

# Air France-KLM announces a plan of capital-strengthening measures

AIRFRANCEKLM  
GROUP

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# Covid-19 crisis having an unprecedented impact on Air France-KLM and the rest of the industry

- Airline industry severely hit by the crisis with bankruptcies and States aid packages helping carriers to weather the crisis. The 3 European legacy carriers posted a net loss around -€7bn in 2020
- Air France-KLM's equity and net debt negatively impacted. The Group has €8.8bn cash at hand end of February 2021 thanks to states support
- After three waves, the recovery is expected for summer with the roll-out of vaccination and the release of travel restrictions





# Recapitalisation plan : strengthening the balance sheet to prepare for the recovery and reinstall the Group on a sustainable financial trajectory

2020



State aid mechanisms of **€10.4bn** helped release medium term cash constraints, but **substantially increased indebtedness**



Covid-19 crisis significantly impacted profitability and financial profile: resulting in **FY 2020 equity at (€5.4bn)**

Prepare for recovery

2021

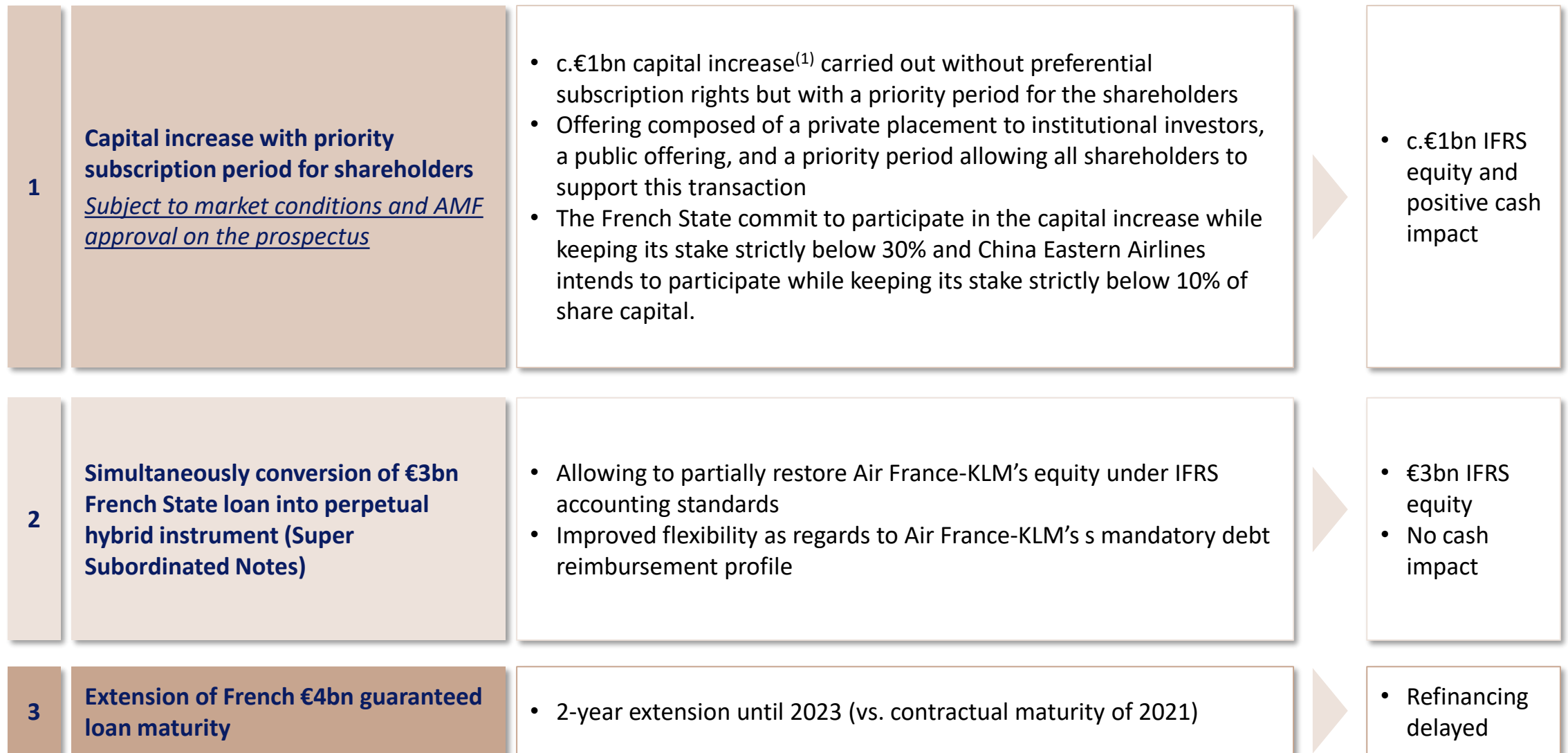
*First set of capital-strengthening measures authorized by the EC decision*

**Reinforcing the group's equity base and cash position:**

- Capital increase of c.€1.0bn, with priority subscription period for shareholders, subject to market conditions and the approval on the prospectus by the AMF, to which French State commits to participate and China Eastern Airlines intends to participate
- Simultaneously conversion of the €3bn French state direct loan into hybrid bond instruments
- This first step of capital-strengthening measures, together with the expected recovery in EBITDA metric, will progressively help the Group to bring Net Debt/EBITDA ratio below 3.0x by 2023.



# Several plans engaged to reinforce our balance sheet, manage liquidity and prepare for recovery



(1) Within the limits of the 19th resolution voted at the AGM on May 26th, 2020



# Remedies imposed by the European Commission, including release of 18 slots in Orly

In the wake of the COVID-19 outbreak, the European Commission (EC) has adopted a set of rules (the 'Temporary Framework') to facilitate public support by Member States during the crisis; the rules were prolonged until 31 December 2021 for recapitalisation aid.

The below commitments are applicable to the entire Group, with the exception of KLM and its subsidiaries. Lufthansa Group case has been the reference, new entrant could get up to 24 slots at each Frankfurt and Munich airport

<b>Air France situation</b>	<ul style="list-style-type: none"><li>• Air France forced to provide 18 slots in Orly, representing 5.5% of the slots</li></ul>
<b>M&amp;A ban</b>	<ul style="list-style-type: none"><li>• Prohibition to acquire stakes or assets in other companies in the same line of business (incl. upstream and downstream) above 10%</li></ul>
<b>Prohibition of payments not related to the State</b>	<ul style="list-style-type: none"><li>• Dividends</li><li>• Non-mandatory coupons payment</li><li>• Shares buy-back other than in relation to the State</li></ul>
<b>Restrictions on management's remuneration</b>	<ul style="list-style-type: none"><li>• Remuneration should not exceed fixed remuneration before Covid crisis (31/12/2019)</li><li>• No payment of bonuses, other variable remunerations or equivalent</li></ul>
<b>Mandatory exit of the State</b>	<ul style="list-style-type: none"><li>• State aid shall be redeemed within 6 years</li><li>• Exit strategy to be submitted within 12 months after approval of the State aid</li></ul>



# Remedies imposed by the European Commission, including release of 18 slots in Orly

- **Commitment to make available to a based new entrant at Orly airport a total of 18 slots (9 pairs) per day for 4 years.**
- **Transfer to the new entrant should occur as from IATA Winter Season 2021/2022.**
- **Following conditions secured in the negotiation:**
  - Preference given to a new entrant already based in Orly
  - New entrant will need to hold an EU Air Operator Certificate and not have been subject to recapitalization itself
  - New entrant will need to use the slots with aircrafts based in Orly and crew subject to French Social legislation (i.e payment of social contributions in France). These conditions will be monitored during a four-years period.
  - In case of misuse of the slots by the new entrant, slots will be returned to Air France and a new allocation process will take place
  - No more than two (2) slots released during early morning (6:00am to 7:00am) and late evening (10:00pm to 11:30pm) periods. This is essential to protect Air France slots portfolio at the most congested hours in Orly.
  - Air France-KLM Group airlines shall not be prevented from getting slots through the normal slot allocation procedure
  - No additional remedy (slots) should be required for additional measures currently under consideration

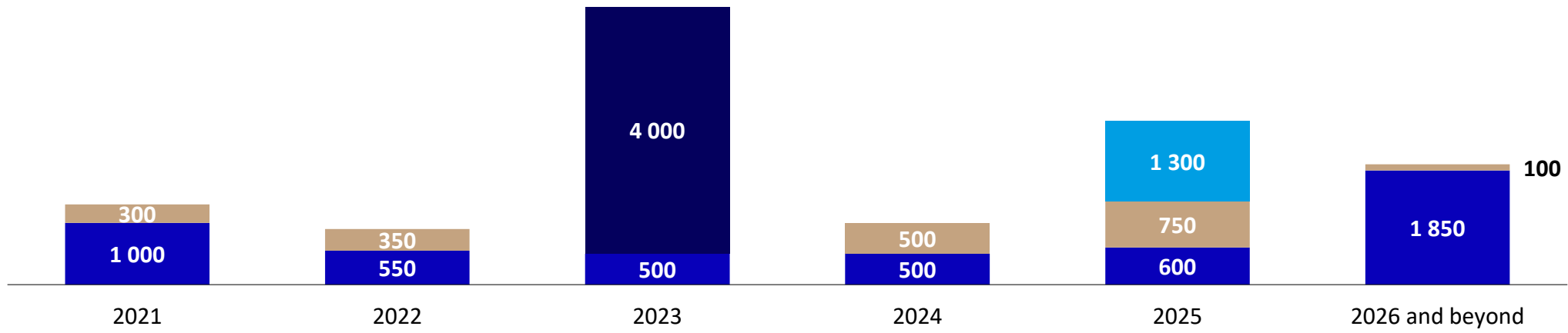


# Debt reimbursement profile after first set of capital-strengthening measures

## Mandatory debt reimbursement profile<sup>(1)</sup>

In €m

Subordinated debt instruments outstanding not included



**Bonds issued by Air France-KLM**

**June 2021:** AFKL 3.875% (€300m)  
**January 2025:** AFKL 1.875% (€750m)

**October 2022:** AFKL 3.75% (€350m)  
**December 2026:** AFKL 4.35% \$145m (€118m)

**March 2024:** AFKL 0,125% (€500m, Convertible « Océane »)

**French state aid package**

State aid package consists in €4.0bn of banks loan guaranteed by the French State and €3.0bn of French State loan

French state loan of €3.0bn has been converted in perpetual quasi-equity

**Dutch state aid package**

State aid package consists in €2.4bn of banks loan guaranteed by the Dutch State (RCF) and €1.0bn of Dutch State loan

Amount displayed correspond to the maximum expected drawing of the banks loan (RCF)

**Other long-term Debt : AF and KLM Secured Debt, mainly "Asset-backed"**

(1) Excluding operating lease debt payments and KLM perpetual debt



# Additional measures of equity and quasi-equity instruments currently under consideration

- Could include the use of issuance of appropriate amount of new equity as well as quasi equity instruments subject to market conditions in order to keep flexibility and be well positioned for the future recovery
- The hybrid instruments resulting from the first step recapitalization could be used to subscribe in part, by way of netting, to future equity raisings by the company
- 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







# Conclusion



- ✓ Additional measures of equity and quasi-equity instruments to further strengthen the balance sheet currently under consideration
- ✓ Through several stages before 2022 AGM.



- ✓ Significant cost and productivity initiatives to adapt to the Covid-19 crisis
- ✓ Acceleration of transformation plan to build a successful post-crisis model



- ✓ Deployment of vaccines makes us more optimistic for the second half of 2021.
- ✓ Recovery will depend on the pace of vaccine rollout, the harmonization of travel conditions in Europe, and the pace of border reopening.
- ✓ We will need to be agile to seize the recovery where it comes.



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