

*Not to be published, distributed or circulated directly or indirectly in the United States of America, Canada, Australia, South Africa or Japan. This press release is an advertisement and not a prospectus within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017.*



Paris, 24 May 2022

## **Air France-KLM launches a €2.256 billion rights issue to be subscribed in cash and/or by offsetting claims**

The Company is continuing to strengthen its balance sheet and accelerates the repayment of state aids, increasing its strategic flexibility

---

Air France-KLM S.A. ("**Air France-KLM**", the "**Company**") announces today the launch of a capital increase with preferential subscription rights (the "**Rights**") to existing shareholders maintained to raise gross proceeds of €2.256 billion (the "**Rights Issue**") through the issuance of 1,928 million new shares in Air France-KLM (the "**New Shares**"), to be subscribed in cash and/or by offsetting claims.

This transaction, which aims to strengthen the company's equity and balance sheet, follows the 2021 capital increase and comes after new recapitalization measures were announced on February 17<sup>th</sup>.

- The net proceeds of the issue will be allocated to repaying the deeply subordinated bonds issued in April 2021 and held by the French State as well as strengthening the Company's equity. As announced at full-year results on February 17<sup>th</sup> 2022, the Company intends to free itself from the conditions set by the European Commission's temporary framework and will therefore allocate circa 1.7 billion euros to the repayment of the "Covid-19 recapitalization aid" granted in the form of undated subordinated notes (the "**TSS État**") issued in April 2021. The remainder will be allocated to reduce the Company's net indebtedness.
- This operation, together with the other contemplated measures to strengthen the balance sheet and the expected EBITDA recovery, will enable the Company to strengthen its financial trajectory. The Company's sound financial liquidity position (€10.8 billion of cash at hand as of March 31<sup>st</sup> 2022) in a better oriented operational context for the Company, will enable the Company to further repay the French State Aid over the next quarters. The repayment of the State Aid will also improve the financing costs of the Company.
- The Company confirms its objective to reduce its Net debt / EBITDA ratio, to reach circa 2.0x to 2.5x by 2023.

- The French State, Air France-KLM's largest shareholder (28.6%), has informed the Company of its intention to participate in the Rights Issue, so that its post-transaction shareholding remains unchanged. This subscription, should it occur, would be completed through offsetting claims held by the French State in respect of the deeply subordinated notes (TSS Etat) issued in April 2021 for an amount of circa 645 million euro.
- The Dutch State has informed the Company that it intends to exercise its rights in proportion to its current shareholding in order for its shareholding to remain unchanged post Rights Issue, subject to obtaining the necessary approvals from the Dutch Parliament. In order to receive these necessary approvals in a timely manner, the Dutch State is also dependent on the timetable of the Dutch parliament.
- The transaction will enable CMA CGM to become a new reference shareholder and an exclusive strategic partner for the cargo business, as announced on May 18<sup>th</sup>. CMA CGM has committed to subscribe to the transaction for a maximum amount of €400 million (including the acquisition of Rights) and in such a way that its total shareholding does not exceed 9% of the Company's resulting share capital.
- China Eastern Airlines and Delta Air Lines have committed to participate in the Rights Issue on a cash neutral basis by subscribing to new shares through the sale of part of their Rights, using the net proceeds from selling Rights to CMA CGM.

**Benjamin Smith, CEO of Air France – KLM**, has stated that *“The operation we are launching today is the result of the work we have been doing for several months to consolidate our balance sheet, strengthen our financial autonomy and regain strategic and operational flexibility. As the recovery continues and our economic performance recovers, in particular thanks to our ambitious transformation plan and the structural benefits it continues to deliver, we want to be in a position to seize any opportunity in a changing aviation sector and to be able to accelerate our environmental commitments. I would like to thank our main shareholders for their renewed support in this operation, and I am also delighted to welcome CMA CGM to our capital, as a new reference shareholder and industrial partner in our cargo activities.”*

#### **Key terms and rationale of the transaction:**

- Subscription price: €1.17 per new share
- Subscription parity: 3 new shares per 1 existing share
- Theoretical value of the preferential subscription right: €2.345
- Preferential subscription rights trading period: from 25 May 2022 to 7 June 2022, inclusive
- Subscription period: from 27 May 2022 to 9 June 2022, inclusive
- Subscription commitments: €359,923,919 i.e. 15.96% of the total amount of the transaction (excluding the French State and the Dutch State intentions)

The Rights Issue will be carried out with preservation of shareholders' preferential subscription rights, pursuant to the 20<sup>th</sup> resolution of the combined general meeting of the Company's shareholders of 26 May 2021, and will result in the issuance of 1,927,902,102 New Shares at a subscription price of €1.17 per share (i.e., a nominal value of €1, plus an issue premium of €0.17), to be fully paid up upon subscription, representing gross proceeds, including the issue premium, of €2,255,645,459.34.

Holders of existing ordinary shares of the Company (the "**Shares**") recorded on their accounts as of the end of the accounting day on 24 May 2022 will be entitled to receive Rights which will be detached from the underlying Shares on 25 May 2022. Existing Shares of the Company will therefore trade ex-right from 25 May, 2022. Each existing Share of the Company will entitle its holder to receive one (1) Right. 1 Right will entitle their holders to subscribe for 3 New Shares on an irreducible basis (*à titre irréductible*), at a subscription price of €1.17 per Share.

Subscriptions on a reducible basis (*à titre réductible*) will be accepted. Any New Shares not subscribed by subscriptions on an irreducible basis (*à titre irréductible*) will be distributed and allocated to the holders of the Rights having submitted additional subscription orders on a reducible basis (*à titre réductible*) subject to reduction in the event of oversubscription.

Based on the closing price of Air France-KLM stock on the regulated market of Euronext in Paris on 20 May 2022, i.e., €4.296, the theoretical value of 1 Right is €2.345 and the theoretical value of the ex-right share is €1.951.

For information purposes, the subscription price for the New Shares of €1.17 per share reflects a discount of 40% compared to the theoretical value of the Company's ex-right share price, calculated on the basis of closing price on 20 May 2022, and a discount of approximately 72.8% to this price.

These values do not presume either the value of the Rights during their trading period or the ex-right value of the Company's shares as recorded in the market.

The Rights Issue will be open to the public in France only.

### **Intentions and subscription commitments of the main shareholders and Directors**

The French State, Air France-KLM's largest shareholder (which holds 28.6% of the Company's share capital and 28.1% of the voting rights) as of the date of this press release, has informed the board of directors of Air France – KLM of its intention to participate on an irreducible basis up to the totality of its Rights, so that its shareholding after the completion of this Rights Issue remains unchanged. This subscription would be carried out by way of offsetting the deeply subordinated notes (TSS Etat) issued by the Company in April 2021. A part of the TSS Etat will also be reimbursed by a buyback following the completion of the Rights Issue.

The Dutch State (which holds 9.3% of the Company's share capital and 13.8% of the voting rights) has informed the Company that it intends to fully exercise its rights in proportion to its current shareholding in order for its shareholding post Rights Issue to remain unchanged, subject to obtaining the necessary approvals from the Dutch Parliament. In order to receive these necessary approvals in a timely manner, the Dutch State is also dependent on the timetable of the Dutch parliament.

CMA CGM has entered on 22 May 2022 into a rights sale and purchase agreement with Delta Air Lines, China Eastern Airlines and the FCPEs respectively, so as to acquire a total of 70,996,722 Rights, and has committed toward Air France-KLM to (i) exercise these rights and subscribe to the

Rights Issue on a irreducible basis for an amount of €249,198,494.22 and to (ii) place a subscription order on a reducible basis for an additional number of up to 18,358,086 New Shares (or by exercising rights acquired in the market or off the market), the total corresponding to a maximum of 9% of the share capital after the Rights Issue. This subscription commitment is subject to the condition that the total sum of the subscription price of the aforementioned New Shares increased by the total price of the Rights acquired by CMA CGM does not exceed 400 million euros and with no prejudice of the reduction rate which will be applied to the reducible orders.

China Eastern Airlines, which holds 9.6% of the capital and 11.4% of voting rights of the Company, and Delta Air Lines, which holds 5.8% of the capital and 8.6% of the voting rights of the Company, have both committed to participate in the Rights Issue on a cash neutral basis through the sale of part of their Rights to the benefit of CMA CGM in a proportion allowing them to finance the exercise of the balance of their Rights by using the net proceeds of this sale (subject to rounding) for an aggregate amount representing €110,725,424.55.

The subscription commitments of CMA CGM (for the irreducible basis), Delta Air Lines and China Eastern Airlines described hereabove are referred to as the “**Subscription Commitments**”.

The FCPEs, which hold 2.4% of the capital and 3.6% of the voting rights of the Company, have notified their intention to participate in the Rights Issue on a cash neutral basis through the sale of part of their Rights to the benefit of CMA CGM in a proportion allowing them to partially finance the exercise of the balance of their Rights by using the net proceeds of this sale.

The SPAAK (Stichting Piloten Aandelen Air France - KLM) which holds 1.7% of the capital and 2.5% of the voting rights of the Company, has notified their intention to participate in the Rights Issue on a cash neutral basis through the sale of part of its Rights in a proportion allowing them to finance the exercise of the balance of their Rights by using the net proceeds of this sale.

The Subscription Commitments total approximately €360 million and represent 15.96% of the amount of the Right Issue. The Subscription Commitments will respectively be terminated in the event the underwriting agreement entered into with the Underwriters (as such term is defined below) would itself be terminated. Moreover, the French State and the Dutch State have informed the Company that they intend to subscribe to the rights issue in proportion to their total respective number of Rights, representing an additional 37.94% to the amount of the rights issue.

### **Lock-up commitments**

Air France-KLM has agreed to a lock-up period starting on the date of the signing of the underwriting agreement and expiring 180 calendar days following the settlement and delivery date of the New Shares, subject to certain exceptions.

The French State, the Dutch State, China Eastern Airlines and Delta Airlines have entered into a lock-up agreement from the approval of the Prospectus by the AMF and until the expiration of a period of 90 calendar days following the date of settlement and delivery of the New Shares, subject to certain exceptions.

CMA CGM has agreed with the Company on a lock-up commitment as from the settlement-delivery of the New Shares until the expiry of a three-year period following this date, being specified that CMA CGM may sell a maximum of 50% of the shares acquired in the context of the Rights Issue during an additional three-year period. This lock-up commitment will be terminated early if a firm and complete

cooperation agreement in relation to air cargo is not concluded before December 1<sup>st</sup> 2022 or if such an agreement is terminated.

In addition, CMA CGM committed to a 10-year period to not acquire or subscribe to any shares issued by the Company, unless such acquisition does not lead to an increase of its stake in the share capital of the Company, subject to certain exceptions. The undertaking specifies that at the end of a period of 5 years from the settlement-delivery of the New Shares, the Board of Directors of the Company may modify this undertaking in order to allow CMA CGM to increase its shareholding in the Company.

Moreover, the major shareholders of Air France-KLM will support a resolution for the appointment of a representative of CMA CGM to the Board of Directors of Air France-KLM at the general shareholders' meeting to be held today.

## **Dilution**

For illustrative purposes only, a shareholder holding 1% of the Company's share capital as of 24 May 2022, and not subscribing to the Rights Issue, would hold 0.25% of the Company's share capital on a non-diluted basis following the Rights Issue.

## **Underwriting**

The Rights Issue was subject to an underwriting agreement (the "**Underwriting Agreement**") entered into on 23 May 2022 between the Company and a syndicate of banks including Deutsche Bank, HSBC, Natixis, Crédit Agricole Corporate and Investment Bank and Société Générale acting as Joint Global Coordinators, Lead Managers and Joint Bookrunners (the "**Joint Global Coordinators**"), ABN AMRO Bank N.V., Banco Santander, S.A., Citigroup and Coöperatieve Rabobank U.A acting as Joint Bookrunners (the "**Joint Bookrunners**"), Crédit Industriel et Commercial S.A., MUFG Securities (Europe) N.V. and SMBC Bank EU AG acting as co-lead managers (the "**Co-Lead Managers**", and together with the Joint Global Coordinators and the Joint Bookrunners, the "**Underwriters**"). Under the terms of this Underwriting Agreement, the Underwriters have undertaken, jointly and without joint and several liability, to subscribe for New Shares not subscribed for at the end of the subscription period, in such a way that the Capital Increase, after taking into account the Subscription Commitments, (on an irreducible basis only), in cash up to a total amount of 359,923,918.77 euros, which represent 15.96% of the proposed issuance, is subscribed for in full. This agreement does not constitute a performance guarantee within the meaning of article L.225-145 of the French Commercial Code. This agreement may be terminated by the Global Coordinators on behalf of the Underwriters up to (and including) the settlement-delivery date, subject to certain conditions and in certain circumstances, in particular in the event of inaccuracy of the representations and warranties, failure by the Company to comply with one of its undertakings, non-fulfillment of the usual conditions precedent, a significant unfavorable change in the situation of the Company and its subsidiaries or the occurrence of national or international events. In the event of termination of the Underwriting Agreement in accordance with its provisions, the Rights Issue will then be cancelled.

## Indicative timetable of the Rights Issue

The Rights will be detached on 25 May 2022 and traded on the regulated markets of Euronext in Paris (“**Euronext Paris**”) under the ISIN code FR0014008ZE6 from 25 May 2022 until 7 June 2022 inclusive. Unexercised Rights will automatically lapse at the end of the subscription period, i.e., 9 June 2022 at the close of trading. The subscription period for the New Shares will run from 27 May 2022 until the close of trading on 9 June 2022. Results of the rights issue will be announced on 14 June 2022.

Settlement and delivery of the New Shares and commencement of trading on Euronext Paris and Euronext Amsterdam are expected to take place on 16 June 2022. The New Shares will immediately entitle their holders to receive dividends declared by the Company as from the date of issuance. They will be fully fungible with the Company’s existing shares of the Company and will be traded on the same trading line under the same ISIN code FR0000031122.

## Risk factors

Potential investors are also advised to consider carefully the risk factors described in chapter 3.1 “*Risk factors*” of the 2021 Universal Registration Document and chapter 2 “*Risk factors*” of the Securities Note. Should all or any part of these risk factors materialize, the Company’s businesses, financials, results or ability to reach its guidance may be negatively affected and the value of the Company’s shares may also be affected.

## Availability of the Prospectus

The prospectus (the “**Prospectus**”) was approved by the French *Autorité des marchés financiers* (the “**AMF**”) under number D.22-0236-A01 on 23 May 2022 and includes (i) the 2021 universal registration document (*document d’enregistrement universel*) of the Company filed with the AMF on 4 April 2022 under number D.22-0236 (the “**2021 Universal Registration Document**”), the amendment to the 2021 universal registration document filed with the AMF on 23 May 2022 under number D.22-0236-A01, (iii) the securities note (*note d’opération*) dated 23 May 2022 (the “**Securities Note**”), and (iv) the summary of the Prospectus (included in the Securities Note).

The Prospectus is available on the websites of the AMF ([www.amf-france.org](http://www.amf-france.org)) and the Company ([www.airfranceklm.com](http://www.airfranceklm.com)). 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.

Potential investors are advised to read the Prospectus before making an investment decision in order to fully understand the potential risks and rewards associated with the decision to invest in the securities. The approval of the Prospectus by the AMF should not be understood as an endorsement of the securities offered or admitted to trading on a regulated market.

## Air France-KLM Press Office

+33 1 41 56 56 00 - [mail.mediarelations@airfranceklm.com](mailto:mail.mediarelations@airfranceklm.com) - @AirFranceKLM

## IMPORTANT INFORMATION

*This press release does not constitute an offer to sell nor a solicitation of an offer to buy, nor shall there be any sale of ordinary shares in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.*

*The distribution of this document may, in certain jurisdictions, be restricted by local legislations. Persons into whose possession this document comes are required to inform themselves about and to observe any such potential local restrictions.*

*This press release is an advertisement and not a prospectus within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (as amended, the "Prospectus Regulation"). Potential investors are advised to read the prospectus before making an investment decision in order to fully understand the potential risks and rewards associated with the decision to invest in the securities. The approval of the prospectus by the AMF should not be understood as an endorsement of the securities offered or admitted to trading on a regulated market.*

*With respect to the Member States of the European Economic Area (other than France) and the United Kingdom (each a "Relevant State"), no action has been undertaken or will be undertaken to make an offer to the public of the securities referred to herein requiring a publication of a prospectus in any Relevant State. As a result, the securities may and will be offered in any Relevant State only (i) to qualified investors within the meaning of the Prospectus Regulation, for any investor in a Member State of the European Economic Area, or Regulation (EU) 2017/1129 as part of national law under the European Union (Withdrawal) Act 2018 (the "UK Prospectus Regulation"), for any investor in the United Kingdom, (ii) to fewer than 150 individuals or legal entities (other than qualified investors as defined in the Prospectus Regulation or the UK Prospectus Regulation, as the case may be), or (iii) in accordance with the exemptions set forth in Article 1 (4) of the Prospectus Regulation or under any other circumstances which do not require the publication by Air France KLM of a prospectus pursuant to Article 3 of the Prospectus Regulation and/or to applicable regulations of that Relevant State.*

*The distribution of this press release has not been made, and has not been approved, by an "authorised person" within the meaning of Article 21(1) of the Financial Services and Markets Act 2000. As a consequence, this press release is only being distributed to, and is only directed at, persons in the United Kingdom that (i) are "investment professionals" falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Article 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "Relevant Persons"). Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.*

*This press release may not be published, distributed or transmitted in the United States of America (including its territories and dependencies). This press release does not constitute or form part of any*

*offer of securities for sale or any solicitation to purchase or to subscribe for securities or any solicitation of sale of securities in the United States of America. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the law of any State or other jurisdiction of the United States of America, and may not be offered or sold in the United States of America absent registration under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Air France KLM does not intend to register all or any portion of the securities in the United States of America under the Securities Act or to conduct a public offering of the securities in the United States of America.*

*This announcement may not be published, forwarded or distributed, directly or indirectly, in the United States of America, Canada, Australia, South Africa, or Japan.*