

NOT FOR PUBLICATION, DISTRIBUTION OR RELEASE, DIRECTLY OR INDIRECTLY, TO U.S. PERSONS OR IN THE UNITED STATES OF AMERICA, AUSTRALIA, CANADA OR JAPAN OR IN ANY OTHER JURISDICTION IN WHICH OFFERS OR SALES WOULD BE PROHIBITED BY APPLICABLE LAW.

THIS PRESS RELEASE IS RELEASED FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES AND THE OFFER OF BONDS (AS DEFINED BELOW) DOES NOT CONSTITUTE AN OFFER (OTHER THAN TO QUALIFIED INVESTORS) IN ANY JURISDICTION, INCLUDING FRANCE.

THE BONDS WILL ONLY BE OFFERED TO QUALIFIED INVESTORS, WHO COMPRISE, FOR THE PURPOSES OF THIS PRESS RELEASE, PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES. THE SECURITIES WILL NOT BE OFFERED OR SOLD TO RETAIL INVESTORS. NO KEY INFORMATION DOCUMENT HAS BEEN OR WILL BE PREPARED PURSUANT TO EU PRIIPS OR UK PRIIPS REGULATION.



Paris, 16 November 2022

Successful offering of Air France-KLM's deeply subordinated undated bonds convertible into new shares and/or exchangeable for existing shares for a nominal amount of € 305.3 m

- The Offering attracted significant demand, with the orderbook multiple times oversubscribed;
- This success demonstrates the confidence of the investors, with significant interest from long-only funds.

Air France-KLM (the "Company") today has successfully placed undated deeply subordinated unsecured bonds convertible into new shares and/or exchangeable for existing shares (the "Bonds"), for a nominal amount of € 305.3 m, by way of a private placement to qualified investors only (the "Offering"), representing c. 200 million underlying shares.

The net proceeds of the Offering will be fully allocated to the repayment of the perpetual bonds held by the French State, issued in April 2021. The offering qualifies for quasi equity under IFRS.

The settlement and delivery of the Bonds is expected to take place on 23 November 2022 (the "Issue Date").

An application will be made for admission of the Bonds to trading on the non-regulated open market of Euronext in Paris (Euronext AccessTM) within one month following the Issue Date.

Main terms of the Bonds

The Bonds will be issued at par with a nominal value per Bond of € 100,000 and with a conversion premium of 22.5% over the Company's reference share price. The reference share price is equal to € 1.2464 (corresponding to the volume-weighted average price of the share price of the Company on the regulated market of Euronext in Paris ("Euronext Paris") on 16 November 2022).

Interests

From the Issue Date until 23 November 2025 (exclusive), the Bonds will bear interest at a nominal annual rate of 6.5% payable quarterly in arrear on 23 November, 23 February, 23 May and 23 August of each year (or the next working day if any of those dates are a non-working day) (each, an "Interest Payment Date"), and for the first time on 23 February 2023, subject to any interest payment suspension by the Company (in accordance with the Bonds' terms and conditions).

From 23 November 2025 (inclusive), the Bonds will bear interest at a rate equal to 1,300 basis points above the applicable 3 year-Mid-Swap Rate in Euro as a reference rate. The reference rate will be subject to a reset every three years thereafter. Interest will be payable quarterly in arrear on each Interest Payment Date and, as the case may be, for the first time on 23 February 2023, subject to any interest payment suspension.

In the event of a change of control, the annual rate for the fixed coupon or the reset reference rate coupon, as the case may be, will be increased by 500 basis points.

On any Interest Payment Date, the Company may decide, subject to certain conditions, to suspend payment of interest in respect of the Bonds for the relevant interest period, subject to having notified Bondholders at least 15 business days prior to the relevant Interest Payment Date. All interest in respect of the Bonds that is not paid at an optional Interest Payment Date will constitute "Deferred Interest". Any amount of Deferred Interest will bear interest (to the full extent permitted by law) from the interest payment suspension date for any period exceeding 12 months at the interest rate applicable to the Bonds at the relevant period. The amount of accrued interest (the "Additional Interest") in respect of Deferred Interest will become due and payable in the same manner as Deferred Interest. Deferred Interest (as well as the corresponding amount of Additional Interest) may be paid in full or in part at any time at the Company's option, but all Deferred Interest (as well as the corresponding amount of Additional Interest) in respect of all the Bonds will become payable in full in specific cases, including if the Company decides the payment of a dividend or of an interim dividend or repurchase of any equity security or upon redemption of all outstanding Bonds.

Redemption of the Bonds

The Bonds are undated, subject to cases of early redemption at the Company's option, and will only be repayable in the event of the liquidation of the Company or upon the expiry of the term indicated in the Company's by-laws (unless extended in accordance with applicable legislation).

The Company may, at its option proceed with early redemption of all, but not some, of the Bonds at par plus accrued interest, Deferred Interest and, as the case may be, Additional Interest (the "Early Redemption Price"):

- for the first time on 23 November 2025, and then on each Interest Payment Date;
- in case of a change of control;
- from 14 December 2024 until 23 November 2025 (excluded), if the arithmetic average, calculated over any period of 10 trading days falling within any period of 20 consecutive trading days preceding the publication of the early redemption notice, of the daily products of the Company's closing trading share price on Euronext Paris and the conversion/exchange ratio in effect on each trading day during such period exceeds 130% of the principal amount of the Bonds;

- and if the total number of the Bonds outstanding is less than 15% of the number of Bonds originally issued.

Conversion/Exchange rights

Bondholders may exercise their conversion/exchange right at any time 40 calendar days after the Issue Date (inclusive) until the 10th business day (exclusive) preceding the earlier of the two following dates: 23 November 2025, or, as the case may be, the date set for any early redemption.

The conversion/exchange ratio is set at the Principal Amount divided by the prevailing initial conversion/exchange price, i.e., initially 65,496.4632 Shares per Bond, subject to subsequent adjustments (as set out in the terms and conditions of the Bonds).

Dilution

Maximum potential dilution will be equal to approximately 7.8% of the outstanding share capital (should the Company decide to exclusively deliver new shares upon exercise of conversion/exchange right), based on an Offering of Bonds for a nominal amount of € 305.3 million.

Placement and offer

The Offering has been conducted in accordance with Article L.411-2, 1° of the French Monetary and Financial Code (*Code monétaire et financier*), as per the authorization granted by the Company's extraordinary general meeting held on May 26th, 2021 (23rd resolution) as amended by the Company's extraordinary general meeting held on May 24th, 2022 (19th resolution), through an offer to qualified investors only, as defined in article 2 point (e) of Regulation (EU) n° 2017/1129, in France and outside France (excluding the United States of America, Canada, Australia and Japan). There has been nor will be no prospectus, offering circular or any similar offering document produced in connection with the Offering.

Deutsche Bank Aktiengesellschaft, HSBC Continental Europe and Natixis have acted as structuring banks and as joint global coordinators of the Offering (the "Structuring Banks" and the "Joint Global Coordinators"). Crédit Agricole Corporate and Investment Bank has acted as co-global coordinator (the "Co-Global Coordinator"), and together with the Joint Global Coordinators and with Société Générale as joint bookrunners (the "Joint Bookrunners").

Lock-Up

In the context of the Offering, the Company has agreed to a lock-up undertaking ending 90 calendar days following the issue date of the Bonds (inclusive), subject to certain exceptions or waiver of the Global Coordinators and Joint Bookrunners.

Subscription from existing shareholders

CMA CGM who holds 9.0% of Air France-KLM has subscribed pro rata to its shareholding, corresponding to a nominal amount of c. € 27 million.

Public information

The Offering of the Bonds is not subject to a prospectus approved by the French Financial Markets Authority (*Autorité des marchés financiers*) (the “AMF”). This press release does not constitute or form part of any offer or solicitation to purchase or subscribe for or to sell securities.

Detailed information on Air France-KLM, including its business, results, prospects and related risk factors are described in the Company’s universal registration document filed with the AMF on April 4th, 2022 under number D.22-0236 (the “URD”) as supplemented by an amendment to the URD filed with the AMF on May 24th, 2022, which are available together with all the press releases of the Company, the half-year financial report of the Company for the six-month period ended 30 June 2022, and the press release for the three-month period ended 30 September 2022 on the Company’s website (www.airfranceklm.com).

Investor Relations

Frederic Kahane

frkahane@airfranceklm.com

Michiel Klinkers

Michiel.klinkers@airfranceklm.com

Press

+33 1 41 56 56 00

Mail.mediarelations@airfranceklm.com

Website: www.airfranceklm.com

IMPORTANT NOTICE

This press release may not be released, published or distributed, directly or indirectly, to U.S. Persons or in or into the United States of America, Australia, Canada or Japan. The distribution of this press release may be restricted by law in certain jurisdictions and persons into whose possession any document or other information referred to herein comes, should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No communication or information relating to the offering of the Bonds may be transmitted to the public in a country where there is a registration obligation or where an approval is required. No action has been or will be taken in any country in which such registration or approval would be required. The issuance by the Company or the subscription of the Bonds may be subject to legal and regulatory restrictions in certain jurisdictions; none of Air France-KLM and the Joint Global Coordinators and Joint Bookrunners do not assume any liability in connection with the breach by any person of such restrictions.

*This press release is an advertisement and not a prospectus within the meaning of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and of Regulation (EU) 2017/1129 as it forms part of the United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**"). This press release is not an offer to the public other than to qualified investors, or an offer to subscribe or designed to solicit interest for purposes of an offer to the public other than to qualified investors in any jurisdiction, including France.*

The Bonds have been offered only by way of an offering in France and outside France (excluding the United States of America, Australia, Canada, Japan and any other jurisdiction where a registration process or an approval would be required by applicable laws and regulations), solely to qualified investors as defined in article 2 point (e) of the Prospectus Regulation and in accordance with Article L. 411-2, 1° of the French Monetary and Financial Code (Code monétaire et financier) and article 2 of the UK Prospectus Regulation. There will be no public offering in any country (including France) in connection with the Bonds, other than to qualified investors. This press release does not constitute a recommendation concerning the issue of the Bonds. The value of the Bonds and the shares of Air France-KLM can decrease as well as increase. Potential investors should consult a professional adviser as to the suitability of the Bonds for the person concerned.

Prohibition of sales to European Economic Area retail investors

No action has been undertaken or will be undertaken to make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision:

- a. the expression "**retail investor**" means a person who is one (or more) of the following:*
 - i. a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or*
 - ii. a customer within the meaning of Directive (EU) 2016/97, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or*
 - iii. not a "**qualified investor**" as defined in the Prospectus Regulation; and*

b. the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail Investors

No action has been undertaken or will be undertaken to make available any Bonds to any retail investor in the United Kingdom (“**UK**”). For the purposes of this press release:

a. the expression “**retail investor**” means a person who is one (or more) of the following:

i. a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or

ii. a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

iii. not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

b. the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

France

The Bonds have not been and will not be offered or sold or cause to be offered or sold, directly or indirectly, to the public in France other than to qualified investors. Any offer or sale of the Bonds and distribution of any offering material relating to the Bonds have been and will be made in France only to qualified investors (investisseurs qualifiés), as defined in article 2 point (e) of the Prospectus Regulation, and in accordance with Article L.411-2 1° of the French Monetary and Financial Code (Code monétaire et financier).

United Kingdom

*This press release is addressed and directed only (i) to persons located outside the United Kingdom, (ii) to investment professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”), (iii) to high net worth companies, and other persons to whom it may lawfully be communicated, falling within by Article 49(2) (a) to (d) of the Order (the persons mentioned in paragraphs (i), (ii) and (iii) all deemed relevant persons (the “**Relevant Persons**”)). The Bonds and, as the case may be, the shares to be delivered upon exercise of the conversion rights (the “**Financial Instruments**”), are intended only for Relevant Persons and any invitation, offer or agreement related to the subscription, tender, or acquisition of the Financial Instruments may be addressed and/or concluded only with Relevant Persons. All persons other than Relevant Persons must abstain from using or relying on this document and all information contained therein.*

This press release is not a prospectus which has been approved by the Financial Conduct Authority or any other United Kingdom regulatory authority for the purposes of Section 85 of the Financial Services and Markets Act 2000.

United States of America

*This press release may not be released, published or distributed to U.S. Persons or in or into the United States (including its territories and possessions, any state of the United States and the District of Columbia). This press release does not constitute an offer or a solicitation of an offer of securities in the United States or to, or for the account or benefit of, U.S. Persons. The Bonds and the shares deliverable upon conversion or exchange of the Bonds described in this press release have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any state of the United States, and such securities may not be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of, U.S. persons absent registration under the Securities Act or pursuant to an available exemption from, or in a transaction not subject to, the registration requirements thereof and applicable state or local securities laws.*

The securities of Air France-KLM have not been and will not be registered under the Securities Act and Air France-KLM does not intend to make a public offer of its securities in the United States or to U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Australia, Canada and Japan

The Bonds may not and will not be offered, sold or purchased in Australia, Canada or Japan. The information contained in this press release does not constitute an offer of securities for sale in Australia, Canada or Japan.

The distribution of this press release in certain countries may constitute a breach of applicable law.