

## Air France-KLM | SLF Bond issue | 01-23 | €1bn

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Air France-KLM has started investor calls for sustainability-linked bonds as it aims to raise €305 million (\$317 million) per tranche on the Euronext stock exchange.

The Group is looking at fixed rate senior unsecured, unsubordinated, RegS bearer notes with a three-year (May 2026) and five-year tenor (May 2028), according to an investor presentation.

Natixis is the sole sustainability-linked structuring advisor of the issuance.

Natixis, Deutsche Bank, HSBC and Societe Generale-CIB are the global coordinators and Deutsche Bank, HSBC and Societe Generale-CIB and Credit Agricole-CIB are joint bookrunners in the transaction.

Air France-KLM explains that greenhouse gas (GHG) emissions intensity is the most material key performance indicator of the aviation sector. The bond/loan issued under such a framework will include a “step-up” to interest coupon, or a premium payment or margin adjustment.

**Update:** Air France-KLM has upsized its two-tranche bond offering by €400 million (\$429 million) to a nominal amount of €1 billion after recording strong investor demand for its first sustainability-linked issuance.

It has now placed its first sustainability-linked bonds on the market. The offering comprises two tranches: €500 million with a 3.3-year maturity to May 2026 and a coupon of 7.25%; and €500 million with a 5.3-year maturity to May 2028 and a coupon of 8.125%. The May 2026 tranche attracted a €1.4 billion book size. The initial price talk was in the 7.75% area with a guidance for around 7.5% for a €400 million to €500 million maximum size, according to early data from Finsight. The bond launched at 7.375% with a €500 million volume and sold at 99.68% of the face amount. The final coupon was 7.25%, representing a 506.2 basis points (bps) spread.

Orders reached €1.15 billion on the second tranche. The spread was 604.6 bps over US treasury on the first tranche.

The May 2028 unsecured notes sold at 99.55% of the face amount. The initial price talk was in the 8.5% area with guidance in the 8.375% area for a €400 million to €500 million issuance. The bond launched at 8.25% with a €500 million volume and the final coupon was 8.13%.

Natixis acted as sole sustainability structuring adviser and Deutsche Bank, HSBC, Natixis, Societe Generale and Credit Agricole-CIB acted as joint bookrunners of the transaction.

ISIN: FR001400F2Q0

ISIN: FR001400F2R8

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### Transaction Overview

#### Structure

**Product category:** Financing

**Product type:** DCM

**Structure:** Bond issue

**Use of proceeds:** General corporate purposes

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### Transaction Categories

Regions:

[Europe](#) |  
[France](#) |

Tagged as:

[Unsecured](#) |  
[Debt Capital Markets](#) |  
[G8](#) |  
[Sustainable Finance Structure](#) |

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## Debt

## Air France-KLM, 7.25% 31may2026, EUR (EUR 500.00m (USD 533.65m)) 16 Jan 2023

**Type:** Debt  
**Tenor:** 3 Years 4 Months  
**Amount:** EUR 500.00m (USD 533.65m)  
**Maturity Date:** 31 May 2026  
**Duration:** 3 Years 4 Months  
**Description:** ISIN: FR001400F2Q0

### Tranche Pricings

**Coupon Type** Fixed Rate  
**Basis Points** N/A - 506 bps  
**Coupon %** 7.25  
**Period** 01 Jan 2023 > 01 May 2026 (3 Years 3 Months)

## Air France-KLM, 8.125% 31may2028, EUR (EUR 500.00m (USD 533.65m)) 16 Jan 2023

**Type:** Debt  
**Tenor:** 5 Years 4 Months  
**Amount:** EUR 500.00m (USD 533.65m)  
**Maturity Date:** 31 May 2028  
**Duration:** 5 Years 4 Months  
**Description:** ISIN: FR001400F2R8

### Tranche Pricings

**Coupon Type** Fixed Rate  
**Basis Points** N/A - 605 bps  
**Coupon %** 8.13  
**Period** 01 Jan 2023 > 01 May 2028 (5 Years 3 Months)

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## Transaction Roles

### Borrower/Issuer

Company Name	Role	Client
Air France-KLM	Borrower/Issuer	

### Banks

Company Name	Role	Client
Natixis	Debt Arranger	
Natixis	Equity Arranger	
Natixis	Overall Arranger	
Deutsche Bank	Joint book-running manager	
Deutsche Bank	Overall Arranger	
Deutsche Bank	Debt Arranger	
HSBC	Debt Arranger	
HSBC	Overall Arranger	
HSBC	Joint book-running manager	
Societe Generale	Overall Arranger	
Societe Generale	Debt Arranger	

Societe Generale	Joint book-running manager	
CA-CIB	Joint book-running manager	
Natixis	Structuring agent	

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## Transaction Timeline

09/01/2023	Financial close	<a href="#">Air France-KLM upsizes bond offering</a>
06/01/2023	Finance mandated	<a href="#">Air France-KLM contemplates sustainability-linked bond</a>

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## Coverage

### [Air France-KLM extends ESG facility again](#)

Total amount of the group revolving credit facilities increases by €100 million to €2.4bn

### [Air France-KLM lower pricing from IG rating](#)

Next year Air France-KLM has €800 million worth of bonds maturing next year

### [Investors demand transparency on net zero roadmap](#)

Banks note mismatch between regulation and reporting

### [European legacy group balance sheet repair continues after strong Q1](#)

Strong yields driving improved results.

### [Air France-KLM to issue new bond](#)

In January the Group issued its inaugural €1bn sustainability-linked bond and used the proceeds to repay part of a €4bn bank loan, from a syndicate of nine banks, guaranteed by the French state.

### [Bank troubles pose limited risk to air finance](#)

Risk of contagion from SVB and Credit Suisse is low, say aviation financiers

### [Air France-KLM repays state guaranteed loan](#)

Group secured a €4 billion bank loan, from a syndicate of nine banks, guaranteed by the French State in 2020.

### [Air France-KLM eyes more SSL credit facilities](#)

Group posts €728m net profit in 2022.

### [Sustainability-linked financing hesitancy remains: AFJ Dublin 2023](#)

Financiers at AFJ Dublin reflect on challenges around SLF and the consequences if more activity doesn't happen.

### [Air France-KLM eyes bond return: AFJ Dublin 2023](#)

Airfinance Journal talks to the CFO of Air France-KLM on the success of its recent bond issuance.

### [Air France-KLM upsizes bond offering](#)

Senior tranche receives €1.4 billion worth of orders.

### [Air France-KLM contemplates sustainability-linked bond](#)

Group returns to capital markets to pay back state aid.

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