

Air France-KLM announces a plan of capital-strengthening measures with the objective of strengthening its balance sheet, preparing the recovery and repositioning the Group on a sustainable financial trajectory

- Air France-KLM (“the Group”) announces the following measures in relation to Air France, which have been approved by the European Commission in its decision to authorize a €4 billion French State measures to recapitalise Air France and its Holding company:
 - A capital increase for an amount up to €1 billion, with a priority subscription period for shareholders, subject to market conditions and the prior approval on the prospectus by the Autorité des marchés financiers (the “AMF”) and,
 - Simultaneously, conversion of the €3 billion French State direct loan drawn into perpetual hybrid bonds instrument.
- The Dutch State is continuing discussions with the European Commission regarding potential capital-strengthening measures for KLM.
- Additional measures to further strengthen the Group’s capital are currently under consideration, with several steps to be taken before the 2022 Annual General Meeting.

On April 5 the Air France-KLM Group’s Board of Directors approved a plan to start the restoration of the Group’s negative equity and further reinforce its cash position:

Capital increase with priority subscription period for shareholders

- The Group intends to launch a capital increase subject to market conditions and the approval on the prospectus by the AMF.
- This capital increase will be launched without preferential subscription rights but with a priority period for the shareholders, within the limits of the nineteenth resolution approved at the Annual General Meeting on May 26, 2020, allowing existing shareholders to not be diluted, by subscribing shares during the priority period up to their stake in Air France-KLM’s share capital. The offering will be composed of a private placement to institutional investors, a public offering and a priority period allowing all shareholders to support this transaction.
- The French State commits to participate in the capital increase while keeping its stake strictly below 30% of the share capital and voting rights.
- China Eastern Airlines intends to participate while keeping its stake strictly below 10% of share capital, as part of further reinforcement of strategical cooperation with the Group.
- The Dutch State which holds 14.0% of the share capital, has informed the Group that it will not subscribe to this capital increase.
- Delta Airlines which holds 8.8% of the share capital, has informed the Group that it will not subscribe to this capital increase due to the current framework of the CARES act in place in the United States.
- This operation will improve the Group’s equity by up to €1 billion under IFRS and French GAAP accounting standards, and bring the same amount of new money to the Group for the benefit of Air France.

Simultaneously, the fully drawn conversion of €3 billion French State loan into perpetual hybrid bonds instrument (“Super Subordinated Notes”):

- The €3 billion direct loan provided by the French State to Air France via Air France-KLM late in May 2020 will be converted into Super-Subordinated Notes of the same nominal amount to Air France via Air France-KLM, allowing the Group to restore part of its equity under IFRS accounting standards.
- This operation will improve the Group’s equity by €3 billion under IFRS accounting standards with no cash impact, while increasing the Group’s flexibility in its mandatory debt redemption profile spread over time (with Non Call period ranging from 4 to 6 years).

The Dutch State approved this set of actions and indicated that it was continuing discussions with the European Commission on potential capital-strengthening measures for KLM.

Together with the expected recovery in EBITDA, this first step of capital-strengthening measures will progressively help the Group to reduce the Net Debt/EBITDA ratio below 3.0x by 2023.

Additional measures to further strengthen the balance sheet are currently under consideration with several steps to be taken before the 2022 Annual General Meeting, as the Group’s net equity will remain negative after this first step.

These measures could include the issuances of appropriate amounts of new equity as well as proportionate quasi-equity instruments, subject to market conditions. The hybrid perpetual bond instruments fully subscribed by the French State and resulting from this first step recapitalization could be used to compensate in part, by way of netting, to future equity and or quasi-equity raisings by the Group.

The objective of such additional measures will be to further reinforce the Group’s equity situation and reduce its Net Debt/EBITDA ratio circa 2.0x by 2023. In order to achieve this, specific delegations would be then required and submitted at the Group’s next General Meeting, scheduled on May 26.

Additionally, the French state-backed loan (Pret Garantie d’Etat “PGE”) of €4 billion has been extended with a final maturity date in 2023. The Dutch State-backed loan guaranteed loan of €2.4 billion has a maturity date in 2025. These elements enable smoothen the debt redemption profile of the group and the airlines a smooth extension of the debt maturity profile of the Group.

Commitments made in order to comply with the European Commission’s “Temporary Framework for State aid measures to support the economy in the current Covid-19 outbreak” (TF).

Air France-KLM will be subject to commitments made by the French government in order to comply with the European Commission’s “Temporary Framework for State aid measures to support the economy in the current Covid-19 outbreak” (TF).

These commitments, specifically paragraphs 60-61 and 71-78 of the TF, include Air France’s release of up to 18 take-off and landing rights (slots) at Paris-Orly airport to a competing carrier in order to create or develop an existing base at that airport, provided that the competing carrier obtaining Air France’s slots bases its aircraft and crews at Paris-Orly airport, in compliance with national and EU labour laws. Other general commitments were made under the TF, including restrictions on acquisitions, share buy-backs dividend distributions and executive

management's remuneration. These commitments are applicable to the entire Group with the exception of KLM and its subsidiaries.

The Group has reiterated the economic, financial and environmental commitments made in the framework of the State loan and reflected in its transformation plan. The Group therefore maintains an ambitious environmental roadmap to accelerate the Group's sustainable transition, in line with the objectives of the National Low Carbon Strategy (Stratégie Nationale Bas Carbone "SNBC").

"Today's announcement demonstrates both the strong commitment of the French State and the renewed support of the Dutch State to help the Group weather this pandemic and this crisis," **said Anne-Marie Couderc, Chair of Air France-KLM Board of Directors.** "The commitment of our long-standing partner China Eastern Airlines to participate in the forthcoming capital increase also highlights a resolute confidence in the strengths and prospects of the Air France-KLM Group."

"These first recapitalization measures are an important milestone for our Group in this exceptionally challenging period," **said Air France-KLM Group CEO, Benjamin Smith.** "They will provide Air France-KLM with greater stability to move forward when recovery starts, as large-scale vaccination progresses around the world and borders reopen. Ensuring Air France-KLM maintains a sustainable financial trajectory is paramount to realizing our strategic plan, continuing the execution of our transformation plans at the Group and at our airlines. I would like to thank our employees for their engagement and their responsibility throughout this crisis. We will continue to work together to drive new efficiencies as we seek to lower unit costs and emerge stronger when the industry rebounds with the ambition to achieve European leadership".

Outlook for Q1

As expected, the Air France - KLM Group continued to be negatively impacted by the COVID crisis during the first quarter of 2021, notably by the surge of a third wave of the pandemic in several European countries and by the continuation of air travel restrictions taken by a significant number of countries.

Based on the accounting results of January and February and on the reforecast made at the end of each month, the Group expects the operating result for the first quarter of 2021 to be around EUR -1.3 billion, and EBITDA to be around EUR -750 million, below Q4 2020 EBITDA as indicated at full year 2020 results presentation. It should be noted that in the first two months of 2021, operating result and EBITDA were significantly better than the Group's budgeted assumptions, and capital expenditure was also 10% below budget over that period, reflecting the effective control introduced by management on CAPEX, allowing the Group to have a solid 8.8 billion euros of liquidity and credit lines at disposal at 28 February 2021.

Over the coming months, and in particular at the beginning of the summer, the Group still expects a significant recovery in demand, assuming the positive effects of the accelerated vaccination campaigns in several countries could trigger less stringent restrictions on passenger travel across those countries.

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Certain information included in this press release are not historical facts but are forward-looking statements. These forward-looking statements are based on current beliefs, expectations and assumptions, including, without limitation, assumptions regarding present and future strategy and the environment in which the Group operates, and involve known and unknown risks, uncertainties and other factors, in particular in the current context of the Covid-19 crisis, which may cause actual results, performance or achievements, or industry results or other events, to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include those set out and detailed in Chapter 3 “Risk Factors” of the 2019 universal registration document of Air France – KLM filed with the Autorité des marchés financiers on 17 April 2020 under number D. 20-0313 and available on Air France – KLM’s website at www.airfranceklm.com, as will be updated (in particular to take into account the latest developments of the Covid-19 crisis and its impact on the Group’s activities and financial position) in the 2020 universal registration document of Air France – KLM which will be filed with the Autorité des marchés financiers and will be available on Air France – KLM’s website on or about the date of this press release.

Forward-looking statements speak only as of the date of this press release and Air France – KLM expressly disclaims any obligation or undertaking to release any update or revisions to any forward-looking statements included in this press release to reflect any change in expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Forward-looking information and statements are not guarantees of future performances and are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Air France - KLM. Actual results could differ materially from those expressed in, or implied or projected by, forward-looking information and statements.

Estimated financial information for the quarter ended 31 March 2021 included in this press release have been reviewed by the Board of directors of Air France – KLM held on 5 April 2021 and have not been audited by Air France – KLM’s auditors. The consolidated non audited financial statements established in accordance with IFRS for the quarter ended 31 March 2021 will be made available, pursuant to the financial agenda of Air France – KLM, on 6 May 2021. The accounting principles which have been applied for preparing the estimated financial information included in this press release comply with the IFRS rules and interpretations as in force in the European Union on 31 March 2021 and are consistent with those applied for preparing the consolidated financial statements of Air France – KLM for the quarter ended 31 March 2020.