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*Roissy, 12 April 2021*

**Air France-KLM launches a capital increase without shareholders' preferential subscription rights, by way of a public offering and with a 3-day priority subscription period on an irreducible basis and on a reducible basis granted to existing shareholders, for an amount of approximately €988 million, which may be increased to a maximum amount of €1,136 in the event of the exercise in full of the increase option<sup>1</sup>**

## **Launch of the Private Placement**

### **Subscription price per new share between €4.84 and €5.31**

Air France-KLM (the "**Company**") announces today the launch of a capital increase without shareholders' preferential subscription rights by way of a public offering and with a priority subscription period on an irreducible and reducible basis granted to existing shareholders (the "**Capital Increase**") for an amount of approximately €988 million, which may be increased to €1,136 million in the event of the exercise in full of the increase option (the "**Increase Option**").

The net proceeds of the Capital Increase are expected to amount to €980 million (which may be increased to €1,126 million in the event of the exercise in full of the Increase Option). The net proceeds of the Capital Increase will be allocated to strengthen the equity of Air France. Air France will use the allocated amount to consolidate its liquidity and finance general corporate purposes in the context of the Covid-19 crisis.

The Capital Increase will lead to the issuance of 186 million new shares, which may be increased to 214 new shares in the event of the exercise in full of the Increase Option ("**New Shares**"), corresponding to a maximum of 50% of the Company's share capital.

This press release relates to the launch of the Private Placement (as defined below).

In the context of the recapitalization plan, the Company will also proceed with the issue of undated deeply subordinated notes (recorded as equity in the Company's consolidated financial statements) for a total amount of €3 billion, subscribed in full by the French State by way of set-off on claims it holds on the Company pursuant to the shareholders' loan granted in May 2020, fully drawn for the amount of €3 billion (the "**Super-Subordinated Notes**").

This issue will be composed of three tranches with a perpetual maturity and a nominal amount of €1 billion each, with respective redemption options (Non Call) at 4, 5 and 6 years, and bearing interest at 7.00%, 7.25% and 7.50% respectively until these dates. Interest on the Super-Subordinated Notes will be capitalized.

These initial interest rates of each tranche of the Super-Subordinated Notes will be revised on the first early redemption date at the option of the Company of the relevant tranche and every 5 years thereafter,

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<sup>1</sup> Based on the upper end of the indicative price range of the private placement, i.e. €5.31

on the basis of the 5-year Euribor mid-swap rate increased by the initial margin retained for the initial fixed interest rate and the applicable Step-Up margin.

The interest rate would also be adjusted by applying the Step-Up margins from the first early redemption date:

- 4-year Super-Subordinated Notes: 1.50% as of the fifth year then 3.00% as of the eighth year onwards;
- 5-year Super-Subordinated Notes: 0.75% from sixth year then 2.75% from the eighth year onwards;
- 6-year Super-Subordinated Notes: 0.50% from the seventh year then 2.50% from the eighth year onward.

In the event of:

- (i) a third party, acting alone or in concert, holds more than 30% of the share capital of Issuer;
- (ii) non-approval by the shareholders' general meeting of a project of issuance of shares (or any other securities giving right to shares of the Issuer), submitted by the board of directors of the Issuer, enabling the French State to convert in shares of the Company all or part of the TSS held by the French State ; or
- (iii) implementation by the Issuer, without prior consent of the French State, of an issuance of shares (or other securities giving right to shares of the Company), except if such issuance of shares (or other securities giving right to shares of the Company) is realised with preferential subscription rights or with priority subscription period and that the French State is able to subscribe such shares (or other securities giving right to shares of the Issuer) by way of set-off (*compensation de créances*) with the Super-Subordinated Notes,

The Company may, at its sole discretion, redeem in full the Super-Subordinated Notes remaining outstanding, failing which the applicable interest rate shall be increased by an additional margin of 5.50% *per annum* from the date of occurrence of any of the events referred to in (i), (ii) or (iii). Such interest rate adjustments shall be cumulative, provided, however, that the cumulative adjustments shall not exceed 11.00% *per annum*.

It is specified that in the event that the interest rate resulting from the above principles is lower than the minimum rate provided for by the decision of the European Commission of April 5, 2021 authorizing the subscription of Super-Subordinated Notes by the French State, the applicable rate will be equal to the latter rate.

The Company would be granted with the option to defer the payment of interest, in whole or in part, at the Company's option, the payment of interest being nevertheless mandatory in the event of payment of dividends or repurchase of equity securities, subject to certain conditions.

These Super Subordinated Notes may be converted by way of set-off (*compensation de créances*) in the context of future issuances of quasi-capital securities or capital increases.

This transaction will strengthen Air France's equity by €3 billion in accordance with IFRS accounting standards, without impact on cash flow, while increasing the Air France's flexibility in its profile of debt repayment.

### Priority subscription period

Subject to the approval of the Prospectus (as defined below) relating to this transaction by the *Autorité des marchés financiers* (the « **AMF** »), the Company's existing shareholders (as of the record date of 12 April 2021) will be granted a 3-day priority subscription period on an irreducible basis (*à titre irréductible*) and on a reducible basis (*à titre réductible*), which will run from 13 April 2021 to 15 April 2021 (inclusive) at 17.00 (Paris time). Such priority subscription period will not be listed nor transferable.

In the context of the priority subscription period, the Company's existing shareholders may subscribe (i) on an irreducible basis (*à titre irréductible*) up to their shareholding in the capital of the Company and (ii) on a reducible basis (*à titre réductible*) to a number of shares greater than that to which they can subscribe on an irreducible basis within the limit of 5 times their demand on a reducible basis for one (1) share subscribed on an irreducible basis. Subscriptions made on a reducible basis will be allocated in proportion to their requests on an irreducible basis.

### Private placement and public offering

The New Shares not subscribed for during the priority subscription period as described above are being offered in a global offering including:

- a private placement to institutional investors, within and outside of France, excluding certain countries, in particular the United States of America, Japan, South Africa and Australia, that will be executed through a bookbuilding process on 12 April 2021 after market close (the “**Private Placement**”);
- a public offering in France for retail investors principally, which will run from 13 April 2021 until 15 April 2021 (inclusive) at 17.00 (Paris time) (the “**Public Offering**”), subject to the approval by the AMF of the Prospectus (as defined below) relating to this transaction.

Orders placed in the Public Offering and Private Placement might be subject to reduction depending on the results of the priority subscriptions on an irreducible basis and reducible basis received during the priority subscription period.

The subscription price of the New Shares in the context of the priority subscription period and the Public Offering will be equal to the Private Placement subscription price of the New Shares and will be set between €4.84 and €5.31 per share.

The subscription price will be communicated in a press release published at the latest on 13 April 2021 before market open.

The New Shares, which will entitle their holders to any dividends declared by the Company as from the date of issuance, will be, as from their issuance date, fully fungible with the Company's existing shares and will be traded under the same trading line and ISIN code as the Company's existing shares (ISIN code FR0000031122).

### Intentions and subscription commitments of the main shareholders

#### *Subscription commitment from the French State*

The French State, board member of the Company and holding 428,634,035 shares of the Company (i.e. 14.3% of the share capital) as of the date this press release, committed on 12 April 2021 to subscribe up to a maximum of 65.9% of the Capital Increase (excluding the Increase Option) corresponding to a

maximum amount of €650.8 million<sup>2</sup> (i) on an irreducible basis (*à titre irréductible*) up to its shareholding in the capital of the Company, by subscribing 26,587,276 New Shares for an amount of approximately €141,2 million<sup>3</sup> and (ii) on a reducible basis (*à titre réductible*) by subscribing 95,972,975 New Shares for a maximum amount of €509,6 million<sup>4</sup>, so as not to hold more than 29.9% of the Company's share capital following the completion of the Capital Increase.

#### *Subscription commitment from China Eastern Airlines*

China Eastern Airlines, which holds 37,527,410 shares of the Company (i.e. 8.8% of the share capital and 10.5% of the voting rights) as of the date this press release, committed on 2<sup>nd</sup> April 2021 to subscribe (i) on an irreducible basis (*à titre irréductible*) up to its shareholding in the capital of the Company, by subscribing 23,944,689 New Shares, for a maximum amount of approximately €127.1 million<sup>5</sup> and (ii) on a reducible basis (*à titre réductible*) by subscribing 7,652,559 New Shares for a maximum amount of €40.6 million<sup>6</sup>, in order to hold following the completion of the Capital Increase a fraction of the share capital representing less than 10% of the share capital of the Company.

The subscription commitments described hereabove are referred to as the “**Subscription Commitments**”.

The Subscription Commitments total approximately €777.9 million and represent approximately 78.7% of the amount of the Capital Increase. The Subscription Commitments will respectively be terminated in the event the placement and underwriting agreement entered into with the Bank Syndicate (as such term is defined below) would itself be terminated.

The Dutch State, which holds 60,000,000 shares of the Company (i.e. 14.0% of the share capital) as of the date of this press release, has informed the Company of its intention not to participate in the Capital Increase.

Delta Air Lines, which holds 37,527,410 shares of the Company (i.e. 8.8% of the share capital) as of the date of this press release, has informed the Company of its intention not to participate in the Capital Increase.

The Company is not aware of the intentions of its other shareholders in relation to the Capital Increase.

#### **Legal Framework**

The Capital Increase was decided by the board of directors of the Company on 5 April 2021 pursuant to the 19<sup>th</sup> resolution of the combined shareholders' meeting of the Company held on 26 May 2020 and was voted by all the directors that took part to the vote.

The European Commission notified to the French State its favourable decision regarding the participation of the latter to the Capital Increase on 5 April 2021 pursuant to the temporary framework for State aid measures to support the economy in the current COVID-19 outbreak. This participation is subject to certain commitments by the French State *vis-à-vis* measures that need to be implemented by the Company (see the Company's press release on 6 April 2021). In this context, the French State will have to submit an exit strategy to the European Commission within 12 months. The exit of the French State could, among other things, take the form, with respect to the Super-Subordinated Notes, of their redemption by sale on the

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<sup>2</sup> Based on the upper end of the indicative price range of the Private Placement, i.e. €5.31

<sup>3</sup> Based on the upper end of the indicative price range of the Private Placement, i.e. €5.31

<sup>4</sup> Based on the upper end of the indicative price range of the Private Placement, i.e. €5.31

<sup>5</sup> Based on the upper end of the indicative price range of the Private Placement, i.e. €5.31

<sup>6</sup> Based on the upper end of the indicative price range of the Private Placement, i.e. €5.31

market, and/or their direct redemption or by way of set-off (*compensation de créance*) against equity securities, and/or securities giving access to the capital), as mentioned in the press release of April 6, 2021. With respect to the shares subscribed in the context of the Capital Increase, they will be sold by the French State at market conditions. In accordance with the provisions of the Temporary Framework, if these Covid-19 recapitalization measures notified by the French State for the benefit of Air France and the Company (in respect of hybrid instruments and capital issuance) are not significantly reduced at the end of a six-year period, alternative measures with respect to Air France will have to be notified by the French State to the European Commission.

## Underwriting

The Capital Increase is underwritten by way of a placement and underwriting agreement signed on 12 April 2021 between the Company and the Bank Syndicate (as such term is defined below). Under the terms of the placement and underwriting agreement, the underwriters undertook to, severally but not jointly (*sans solidarité*), subscribe the New Shares that are not subscribed at the end of the subscription period, so that the Capital Increase (excluding the Increase Option), is, taking into account the Subscription Commitments, subscribed for an amount representing 100% of the initial amount.

This underwriting agreement does not constitute a performance guarantee (*garantie de bonne fin*) within the meaning of Article L.225-145 of the French Commercial Code.

## Lock-up commitments

The Company has agreed to a lock-up period starting from the signature of the placement and underwriting agreement and expiring 90 calendar days following the settlement and delivery date of the New Shares, subject to certain exceptions.

Each of the French State, China Eastern Airlines, the Dutch State and Delta Airlines has agreed to a lock-up period of 90 calendar days after the date of settlement and delivery of the New Shares, subject to customary exceptions.

Crédit Agricole Corporate and Investment Bank, Deutsche Bank, HSBC and Natixis are acting as Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners (the “**Joint Global Coordinators**”), Banco Santander and Société Générale are acting as Joint Lead Managers and Joint Bookrunners (the “**Joint Bookrunners**”) and together with the Joint Global Coordinators the “**Bank Syndicate**”).

## Indicative Timetable

5 April 2021	Meeting of the Board of Directors subdelegating to the Chief Executive Officer the authority to decide and implement the Capital Increase
6 April 2021	Publication of a press release related to the contemplated recapitalization plan
12 April 2021	Decision of the Chief Executive Officer of the Company deciding the launch of the Capital Increase Publication of a press release announcing the launch of the Capital Increase Signing of the placement and underwriting agreement Opening of the bookbuilding process for the Private Placement Closing of the bookbuilding process for the Private Placement Setting of the subscription price

	Approval of the Prospectus by the AMF
13 April 2021	<p>Publication (before market opens) of the press release announcing the closing of the bookbuilding process, the subscription price, the availability of the prospectus and the beginning of the priority subscription period and of the public offering</p> <p>Notice published by Euronext announcing the opening of the priority subscription period and the Public Offering</p> <p>Opening of the priority subscription period and of the public offering</p>
15 April 2021	Closing of the priority subscription period and of the public offering at 5:00pm (Paris time)
19 April 2021	<p>Potential exercise of the Increase Option</p> <p>Publication by the Company of the press release announcing the results of the Capital Increase</p> <p>Notice published by Euronext announcing the priority subscription period and the Public Offering results and admission of the New Shares to trading</p>
22 April 2021	<p>Issuance and admission to trading of the New Shares on Euronext Paris and Euronext Amsterdam</p> <p>Settlement and Delivery of the New Shares</p>

### **Air France-KLM and China Eastern Airlines to reinforce their partnership**

In the context of the participation of China Eastern Airlines to the share capital increase of Air France-KLM, both airline groups have decided to extend the scope of their partnership through :

- an intensified commercial cooperation and an extended collaboration to non-commercial related activities (e.g. ground services, catering or maintenance) ;
- an increased footprint on the Beijing market, with the Paris-Beijing and Amsterdam-Beijing routes joining the current Joint Venture existing between Air France-KLM and China Eastern Airlines when the conditions are satisfied.

Air France-KLM and China Eastern Airlines are historical partners, with a codeshare cooperation that started in 2000 on the Paris-Shanghai route, a first Joint Venture agreement signed between Air France and China Eastern Airlines in 2012, and an extension of this agreement to KLM in 2016. China Eastern Airlines took an equity stake in the Company in 2017, shaping the ambition for a long term strategic partnership.

With this expansion of the cooperation between Air France-KLM and China Eastern Airlines, both airline groups are clearly paving the way to create the most efficient and powerful Joint Venture between Europe and China.

### **Availability of the prospectus**

The prospectus (the “**Prospectus**”), comprising (i) the universal registration document of the Company filed with the AMF on 7 April 2021 under number D.21-0270 (the “**Universal Registration Document**”), and (ii) a securities note (including a summary of the Prospectus) (the “**Securities Note**”), will be made

available once it receives approval by the AMF, which is expected on 12 April 2021 at the latest.

Copies of the Prospectus will be made available free of charge at the Company's headquarters, located at, 2, rue Robert Esnault-Pelterie - 75007 Paris, France. The Prospectus is also available on the Company's website ([www.airfranceklm.com](http://www.airfranceklm.com)) and on the AMF's website ([www.amf-france.org](http://www.amf-france.org)).

Potential investors are advised to consider carefully the risk factors described in chapter 3.1 "Risk factors" of the Universal Registration Document and chapter 2 "Risk factors" of the Securities Note, that will be available on the Company's website ([www.airfranceklm.com](http://www.airfranceklm.com)) and on the AMF website ([www.amf-france.org](http://www.amf-france.org)), before deciding whether to invest. Should all or any part of these risk factors materialize, the Company's and the group's businesses, financials, results or ability to reach its guidance may be negatively affected.

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