E, including through Kazakhstan and China, with or without landing in Russia for non-traffic purposes.”

C. Paragraph G. of Confidential Protocol of Negotiations dated 21 January 2005:

- paragraph c) is entirely deleted;
- paragraph d) is entirely deleted.