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AIRFRANCEKLM
GROUP

Paris, 16 November 2022

Air France-KLM launches an offering of deeply subordinated undated bonds convertible into new shares and/or exchangeable for existing shares for a nominal amount of approximately EUR 300m.

- The offering will be conducted by way of a placement to qualified investors only
- Net Proceeds of the offering are meant to be fully allocated to the repayment of the perpetual bonds held by the French State, issued in April 2021
- This transaction marks a further step in the Group's initiatives to accelerate the repayment of the French State aid, continue to support the strengthening of equity capital, and help optimize financial costs

Air France-KLM S.A. (the "Company") today announced the launch of an offering of undated deeply subordinated unsecured bonds convertible into new shares and/or exchangeable for existing shares (the "Bonds"), for a nominal amount of approximately EUR 300 million within the limits of a maximum number of 200 million underlying shares by way of a placement to qualified investors only (the "**Offering**").

CMA CGM has expressed the intention to participate to the placement pro-rata to its current shareholding of 9.0%.

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.

Main terms of the Bonds

The Bonds will be issued at par and will have a nominal value of €100,000 (the "Principal Amount") and will be convertible and/or exchangeable into new and/or existing shares of Air France-KLM (the "Shares").

The final terms of the Bonds are expected to be determined today and the settlement date of the Bonds is expected to take place on 23 November 2022.

The reference share price will be equal to the volume-weighted average trading price (VWAP) of Air France-KLM's shares on the regulated market of Euronext in Paris ("Euronext Paris") as from the opening of trading on 16 November 2022 until the close of trading on the same day. The conversion/exchange price of the Bonds will be set at a premium of 20% to 25% over the reference share price.

The Bonds will represent direct, unconditional, deeply subordinated and unsecured obligations of the issuers ranking *pari passu* without any preference among themselves and (1) equally and rateably with any other existing or future deeply subordinated obligations (ii) in priority to present and future equity securities of the issuer and (iii) junior to all present and future Unsubordinated Obligations, Ordinary Subordinated Obligations of the Issuer and *prêts participatifs* granted to, and *titres participatifs* issued by, the Issuer (as defined in the Terms and Conditions of the Bonds).

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.

Interests

From the issue date until 23 November 2025 (exclusive), the Bonds will bear interest at a nominal annual rate comprised between 5.75% and 6.50% 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 on 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 2026, 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") in accordance with the provisions of Dividend and Capital Stopper:

- 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 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, subject to subsequent adjustments (as set out in the terms and conditions of the Bonds).

Dilution

For illustrative purpose, when considering an offering of Bonds for a maximum amount of approximately €300 million, a nominal value of €100,000 per Bond and a conversion/exchange price calculated on the basis of a reference share price corresponding to a €1.4035 closing share price on 15 November 2022, and a 22.5% conversion premium corresponding to the issue premium mid-range, dilution would represent approximately 6.8% of the outstanding share capital, if the Company decided to exclusively deliver new shares upon conversion.

Placement and offer

The offering will be 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 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 are acting 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 is acting 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 will agree 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 Joint Global Coordinators and Joint Bookrunners.

Subscription intention from existing shareholders

CMA CGM who holds 9.0% of Air France-KLM as of the date of this press release, has expressed the intention to participate to the placement pro-rata to its current shareholding.

The Company is not aware of any subscription intention from its other main shareholders.

Public information

The offering of the Bonds is not subject to a prospectus approved by the French Financial Market 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 23rd, 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).

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No communication or information relating to the offering of the Bonds or the Repurchase 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 and will be 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

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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.