THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the contents of this Circular or the action you should take, you are recommended to seek your own financial or professional advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial or professional adviser.

If you sell or have sold or otherwise transferred all of your Shares before 21 October 2022 please forward this Circular and the accompanying documentation as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Shares, you should retain this Circular and the accompanying documentation, and you should consult with the bank, stockbroker or other agent through whom the sale or transfer was effected.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this Circular to any jurisdiction outside Spain or the UK should seek appropriate advice before taking any such action. The distribution of this Circular and any accompanying documents into jurisdictions other than Spain or the UK may be restricted by law. Any person not in Spain or the UK into whose possession this Circular and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

IAG INTERNATIONAL AIRLINES GROUP

International Consolidated Airlines Group, S.A.

(a company incorporated under the laws of the Kingdom of Spain and entered at the Madrid Mercantile Registry with registration number M-492129 and with Tax Identity Code number A-85845535)

Proposed Purchases of 50 Boeing 737 Family Aircraft and 37 Airbus A320neo Family Aircraft

Circular to Shareholders
and
Notice of Shareholders' Meeting

This Circular should be read as a whole. Your attention is drawn to the letter to Shareholders from the Chairman of IAG, which is set out in Part I (Letter from the Chairman of IAG) of this Circular. This letter contains the recommendation of the Board of IAG that you vote in favour of each of the Resolutions to be proposed at the Shareholders' Meeting. Please read the whole of this Circular. In particular, your attention is drawn to the risk factors set out in Part II (Risk factors) of this Circular.

A Notice convening the Shareholders' Meeting of the Company called to be held in Madrid at Auditorio Rafael del Pino, calle de Rafael Calvo 39, 28010 on 25 October 2022 at 18:30 (CEST) on first call, and on the following day, 26 October 2022, at the same time and venue, on second call, is set out at the end of this Circular. Shareholders are informed that the Shareholders' Meeting will be held on second call. Attendance, Proxy and Remote Voting Cards for Shareholders will be issued by the institutions with which their Shares are deposited, and Proxy Forms for holders of CDIs will be issued by the Company to their addresses as they appear on the Company's share register book. Attendance, Proxy and Remote Voting Cards will also be available on the Company's website (www.iairgroup.com) in both Spanish and English.

If you are a Shareholder and wish to attend physically and vote at the Shareholders' Meeting, please present: (i) a completed and signed Attendance, Proxy and Remote Voting Card or a certificate issued by one of the participating entities of the agency which manages the record of book entries or any other evidence of shareholding permitted by Spanish legislation in force; and (ii) an identity card, passport or any other equivalent official document evidencing your identity, at the entrance to the building where the Shareholders' Meeting is to be held. Shareholders that wish to attend by remote means shall pre-register and identify themselves using the Company's online platform at www.iairgroup.com not later than 18:30 (CEST) on 24 October 2022.

Representatives of shareholders that are legal entities must show at the registration desk (if attending physically) or send to the Company (if attending by remote means) a photocopy of a power of attorney evidencing the authority of the individual signing the Attendance, Proxy and Remote Voting Card in the name of the legal entity.

Alternatively, you may appoint someone else as your proxy (or proxies) or vote prior to the Shareholders' Meeting: (i) by sending the original Attendance, Proxy and Remote Voting Card, with the relevant sections duly completed and signed together with, if appointed, a copy of the proxy's identity card, passport or any other equivalent official photo identity document, to the Shareholders Office (IAG) (El Caserío, Iberia Zona Industrial no. 2 (La Muñoza), Camino de La Muñoza, s/n 28042 Madrid) or by e-mail to accionistas@iairgroup.com; or (ii) on the Company's website, www.iairgroup.com, by following the instructions given and using your electronic DNI (DNIe) or your digital signature based on a recognised and valid certificate issued by the Spanish Public Certification Entity (CERES) and uploading the identity card or passport of the proxy, if appointed. Proxies appointed or remote votes cast using any of the remote means set out above must be received by the Company not later than midnight (CEST) on 25 October 2022.

CDI holders who wish to attend the Shareholders' Meeting physically or by remote means and vote the underlying Shares to which such holder is entitled must complete and return a Proxy Form to Computershare Investor Services PLC, by 17:00 (BST) on 20 October 2022 to be appointed as a proxy for such shares. Persons who hold an interest in CDIs through the IAG Nominee Service operated by Computershare Company Nominees Limited and who wish to attend the Shareholders' Meeting must complete and return a Proxy Form to Computershare, by 11:00 (BST) on 20 October 2022 to be granted a proxy. Computershare shall send the form to the registered address held by Computershare for each person who holds CDIs or an interest in CDIs through the IAG Nominee Service. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available at www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare (ID number 3RA50) by 17:00 (BST) on 20 October 2022. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. You will also need to present an identity card, passport or any other equivalent official document evidencing your identity at the entrance to the building where the Shareholders' Meeting is to be held or upload it to the online platform at www.iairgroup.com if you wish to attend by remote means not later than 18:30 (CEST) on 24 October 2022. Alternatively, you may appoint someone else as your proxy (or proxies) or give voting instructions in relation to the underlying Shares prior to the Shareholders Meeting: (i) by completing and returning the relevant form of instruction to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY; or (ii) by following the instructions given on the website, www.eproxyappointment.com, by no later than 11:00 (BST) on 20 October 2022.

A summary of the action to be taken by Shareholders and holders of CDIs (including, for this purpose, those persons holding interests in CDIs through the IAG Nominee Service) is set out in paragraph 12 of Part I (Letter from the Chairman of IAG) of this Circular and in the Notice of Shareholders' Meeting. Completion and return of the original Attendance, Proxy and Remote Voting Card appointing a proxy or an electronic registration of a proxy appointment will not preclude you from voting remotely prior to the Shareholders' Meeting or attending and voting in person at the Shareholders' Meeting if you wish to do so. Attendance at the Shareholders' Meeting by you as the represented Shareholder, whether in person or by having voted using remote means, will revoke the appointment of your proxy, regardless of the date of the proxy appointment.

This document is a circular relating to the Proposed Purchases which has been prepared in accordance with the Listing Rules and approved by the Financial Conduct Authority.

No person has been authorised to give any information or make any representations other than those contained in this Circular and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this Circular shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Circular or that the information in it is correct as of any subsequent time.

Morgan Stanley & Co. International plc, which is authorised in the United Kingdom by the PRA and regulated in the United Kingdom by the FCA and the PRA, is acting exclusively for IAG as Sponsor in connection with the approval of this Circular by the FCA and no one else in connection with the Proposed Purchases and will not be responsible to anyone other than IAG for providing the protections afforded to clients of Morgan Stanley or its affiliates or for providing advice in relation to the Proposed Purchases, the contents of this Circular, or any transaction, arrangement or matter referred to herein. Apart from the responsibilities and liabilities, if any, which may be imposed on Morgan Stanley by FSMA or the regulatory regime established thereunder, neither Morgan Stanley nor any of its respective subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person for the contents of this document, including its accuracy, correctness or for any other statement made or purported to be made by it, or on its behalf in connection with IAG, the acquisition of aircraft and any other matters referred to in this document and nothing in this Circular will be relied upon as a promise or representation in this respect, whether or not to the past or future. Save for the aforementioned responsibilities and liabilities, if any, which may be imposed under FSMA, Morgan Stanley, its subsidiaries, branches and affiliates accordingly disclaim all and any responsibility or liability, whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this Circular or any other statement.

Capitalised terms have the meaning ascribed to them in Part VII (Definitions) of this Circular.

Dated 22 September 2022

CONTENTS

Forward-looking statements

This Circular contains forward-looking statements which are subject to assumptions, risks and uncertainties associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. These factors include, but are not limited to, those discussed in Part II (Risk factors) of this Circular. These and other factors could affect the results, strategy and prospects of the Group.

Forward-looking statements can be typically identified by the use of forward-looking terminology such as “expects”, “may”, “will”, “could”, “should”, “intends”, “plans”, “predicts”, “envisages”, “believes” or “anticipates”, as well as the negatives of such words and other words of similar meaning in connection with discussions of future operating or financial performance or of strategy that involve risks and uncertainties.

The forward-looking statements in this Circular are made based upon the Company’s expectations and beliefs concerning future events affecting the Group and therefore involve a number of known and unknown risks and uncertainties. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which it will operate, which may not prove to be accurate. The Company cautions that these forward-looking statements are not guarantees, and that actual results could differ materially from those expressed or implied in these forward-looking statements.

You are cautioned not to place any undue reliance on the forward-looking statements contained in this Circular which speak only as at the date of this Circular. Neither the Company nor any member of the Group undertakes any obligation to update or revise any forward-looking statements publicly, whether as a result of new information, future events or otherwise except as required by any applicable laws and regulations, including (but not limited to) the Listing Rules, the Disclosure, Guidance and Transparency Rules, UK MAR and FSMA.

The statements in this section should not in any way be construed as a qualification to the opinion of the Company as to the Group’s working capital set out in paragraph 10 of Part V (Additional information) of this Circular.

Corporate details and advisers

Company Secretary and registered office

Álvaro López-Jorrín
International Consolidated Airlines Group, S.A.
El Caserío, Iberia Zona Industrial no. 2 (La Muñoza),
Camino de La Muñoza,
s/n 28042 Madrid
Spain

Sponsor

Morgan Stanley & Co International plc
25 Cabot Square, Canary Wharf
London E14 4QA
United Kingdom

Legal adviser to the Company (as to English law)

Slaughter and May
One Bunhill Row
London EC1Y 8YY
United Kingdom

Legal adviser to the Company (as to Spanish law)

J&A Garrigues, S.L.P.
Hermosilla, 3
28001 Madrid
Spain

Legal adviser to the Sponsor (as to English law)

Linklaters LLP
One Silk St
London EC2Y 8HQ
United Kingdom

Reporting Accountant

KPMG LLP
15 Canada Square, Canary Wharf
London E14 5GL
United Kingdom

UK Registrar in respect of IAG Nominee Service

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
United Kingdom

Expected timetable of principal events

Event	Time and date
Latest time and date for receipt of forms of instruction from registered holders of CDIs and holders of interests in CDIs through the IAG Nominee Service for the Shareholders' Meeting	11:00 (BST) on 20 October 2022
Latest time and date for receipt of forms of direction from registered holders of CDIs for the Shareholders' Meeting	17:00 (BST) on 20 October 2022
Record date for entitlement to attend and vote at the Shareholders' Meeting (this date being five days prior to the date of the Shareholders' Meeting)	21 October 2022
Latest time and date for pre-registration of Shareholders (or proxy holders) and CDI holders (attending as a proxy) that wish to attend the Shareholders' Meeting by remote means	18:30 (CEST) on 24 October 2022
Latest time and date for postal receipt of the original Attendance, Proxy and Remote Vote Cards and electronic receipt of proxy appointments and remote voting from Shareholders for the Shareholders' Meeting	midnight (CEST) on 25 October 2022
Latest time and date for log into the platform of shareholders (or proxy holders) and CDI holders (attending as a proxy) that wish to attend the Shareholders' Meeting by remote means	18:00 (CEST) on 26 October 2022
Latest time and date for registration at the venue of shareholders (or proxy holders) and CDI holders (attending as a proxy) that wish to attend the Shareholders' Meeting physically	18:30 (CEST) on 26 October 2022
Shareholders' Meeting	18:30 (CEST) on 26 October 2022 (second call)

Notes:
The above dates are indicative only and are subject to change by the Company, in which event details of the new times and dates will be notified to the FCA and, where appropriate, to Shareholders, registered holders of CDIs and holders of interests in CDIs through the IAG Nominee Service.

.

Part I

(Letter from the Chairman of IAG)

(a company incorporated under the laws of the Kingdom of Spain and entered at the Madrid Mercantile Registry with registration number M-492129 and with Tax Identity Code number A-85845535)

Directors

Javier Ferrán (Chairman)
Luis Gallego (Chief Executive Officer)
Heather Ann McSharry (Director)
Giles Agutter (Director)
Peggy Bruzelius (Director)
Eva Castillo (Director)
Margaret Ewing (Director)
Maurice Lam (Director)
Robin Phillips (Director)
Emilio Saracho (Director)
Nicola Shaw (Director)

Registered office

El Caserío, Iberia
Zona Industrial no. 2
(La Muñoza), Camino
de La Muñoza, s/n
28042 Madrid
Spain

22 September 2022

To the Shareholders and holders of CDIs (including, for this purpose, those persons holding interests in CDIs through the IAG Nominee Service) and, for information only, holders of options and awards granted under, and other participants in, the IAG Share Schemes.

Dear Shareholder,

Proposed Purchases of 50 Boeing 737 Family Aircraft and 37 Airbus A320neo Family Aircraft

Notice of Shareholders' Meeting

1. Introduction

On 19 May 2022, IAG announced that the Group had reached a conditional agreement with Boeing to purchase 25 Boeing 737-8200 aircraft and 25 Boeing 737-10 aircraft for delivery between 2023 and 2027. The Proposed Boeing Purchase is of sufficient size to constitute a Class 1 transaction under the Listing Rules, and is therefore subject to approval by the Company's Shareholders.

On 28 July 2022, IAG announced that it had conditionally agreed with Airbus to purchase 37 Airbus A320neo Family Aircraft, by exercising 12 A320neo family options pursuant to the Group's 2013 Airbus Shorthaul Contract and ordering an additional 25 Airbus A320neo Family Aircraft. The relevant aircraft will be delivered between 2025 and 2028, and the exact mix of Airbus A320neo aircraft and Airbus A321neo aircraft as well as the IAG airlines to which they will be allocated will be decided by IAG closer to the delivery dates. The Proposed Airbus Purchase is of sufficient size to constitute a Class 1 transaction under the Listing Rules, and is therefore subject to approval by the Company's Shareholders.

The Proposed Purchases also constitute an acquisition of essential assets under article 160.f) of the Spanish Companies Law.

In addition, Boeing has agreed to grant IAG the rights to elect to purchase up to 100 additional Boeing 737 Family Aircraft and Airbus has agreed to grant IAG the rights to elect to purchase up to 50 additional Airbus A320neo Family Aircraft, which in each case may be transferred to the Group's airlines. The exercise of any such right by IAG in the future may, depending on its size relative to the size of the Company at that time and the timing of any other relevant transactions, become subject to a separate approval of the Shareholders.

The approval of the Proposed Purchases will be sought at the Shareholders' Meeting called to be held in Madrid at Auditorio Rafael del Pino, calle de Rafael Calvo 39, 28010 on 25 October 2022 at 18:30 (CEST) on first call, and on the following day, 26 October 2022, at the same time and venue, on second call. Shareholders are informed that the Shareholders' Meeting will be held on second call.

Notice of the Shareholders' Meeting and the full text of the Resolutions are set out at the end of this Circular. The Resolutions being proposed seek approval of the Proposed Purchases. A summary of the action you should take is set out in paragraph 12 of this letter.

The Directors recommend that you vote in favour of each of the Resolutions, as they intend to do in respect of their own holdings of Shares, being in aggregate 1,745,000 Shares, which represent approximately 0.035% of the Company's issued share capital as at 20 September 2022, the latest practicable date prior to publication of this Circular.

The purpose of this Circular is to provide you with information on the Proposed Purchases, to explain the background to and reasons for the Proposed Purchases and why the Directors believe the Proposed Purchases are in the best interests of the Company's Shareholders taken as a whole and to recommend that you vote in favour of each of the Resolutions. In the event the Proposed Purchases are not approved by the Shareholders, they will terminate and be without further force and effect.

You should read the whole of this Circular and not rely solely on the summarised information set out in this letter.

You will find definitions for capitalised terms used in this letter and the rest of this Circular in Part VII (Definitions) of this Circular.

2. Background to and reasons for the Proposed Purchases

Background to the Proposed Boeing Purchase

On 18 June 2019, IAG announced that it had signed a non-binding letter of intent with Boeing to purchase 200 Boeing 737 Family Aircraft powered by CFM LEAP-1B engines to be used for replacement and potential growth of the Group's shorthaul fleet. The Boeing Letter of Intent remained, however, subject to formal agreement and did not oblige the Group to complete any purchases.

In light of the impact of the COVID-19 pandemic on the performance of airlines worldwide, IAG did not conclude a formal agreement under the initial terms of the Boeing Letter of Intent. However, on 19 May 2022, the Group reached a conditional agreement with Boeing for the Proposed Boeing Purchase of 25 Boeing 737-8200 aircraft and 25 Boeing 737-10 aircraft for delivery between 2023 and 2027.

Background to the Proposed Airbus Purchase

On 14 August 2013, Vueling entered into the 2013 Airbus Shorthaul Contract pursuant to which it had conditionally agreed to purchase 30 new Airbus A320ceo aircraft and 32 new Airbus A320neo aircraft for delivery between 2015 and 2020. In addition, the 2013 Airbus Shorthaul Contract granted Vueling the rights to elect to purchase up to 58 additional Airbus A320 family aircraft. IAG also secured the rights to elect to purchase up to 100 additional Airbus A320neo Family Aircraft which could be used for any of the airlines in the Group at that time for aircraft replacement requirements. Shareholder approval of the 2013 Airbus Shorthaul Contract was granted at a Shareholders' meeting held on 26 September 2013 (on second call).

In the following years IAG converted 72 of those rights to elect to purchase additional Airbus A320 family aircraft into firm orders of Airbus A320neo Family Aircraft for British Airways, Iberia and Vueling bringing the total Group Airbus A320neo Family Aircraft commitments to 104.

At the start of the COVID-19 pandemic in early 2020, IAG decided not to exercise any further Airbus A320 family aircraft options that were then due for exercise, instead deciding to defer this decision until the effects of the COVID-19 pandemic on the airline industry were better understood. No further Airbus A320 family aircraft options were exercised until March 2022 as below.

On 30 March 2022, IAG agreed to convert eight Airbus A320 family aircraft options pursuant to the Group's 2013 Airbus Shorthaul Contract, into firm orders for six Airbus A320neo aircraft and two Airbus A321neo aircraft (the March Airbus Option Exercise). On 30 June 2022, IAG announced it had agreed to convert a further 14 Airbus A320 family aircraft options pursuant to its Group's 2013 Airbus Shorthaul Contract, into firm orders for 11 Airbus A320neo aircraft and three Airbus A321neo aircraft (the June Airbus Option Exercise). On 28 July 2022, IAG and Airbus agreed to supplement the March Airbus Option Exercise and June Airbus Option Exercise with the Proposed Airbus Purchase of a further 37 Airbus A320neo Family Aircraft for delivery between 2025 and 2028.

Strategic rationale for the Proposed Purchases

The addition of these latest generation more fuel-efficient aircraft is an important step towards IAG meeting its climate commitments, including to achieve net zero carbon emissions by 2050.

The shorthaul fleet strategy for IAG has been gradually to replace its current fleet of Airbus A320ceo family aircraft in order to benefit from improved operating costs of new generation aircraft and to manage the fleet age appropriately. In order to reduce capital expenditure during the COVID-19 pandemic, between 2020 and 2022 IAG delayed the replacement of its A320ceo family aircraft such that the Group's shorthaul aircraft are operated until the end of their useful economic life between 22-24 years of age. This has resulted in a greater proportion of older-generation shorthaul aircraft in the current IAG fleet.

By early 2022, IAG had either replaced or had firm commitments to replace 106 of its fleet of 340 shorthaul Airbus A320 family aircraft with newer generation Airbus A320neo Family Aircraft. However at this stage IAG still identified a requirement for a minimum of c.170 additional replacement aircraft by 2030 in order to maintain its fleet size and to benefit from the improved operating economics and environmental performance of new generation aircraft. The case for earlier replacement has also become stronger as fuel prices have increased, and the impact of charges relating to European and UK greenhouse gas regulatory schemes (including but not limited to the EU ETS) has increased the benefits of the lower fuel burn and resulting lower CO_2 emissions of new generation aircraft.

This has made access to new generation aircraft for replacement of retiring aircraft and the rights to elect to purchase additional new generation aircraft for early replacement a strategic priority for IAG.

In recent years, all IAG airlines have operated only Airbus shorthaul aircraft (aside from the limited fleet of Embraer aircraft at London City airport) which has led to a high degree of reliance on one supplier. The Group's shorthaul fleet requirements can, however, be met by either Boeing 737 Family Aircraft or Airbus A320neo Family Aircraft.

Both the Boeing 737 Family Aircraft and Airbus A320neo Family Aircraft generate similar variable operating cost benefits (including fuel and carbon costs) and have similar seating capacity options across the variants available.

It is expected that both aircraft types will offer between 15% to 20% improvements in fuel burn and CO_2 emissions (depending on the aircraft they replace) and combined with other improvements in seating capacity, maintenance costs and airport charges will lead to 10% to 20% reductions in operating costs.

When considering the need to maintain healthy competition between suppliers and given the constrained availability of shorthaul aircraft in the period to 2028, the Board considers it necessary to move its Airbus shorthaul fleet to a mix of Airbus and Boeing aircraft.

The Group is taking various actions to ensure the transition to a mixed Airbus and Boeing shorthaul fleet is delivered as efficiently as possible and to mitigate the associated costs, including those relating to crew re-training, maintenance and spare parts.

At the date of this Circular, the sum of existing commitments for Airbus A320neo aircraft plus the Proposed Purchases from Airbus and Boeing is 217 aircraft, which will meet IAG's shorthaul fleet replacement requirements until 2027-2028. Also, the ability to purchase a total of up to 150 additional Boeing 737 Family Aircraft and Airbus A320neo Family Aircraft (to be delivered on the dates outlined in the deliveries table at paragraph 4 of this letter) will provide access to sufficient new generation aircraft to ensure replacement of aircraft reaching the end of their economic lives (including meeting IAG's minimum replacement requirement to 2030), early replacement for economic and environmental reasons, and some capacity to fund growth. This flexibility is considered an important strategic asset in a constrained supply market.

The type flexibility that IAG has for larger or smaller variants of both Airbus and Boeing aircraft under the Proposed Purchase Agreements (as further described in this Circular) provides additional upside or downside flexibility that may be required as well as deferral rights that IAG has negotiated with both aircraft manufacturers to allow the pace of replacement to be slowed down if required.

3. Industry landscape and IAG's position

The majority of the Group's revenue is generated from a combination of full-service network carriers (British Airways, Iberia and Aer Lingus) and the low-cost carrier Vueling. These carriers are based in their home hubs – London, United Kingdom for British Airways; Madrid, Spain for Iberia; Dublin, Ireland for Aer Lingus; and Barcelona, Spain for Vueling. Consequently, the Group defines its principal markets as being those markets where passenger traffic originates and/or concludes journeys ('origin and destination') in Europe (the "**European O&D Market**").

In 2019 (the last full calendar year prior to the COVID-19 pandemic), the combined industry revenue generated from the European O&D Market was €175 billion, or 31.5% of the global passenger aviation market, and the Group held an attractive position. In 2019, the Group was the largest airline group by revenue in the North America to Europe market, accounting for 18% of the total respective market revenue; the second largest airline group by revenue in the South America (including Caribbean) to Europe market with 19% of total respective market revenue and the third largest airline group by revenue in the intra-European market with a share of 10% of total respective market revenue.

The global spread of the COVID-19 pandemic during the period from end of the first quarter of 2020 until end of the third quarter of 2021 and the associated governmental restrictions plus national and WHO health advisories led to an unprecedented decrease in the demand for both domestic and international air travel. All of the Group's principal markets were significantly impacted – the entire European aviation industry operated c. 12% of normal capacity during the deepest period of the COVID-19 pandemic.

The opening of the US market in November 2021 was an important change, alongside a significant reduction in restrictions in other key markets. Since then, the Group has seen a strong pent-up demand for future travel and has been recovering capacity accordingly. Over the last 12 months IAG has steadily re-instated capacity, with second quarter 2021 at only 22% of 2019 levels and second quarter 2022 at c. 80%. In particular, the combined intra-European short haul market has returned robustly, with the 2022 summer peak capacity 13% down on the summer 2019 peak. There is a general expectation by industry commentators and independent aviation advisors that the global airline industry will broadly return to pre-COVID-19 demand levels at some point from late-2023 into 2024 – depending on regional economic conditions.

As the industry moves on from the COVID-19 pandemic and customer demand returns, the underlying fundamentals of the Group's carriers remain strong. The Group will build on and leverage the scale and leadership positions built pre-COVID-19 in its core markets and this will enable it to recover better and stronger. The shorthaul market is an essential part of the Group's network with a strong presence in the large domestic market in Spain as well as point to point and connecting flows to and from the Group's hub airports feeding and complementing the Group's longhaul services. As such, replacement of IAG's shorthaul fleet is strategically important in order to maintain IAG's market position.

4. Fleet plan

As at 30 June 2022, the Group's fleet size was 549 aircraft and consisted of the following aircraft types and ownership allocation:

	Owned	**Finance lease**	**Operating lease**	**Total June 30, 2022**
Airbus A319ceo	8	3	30	**41**
Airbus A320ceo	42	31	125	**198**
Airbus A320neo	7	27	21	**55**
Airbus A321ceo	16	8	22	**46**
Airbus A321neo	1	-	14	**15**
Airbus A321 LR	-	-	8	**8**
Airbus A330-200	-	2	15	**17**
Airbus A330-300	4	4	12	**20**
Airbus A350-900	4	2	6	**12**
Airbus A350-1000	3	9	-	**12**
Airbus A380	2	10	-	**12**
Boeing 777-200	38	2	3	**43**
Boeing 777-300	5	4	7	**16**
Boeing 787-8	-	10	2	**12**
Boeing 787-9	1	8	9	**18**
Boeing 787-10	-	2	-	**2**
Embraer E190	9	-	13	**22**
Group total	**140**	**122**	**287**	**549**

The Group expects that its shorthaul fleet numbers will remain broadly similar, with some possible growth by up-gauging capacity. Since the Proposed Purchases are predicated by fleet replacement (primarily of Airbus A319ceo, A320ceo and A321ceo aircraft) and not growth, these are not expected to have a material impact on the number and type of aircraft operated by the Group.

The following table provides a summary of the delivery positions under the Proposed Purchases and the Group's rights to elect to purchase additional aircraft from Airbus and Boeing.

<table>
<tr><th>Aircraft deliveries</th><th>2023</th><th>2024</th><th>2025</th><th>2026</th><th>2027</th><th>2028</th><th>2029</th><th>2030</th><th>Total</th></tr>
<tr><td>B737-8200 – Proposed Boeing Purchase</td><td>1</td><td>11</td><td>13</td><td></td><td></td><td></td><td></td><td></td><td>25</td></tr>
<tr><td>B737-10 – Proposed Boeing Purchase</td><td></td><td></td><td></td><td>10</td><td>15</td><td></td><td></td><td></td><td>25</td></tr>
<tr><td>B737 – right to elect to purchase</td><td></td><td></td><td>10</td><td>20</td><td>40</td><td>30</td><td></td><td></td><td>100</td></tr>
<tr><td>A320neo Family Aircraft – Proposed Airbus Purchase</td><td></td><td></td><td colspan="2">12</td><td colspan="2">25</td><td></td><td></td><td>37</td></tr>
<tr><td>A320neo Family Aircraft – right to elect to purchase</td><td></td><td></td><td></td><td></td><td></td><td colspan="3">50</td><td>50</td></tr>
<tr><td>March Airbus Option Exercise and June Airbus Option Exercise</td><td></td><td colspan="2">22</td><td></td><td></td><td></td><td></td><td></td><td>22</td></tr>
</table>

5. Principal terms of the Proposed Boeing Purchase

General

The Boeing Purchase Agreement was entered into between Vueling and Boeing on 19 May 2022 for the Proposed Boeing Purchase of 25 firm Boeing 737-8200 aircraft and 25 firm Boeing 737-10 aircraft, with the ability to switch between different Boeing 737 Family Aircraft variants on giving notice to Boeing. The relevant aircraft are due for delivery between 2023 and 2027 under the Boeing Purchase Agreement, though IAG also has the ability to defer a certain number of deliveries on giving notice to Boeing.

At the same time, IAG and Boeing entered into the Boeing Option Agreement which grants IAG rights to elect to purchase up to 100 Boeing 737-8200 aircraft (with a similar right to switch between Boeing 737 Family Aircraft variants).

The Boeing Purchase Agreement is conditional upon shareholder approval being granted as required pursuant to the Listing Rules. If this condition is not met in accordance with the terms of the Boeing Purchase Agreement, then the Boeing Purchase Agreement shall terminate in full.

Further details of the Boeing Purchase Agreement are contained in Part III (Principal terms of the Boeing Purchase Agreement) to this Circular.

Price

The aggregate basic price of each aircraft to be purchased under the Boeing Purchase Agreement before the application of the price concessions described below (the Boeing Aircraft Basic Price) is the sum of: (i) the aircraft list price (including CFM LEAP-1B engines); and (ii) an estimate of average optional aircraft features as provided by Boeing, and is estimated to be approximately US$115 million for each Boeing 737-8 aircraft, US$120 million for each Boeing 737-8200 aircraft and US$130 million for each Boeing 737-10 aircraft, stated in January 2019 US Dollar terms. Payment of the Boeing Aircraft Basic Price is to be made to Boeing.

Boeing has granted certain price concessions with regard to the aircraft to be purchased under the Boeing Purchase Agreement. These concessions will take the form of credit memoranda provided to members of the Group, which may be applied towards payments in respect of the purchase of the aircraft under the Boeing Purchase Agreement. Such price concessions will reduce the effective price of each aircraft significantly below the Boeing Aircraft Basic Price.

The Board confirms that the final negotiated price represents a very substantial discount from the Boeing Aircraft Basic Price for each of the Boeing 737-8 aircraft, Boeing 737-8200 aircraft and Boeing 737-10 aircraft and will continue to give the Group a strong competitive advantage through its aircraft ownership and operating costs. The Company has also taken into account the current economic environment, the industry performance and the Company's financial position, and considers that the extent of the price concessions granted to IAG in connection with the Boeing Purchase Agreement are highly advantageous and in the best interests of the Group and Shareholders as a whole.

Boeing has made it clear to IAG that it would not sell these aircraft to IAG on the terms agreed if the actual purchase prices were publicly disclosed, meaning the Proposed Boeing Purchase would not proceed in such case. Actual prices are specifically confidential in all proposals that IAG and its predecessor airlines have received from Boeing to date, and the disclosure of this information in this Circular would significantly undermine the competitiveness of IAG, potentially increase the costs of financing for the aircraft to be purchased, and have a significant adverse impact on IAG's relationship with Boeing, as a major supplier.

Transfer and termination

The Boeing Purchase Agreement and the Boeing Option Agreement each provide the flexibility to transfer aircraft and rights to elect to purchase aircraft to airlines within the Group.

The Boeing Purchase Agreement contains termination rights consistent with industry standards and includes the right to terminate in the event of certain delivery delays, insolvency and other specific conditions agreed between Boeing and IAG.

6. Principal terms of the Proposed Airbus Purchase

General

The Airbus Purchase Agreement was agreed on 28 July 2022. It provides the commercial and contractual terms applicable to: (i) the conditional purchase of 25 additional Airbus A320neo Family Aircraft; (ii) the conditional exercise of 12 Airbus A320neo family options (this item (ii) and item (i) constituting the Proposed Airbus Purchase); and (iii) and the exercise of 22 options as part of the March Airbus Option Exercise and June Airbus Option Exercise, totalling 59 firm Airbus A320neo Family Aircraft. It also converts various conditional rights to elect to purchase additional aircraft that IAG holds and replaces these with the rights to elect to purchase up to 50 additional Airbus A320neo Family Aircraft under the terms of the Airbus Purchase Agreement. If the Proposed Airbus Purchase is approved then the new Airbus Purchase Agreement will also replace the terms applicable to the March Airbus Option Exercise and June Airbus Option Exercise.

IAG has certain rights to switch between Airbus A320neo Family Aircraft variants on giving notice to Airbus, allowing it to decide the exact mix of Airbus A320neo Family Aircraft ordered under the Airbus Purchase Agreement closer to the time of delivery. The relevant aircraft are due for delivery between 2025 and 2028 under the Airbus Purchase Agreement, though IAG also has the ability to defer a certain number of deliveries on giving notice to Airbus.

The Airbus Purchase Agreement is conditional upon shareholder approval being granted as required pursuant to the Listing Rules. In the event this condition is not met in accordance with the terms of the Airbus Purchase Agreement, then the Airbus Purchase Agreement will terminate, but the March Airbus Option Exercise and June Airbus Option Exercise will remain effective and IAG will retain access to the then outstanding rights to elect to purchase Airbus A320neo Family Aircraft, each in accordance with existing purchase agreements between the Group and Airbus.

Further details of the Airbus Purchase Agreement are contained in Part IV (Principal terms of the Airbus Purchase Agreement) to this Circular.

Price

The aggregate base price of each aircraft to be purchased under the Airbus Purchase Agreement before the application of the price concessions described below (the Airbus Aircraft Base Price) is the sum of: (i) the airframe list price published by Airbus in January 2018, and escalated to 2021; (ii) the reference price of the engine; and (iii) an estimate of average Specification Change Notices (SCNs) (which represent optional aircraft features), and is estimated to be approximately US$120 million for each Airbus A320neo aircraft and US$140 million for each Airbus A321neo aircraft, stated in January 2021 US Dollar terms. Payment of the Airbus Aircraft Base Price is to be made to Airbus.

Airbus has granted certain price concessions with regard to the aircraft to be purchased under the Airbus Purchase Agreement. These concessions will take the form of credit memoranda provided to members of the Group, which may be applied towards payments in respect of the purchase of the aircraft under the Airbus Purchase Agreement. In addition, CFM International and Pratt & Whitney have granted IAG certain credits in respect of the CFM LEAP1A and PW 1000G engines, which will have the effect of further reducing the amount payable by IAG to Airbus in respect of the relevant aircraft, depending on which engines are selected. Such price concessions will reduce the effective price of each aircraft significantly below the Airbus Aircraft Base Price.

The Board confirms that the final negotiated price represents a very substantial discount from the Airbus Aircraft Base Price for both Airbus A320neo and Airbus A321neo aircraft and will continue to give the Group a strong competitive advantage through its aircraft ownership and operating costs. The Company has also taken into account the current economic environment, the industry performance and the Company's financial position, and considers that the extent of the price concessions granted to IAG in connection with the Airbus Purchase Agreement are highly advantageous and in the best interests of the Group and Shareholders as a whole.

Airbus has made it clear to IAG that it would not sell these aircraft to IAG on the terms agreed if the actual purchase prices were publicly disclosed, meaning the Proposed Airbus Purchase would not proceed in such case. Actual prices are specifically confidential in all proposals that IAG and its predecessor airlines have received from Airbus to date, and the disclosure of this information in this Circular would significantly undermine the competitiveness of IAG, potentially increase the costs of financing for the aircraft to be purchased, and have a significant adverse impact on IAG's relationship with Airbus, as a major supplier.

Transfer and termination

The Airbus Purchase Agreement provides IAG with the flexibility to transfer aircraft to airlines within the Group, providing the necessary configuration and engine selection flexibility to accommodate this.

The Airbus Purchase Agreement contains termination rights consistent with industry standards and includes the right to terminate in the event of certain delivery delays and insolvency.

7. Financing of the Proposed Purchases

The Group intends to retain flexibility in determining the method of financing of the relevant purchase(s) of the new aircraft, and will seek to implement one or more of a variety of cost effective financing options closer to the delivery dates of the new aircraft between 2023 and 2028.

While it is impossible to predict at this stage the actual source(s) of financing for the purchase of these aircraft, the most likely options include cash held by the Group (together with cash flow generated from its operations), bank debt, leases, bond issues and similar forms of aircraft financing common in the airline industry.

8. Financial effects of the Proposed Purchases

The key operating costs relating to aircraft are fuel, depreciation, ground and flying staff costs, airport and air traffic control charges and maintenance. Through replacing retiring aircraft with the new Boeing 737 Family Aircraft and Airbus A320neo Family Aircraft, IAG expects significant improvements in fuel burn and the directly associated cost of CO_2 emissions.

In addition, the higher average seating capacity of the Boeing 737 Family Aircraft and Airbus A320neo Family Aircraft versus the aircraft that they will replace will provide capacity for growth without the need to increase take-off and landing slots and so will provide the opportunity to increase revenues on existing routes and reduce unit costs.

Based on the Boeing Aircraft Basic Price and the Airbus Aircraft Base Price, the Proposed Purchases are expected to result in an aggregate commitment of approximately USD11.1 billion, which will be spread from 2023 until the final delivery expected in 2028. This figure is significantly greater than the Group's expected actual aggregate commitment in respect of the Proposed Purchases, since it does not include the price concessions that will be applied to the Boeing Aircraft Basic Price and the Airbus Aircraft Base Price, as further described in this Circular.

The effect of the purchase of the new Boeing 737 Family Aircraft and the Airbus A320neo Family Aircraft on the assets and liabilities of the Group will depend on the financing method and ownership structure in respect of the relevant aircraft at the time of each purchase.

9. Current trading and prospects of the Group

In the first six months of 2022, the Group's capacity, measured in available seat kilometres ("**ASKs**") reached 72% of that operated in the first half of 2019, a significant increase on the 20.8% of the first half of 2019 operated in the first half of 2021. Capacity was steadily increased through the period, with first quarter 2022 at 65.1% of first quarter 2019 levels and second quarter 2022 at 78% of second quarter 2019 levels.

The impact of COVID-19 and related travel restrictions was significantly less than in the first half of 2021, when many countries were in lockdown or had severe travel restrictions in place. The passenger load factor reached 77.8% for the first half of 2022, again increasing across the period, with the passenger load factor in the first quarter at 72.2% and in the second quarter at 81.8%, which was just 3.2 points lower than in the second quarter of 2019. There was some impact from the Omicron variant of COVID-19 early in the year, mainly in January and February. Capacity operated out of London Heathrow airport was lower than originally planned at the start of the year and British Airways' capacity was limited to 69.1% of 2019 in the second quarter, up from 57.4% in the first quarter.

Unless stated otherwise, all variances quoted below compare the first six months of 2022 with the first six months of 2021.

Passenger revenue rose €6,463 million to €7,604 million, reflecting the significant increase in capacity operated, together with the positive impact of a 28.6% increase in the passenger load factor and passenger yields per revenue passenger kilometre up 22.5%. The resulting passenger unit revenue (passenger revenue per ASK) was 93.6% higher than the previous year and was up to 99.7% of that seen in the first half of 2019, with passenger unit revenue 11.7% lower than 2019 in the first quarter and 6.4% higher than 2019 in the second quarter.

Cargo revenue was up €74 million to €843 million, 9.6% higher than in the first six months of 2021, despite only 395 dedicated cargo flights operated in the period, down from 2,677 from the first six months of 2021, due to the significant increase in the passenger capacity operated. Yields increased 4.8% on 2021, supported by continued global supply chain disruption. Cargo carried, measured in cargo tonne kilometres, rose by 4.6%. Compared with 2019, cargo revenue increased by €287 million, or 51.6%.

Other revenue increased by €602 million to €904 million, reflecting the recovery in the Group's non-airline businesses, including British Airways Holidays, Iberia's maintenance and third party handling businesses and IAG Loyalty. Other revenue was 2.3% higher than in the first half of 2019.

The figures presented above in this section represent those reported in the Group's HY 2022 Results. For further details, please refer to the Group's released interim results for the period from 1 January 2022 to 30 June 2022, which can be found at the Company's website (www.iairgroup.com).

IAG Loyalty continued to increase its contribution to Group revenue from third party income, with Avios (the loyalty currency of the IAG airlines' loyalty programmes) collected by customers outside of flying 22% higher in the second quarter of 2022 than in the second quarter of 2019. Total American Express customer numbers are now approximately 30% higher than three years ago, with new customer acquisition in the second quarter of 2022 up approximately 50% versus the second quarter of 2019.

As at the end of July 2022, when the Group issued its trading outlook as part of the HY 2022 Results, forward bookings had recovered to approximately 85% of 2019 levels by volume and approximately 95% by revenue, with demand strongest on the key domestic, European, North Atlantic and South American / Caribbean routes. Premium leisure revenue was strong and had almost fully recovered to 2019 levels. Business channel bookings had recovered to around 60% of 2019 in terms of volume and approximately 70% in terms of revenue. The Group had limited visibility of bookings for October to December 2022, apart from key holidays, with no sign of demand weakness.

As at the end of July 2022, the Group updated its capacity plan for the remainder of 2022, resulting in full year capacity of 78% of 2019 levels, compared to approximately 80% planned as at the start of May 2022, with capacity moderated in response to the operational environment at London Heathrow airport (mainly British Airways shorthaul). The third quarter of 2022 was planned to operate at approximately 80% of 2019 capacity levels, with the North Atlantic at approximately 92% of 2019 capacity. The final quarter was planned to operate at approximately 85% of 2019 levels. As the majority of the capacity reductions were planned and actioned in advance of the day of travel (and in many cases a number of weeks in advance) the impact on profitability was very limited and the Group estimated net disruption impacts of approximately €15 million for April 2022 to June 2022.

As at the date of this Circular, demand has been stronger than the Group's expectations over the summer months, with no indication so far of weakness in forward bookings for the rest of the year.

2022 Profit Forecast

On 29 July 2022, the Company issued the following trading outlook as part of its Group consolidated results for the six months to 30 June 2022:

"*IAG expects pre-exceptional operating profit to be significantly improved for quarter 3 2022 compared to quarter 2 and to be positive for full year 2022. Net cash flow from operating activities is expected to be significantly positive for the year. This assumes no further setbacks related to COVID-19 and government-imposed restrictions or material impacts from geopolitical developments. Net debt is expected to increase by year end compared with the end of 2021.*"

This statement (the 2022 Profit Forecast) constitutes a profit forecast for the purposes of the Listing Rules. The 2022 Profit Forecast relates to the 12 month period ending 31 December 2022.

The Board of Directors has considered and confirms that the 2022 Profit Forecast remains correct as at the date of this Circular. Further details, including the basis of preparation and assumptions, are set out in paragraph 11 of Part V (Additional information) of this Circular.

10. Risk factors

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of each of the Resolutions, please refer to Part II (Risk factors) of this Circular.

11. Shareholders' Meeting

The Notice convening the Shareholders' Meeting called to be held in Madrid at Auditorio Rafael del Pino, calle de Rafael Calvo 39, 28010 on 25 October 2022 at 18:30 (CEST) on first call, and on the following day, 26 October 2022, at the same time and venue, on second call, is set out at the end of this Circular. Shareholders are informed that the Shareholders' Meeting will be held on second call.

As a Class 1 transaction (owing to the size of the Proposed Purchases relative to the size of the Company) the Company requires the approval of Shareholders to proceed with the Proposed Purchases. The Proposed Purchases are, therefore, conditional on the passing of the Resolutions at the Shareholders' Meeting of the Company.

In summary, the Resolutions to be proposed at the Shareholders' Meeting seek the approval of the Shareholders in respect of the Proposed Purchases and their implementation. For each Resolution to be approved, a majority of votes cast on the relevant Resolution must be in favour. The full text of the Resolutions is also set out at the end of this Circular.

12. Action to be taken

Attendance, Proxy and Remote Vote Cards for Shareholders will be issued by the institutions with which their Shares are deposited, and Proxy Forms for holders of CDIs will be issued by the Company to their addresses, as they appear on the Company's share register book.

The Attendance, Proxy and Remote Vote Card, along with all other necessary documents relating to the Shareholders' Meeting, can also be found on the Company's website, www.iairgroup.com.

If you are a Shareholder

If you wish to attend physically and vote at the Shareholders' Meeting, please present: (i) a completed and signed Attendance, Proxy and Remote Voting Card or a certificate issued by one of the participating entities of the agency which manages said accounting register or any other evidence of shareholding permitted by Spanish legislation in force; and (ii) an identity card, passport or any other equivalent official document evidencing your identity, at the entrance to the building where the Shareholders' Meeting is to be held. Shareholders that wish to attend by remote means shall pre-register and identify themselves using the Company's online platform at www.iairgroup.com not later than 18:30 (CEST) on 24 October 2022. If you wish to attend physically or by remote means and vote at the Shareholders' Meeting as a person acting on behalf of an institutional Shareholder, please also present a copy of a valid power of attorney evidencing your powers to sign the Attendance, Proxy and Remote Voting Card as attorney on behalf of the relevant institutional Shareholder at the entrance of the venue, or upload this to the online platform if you wish to attend by remote means.

If you are unable to attend and vote at the Shareholders' Meeting, you may appoint someone else as your proxy (or proxies) or vote prior to the Shareholders' Meeting by using the following remote means of communication:

(A) **By post or electronic correspondence:** by sending the original Attendance, Proxy and Remote Voting Card, with the relevant sections duly completed and signed, to the Shareholder Office (IAG) (El Caserío, Iberia Zona Industrial no. 2 (La Muñoza), Camino de La Muñoza, s/n 28042 Madrid). The Attendance, Proxy and Remote Voting Card may also be sent to the Company by email to accionistas@iairgroup.com; or

(B) **Electronically**: accessing the "Extraordinary Shareholders' Meeting 2022" section on the Company's website, www.iairgroup.com, by following the instructions given and using your electronic DNI (DNIe) or your digital signature based on a recognised and valid certificate issued by the Spanish Public Certification Entity (CERES) attached to *Fábrica Nacional de Moneda y Timbre*.

Proxies appointed or remote votes cast using any of the remote means set out above must be received by the Company not later than **midnight (CEST) on 25 October 2022**.

Completion and return of the original Attendance, Proxy and Remote Voting Card appointing a proxy or an electronic registration of a proxy appointment will not preclude you from voting remotely prior to the Shareholders' Meeting or attending either physically or by remote means and voting at the Shareholders' Meeting if you wish to do so. Attendance at the Shareholders' Meeting by you as the represented Shareholder, whether in person, by remote attendance or by having voted using remote means, will revoke the appointment of your proxy, regardless of the date of the proxy appointment.

Details of the relevant procedures are also set out in the Notice of Shareholders' Meeting and the Company's website at www.iairgroup.com.

If you are a registered holder of CDIs

CDI holders who wish to attend the Shareholders' Meeting either physically or by remote means and vote the underlying Shares to which such holder is entitled must complete and return a Proxy Form to Computershare Investor Services PLC, by 17:00 (BST) on 20 October 2022, to be appointed as a proxy for such shares. Persons who hold an interest in CDIs through the IAG Nominee Service operated by Computershare Company Nominees Limited and who wish to attend the Shareholders' Meeting must complete and return a Proxy Form to Computershare, by 11:00 (BST) on 20 October 2022, to be granted a proxy. Computershare shall send the form to the registered address held by Computershare for each person who holds CDIs or an interest in CDIs through the IAG Nominee Service.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a *CREST Proxy Instruction*) must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available at www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare (ID number 3RA50) by 17:00 (BST) on 20 October 2022. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Further information is available for CDI holders or persons who hold an interest in CDIs through the IAG Nominee Service from Computershare on + 44 (0) 370 702 0110, Monday to Friday, from 08:30 to 17:30 (BST) (excluding Bank Holidays).

13. Further information

Your attention is drawn to the further information set out in Part II (Risk factors) to Part V (Additional information) of this Circular. You should read the whole of this Circular and, in particular, the risks and uncertainties set out in Part II (Risk factors).

14. Recommendation

The Board of Directors considers that each Resolution to be proposed at the Shareholders' Meeting is in the best interests of the Shareholders of the Company taken as a whole and recommends that Shareholders vote in favour of each of such Resolutions, as the Directors intend to do in respect of their own holdings of Shares, being in aggregate 1,745,000 Shares, which represent approximately 0.035% of the Company's issued share capital as at 20 September 2022, the latest practicable date prior to publication of this Circular.

Yours faithfully,

Javier Ferrán
Chairman

Part II

(Risk factors)

Prior to voting on each of the Resolutions, Shareholders should carefully consider the risks and uncertainties described in this Part II (Risk factors).

The risks and uncertainties described below represent those known to the Directors as at the date of this Circular which the Directors consider to be material risks relating to the Proposed Purchases, as well as material risks to the Group which will result from, or will be impacted by, the Proposed Purchases. However, these risks and uncertainties are not the only ones which, following completion of the Proposed Purchase Agreements, the Group will face; additional risks and uncertainties that do not currently exist or that are not currently known to the Directors, or that the Directors currently consider to be immaterial, or which the Directors consider to be material but which are not related to or will not result from or be impacted by the Proposed Purchases, could also have a material adverse effect on the Group's business, results of operations, financial position or prospects.

The risk factors in this Circular set out the necessary disclosure in accordance with the Listing Rules, and do not seek to cover all of the material risks which generally affect the Group. If you would like to have further information on the material risks which generally affect the Group, please refer to pages 104 to 120 (inclusive) of the 2021 Annual Report.

If any or a combination of the events described below actually occurs, the Proposed Purchases, business, results of operations, financial position or prospects of the Group could be materially and adversely affected.

These risks and uncertainties should be read in conjunction with all other information contained in this Circular.

1. Risks related to, resulting from or impacted by the Proposed Purchases

(i) ***The Proposed Purchases may not proceed***

The Proposed Purchase Agreements are conditional upon Shareholders approving the Resolutions. There can be no assurance that such approval will be obtained. The Board considers that the Proposed Purchases are in the best interests of the Company and Shareholders as a whole. If the Proposed Purchase Agreements do not become effective due to Shareholder approval not being obtained, the Company may not be able to obtain terms for the purchase of Boeing 737 Family Aircraft and Airbus A320neo Family Aircraft as favourable as those pursuant to the Proposed Purchase Agreements. The risks set out in the section below entitled "*2. Risks relating to the Group which will result from, or will be impacted by, the Proposed Purchase Agreements not becoming effective*" would apply if the Proposed Purchase Agreements do not become effective.

(ii) ***The Proposed Purchases require substantial payments by the Group, and the Group needs sources of financing to meet its payment obligations***

If approved by the Shareholders, the Proposed Purchases require substantial payments by the Group until the delivery of the final aircraft pursuant to the Proposed Purchases.

The ability of the Group to meet its payment obligations under the Proposed Purchases depends on the level of the Group's cash resources and its ability to access the relevant method of financing such as bank debt, leases, bond issues or other suitable financing on commercially acceptable terms. None of the Aircraft the subject of the Proposed Purchases are due for delivery within 12 months of the date of this Circular and the deposit and pre-delivery payments that are due in such period can comfortably be met from the Group's available cash without the need for finance. Other aircraft that pre-date the Proposed Purchases and will be financed in this period will be funded in accordance with IAG's standard approach of deciding the appropriate funding solutions closer to the anticipated time of delivery. During 2022 up to the date of this Circular, the Group has obtained access to competitive financing for shorthaul and longhaul aircraft using a variety of markets and structures including sale and leaseback arrangements, secured bonds and finance lease arrangements. In these cases, it has been possible for the Group to finance up to 100% of the value of a shorthaul aircraft subject to prevailing market conditions at the time of seeking funding.

However, whether the Group will be successful in obtaining financing in the longer term (that is, beyond the period of 12 months from the date of this Circular, for which the Group has assessed whether it has sufficient working capital for its present requirements) on commercially acceptable terms or at all, will depend on a range of factors, including, among other things, general interest rates, the credit profile or credit rating of members of the Group, the inclination of financial institutions to the financing of commercial aircraft and the general state of the global capital markets. There can be no assurance that such methods of financing or other suitable financing will not become more difficult, more expensive or even fail entirely in the longer term (that is, beyond 12 months from the date of this Circular). In any such scenario, the Group may be unable to fulfil its payment obligations in connection with the Proposed Purchases and, as a result, this could have a material adverse effect on the Group's business, financial position and prospects.

For the avoidance of doubt, the statements in this risk factor do not qualify the opinion of the Company that the working capital available to the Group is sufficient for its present requirements, that is, for at least the next 12 months following the date of publication of this Circular (as set out in paragraph 10 of Part V (Additional information) of this Circular).

(iii) ***The Group is exposed to risks relating to the types of aircraft to be purchased under the Proposed Purchases***

On 13 March 2019, following two widely publicised accidents involving Boeing 737-8 series aircraft, the FAA issued an order to suspend operations of all Boeing 737-8 series and Boeing 737-9 series aircraft in the US and by US aircraft operators. Non-US civil aviation authorities, including, without limitation, the EASA and the CAA, also issued directives to the same effect in 2019.

On 18 November 2020, the FAA ended the 20-month suspension and cleared the Boeing 737-8 series and Boeing 737-9 series aircraft to resume service, subject to certain conditions, including: installing software enhancements, completing wire separation modifications, conducting pilot training and accomplishing thorough de-preservation activities that will ensure the airplanes are ready for service. Since then, non-US civil aviation authorities, including, without limitation, the EASA and the CAA, have cleared the aircraft for service. As of 30 June 2022, Boeing had received orders for over 5,000 Boeing 737 Family Aircraft, of which more than 800 have been delivered and have flown more than 1.5 million flight hours since 2020.

The previous incidents involving the aircraft illustrate potential safety and regulatory approval risks associated with purchasing new aircraft. There is also a risk of reduced customer demand due to customer perception and the reputation of Boeing 737-Family Aircraft following the incidents.

Another risk associated with the previous grounding is that the Boeing 737-10 series aircraft has not yet received certification from the FAA, and this could be further delayed by the FAA given the higher level of oversight, causing the possibility of delays or the possibility of a lack of certification for this aircraft type. The Boeing Purchase Agreement has deliveries of Boeing 737-10 aircraft deliveries scheduled from 2026, so there is a reasonable period of time for certification to be completed. Should this not occur, the Group may have to exercise type flexibility rights under the Boeing Purchase Agreement to allow IAG to switch Boeing 737-10 aircraft positions into other Boeing 737 Family Aircraft variants.

(iv) ***The Group is exposed to risks relating to late delivery and quality of the aircraft and engines***

In addition to the specific risks identified above in Risk Factor 1(iii), more generally, although contractual protections have been granted to the relevant members of the Group, there can be no assurance that the relevant airframe and engine manufacturers in respect of the Proposed Purchases will not delay delivery of aircraft and/or engines or deliver aircraft and/or engines which do not meet the quality standards and specifications contracted for, which could cause disruption for the operations of the Group's airlines. In any such situation, the relevant members of the Group may be unable to terminate the relevant Proposed Purchase Agreement and would remain committed to purchase the applicable aircraft in accordance with the agreed timetable.

Defects in the aircraft to be purchased pursuant to the Proposed Purchases could result in, among other things, low reliability, a delay in the scheduled delivery of the aircraft, increased operational and maintenance costs, flight delays for technical reasons, unscheduled stops and "Aircraft on Ground" status. In an extreme scenario, an accident or safety incident could occur which, regardless of whether the Group's airlines properly carried out the appropriate maintenance or modification programmes, could have a material adverse effect on the Group's business, reputation, financial position and prospects.

2. Risks relating to the Group which will result from, or will be impacted by, the Proposed Purchase Agreements not becoming effective

(i) ***The Group may be unable to realise incremental Shareholder value***

The Board considers that the Proposed Purchases are in the best interests of the Company and Shareholders as a whole and currently provide the best opportunity for the Group to obtain commercially attractive and competitively-priced terms for the purchase of new generation aircraft. The Board believes that replacing the Group's older generation shorthaul aircraft with the more fuel efficient Boeing 737 Family Aircraft and Airbus A320neo Family Aircraft will generate significant savings in fuel cost, offer maintenance cost savings and an improvement in reliability and, due to the aircraft's improved utilisation of on-board space, provide increased revenues and decreased costs and emissions per seat.

If the Proposed Purchase Agreements do not become effective, then in the absence of an alternative order, the shorthaul fleet of the Group's airlines is expected to materially age and the Group's airlines may become exposed to additional maintenance and reliability costs associated with an ageing shorthaul fleet. Other airlines may take advantage of the financial, operational and environmental benefits provided by new generation aircraft while the Group's airlines are unable to do so. This may result in a competitive disadvantage to the Group's airlines resulting in them not being able to deliver sustainable returns to Shareholders over the long term. The Group's airlines may be unable to retain their leading market positions and/or take advantage of profitable opportunities to grow. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial position and prospects.

(ii) ***The Group's airlines could fail to find suitable alternative arrangements for the purchase or leasing of aircraft***

If the Proposed Purchase Agreements do not become effective, the Board believes that the Group would need to find alternative arrangements to purchase or lease aircraft to fulfil the strategic plans of the Group. However, there can be no assurance that the Group will be able to obtain the required number and type of aircraft at favourable rates or with the optimal delivery dates. If the Group were to negotiate other arrangements for the acquisition of new generation aircraft in the future, there may be a significant lack of available delivery positions.

3. Risks relating to the Group which will result from, or will be impacted by, the Proposed Purchases

(i) ***The Proposed Purchases may increase the Group's sensitivity to restrictions on air travel and/or other governmental measures which impact demand for air in response to the COVID-19 pandemic or other health related restrictions***

The COVID-19 pandemic has had, and uncertainty from the ongoing recovery continues to have, a material adverse effect on the Group's financial condition and results of operations, as would any subsequent outbreak or recurrence in the future. Since February 2020, differing, wide-ranging and frequently changing measures taken by governments around the world in an attempt to contain the spread of the virus resulted in a severe and abrupt impact on demand for air travel across the Group's key markets and led to the Group significantly reducing its capacity and/or grounding operations for periods as required by government imposed restrictions, which resulted in a significant decline in the Group's revenues and profitability.

The uncertainty concerning the scope and duration of any future travel restrictions and requirements in addition to managing existing restrictions, principally across Asia, could further reduce demand for air travel. There can be no certainty as to what extent government-imposed travel restrictions and requirements (including, amongst others, mandatory quarantines, testing regimes or vaccine passports) could be reintroduced as a result of new variants or further waves of COVID-19. Additional restrictions, requirements or other measures that dissuade people from travelling by air may also be introduced in the future as a result of new variants or further waves of the COVID-19 pandemic and/or wider concerns over other infectious diseases.

The long-term impact on the airline industry is subject to significant uncertainty, including with respect to consumer behaviour and preferences. There can be no guarantee that consumer demand for air travel will return to pre-pandemic levels, at the same rate of recovery across different customer segments, particularly when some markets are still subject to ongoing restrictions, or that future consumer demand continues to reflect the products and brand propositions of the Group's airlines. Any changes in consumer preferences, tastes and purchasing habits including reduced willingness to pay could result in diminished demand for the Group's services (resulting in decreased revenue).

The Group is also exposed to risks relating to macroeconomic uncertainty, which has increased significantly as a result of the COVID-19 pandemic and the subsequent Ukraine-Russia conflict. This has already caused and is likely to result in prolonged stresses to global economies and financial markets, causing rising inflation and high fuel prices and the effects of a continued recession, depression or other sustained adverse economic events following on from the COVID-19 pandemic would materially adversely impact the Group's business by further decreasing customer demand for air travel.

Notwithstanding the matters set out above, the relevant members of the Group would still be committed to purchase the aircraft under the Proposed Purchase Agreements, which could adversely affect their ability to adjust capacity in response to any such increased costs and/or reduced customer demand. This could have a material adverse effect on the Group's business, results of operations, financial position and prospects.

(ii) ***The Proposed Purchases may increase the Group's sensitivity to domestic and/or global political and economic conditions***

The Group's revenue is highly sensitive to economic conditions in the markets in which it operates and so the Group's airlines and other businesses can be impacted by macroeconomic conditions outside of their control, including weakening consumer confidence, inflationary pressure, macro-economic shocks impacting commodity costs, changes to trade agreements resulting in the imposition of tariffs or economic or political instability and international conflicts (such as the Ukraine-Russia conflict). Demand for air travel depends on economic conditions, general inflationary conditions, employment levels, consumer and business confidence and availability of consumer credit. The airline industry in general tends to experience significant adverse financial results during economic downturns as travellers often choose to reduce their spend on discretionary items such as travel or reduce the price they pay to travel. In addition, premium services could become less desirable during a significant economic downturn, which could disproportionately affect the revenues of the Group. Further, an economic downturn tends to result in a decrease in air cargo revenue, as international trade decreases and businesses look to run down their inventories and send freight by more economical routes.

If the domestic or global economic conditions, including inflationary conditions, deteriorate in the manner described above, this could lead to reduced customer demand for the services provided by the Group's airlines. However, the relevant members of the Group would still be committed to purchase the aircraft under the Proposed Purchase Agreements, which could adversely affect their ability to adjust capacity in response to any such reduced customer demand. This could have a material adverse effect on the Group's business, results of operations, financial position and prospects.

(iii) ***The Proposed Purchases may increase the Group's exposure to risks associated with jet fuel price trends***

Jet fuel costs constitute a substantial proportion of the Group's airline total operating expenses. The Group's airlines used approximately 9.7 million tonnes of aviation fuel in 2019 (the last full calendar year prior to the COVID-19 pandemic). Volatility in the price of oil and petroleum products can have a material impact on the Group's results of operations. For the financial year ended

31 December 2019, fuel and oil costs amounted to approximately 26% of the Group's recurring operating costs.

Jet fuel costs have shown volatility over the last few years and such volatility is expected to continue. Both the cost and availability of jet fuel are subject to a number of factors and events occurring throughout the world that the Group's airlines (like all other airlines) can neither control nor accurately predict, such as natural disasters, the threat of war or war involving oil-producing countries (such as the Ukraine-Russia conflict) and the co-ordinated pricing decisions of producer cartels such as the Organisation of Petroleum Exporting Countries.

The Group aims to reduce the risk of incremental cost movements in jet fuel impacting its financial performance by hedging its anticipated jet fuel exposure over a two-year period. For the 12 months from the date of this Circular the Group aims to hedge between 35% and 62% of its anticipated exposure.

If the Group's airlines are exposed to sustained significant price volatility and/or increases in jet fuel prices as a result of the operation of the airlines' fleets after the Proposed Purchases, there can be no assurance that they will be able to offset such increases by passing these costs on to customers and/or through fuel hedging arrangements. A very significant long-term increase in the price of aviation fuel could also lead to reduced customer demand for the services provided by the Group's airlines. However, the relevant members of the Group would still be committed to purchase the aircraft under the Proposed Purchase Agreements, which could adversely affect their ability to adjust capacity in response to any such reduced customer demand. Any of the foregoing could have a material adverse effect on the Group's business, reputation, financial position and prospects.

(iv) ***The Proposed Purchases may increase the Group's exposure to climate risk and possible changes to environmental laws and regulations***

The Group is exposed to risks associated with the limitation of greenhouse gas emissions and environmental regulation and legislation, in addition to measures that may be introduced in the future. The European Union introduced the EU ETS in 2003 to limit greenhouse gas emissions and the trading allowances which apply to certain industrial installations. The airline industry was incorporated into the ETS in 2009 and the first carbon credit surrender took place in 2012. Additionally, in October 2016, the International Civil Aviation Organisation agreed a Carbon Offsetting and Reduction Scheme for International Aviation ("**CORSIA**") to target carbon neutral growth for the airline sector. The Group's obligation under CORSIA started in 2021 but only where global aviation emissions exceed 2019 levels, with the mandatory phase of CORSIA expected to commence between 2027 and 2035 which will require airlines to purchase carbon offsets from other industries to compensate for emission growth in the airline sector. Furthermore, on 1 January 2021, the UK Emissions Trading Scheme ("**UK ETS**") was introduced to replace the UK's participation in the EU ETS. The scheme will run from 2021 until 2030 and, like the EU ETS, operates as a "cap-and-trade" system. Obligations under the UK ETS apply to aircraft operators who perform aviation activity above a certain threshold. Aviation activity includes flights that depart from the UK and arrive either in the UK, an EEA State or Gibraltar. The obligations under the UK ETS system will therefore apply to the Group. The number of offsets required to be purchased under these schemes, and any increase in such number, could have an adverse impact upon demand for air travel and/or reduce the profit margin per ticket for the Group.

Further regulations on greenhouse gas emissions and noise restrictions may be enacted in one or more of the countries in which the Group's airlines operate. For example, the Spanish government, as part of its Recovery, Transformation and Resilience Plan dated 27 April 2021, noted that it is considering a potential tax on the use of air transport. The emergence of a global patchwork of uncoordinated national and regional climate and noise policies may lead to competitive distortion including potential carbon leakage and result in increased compliance costs while failing to effectively address aviation emissions. In addition, if the cost of carbon emission permits significantly increases in the future, and there is unequal application of carbon and noise regulations or the cost of more efficient technologies significantly increases, the Group's airlines may face a material financial risk. Additionally, increases in taxes on travel levied for environmental reasons, such as Air Passenger Duty applicable to flights leaving the United Kingdom could reduce domestic and international travel in the markets in which the Group operates and thereby reduce the demand for the Group's airlines flight tickets.

Customer attitudes to environmental and climate issues may also change and this may lead to a reduced demand for air travel. It could also lead to customers choosing alternative means of transport, including trains, instead of shorthaul flights. The Group's airlines, particularly Iberia Express and Vueling, compete with other modes of transport including train travel. The shorthaul operations of Iberia and Vueling are concentrated across continental Europe where there is a significant and reliable rail network. If alternative modes of transport provide a more cost-effective and/or sustainable means of travel or there is a change in preference amongst airline travellers or government initiatives against using airlines in light of environmental factors, this could have a material adverse effect on the Group. In addition, the Group may incur additional costs as a result of increasingly stringent environmental regulations and expectations from the Group's customers and investors regarding the use of low or zero-emission carbon aviation technologies. There can be no assurance that such technologies will mature or become commercially viable.

Furthermore, vulnerability to the effects of global warming and climate change has the potential to affect the Group's operations and business. Climate change has resulted in more volatile weather, such as a greater frequency and intensity of storms, which could disrupt the airlines' operations by reducing handling capacity at airports, particularly airports such as London Heathrow (which operates at near-full runway capacity) and is British Airways' largest hub, and ground transport access. Any increase in delayed or cancelled flights could increase disruption compensation costs and reduce revenue as well as have an adverse effect on brand reputation and customer trust. Changes in wind patterns and jet stream disruption as a result of climate change are also recognised as having the potential to increase en route turbulence which could cause operational disruption and increased costs which could negatively affect customer satisfaction and retention, as well as the potential to result in damage to aircraft, injury to passengers and increased maintenance costs.

While the precise impacts of climate-related requirements continue to evolve, the Group takes its responsibility towards consideration and remediation of the impacts of carbon on the planet seriously and is undertaking various measures that are expected to help reduce its CO2 emissions over time, such as improving fuel efficiency through operational measures and fleet renewal.

Until new environmental regulations come into force and/or until pending regulations are finalised, future costs to comply with such regulations remain uncertain but are likely to have a significant financial impact.

However, the Group would still be committed to purchase the aircraft under the Proposed Purchase Agreements, which could adversely affect its ability to adjust capacity in response to any such increased costs and/or reduced customer demand. This could have a material adverse effect on the Group's business, results of operations, financial position and prospects.

(v) ***The Proposed Purchases may increase the Group's exposure to fluctuations in currency exchange rates***

The Group's business, financial position and prospects may be adversely affected by fluctuations in currency exchange rates, particularly between the Euro and the US Dollar, and the Euro and Pound Sterling. The Group reports its financial results in Euros. However, it transacts and holds assets and liabilities in currencies other than the Euro.

The price of each aircraft to be purchased under the Proposed Purchase Agreements is denominated in US Dollars. In addition, the Group will be required to make pre-delivery payments under the Proposed Purchase Agreement in US Dollars and such payments will then be recorded as assets denominated in US Dollars on the Group's balance sheet.

The Group seeks to reduce foreign exchange exposures arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, either spot or forward, for US Dollars, Euro or Pound Sterling. In addition to forward sale of currencies, currency options are used to cover near-term future revenues and operating payments in a variety of currencies. However, there can be no assurance that such hedging activity will be sufficient to protect against its increased exposure, as a result of the Proposed Purchases, to adverse exchange rate movements between the Euro and the US Dollar. Accordingly, any adverse movements in currency exchange rates between the Euro and the US Dollar, to the extent not hedged by the Group, could have a material adverse effect on the on the Group's business, financial position and prospects.

(vi) ***The Proposed Purchases may adversely affect the Group's ability to respond effectively to competition***

The Group's airlines operate in competitive markets and face direct and indirect competition on their routes, as well as from charter services and other modes of transport. Competitor capacity growth in excess of demand growth could cause an oversupply in the marketplace and materially impact the margins of the Group's airlines. Failure to react quickly to competitor changes could have an impact on each airline's market share and brand strength.

Some of the Group's competitor airlines are wholly or partially state-owned, which could give these airlines access to larger and less expensive sources of funding, thereby better protecting them from stresses within the aviation sector. The current state of the global economy might also induce governments to unilaterally grant subsidies or other public aid to one or more of the Group's competitor airlines, which could distort markets and have an adverse impact on the competitive position of the Group's airlines. A number of the Group's competitor airlines may also be able to benefit from protection under insolvency laws, helping them to substantially reduce their cost structures and become more competitive, both while they are under creditor protection and thereafter.

Likewise, industry consolidation could affect the competitive environment of the Group's airlines in a number of different markets. Each airline's ability to retain its competitive advantage is dependent upon it remaining a key player in the relevant markets in which it operates. Consolidation by other key players in the airline industry could cause a loss of market position and erosion of revenue. In addition, the airline industry competes with other modes of transport. If alternative modes of transport provide a more cost-effective means of travel or there is a government policy shift to favour other modes of transport or there is a change in preference amongst airline travellers against using airlines this could have a material adverse effect on revenues.

While competitive intensity varies across different routes depending on the number and nature of competitors operating on any route, the applicable regulatory environment and associated barriers to entry (such as operating licences, capital requirements and availability of slots), the percentage of routes on which the Group's airlines compete with airlines having lower operating costs has grown significantly over the past decade and such competition is likely to increase further.

If the competitive position of the Group's airlines deteriorates as a result of factors described above, this could lead to reduced customer demand for the services provided by the Group's airlines. However, the relevant members of the Group would still be committed to purchase the aircraft under the Proposed Purchase Agreements, which could adversely affect their ability to adjust capacity in response to any such reduced customer demand. This could have a material adverse effect on the Group's business, results of operations, financial position and prospects.

(vii) ***The Proposed Purchases may increase the Group's exposure to risks associated beyond the control of airlines, including adverse weather conditions, a further outbreak of a contagious disease, hostilities between countries or war, terrorist incidents (or the threat of such incidents), including cyber-attacks targeting critical infrastructure, catastrophic loss and major accidents or incidents***

Like other airlines, the Group is subject to disruptions caused by factors beyond its control, including adverse weather conditions and other natural events. Delays frustrate passengers, may affect the Group's reputation and may reduce aircraft utilisation as a result of flight cancellations and increase costs, all of which, in turn, affect profitability. In the event of fog, snow, rain, storms or other adverse weather conditions or natural events, flights may be cancelled or significantly delayed. A further outbreak of a contagious disease with the potential to become a pandemic could affect travel behaviour by reducing passenger traffic, either generally or to offered destinations.

Outbreaks of hostile behaviour between countries or declarations of war, hijacking or other terrorist incidents anywhere in the world, or the threat of such incidents, can significantly harm public confidence in the airline industry, reduce passenger traffic or affect general political, economic or business conditions in ways that could result in reduced demand for airline transport services, increased costs or reduced passenger revenue. Additionally, as the Group's airlines provide important infrastructure services, they may be intentionally targeted by cyber-attacks or subject to the consequences of an attack (particularly state sponsored) which significantly impacts operations. Although the Group's operations are safe and secure, with multiple national regulators regularly conducting oversight activity across the Group, security measures have in the past disrupted and may potentially in the future disrupt the Group's business on a temporary or long-term basis.

In addition, the Group, like all airlines, is exposed to potential catastrophic losses in the event that any of the Group's aircraft is subject to an accident or other catastrophe. This may involve not only the repair or replacement of damaged or lost aircraft and its consequent temporary or permanent loss from service, but also claims from injured passengers and survivors of deceased passengers. There can be no assurance that the amount of the Group's insurance coverage available in the event of such losses would be adequate to cover such losses, or that the Group would not be forced to bear substantial losses from such events, regardless of its insurance cover. Moreover, any aircraft accident or incident, even if fully insured, could create a public perception that the Group is less safe or reliable than other airlines, which could cause passengers to lose confidence in the Group and switch to other airlines or other means of transportation.

Any of the above events could reduce demand for the Group's services and have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. Nevertheless, the relevant members of the Group would still be committed to purchase the aircraft under the Proposed Purchase Agreements, which could adversely affect the Group's ability to adjust capacity in response to any such reduced customer demand. This could have a material adverse effect on the Group's business, results of operations, reputation, financial position and prospects.

Part III

(Principal terms of the Boeing Purchase Agreement)

1. Introduction

The Boeing Purchase Agreement was entered into on 19 May 2022 between Vueling and Boeing for the Proposed Boeing Purchase of 25 firm Boeing 737-8200 aircraft and 25 firm Boeing 737-10 aircraft, with the ability to switch between different Boeing 737 Family Aircraft variants on giving notice to Boeing.

Each of the firm (and rights to elect to purchase) Boeing 737 Family Aircraft will be equipped with CFM LEAP-1B engines manufactured by CFM International. IAG has agreed the CFM Boeing Maintenance Agreement with CFM International in respect of these engines.

As announced on 19 May 2022, Boeing has also agreed to grant IAG the rights to elect to purchase up to 100 additional Boeing 737-8200 aircraft under the Boeing Option Agreement (though IAG has the right to select different Boeing 737 Family Aircraft variants on giving notice to Boeing). The exercise of any such rights by IAG in the future may, depending on its size relative to the size of the Company at that time, become subject to a separate approval of the Shareholders.

2. Condition

The Boeing Purchase Agreement is conditional upon shareholder approval being granted as required pursuant to the Listing Rules. If this condition is not met in accordance with the terms of the Boeing Purchase Agreement, then the Boeing Purchase Agreement shall terminate in full.

3. Delivery timetable

Vueling (or any Group airline to whom the aircraft are assigned) is scheduled to take delivery of the relevant Boeing 737 Family Aircraft as follows:

Year of delivery	Number of Boeing 737-8200 aircraft to be delivered	Number of Boeing 737-10 aircraft to be delivered
2023	1	0
2024	11	0
2025	13	0
2026	0	10
2027	0	15
Total	25	25

Subject to providing advanced notice to Boeing, IAG has the right to defer up to a certain percentage of the aircraft due for delivery in a given year, and such deferral shall be for an agreed period.

4. Price

The aggregate basic price of each aircraft to be purchased under the Boeing Purchase Agreement before the application of the price concessions described below (the Boeing Aircraft Basic Price) is the sum of: (i) the aircraft list price including CFM LEAP-1B engines; and (ii) an estimate of average optional aircraft features as provided by Boeing, and is estimated to be approximately US$115 million for each Boeing 737-8 aircraft, US$120 million for each Boeing 737-8200 aircraft and US$130 million for each Boeing 737-10 aircraft, stated in January 2019 US Dollar terms. Payment of the Boeing Aircraft Basic Price is to be made to Boeing.

The Boeing Aircraft Basic Price, including engines and features will be subject to price escalation by applying relevant formulae reflecting increases in the relevant labour and material indices as published by the US Department of Labor, Bureau of Labor Statistics during an agreed period preceding the delivery of the relevant aircraft. Vueling and any Group airline to whom the aircraft are assigned will also be responsible for the payment of taxes on the aircraft to be purchased under the relevant conditional purchase agreement, other than certain US taxes which are payable by Boeing.

Boeing has granted certain price concessions with regard to the aircraft to be purchased under each of the Boeing Purchase Agreement. These concessions will take the form of credit memoranda provided to members of the Group, which may be applied towards payments in respect of the purchase of the aircraft under the Boeing Purchase Agreement. Such price concessions will reduce the effective price of each aircraft significantly below the Boeing Aircraft Basic Price.

5. Payment terms

As is customary, Vueling will make certain pre-delivery payments to Boeing under the Boeing Purchase Agreement. These pre-delivery payments are initially calculated as a percentage of the Boeing Aircraft Basic Price after price escalation and then subject to commercial negotiation. The pre-delivery payments are payable at fixed times prior to the scheduled delivery date of an aircraft. The balance of the aircraft purchase price becomes payable upon delivery of the aircraft.

6. Maintenance and support

In addition to manufacturing and delivering the aircraft, the Boeing Purchase Agreement will require Boeing to provide various ancillary goods and services to Vueling prior to the delivery of the aircraft to be purchased under the Boeing Purchase Agreement and throughout the period when such aircraft are operated by the Group's airlines. These ancillary goods and services include operations and field services engineering, technical support and training, spare parts support, training of the flight crews of the relevant airlines of the Group in the operation of aircraft and a complete set of technical manuals, software and other materials (including subsequent revisions) with respect to each aircraft.

Under the Boeing Purchase Agreement, Boeing will provide Vueling with a set of warranties on the aircraft to be purchased pursuant to the Boeing Purchase Agreement (including warranties against defects in design, materials or workmanship) and guarantees relating to the performance and operational reliability of the aircraft.

Under the CFM Boeing Maintenance Agreement, CFM International will provide certain warranties relating to the CFM LEAP-1B engines to be installed on the new Boeing 737 Family Aircraft as well as engine maintenance and overhaul services (including the supply of spare engines in certain agreed circumstances).

7. Delay, termination and transfer

In the event that the Proposed Boeing Purchase is not approved by Shareholders, the Boeing Purchase Agreement will terminate and be without further force and effect, as described in paragraph 2 of this Part III (Principal terms of the Boeing Purchase Agreement).

If any scheduled delivery of an aircraft is delayed by Boeing for reasons other than an excusable delay (which comprises a delay to an aircraft due to causes outside of Boeing's control) or an aircraft is damaged beyond economic repair during manufacture, then, following a grace period, Boeing will pay liquidated damages at an agreed daily rate limited to an agreed maximum amount. If any such delay is to last for more than 12 months and the parties have not renegotiated the delivery date, Vueling has the right to terminate the agreement with respect to the affected aircraft.

Either party may terminate the Boeing Purchase Agreement if the other party becomes insolvent or is subject to insolvency proceedings.

Both the Boeing Purchase Agreement and the Boeing Option Agreement provide IAG with the flexibility to transfer aircraft to other airlines within the Group subject to giving notice to Boeing and the applicable IAG airline signing a purchase agreement with Boeing. Upon another IAG airline entering into a purchase agreement with Boeing, it is expected that it will benefit from the same maintenance and support and liquidated damages as are described in respect of Vueling.

8. Liability regime

If the aircraft do not deliver the fuel efficiency improvements in breach of the guarantees agreed with Boeing, Boeing will pay liquidated damages to Vueling based on the additional fuel burned limited to a maximum agreed amount. If the aircraft does not meet certain weight and noise guarantees, then liquidated damages will be payable by Boeing to Vueling, limited to a maximum agreed amount.

9. Rights to elect to purchase additional aircraft

Pursuant to the Boeing Option Agreement, Boeing has agreed to grant IAG the right to elect to purchase up to 100 additional Boeing 737 Family Aircraft ("**Option Aircraft**") for delivery between 2025 and 2028 and provides the flexibility to transfer those rights to airlines within the Group.

The final purchase price of each Option Aircraft will be determined in accordance with the provisions of the Boeing Option Agreement escalated to the delivery date. The exercise of any such rights by IAG in the future may, depending on its size relative to the size of the Company at that time, become subject to a separate approval of the Shareholders.

10. Financing

The Group intends to retain flexibility in determining the method of financing of the relevant purchase(s) of the new aircraft, and will seek to implement one or more of a variety of cost effective financing options closer to the delivery dates of the new aircraft between 2023 and 2027.

While it is impossible to predict at this stage the actual source(s) of financing for the purchase of these aircraft, the most likely options include cash held by the Group (together with cash flow generated from its operations), bank debt, leases, bond issues and similar forms of aircraft financing common in the airline industry.

At 30 June 2022, IAG held €9,190 million in cash which, together with cash flow generated from its operations, will be used to part finance the purchase of the aircraft under the Boeing Purchase Agreement and to pay the deposit payable in respect of the aircraft to be purchased pursuant to such agreement.

Part IV

(Principal terms of the Airbus Purchase Agreement)

1. Introduction

On 28 July 2022, IAG announced that it had conditionally agreed with Airbus the Proposed Airbus Purchase of 37 Airbus A320neo Family Aircraft, by exercising 12 A320neo family options pursuant to the Group's 2013 Airbus Shorthaul Contract and ordering an additional 25 Airbus A320neo Family Aircraft.

The Airbus Purchase Agreement was entered into on 28 July 2022 between IAG and Airbus. It combines the Proposed Airbus Purchase of 37 Airbus A320neo Family Aircraft with the aircraft ordered under the March Airbus Option Exercise and the June Airbus Option Exercise, applying certain enhanced support to IAG which will apply to these previous 22 option aircraft and to the 12 options to be exercised as part of the Proposed Airbus Purchase. The Airbus Purchase Agreement gives IAG flexibility to determine the exact mix of Airbus A320neo aircraft and Airbus A321neo aircraft ordered, which will be decided by IAG closer to the delivery dates of the relevant aircraft.

IAG has initially agreed to purchase 31 Airbus A320neo aircraft and 28 Airbus A321neo aircraft under the Airbus Purchase Agreement, however IAG has certain rights to switch between Airbus A320neo Family Aircraft variants on giving notice to Airbus, allowing it to alter the mix of Airbus A320neo Family Aircraft closer to delivery.

IAG has in place Existing Airbus Engine Purchase And Support Agreements with both CFM International and Pratt & Whitney which were entered into following the 2013 Airbus Shorthaul Contract. These agreements remain valid for the March Airbus Option Exercise, the June Airbus Option Exercise and the options to be exercised as part of the Proposed Airbus Purchase. The engine selections for the additional aircraft part of the Proposed Airbus Purchase will be decided closer to the time of delivery.

IAG will decide engine selection for the additional 25 firm Airbus A320neo Family Aircraft (and 50 rights to elect to purchase additional aircraft) closer to the time of delivery, which will be subject to further commercial negotiations and a selection process with CFM International and Pratt & Whitney.

Subject to shareholder approval being granted as outlined below, the Airbus Purchase Agreement will also replace IAGs remaining rights to elect to purchase additional Airbus A320 Family Aircraft available under its existing agreements with Airbus with a new right to elect to purchase up to 50 A320neo Family Aircraft in the period 2028 to 2030 and the terms of the Airbus Purchase Agreement will grant certain enhanced support compared to those existing agreements.

The Airbus Purchase Agreement therefore applies to a total of 59 firm Airbus A320neo Family Aircraft and provides the rights to elect to purchase up to 50 additional Airbus A320neo Family Aircraft.

2. Condition

The Airbus Purchase Agreement is conditional upon shareholder approval being granted as required pursuant to the Listing Rules. In the event this condition is not met in accordance with the terms of the Airbus Purchase Agreement, then the Airbus Purchase Agreement will terminate, but the March Airbus Option Exercise and June Airbus Option Exercise will remain effective and IAG will retain access to the then outstanding rights to elect to purchase Airbus A320neo Family Aircraft, each in accordance with existing purchase agreements between the Group and Airbus.

3. Delivery timetable

The scheduled delivery positions of the Airbus A320neo Family Aircraft under the Proposed Airbus Purchase are as follows:

Years of delivery	Number of Airbus A320neo aircraft or Airbus A321neo aircraft to be delivered
2025-2026	12
2027-2028	25
Total	37

Subject to providing advanced notice to Airbus, IAG has the right to defer up to a certain percentage of the aircraft due for delivery in a given year, and such deferral shall be for an agreed period.

4. Price

The aggregate base price of each aircraft to be purchased under the Airbus Purchase Agreement before the application of the price concessions described below (the Airbus Aircraft Base Price) is the sum of: (i) the airframe list price published by Airbus in January 2018, and escalated to January 2021; (ii) the reference price of the engine; and (iii) an estimate of average SCNs (which represent optional aircraft features) as provided by Airbus, and is estimated to be approximately US$120 million for each Airbus A320neo aircraft and US$140 million for each Airbus A321neo aircraft, stated in January 2021 US Dollar terms. Payment of the Airbus Aircraft Base Price is to be made to Airbus.

The amounts of the Airbus Aircraft Base Price as described above will be subject to adjustment depending on the choice of the engines to be made by IAG. In addition, certain components of the Airbus Aircraft Base Price, namely the base price of the airframe, the relevant reference price of the engines to be installed on the relevant aircraft and the price of certain SCNs as agreed between Airbus and IAG, are subject to price escalation by applying relevant formulae reflecting increases in the relevant labour and material indices as published by the US Department of Labor, Bureau of Labor Statistics during the relevant agreed period preceding the delivery of the relevant aircraft. IAG is also responsible for the payment of any taxes (including VAT) relating to the aircraft except for taxes relating to the manufacture of the aircraft, sale and delivery, services, instructions and data delivered or furnished under the Airbus Purchase Agreement, which are payable by Airbus.

Airbus has granted certain price concessions with regard to the aircraft to be purchased under the Airbus Purchase Agreement. These concessions will take the form of credit memoranda provided to members of the Group, which may be applied towards payments in respect of the purchase of the aircraft under the Airbus Purchase Agreement. Such price concessions will reduce the effective price of each aircraft significantly below the Airbus Aircraft Base Price.

5. Payment terms

Under the terms of the Airbus Purchase Agreement, IAG is required to make certain Pre-Delivery Payments ("**PDPs**") to Airbus. These PDPs are initially based on a percentage of the Airbus Aircraft Base Price and then subject to commercial negotiation. PDPs are payable at defined periods prior to the scheduled delivery date of each aircraft. The balance of the aircraft purchase price is payable on delivery of the aircraft.

6. Maintenance and support

In addition to the sale of the aircraft, Airbus also agrees to provide IAG with certain support services, including but not limited to: warranty of the airframe and its components, on-site training, technical support, manuals, software and certain revision services. The terms of the Airbus Purchase Agreement also provide IAG with enhanced performance guarantees relating to matters such as fuel burn.

Under the Existing Airbus Engine Purchase And Support Agreements, CFM International and/or Pratt & Whitney (depending on engine selection) will provide certain warranties relating to the relevant engines to be installed on the Airbus A320neo Family Aircraft to be purchased as part of the March Airbus Option Exercise and June Airbus Option Exercise and the rights to purchase to be exercised as part of this Proposed Airbus Purchase. It is envisaged that similar warranties will be given in respect of the engine purchase and support agreement(s) entered into in respect of the 25 firm Airbus A320neo Family Aircraft and the rights to elect to purchase 50 additional Airbus A320neo Family Aircraft.

7. Delay, termination and transfer

In the event that the Airbus Purchase Agreement is not approved by the IAG Shareholders, it will terminate and be without further force and effect as further described in paragraph 2 of this Part IV (Principal terms of the Airbus Purchase Agreement).

If any scheduled delivery of an aircraft is delayed by Airbus for a reason other than “excusable delay” (which comprises of delay of aircraft delivery due to causes outside of Airbus’s control) or a total loss of the aircraft before delivery, Airbus will pay liquidated damages to IAG at a fixed daily rate limited to a maximum agreed amount. Unless the parties have renegotiated the relevant delivery date, IAG has the right to give notice to terminate the Airbus Purchase Agreement with respect to the affected aircraft on the twelfth month after any such delay.

Either party may terminate the Airbus Purchase Agreement if the other party becomes insolvent or subject to insolvency proceedings.

The Airbus Purchase Agreement provides IAG with the flexibility to transfer aircraft to airlines within the Group, providing the necessary configuration and engine selection flexibility to accommodate this.

8. Liability regime

If the aircraft do not deliver the fuel efficiency improvements in breach of the guarantees agreed with Airbus, Airbus will pay liquidated damages to IAG based on the incremental fuel burned, limited to a maximum agreed amount. If the aircraft does not meet certain weight and noise guarantees, then liquidated damages will be payable by Airbus, limited to a maximum agreed amount.

9. Rights to elect to purchase additional aircraft

Airbus has agreed to provide IAG with the rights to elect to purchase up to 50 additional Airbus A320neo Family Aircraft for delivery between 2028 and 2030, which can be allocated to the Group’s airlines.

10. Financing

The Group intends to retain flexibility in determining the method of financing of the relevant purchase(s) of the new aircraft, and will seek to implement one or more of a variety of cost effective financing options closer to the delivery dates of the new aircraft between 2025 and 2028.

While it is impossible to predict at this stage the actual source(s) of financing for the purchase of these aircraft, the most likely options include cash held by the Group (together with cash flow generated from its operations), bank debt, leases, bond issues and similar forms of aircraft financing common in the airline industry.

At 30 June 2022, the Group held €9,190 million in cash which, together with cash flow generated from its operations, will be used to part finance the purchase of the aircraft under the Airbus Purchase Agreement and to pay the deposit payable in respect of the aircraft to be purchased pursuant to such agreement.

Part V

(Additional information)

1. Responsibility statement

The Company and the Directors, whose names appear in paragraph 2 of this Part V (Additional information), accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company and the Directors

The Company

The legal name of the Company is International Consolidated Airlines Group, S.A. and its commercial name is International Airlines Group (IAG).

The Company was incorporated under the laws of Spain and entered at the Madrid Mercantile Registry with registration number M-492129 and with Tax Identity Code number A-85845535. The Company is domiciled in Spain and its registered head office is at El Caserío, Iberia Zona Industrial no. 2 (La Muñoza), Camino de La Muñoza, s/n 28042 Madrid, Spain, with telephone number +34 91 587 8974. The UK branch registered address of the Company is Waterside (HAA2), PO Box 365, Speedbird Way, Harmondsworth, UB7 0GB, United Kingdom. The Company's website is www.iairgroup.com. The information on the Company's website does not form part of this Circular unless the information thereon is incorporated by reference into this Circular.

The principal legislation under which the Company operates is the restated text of the Spanish Companies Law (*Ley de Sociedades de Capital*) approved by Royal Legislative Decree 1/2010, of 2 July (as amended from time to time). Furthermore, since the Company is listed on the UK and Spanish Stock Exchanges, it is also subject to the UK Listing Rules, the UK Disclosure Guidance and Transparency Rules, the Market Abuse Regulation and the Spanish Securities Market Law.

Directors

The names and principal functions of the Directors of the Company are as follows:

Directors	Position	Classification[1]
Javier Ferrán	Chairman	Independent
Luis Gallego	Chief Executive Officer	Executive
Heather Ann McSharry	Senior Independent Director	Independent
Giles Agutter	Director	Proprietary
Peggy Bruzelius	Director	Independent
Eva Castillo	Director	Independent
Margaret Ewing	Director	Independent
Maurice Lam	Director	Independent
Robin Phillips	Director	Proprietary
Emilio Saracho	Director	Independent
Nicola Shaw	Director	Independent

[1] In accordance with the definitions set out in the Spanish Companies Law.

The business address of each of the Directors (in such capacity) is the Company's registered head office, El Caserío, Iberia Zona Industrial no. 2 (La Muñoza), Camino de La Muñoza, s/n 28042 Madrid, Spain.

3. Directors' and Senior Managers' interests

As at the Reference Date, the interests of each Director and Senior Manager in Shares by way of share ownership, are as follows:

Director	Position	Number of Shares	Percentage of issued Shares
Javier Ferrán	Chairman	774,750	0.016
Luis Gallego	Chief Executive Officer	891,590	0.018
Heather Ann McSharry	Senior Independent Director	55,000	0.001
Giles Agutter	Director	625	0.000
Peggy Bruzelius	Director	0	0.000
Eva Castillo	Director	0	0.000
Margaret Ewing	Director	18,750	0.000
Maurice Lam	Director	0	0.000
Robin Phillips	Director	0	0.000
Emilio Saracho	Director	0	0.000
Nicola Shaw	Director	4,285	0.000

Senior Managers	Position	Number of Shares	Percentage of issued Shares
Nicholas Cadbury	Chief Financial Officer	254,978	0.005
Fernando Candela	Chief Transformation Officer	230,479	0.005
Adam Daniels	Chairman and CEO IAG Loyalty	114,401	0.002
Sean Doyle	Chairman and CEO British Airways	146,779	0.003
Lynne Embleton	Chairman and CEO Aer Lingus	246,398	0.005
John Gibbs	Chief Information Officer	0	0
Chris Haynes	General Counsel	473,690	0.010
Carolina Martinoli	Chief People, Corporate Affairs and Sustainability Officer	191,814	0.004
David Podolsky	Chief Strategy Officer and Chief Executive IAG Cargo	24,000[2]	0.000
Javier Sanchez-Prieto	Chairman and CEO Iberia	601,277	0.12
Marco Sansavini	Chairman and CEO Vueling	141,275	0.003

2 Held as American Depositary Receipts ("**ADR**"). One ADR equals two Shares.

In addition to the interests noted above, certain of the Directors and Senior Managers have interests in Shares as a result of share options and awards made pursuant to the IAG Share Schemes. Details of the options and awards as at the Reference Date are set out below:

PSP

The following table details the nil-cost options over ordinary shares of the Company granted under the IAG PSP:

	Date of grant	Exercisable from	Expiry date	Number of options at 20 September 2022
Directors				
Luis Gallego	May 28, 2015	01/01/2020	31/12/2024	131,242
	March 7, 2016	01/01/2021	31/12/2025	98,001
	March 6, 2017	01/01/2022	31/12/2026	174,504
	March 6, 2020	01/01/2025	31/12/2029	538,805
Senior Managers				
Fernando Candela	May 10, 2018	01/01/2023	31/12/2027	15,987
	March 8, 2019	01/01/2024	31/12/2028	19,451
	March 6, 2020	01/01/2025	31/12/2029	97,688
Adam Daniels	May 10, 2018	01/01/2023	31/12/2027	18,729
	March 8, 2019	01/01/2024	31/12/2028	18,792
	March 6, 2020	01/01/2025	31/12/2029	143,900
Sean Doyle	May 10, 2018	01/01/2023	31/12/2027	14,667
	March 8, 2019	01/01/2024	31/12/2028	66,757
	March 6, 2020	01/01/2025	31/12/2029	239,476
Lynne Embleton	May 28, 2015	01/01/2020	31/12/2024	48,072
	March 7, 2016	01/01/2021	31/12/2025	34,402
	March 6, 2017	01/01/2022	31/12/2026	54,278
	May 10, 2018	01/01/2023	31/12/2027	33,342
	March 8, 2019	01/01/2024	31/12/2028	41,485
	March 6, 2020	01/01/2025	31/12/2029	157,699
John Gibbs	September 9, 2019	01/01/2024	31/12/2028	28,957
	March 6, 2020	01/01/2025	31/12/2029	137,986
Chris Haynes	May 10, 2018	01/01/2023	31/12/2027	31,160
	March 8, 2019	01/01/2024	31/12/2028	38,826
	March 6, 2020	01/01/2025	31/12/2029	157,699
Carolina Martinoli	May 10, 2018	01/01/2023	31/12/2027	17,456
	March 8, 2019	01/01/2024	31/12/2028	21,912
	March 6, 2020	01/01/2025	31/12/2029	98,561
Javier Sanchez-Prieto	May 10, 2018	01/01/2023	31/12/2027	53,718
	March 8, 2019	01/01/2024	31/12/2028	66,757
	March 6, 2020	01/01/2025	31/12/2029	299,345
Marco Sansavini	March 06, 2017	01/01/2022	31/12/2026	55,909
	May 10, 2018	01/01/2023	31/12/2027	20,815
	March 8, 2019	01/01/2024	31/12/2028	25,325
	March 6, 2020	01/01/2025	31/12/2029	244,499

RSP

The following table details the conditional share awards over ordinary shares granted under the Executive Share Plan (RSP):

	Date of grant	Number of conditional shares granted	Vesting date	Holding period expiry date	Number of unvested conditional shares at 20 September 2022
Directors					
Luis Gallego	June 23, 2021	414,954	June 23, 2024	June 23, 2026	414,954
	March 21, 2022	581,907	March 21, 2025	March 2021, 2027	581,907
Senior Managers					
Nicholas Cadbury	March 21, 2022	681,257	March 21, 2025	n/a	681,257
	May 24, 2022	199,406	February 28, 2023	n/a	199,406
	May 24, 2022	294,295	February 2024	n/a	294,295
Fernando Candela	June 23, 2021	182,175	June 23, 2024	n/a	182,175
	March 21, 2022	255,471	March 21, 2025	n/a	255,471
Adam Daniels	June 23, 2021	166,234	June 23, 2024	n/a	166,234
	March 21, 2022	255,471	March 21, 2025	n/a	255,471
Sean Doyle	June 23, 2021	367,196	June 23, 2024	n/a	367,196
	March 21, 2022	514,934	March 21, 2025	n/a	514,934
Lynne Embleton	June 23, 2021	288,971	June 23, 2024	n/a	288,971
	March 21, 2022	397,338	March 21, 2025	n/a	397,338
John Gibbs	June 23, 2021	163,957	June 23, 2024	n/a	163,957
	March 21, 2022	255,471	March 21, 2025	n/a	255,471
Chris Haynes	June 23, 2021	193,561	June 23, 2024	n/a	193,561
	March 21, 2022	271,438	March 21, 2025	n/a	271,438
Carolina Martinoli	June 23, 2021	177,620	June 23, 2024	n/a	177,620
	March 21, 2022	255,471	March 21, 2025	n/a	255,471
David Podolsky	June 23, 2021	193,561	June 23, 2024	n/a	193,561
	March 21, 2022	271,438	March 21, 2025	n/a	271,438
Javier Sanchez-Prieto	June 23, 2021	347,251	June 23, 2024	n/a	347,251
	March 21, 2022	477,473	March 21, 2025	n/a	477,473
Marco Sansavini	June 23, 2021	283,628	June 23, 2024	n/a	283,628
	March 21, 2022	389,992	March 21, 2025	n/a	389,992

IADP

The following table details the conditional share awards over ordinary shares granted under the Incentive Award Deferral Plan (IADP):

	Performance year award relates to	Date of award	Number of shares awarded at grant	Date of vesting	Number of conditional shares at 20 September 2022
Directors					
Luis Gallego	2019	March 6, 2020	81,520	March 6, 2023	81,520
Senior Managers					
Fernando Candela	2019	March 6, 2020	19,733	March 6, 2023	19,733
Adam Daniels	2019	March 6, 2020	36,240	March 6, 2023	36,240
Sean Doyle	2019	March 6, 2020	65,216	March 6, 2023	65,216
Lynne Embleton	2019	March 6, 2020	42,946	March 6, 2023	42,946
John Gibbs	2019	March 6, 2020	12,525	March 6, 2023	12,525
Chris Haynes	2019	March 6, 2020	42,946	March 6 2023	42,946
Javier Sanchez-Prieto	2019	March 6, 2020	66,584	March 6, 2023	66,584
Marco Sansavini	2019	March 6, 2022	29,172	March 6, 2023	29,172

FPIP

The following table details the conditional share awards over ordinary shares granted under the Full Potential Incentive Plan (FPIP):

	Date of grant	Number of conditional shares granted	Vesting date	Number of unvested conditional shares at 20 September 2022
Senior Managers				
Nicholas Cadbury	May 24, 2022	485,805	March, 2025	485,805
Fernando Candela	June 23, 2021	303,625	March, 2025	303,625
Adam Daniels	June 23, 2021	277,058	March, 2025	277,058
Sean Doyle	June 23, 2021	489,595	March, 2025	489,595
Lynne Embleton	June 23, 2021	385,294	March, 2025	385,294
John Gibbs	June 23, 2021	273,262	March, 2025	273,262
Chris Haynes	June 23 2021	322,601	March, 2025	322,601
Carolina Martinoli	June 23, 2021	296,034	March, 2025	296,034
David Podolsky	June 23, 2021	322,601	March, 2025	322,601
Javier Sanchez-Prieto	June 23, 2021	463,001	March, 2025	463,001
Marco Sansavini	June 23, 2021	378,171	March, 2025	378,171

Save as disclosed in this paragraph 3, none of the Directors or Senior Managers have any interest, beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.

4. Directors' service contracts and appointments

Executive Director: service contracts

Details relating to the terms and notice periods of the Executive Director's service contracts are set out on page 167 of the 2021 Annual Report.

Non-Executive Directors: appointment

Non-Executive Directors, including the Non-Executive Chairman, do not hold service contracts and each of the Non-Executive Directors has been appointed pursuant to the relevant resolution of the shareholders' meeting of the Company or the Board. The appointments continue until the expiry dates set out below, without prejudice to the ability of a shareholders' meeting to remove such persons as a Board member at any moment according to applicable law.

Non-Executive Director	Date of the first appointment	Date of last re-election
Javier Ferrán	2019, June 20	2022, June 16
Giles Agutter	2020, September 8	2022, June 16
Peggy Bruzelius	2020, December 31	2022, June 16
Eva Castillo	2020, December 31	2022, June 16
Margaret Ewing	2019, June 20	2022, June 16
Heather Ann McSharry	2020, December 31	2022, June 16
Maurice Lam	2021, June 17	2022, June 16
Robin Phillips	2020, September 8	2022, June 16
Emilio Saracho	2016, June 16	2022, June 16
Nicola Shaw	2018, January 1	2022, June 16

Save as disclosed above, there are no agreements in existence between the Non-Executive Directors and any member of the Group which provide for any payments or benefits upon termination of their appointments other than accrued benefits as at the date of termination.

IAG directors are appointed for a period of one year, as set out in the By-laws. At the end of their mandate, directors may be re-elected one or more times for periods of equal duration to that established in the By-laws. In this way, the Company complies with the UK Corporate Governance Code 2018 recommendation that directors should be subject to annual re-election.

5. Major interests in Shares

Set out in the table below are the names of those persons, other than the Directors, who, so far as is known to the Company, directly or indirectly have an interest in the Company's capital or voting rights which is notifiable under Spanish law as at the Reference Date.

Name of shareholder	Number of direct shares	Number of indirect shares	Total shares	Percentage of capital
Qatar Airways Group (Q.C.S.C)	1,249,999,997	n/a	1,249,999,997	25.14%

Save as disclosed above, the Company is not aware of any person who either:

(A) is interested, whether directly or indirectly, in the Shares of the Company to the extent notifiable under Spanish law; or

(B) holds voting rights attaching to the Shares which are notifiable under Spanish law.

6. Related party transactions

Save as disclosed in: (i) note 20 on pages 33 and 34 of the HY 2022 Results; (ii) note 35 on page 260 of the 2021 Annual Report; (iii) note 33 on pages 200 to 201 of the 2020 Annual Report; and (iv) note 32 on pages 183 to 184 of the 2019 Annual Report, the Group did not enter into any related party transactions (which, for these purposes, are those set out in the standards adopted according to Regulation (EC) 1606/2002) during any of the financial years ended 31 December 2021, 31 December 2020, 31 December 2019 and up to the date of this Circular.

7. Material contracts

Having had regard as to whether information about material contracts entered into by any member of the Group (other than contracts entered into in the ordinary course of business) is information which a Shareholder would reasonably require for the purpose of making a properly informed assessment about the way in which to vote in relation to the Resolutions, no contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Group either: (i) within the period of two years immediately preceding the date of this Circular, which are or may be material to the Group; or (ii) at any time, which contain any provision under which any member of the Group (as relevant) has any obligation or entitlement which is, or may be, material to the Group (as relevant) as at the date of this Circular, save for the following:

(A) each of the Proposed Purchase Agreements and the Boeing Option Agreement, which are summarised in Part III (Principal terms of the Boeing Purchase Agreement) and Part IV (Principal terms of the Airbus Purchase Agreement).

(B) **IAG's 20% investment in Air Europa**

On 17 March 2022, the Company and Globalia Corporación Empresarial, S.A. ("**Globalia**"), Spain's largest tourism group, signed an investment agreement pursuant to which IAG would make a €100 million seven-year unsecured loan to Globalia. Subject to any relevant regulatory approvals, IAG had the option to convert the loan into an equity stake in Globalia's subsidiary, Air Europa, of up to 20%.

The agreement was conditional on Globalia receiving approval from syndicated banks that provided the loan agreement partially guaranteed by the Instituto de Crédito Oficial ("**ICO**") and by Sociedad Estatal de Participaciones Industriales ("**SEPI**"). Approval from both SEPI and ICO was obtained by Globalia in June 2022.

On 15 June 2022 the unsecured €100m loan agreement was executed between IAG and Globalia. On 16 August 2022, IAG announced that it had exercised its option to exchange the Group's €100 million seven-year unsecured loan to Globalia for a 20% equity stake in Air Europa.

The investment agreement also provides for a period of exclusivity while discussions take place with respect to the possible acquisition by the Company of the entire issued share capital of Air Europa and this is accompanied by a right to match (pre-emption right) any third party offer for the airline in the next three years, together with a tag-along right to exit alongside Globalia should it sell Air Europa at any time in the future.

(C) **Agreements with the trustee of NAPS**

In December 2020 and February 2021, British Airways reached agreements with the trustee of NAPS, one of the airline's defined benefit pension schemes, to defer deficit contributions arising from the 2018 valuation on an interim basis for the period between 1 October 2020 and 30 September 2021, with the deferral of such contributions amounting to £450 million.

Under the 2021 deferral agreement (which superseded the 2020 deferral agreement), British Airways and the trustee agreed a revised contribution schedule that would see these deferred contributions repaid at the end of the contribution schedule from the 2018 valuation, between April 2023 and March 2024. It is, however, expected that this will be superseded by a new contribution schedule agreed as part of the 2021 valuation. No contributions have been paid since 1 October 2021 to the date of this Circular due to the funding level of the scheme triggering an overfunding protection mechanism agreed in 2019. British Airways has agreed that in the period up to 31 December 2023, no dividend payment will be permitted from British Airways to the Company. From 2024 onwards, any dividends paid by British Airways will be matched by contributions to NAPS of 50% of the value of dividends paid until full payment of the deferred contributions referred to above.

Discussions to finalise the 2021 valuation of the scheme are well progressed; these discussions will determine a new contribution plan and other relevant commitments, as appropriate. Given the continued performance of the asset portfolio, the Company has a reasonable expectation that the overfunding protection mechanism will continue to be triggered under the new valuation and whilst it is, no contributions will be paid. Should the overfunding mechanism not continue to be triggered under the new valuation, the Company has a reasonable expectation that it would be paying significantly reduced contributions to NAPS than agreed in connection with the 2018 valuation.

(D) **Convertible Bonds**

On 17 November 2015, the Company issued €500 million 0.625% bonds due 17 November 2022 (the "**2015 Convertible Bonds**") and on 18 May 2021, the Company issued €825 million

1.125% bonds due 18 May 2028 (the "**2021 Convertible Bonds**" and together with the 2015 Convertible Bonds, the "**Convertible Bonds**"). The Convertible Bonds were issued in registered form, serially numbered, in principal amounts of €100,000. The terms and conditions of the 2015 Convertible Bonds are set out in terms and conditions published by the Company on or about 17 November 2015 (the "**2015 Convertible Bonds Terms and Conditions**") and the terms and conditions of the 2021 Convertible Bonds are set out in terms and conditions published by the Company on or about 18 May 2021 (the "**2021 Convertible Bonds Terms and Conditions**" together with the 2015 Convertible Bonds Terms and Conditions, the "**Convertible Bonds Terms and Conditions**").

Title to the Convertible Bonds passes by transfer and registration, as set out in the Convertible Bonds Terms and Conditions, and the Convertible Bonds constitute direct, unconditional, senior, unsubordinated and unsecured obligations of the Company, ranking *pari passu*.

The Convertible Bonds entitle the holder to convert such bonds into new ordinary shares in the capital of the Company with a par value of €0.10 each as at the date of the relevant Convertible Bonds Terms and Conditions (for the purposes of this section, the "**Ordinary Shares**"), determined by dividing the principal amount of the relevant bond(s) to be converted by the relevant conversion price in effect on the relevant conversion date, subject to, in respect of the 2021 Convertible Bonds only, the Company electing (in its sole discretion) to make a Cash Alternative Election (as defined in the 2021 Convertible Bonds Terms and Conditions). The conversion date in respect of the Convertible Bonds is the London and Madrid business day immediately following the date of the delivery of the relevant bond and the conversion notice and payment of any other amount payable by the relevant bond holder (the for the purposes of this section, the "**Conversion Date**"). Holders of the 2015 Convertible Bonds can deliver the conversion notice any time until 10 November 2022, being the date which is seven calendar days before the final maturity date of the 2015 Convertible Bonds and holders of the 2021 Convertible Bonds can deliver the conversion notice any time until 11 May 2028, being the date which is seven calendar days before the final maturity date of the 2021 Convertible Bonds.

The Convertible Bonds entitle the holder to convert Convertible Bonds into new Ordinary Shares, credited as fully paid (for the purposes of this section, a "**Conversion Right**"), subject to, in respect of the 2021 Convertible Bonds only, the right of the Company to make a Cash Alternative Election. Subject to the right of the Company to make such an election in respect of the 2021 Convertible Bonds only, the number of Ordinary Shares to be issued or delivered on exercise of a Conversion Right shall be determined by dividing the principal amount of the Convertible Bonds to be converted by the relevant conversion price (for the purposes of this section, the "**Conversion Price**") in effect on the relevant Conversion Date. The relevant Conversion Price in respect of the Convertible Bonds is subject to adjustment if:

(i) there is a consolidation, reclassification or subdivision of the Ordinary Shares;

(ii) there is a bonus issue of Ordinary Shares;

(iii) in respect of the 2015 Convertible Bonds only, there are non-cash dividends or extraordinary dividends in respect of the Ordinary Shares;

(iv) in respect of the 2021 Convertible Bonds only, the Company pays any dividend to the Shareholders;

(v) there are any rights issues or similar;

(vi) there is an issue of other securities (other than Ordinary Shares) as a class by way of rights or similar;

(vii) there is an issue of Ordinary Shares at a discount;

(viii) there is an issue of convertible securities;

(ix) there is any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any securities;

(x) there is an offer of securities to shareholders;

(xi) there is a change of control of the Company; or

(xii) the Company determines in its absolute discretion that an adjustment should be made as a result of circumstances not otherwise covered above.

On giving not less than 45 or more than 60 days' notice to the bond holders, the Company may redeem all the Convertible Bonds at their principal amount, together with accrued but unpaid interest to such date: (i) (a) in respect of the 2015 Convertible Bonds, at any time on or after 8 December 2020 or (b) in respect of the 2021 Convertible Bonds, 8 June 2026, if at the relevant times the volume weighted average price of an Ordinary Share was at least 130% of the relevant Conversion Price in effect on such dealing day; or (ii) at any time, if Conversion Rights have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85% or more in principal amount of the Convertible Bonds originally issued.

The Convertible Bonds Terms and Conditions contain the following events of default (subject, in certain cases, to grace periods and materiality thresholds):

(i) there is default for more than 15 days in the payment of any interest due in respect of the Convertible Bonds or if there is default for more than seven days in the payment of any principal due in respect of the Convertible Bonds;

(ii) there is default in the performance or observance by the Company of any obligation or provision under the Convertible Bonds (other than any obligation for the payment of any principal or interest in respect of the Convertible Bonds), in each case which continues for more than 45 days after written notice is given to the Company by any bondholder;

(iii) as a result of default by the Company or British Airways, either entity becomes bound to repay prematurely any of its indebtedness for borrowed moneys; and/or any such indebtedness for borrowed moneys is not, when due, repaid;

(iv) a resolution is passed, or a final order of a court is made, and, where possible, not discharged or stayed within a period of 60 days, that the Company or British Airways be wound up or dissolved;

(v) an encumbrancer takes possession or a receiver, administrative receiver, administrator manager, judicial manager or other similar person is appointed over the whole or a substantial part of the assets or undertaking of the Company or British Airways;

(vi) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a substantial part of the assets or undertaking of the Company or British Airways and is not discharged, dismissed or stayed within 60 days thereof;

(vii) the Company ceases or threatens to cease to carry on all or substantially all of its business;

(viii) the Company or British Airways makes an assignment for the benefit of creditors generally or is unable or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any such action or stops payment to creditors generally;.

The 2021 Convertible Bonds Terms and Conditions also contain the following additional events of default:

(ix) one or more judgement(s) or order(s) which for the payment of any amount is rendered against the Company or British Airways; or

(x) any event occurs in respect of the Company or British Airways which, under the laws of Spain, has or may have an analogous effect to any of the events referred to in paragraphs (iv) to (ix) above.

Upon the occurrence of an event of default any holder of the Convertible Bonds may give written notice to the Company and BNP Paribas Securities Services, Luxembourg Branch (as fiscal agent in respect of the 2015 Convertible Bonds) or Deutsche Bank AG, London Branch (as fiscal agent in respect of the 2021 Convertible Bonds) at its specified office (as applicable), such that such the relevant Convertible Bonds are immediately repayable. While any Conversion Right remains exercisable, the Company must, save with the approval of an extraordinary resolution of the bondholders, issue, allot and deliver Ordinary Shares on exercise of Conversion Rights and at all times keep available for issue free from pre-emptive or other similar rights such number of Ordinary Shares as would enable the Conversion

Rights and all other rights of subscription and exchange for and conversion into Ordinary Shares to be satisfied in full.

The Convertible Bonds are governed by English law.

(E) **Unsecured Bonds**

On 4 July 2019, the Company issued €500,000,000 0.50% bonds due 4 July 2023 (the "**Series A Bonds**") and €500,000,000 1.50% bonds due 4 July 2027 (the "**Series B Bonds**" and, together with the Series A Bonds, the "**2019 Unsecured Bonds**"). Each of the 2019 Unsecured Bonds were issued in registered form in denominations of €100,000. The terms and conditions of both the Series A Bonds and Series B Bonds are set out in a prospectus published by the Company dated 1 July 2019 (the "**2019 Unsecured Bonds Prospectus**")

On 25 March 2021, the Company issued €500 million 2.75% bonds due 25 March 2025 (the "**Series A 2021 Bonds**") and €700 million 3.75% bonds due 25 March 2029 (the "**Series B 2021 Bonds**", together with the Series A 2021 Bonds, the "**2021 Unsecured Bonds**"). Each of the 2021 Unsecured Bonds were issued in registered form in denominations of €100,000. The terms and conditions of both the Series A 2021 Bonds and Series B 2021 Bonds are set out in a prospectus published by the Company on 19 March 2021 (the "**2021 Unsecured Bonds Prospectus**").

The 2019 Unsecured Bonds and the 2021 Unsecured Bonds (together, the "**Unsecured Bonds**") are unsecured and constitute unsubordinated obligations of the Company, ranking *pari passu* without any preference among themselves.

Each of the Unsecured Bonds include a right for the Company to optionally redeem the 2021 Unsecured Bonds during the period commencing on (and including) the day that is 90 days prior to the relevant final maturity date at their principal amount together with accrued interest (if any), or, if it elects to redeem the Unsecured Bonds at any time, at a price equal to the principal amount of the relevant Unsecured Bonds plus a make-whole amount.

The Unsecured Bonds contain certain events of default (subject, in certain cases, to grace periods and materiality thresholds), including, without limitation, with respect to failure to make payments of interest under the Unsecured Bonds or a default by the Company in the performance of any obligation or provision under the Unsecured Bonds. Upon the occurrence of an event of default the holder of any of the Unsecured Bonds may give written notice to the Company and the Fiscal Agent (as defined in either the 2021 Unsecured Bonds Prospectus or the 2019 Unsecured Bonds Prospectus, as applicable) at its specified office, such that the relevant Unsecured Bond is immediately payable.

The Unsecured Bonds are governed by English law.

(F) **ICO Facility for Iberia and Vueling**

On 30 April 2020, Iberia and Vueling, both subsidiaries of the Company, entered into two separate financing facilities: (i) a syndicated financing agreement for €750 million granted to Iberia (the "**Iberia ICO Facility**") and (ii) a syndicated financing agreement for €260 million for Vueling (the "**Vueling ICO Facility**" and, together with the Iberia ICO Facility, the "**ICO Facilities**"). The payment obligations under each of the ICO Facilities are guaranteed by the Ministry of Economic Affairs and Digital Transformation under the guarantee line managed by the Spanish ICO (*Instituto de Crédito Oficia*l) pursuant to the guarantees line established by the Spanish government in the framework of the stimulus measures put forward under *Royal Decree-Law 8/2020 of 17 March*.

The ICO Facilities have a five-year term, but are repayable at any time on notice from the respective borrower. In this respect, the repayment calendar of each of the ICO Facilities establishes a 15% repayment of outstanding principal on 30 April 2023, a 20% repayment of outstanding principal on 30 April 2024, a 25% repayment of outstanding principal on 30 April 2025 and the remaining 40% on the final termination date (i.e. on 30 April 2026). The interest rate payable by Iberia on any amounts drawn under the Iberia ICO Facility is EURIBOR plus 2.85% per annum (subject to adjustment). The interest rate payable by Vueling on any amounts drawn under the Vueling ICO Facility is EURIBOR plus 3.10% per annum (subject to adjustment).

Both ICO Facilities contain a number of non-financial covenants established to protect the position of the lenders and restricting the upstream of cash to the rest of the Group's companies; these covenants include a negative pledge undertaking, customary information undertakings, limitations to capital investments save for the ones in the ordinary course of business of the borrowers and provided that they are made in market conditions, prohibitions to sell assets in certain cases, as well as to incur in financial indebtedness and the granting of securities unless expressly permitted under each ICO Facility.

The Iberia ICO Facility is guaranteed by Iberia Express. Additionally, any other subsidiary of Iberia which subsequently qualifies as a material subsidiary (excluding Vueling and British Airways Plc) must also become a guarantor under the Iberia ICO Facility. The Vueling ICO Facility does not have a guarantor on the date that this Circular is filed but any subsidiary of Vueling which subsequently qualifies as a material subsidiary must become a guarantor under the Vueling ICO Facility. Neither of the two ICO Facilities is subject to cross-guarantees and no securities *in rem* (pledges or mortgages) of any type have been granted to guarantee the obligations established under them.

Both ICO Facilities include specific terms for the accession of additional lenders to the financing subject to those lenders obtaining a new ICO-managed guarantee or other equivalent to that managed by ICO under the mentioned Royal Decree-Law 8/2020 of 17 March 2020. Until the date of this Circular, one additional lender has adhered to the ICO Facilities on the same terms and conditions as the initial lenders by means of an accession agreement dated 30 June 2020. This accession increased the amounts of each ICO Facility to: €758 million for the Iberia ICO Facility and €262 million for the ICO Vueling Facility. As of the date of this Circular, all amounts under each of the ICO Facilities have been fully drawn down.

The ICO Facility is subject to mandatory and voluntary prepayment terms and conditions. Voluntary prepayment is only permitted if ICO provides its authorisation. Upon prepayment the relevant borrower must pay the proportional ICO Guarantee costs which are the proportional amount of the annual fees which are paid to the Spanish Ministry for maintaining the guarantees managed by the Spanish ICO.

Both ICO Facilities are subject to customary events of default, including: (i) payment default; (ii) default of other covenants and obligations assumed under the ICO Facilities, (iii) change of control – understood as the loss of control of IAG over Iberia and/or Vueling, as the case may be; (iv) breach of representations; (v) relevant change in the business or activities of Iberia or Vueling; (vi) loss of the ICO managed guarantee; (vii) cross-default regarding both commercial and financial obligations subject to certain thresholds, as well as the existence of certain judicial, non-judicial or administrative proceedings resulting in eviction or enforcement above to certain amounts; and (viii) any material adverse change (excluding any consequence derived from the COVID-19 pandemic).

Both ICO Facilities are governed by Spanish common civil law and any disputes derived from them must be brought before the courts of the city of Madrid.

(G) **British Airways UKEF Facilities**

On 22 February 2021, British Airways entered into a five year term loan export development guarantee facility of £2.0 billion, consisting of a £1,600 million term facility guaranteed by UK Export Finance ("**UKEF**") and a £400 million commercial term facility, (the **"£2bn UKEF Facility**").

On 1 November 2021, British Airways entered into a five year term loan export development guarantee facility of £1.0 billion, consisting of a £800 million term facility guaranteed by UKEF and a £200 million commercial term facility, (the **"£1bn UKEF Facility**" and, together with the £2bn UKEF Facility, the "**UKEF Facilities**"). The £2bn UKEF Facility and the £1bn UKEF Facility are on substantially similar terms, including the interest rate payable by British Airways on any amounts drawn under the UKEF Facilities, which is compounded SONIA plus a credit adjustment spread and 4.65% margin per annum (subject to adjustment).

The £2bn UKEF Facility was fully drawn down in March 2021 and is due to be repaid in February 2026. As at the date of this Circular, the £1bn UKEF Facility has not been drawn at all.

Under each of the UKEF Facilities, British Airways has the right to voluntarily prepay any part of a loan prior to the termination date, subject to a *de minimis* amount and the expiry of the availability period. Any voluntary prepayment would need to ensure that the 80:20 ratio between the term facility guaranteed by UK Export Finance and the commercial term facility is maintained. The UKEF Facilities do not contain any financial covenants.

Under the terms of the UKEF Facilities, British Airways (and each member of its group) is prevented from declaring, making or paying distributions to shareholders from financing years ending 2022 to 2025 unless certain conditions are satisfied.

The UKEF Facilities each contain certain representations and undertakings typically included in facilities guaranteed by export credit agencies and a mandatory prepayment event on a change of control. They also contain customary events of default, including non-payment, breach of other obligations, misrepresentation, cross-acceleration, insolvency, insolvency proceedings, creditors' process, unlawfulness and repudiation, as well as an additional event of default for breach by British Airways of each "Exporter Agreement" between British Airways and UKEF entered into as a condition precedent to utilisation of the UKEF Facilities (a customary provision in facilities guaranteed by an export credit agency). The Exporter Agreements are both on substantially the same terms, and contain (among other things) certain obligations in respect of the payment of suppliers.

(H) **€350 million ISIF facility**

On March 4 2022, Aer Lingus signed an agreement with the Ireland Strategic Investment Fund ("**ISIF**") for a €350 million three-year debt facility, secured against Heathrow landing rights. On 1 June 2022, Aer Lingus drew down €150 million of this facility and used it to repay the €150 million ISIF debt facility agreed in December 2020. The interest rate payable by Aer Lingus on amounts dawn under the facility is EURIBOR plus 3% per annum.

8. Legal and arbitration proceedings

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), nor have there been any such proceedings during the 12 months prior to the date of this Circular which may have or have had in the recent past, a significant effect on the financial position or profitability of the Company and/or the Group.

(A) **IAG Loyalty VAT assessments**

On 25 March 2022, 27 May 2022 and 15 September 2022, HM Revenue and Customs ("**HMRC**") issued notices of VAT assessments for the seven months ended September 2018 to Avios Group (AGL) Limited (a controlled undertaking of the Group trading as IAG Loyalty) for a total of approximately £25.5 million in potentially underpaid VAT. These assessments have been made on a protective basis pursuant to Section 77 of the Value Added Tax Act 1994, and the Company therefore anticipates that further notices will likely be served for subsequent periods.

Given the stage of discussions with HMRC, it is not possible to estimate reliably the Group's exposure in relation to the existing notices or any future notices that may be received. However, even if HMRC were to be successful for the whole period from February 2018 to the date of this Circular, the Group does not, in any event, expect this would be material in the context of the Proposed Purchases.

9. Significant change

There has been no significant change in the financial position of the Group since 30 June 2022 (being the date to which the Group's latest unaudited interim results have been prepared).

10. Working capital

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is, for at least the next 12 months following the date of publication of this Circular.

11. Profit Forecast

2022 Profit Forecast

On 29 July 2022, the Company issued the following trading outlook as part of its Group consolidated results for the six months to 30 June 2022:

"*IAG expects pre-exceptional operating profit to be significantly improved for quarter 3 2022 compared to quarter 2 and to be positive for full year 2022. Net cash flow from operating activities is expected to be significantly positive for the year. This assumes no further setbacks related to COVID-19 and government-imposed restrictions or material impacts from geopolitical developments. Net debt is expected to increase by year end compared with the end of 2021.*

This statement (the 2022 Profit Forecast) constitutes a profit forecast for the purposes of the Listing Rules. The 2022 Profit Forecast relates to the 12 month period ending 31 December 2022.

The Board of Directors has considered and confirms that the Profit Forecast remains correct as at the date of this Circular.

Basis of Preparation

The 2022 Profit Forecast has been compiled and prepared on a basis which is both (i) comparable with the historical financial information presented in the 2021 Annual Report, 2020 Annual Report and 2019 Annual Report and (ii) consistent with the accounting policies of IAG adopted in its 2021 Annual Report, 2020 Annual Report and 2019 Annual Report which are in accordance with IFRS as adopted by the EU.

The 2022 Profit Forecast is a best estimate of the operating profit that the Group will generate in the 12 months to 31 December 2022. Accordingly, there is a degree of uncertainty relating to the 2022 Profit Forecast and it is based on certain assumptions, which are set out below.

Assumptions

The Directors have prepared the Profit Forecast on the basis of the following assumptions.

Factors outside the influence and control of the Directors:

(A) there will be no fundamental change in the impact of COVID-19 or other pandemics in respect of travel restrictions and operations that would materially affect the Group prior to 31 December 2022;

(B) there will be no fundamental change in the political and/or economic environment that would materially affect the Group prior to 31 December 2022;

(C) there will be no material changes in market conditions prior to 31 December 2022 in relation to either customer demand or the competitive environment;

(D) there will be no material change in legislation or regulatory requirements impacting the Group's operation or its accounting policies;

(E) in H2 2022 there will be no business disruptions that materially affect the Group, its customers or operations, including natural disasters, acts of terrorism, cyber-attack and/or technological issues, industrial action within the Group or in key suppliers, or industry-wide technical issues with the aircraft models currently used by the Group;

(F) US$/Euro foreign exchange rates will be an average of US$1.02 in H2 2022;

(G) Jet fuel commodity prices will be an average of US$1,170 per metric tonne in H2 2022; and

(H) there will be no service bulletins resulting in additional unexpected maintenance to be performed on the Group's aircraft.

Factors within the influence or control of the Directors:

(I) there will be no change in the composition of the Group; and

(J) there will be no material change to the manner in which the Group operates.

12. Consent

Morgan Stanley has given, and not withdrawn, its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

13. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company at El Caserío, Iberia Zona Industrial no. 2 (La Muñoza), Camino de La Muñoza, s/n 28042 Madrid, Spain and at the Company's UK headquarters at Waterside (HAA2), Speedbird Way, Harmondsworth, UB7 0GA, United Kingdom during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), and, other than the Proposed Purchase Agreements, also on the Company's website at www.iairgroup.com, up to and including the date of the Shareholders' Meeting:

(A) the By-Laws of the Company;

(B) the Proposed Purchase Agreements (with certain commercially sensitive terms redacted);

(C) the consent referred to in paragraph 12 of this Part V (Additional Information);

(D) this Circular; and

(E) the documents incorporated by reference into this Circular, as described in Part VI (Information incorporated by reference).

Part VI

(Information incorporated by reference)

The table below sets out the various information incorporated by reference into this Circular, so as to provide the information required pursuant to the Listing Rules. These documents are also available on the Company's website at www.iairgroup.com.

Information incorporated by reference into this Circular	Document and page(s) reference	Location of incorporation in this Circular	Page number(s) in this Circular
Details of related party transactions entered into by the Company	HY 2022 Results (note 20 on pages 33 to 34)	Part V (Additional information), paragraph 4 (Directors' service contracts and appointments) and paragraph 6 (Related party transactions)	38
Details of related party transactions entered into by the Company	2021 Annual Report (note 35 on page 260)	Part V (Additional information), paragraph 6 (Related party transactions)	38
Details of related party transactions entered into by the Company	2020 Annual Report (note 33 on pages 200 to 201)	Part V (Additional information), paragraph 6 (Related party transactions)	38
Details of related party transactions entered into by the Company	2019 Annual Report (note 32 on pages 183 to 184)	Part V (Additional information), paragraph 6 (Related party transactions)	38

The documents incorporated by reference in this Circular have been incorporated in compliance with Listing Rule 13.1.6.

Information that is itself incorporated by reference or referred or cross-referred to in these documents is not incorporated by reference into this Circular. Except as set forth above, no other portions of these documents are incorporated by reference into this Circular.

Part VII

(Definitions)

The following definitions apply throughout this Circular unless the context requires otherwise:

2013 Airbus Shorthaul Contract	means the agreements dated August 14, 2013 between (i) Vueling and Airbus relating to the purchase of 30 new Airbus A320ceo aircraft and 32 new Airbus A320neo aircraft and incorporating rights to elect to purchase up to 58 additional Airbus A320 family aircraft, as amended and supplemented from time to time; and (ii) between Airbus and IAG relating to the rights to elect to purchase up to 100 additional A320neo Family Aircraft that can be used for any of the airlines in the Group, as amended and supplemented from time to time;
2019 Annual Report	means the annual report and financial statements of the Group for the year ended 31 December 2019;
2020 Annual Report	means the annual report and financial statements of the Group for the year ended 31 December 2020;
2021 Annual Report	means the annual report and financial statements of the Group for the year ended 31 December 2021;
2022 Profit Forecast	means the profit forecast issued by the Company as part of its Group consolidated results for the six months to 30 June 2022, further details of which are set out at paragraph 11 of Part V (Additional information);
Aer Lingus	means Aer Lingus Group DAC;
Air Europa	means Air Europa Holdings, S.L.U.;
Airbus	means Airbus S.A.S;
Airbus A320neo Family Aircraft	means the Airbus A320neo and Airbus A321neo aircraft models in the Airbus A320 family;
Airbus Aircraft Base Price	means the aggregate base price of each aircraft to be purchased under the Airbus Purchase Agreement, further details of which are set out at paragraph 4 of Part IV (Principal terms of the Airbus Purchase Agreement);
Airbus Purchase Agreement	means the agreement dated 28 July 2022 between IAG and Airbus relating to the purchase of 59 Airbus A320neo Family Aircraft and incorporating the rights to elect to purchase up to 50 additional such aircraft, as amended and supplemented from time to time;
Attendance, Proxy and Remote Vote Card	means the attendance, proxy and remote vote card for use by Shareholders in connection with the Shareholders' Meeting;
Board of Directors or **Board**	means the board of Directors of the Company from time to time;
Boeing	means The Boeing Company;
Boeing 737 Family Aircraft	means the Boeing 737-8, Boeing 737-8200 and Boeing 737-10 aircraft models in the Boeing 737 MAX family;

Boeing Aircraft Basic Price	means the aggregate base price of each aircraft to be purchased under the Boeing Purchase Agreement, further details of which are set out at paragraph 4 of Part III (Principal terms of the Boeing Purchase Agreement);
Boeing Letter of Intent	means the letter of intent dated 18 June 2019 between IAG and Boeing relating to the purchase of 200 Boeing 737 Family Aircraft;
Boeing Option Agreement	means the agreement dated 18 May 2022 between IAG and Boeing relating to IAG's rights to elect to purchase up to 100 Boeing 737 Family Aircraft;
Boeing Purchase Agreement	means the agreement dated 18 May 2022 between Vueling and Boeing relating to the purchase of 50 Boeing 737 Family Aircraft;
British Airways	means British Airways plc, a subsidiary of the Group;
BST	means British Summer Time;
By-laws	means the corporate by-laws of the Company;
CAA	means the Civil Aviation Authority;
CDIs	means CREST depositary interests issued by CREST Depositary in respect of the Shares, each representing an entitlement to one Share, and a "**CDI**" means any one of them;
CEST	means Central European Summer Time;
CFM Boeing Maintenance Agreement	means the maintenance agreement between CFM International and Vueling agreed in respect of the engines to be installed on the aircraft subject to the Proposed Boeing Purchase;
CFM International	means CFM International, S.A.;
Circular	means this document;
CNMV	means the Comisión Nacional del Mercado de Valores;
Computershare	means Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol, BS99 6ZY;
CREST	means the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations;
CREST Application Host	means the communication hosting system operated by Euroclear;
CREST Depositary	means CREST Depositary Limited;
CREST Manual	means the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof;
CREST member	means a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations);

CREST personal member	means a CREST member admitted to CREST as a personal member;
CREST Proxy Instruction	the instruction(s) whereby CREST members send a CREST message appointing a proxy for the Shareholders' Meeting and instructing the proxy how to vote and containing the information set out in the CREST Manual;
CREST Regulations	means the UK's Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
CREST sponsor	means a CREST participant admitted to CREST as a CREST sponsor;
CREST sponsored member	means a CREST member admitted to CREST as a sponsored member;
Directors	means the directors of the Company, whose names are set out in paragraph 2 of Part V (Additional information) of this Circular (or, where the context requires, the directors of the Company from time to time);
Disclosure Guidance and Transparency Rules	means the FCA's Disclosure Guidance and Transparency Rules, as amended from time to time;
EASA	means the European Aviation Safety Authority;
Embraer	means Embraer S.A.;
EU or **European Union**	means the European Union first established by the treaty made at Maastricht on February 7, 1992;
EU ETS	means the EU Emissions Trading Scheme;
Euro or **EUR** or **€**	are references to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended from time to time;
Euroclear	means Euroclear UK & International Limited;
Executive Directors	means the executive directors of the Company as at the date of this Circular, and an "**Executive Director**" means any one of them;
Existing Airbus Engine Purchase And Support Agreements	means the existing engine purchase and support agreements entered into between members of the Group and CFM International and Pratt & Whitney;
FAA	the US Federal Aviation Administration;
FCA or **Financial Conduct Authority**	means the Financial Conduct Authority of the UK or any successor authority or authorities;
FPIP	means the IAG Full Potential Incentive Plan;
FSMA	means the Financial Services and Markets Act 2000 as amended from time to time;

Group	means the Company and its subsidiaries taken as a whole from time to time;
HY 2022 Results	means the Group consolidated results for the six months to 30 June 2022, published on 29 July 2022;
IADP	means the IAG Bonus Deferral Plan;
IAG or **Company**	means International Consolidated Airlines Group, S.A., a company incorporated under the laws of Spain and entered at the Madrid Mercantile Registry with registration number M-492129 and with Tax Identity Code number A-85845535, whose registered office is at El Caserío, Iberia Zona Industrial no. 2 (La Muñoza), Camino de La Muñoza, s/n 28042 Madrid, Spain;
IAG Nominee Service	means the corporate sponsored nominee service in respect of CDIs which is operated by Computershare and pursuant to which Computershare Company Nominee Limited, a member of Computershare's group, holds CDIs as corporate nominee on behalf of the participants thereof;
IAG Share Schemes	means PSP, RSP, FPIP and IADP;
Iberia	means Iberia, Líneas Aéreas de España, S.A. Operadora, a subsidiary of the Group;
Ireland	means the Republic of Ireland;
June Airbus Option Exercise	means the exercise of 14 Airbus A320neo family options pursuant to the 2013 Airbus Shorthaul Contract, into firm orders for 11 Airbus A320neo aircraft and three Airbus A321neo aircraft, announced on 30 June 2022;
Listing Rules	means the FCA's Listing Rules, as amended from time to time;
March Airbus Option Exercise	means the exercise of eight Airbus A320neo family options pursuant to the 2013 Airbus Shorthaul Contract, into firm orders for six Airbus A320neo aircraft and two Airbus A321neo aircraft, agreed on 30 March 2022;
Morgan Stanley	means Morgan Stanley & Co International plc of 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom;
NAPS	means the British Airways New Airways Pension Scheme;
Non-Executive Directors	means the non-executive directors of the Company as at the date of this Circular, and a "**Non-Executive Director**" means any one of them;
Notice	means the notice of the Shareholders' Meeting set out at the end of this Circular;
Pound Sterling or **£** or **pence**	are references to the lawful currency of the United Kingdom;
PRA	means the Prudential Regulation Authority of the UK or any successor authority or authorities;

Pratt & Whitney	means International Aero Engines, LLC;
Proposed Airbus Purchase	means the proposed purchase of 37 Airbus A320neo Family Aircraft under the Airbus Purchase Agreement;
Proposed Boeing Purchase	means the proposed purchase of 50 Boeing 737-Family Aircraft under the Boeing Purchase Agreement;
Proposed Purchase Agreements	means the Airbus Purchase Agreement and the Boeing Purchase Agreement, and "**Proposed Purchase Agreement**" means any one of them;
Proposed Purchases	means the Proposed Airbus Purchase and the Proposed Boeing Purchase; and
Proxy Form	means, in respect of holders of interests in CDIs through the IAG Nominee Service, a form of instruction, and in respect of registered holders of CDIs, a form of direction, in each case issued by Computershare;
PSP	means the IAG Performance Share Plan;
Reference Date	means 20 September 2022, being the latest practicable date prior to the publication of this Circular;
Resolutions	means the resolutions to be proposed at the Shareholders' Meeting in connection with the Proposed Purchases;
RSP	means the IAG Restricted Share Plan;
SCNs	means the specification change notices pursuant to which the Company notifies Airbus of the precise specifications it requires for the aircraft it is acquiring;
Senior Managers	means the senior managers of the Company as set out in paragraph 3 of Part V (Additional information) of this Circular; and a "**Senior Manager**" means any one of them;
Shareholders	means the holders of Shares from time to time, and a "**Shareholder**" means any one of them;
Shares	means the ordinary shares of €0.10 each in the share capital of the Company, and a "Share" means any one of them;
Shareholders' Meeting	means the extraordinary shareholders' meeting of the Company called to be held in Madrid at Auditorio Rafael del Pino, calle de Rafael Calvo 39, 28010 on 25 October 2022 at 18:30 (CEST) on first call, and on the following day, 26 October 2022, at the same time and venue, on second call or any adjournment thereof, Notice of which is set out at the end of this Circular;
Spain	means the Kingdom of Spain;
Spanish Companies Law	means *Ley de Sociedades de Capital* approved by Royal Legislative Decree 1/2010, of 2 July (as amended from time to time);

Stock Exchanges	means the London Stock Exchange and the Madrid, Barcelona, Bilbao and Valencia stock exchanges;
Subsidiary	means a company in respect of which another company: (A) holds a majority of the voting rights; (B) is a member and has the right to appoint or remove a majority of its board of directors; or (C) is a member and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it;
United Kingdom or **UK**	means the United Kingdom of Great Britain and Northern Ireland;
UK MAR	means the Market Abuse Regulation (2014/596/EU) which forms part of domestic law in the United Kingdom pursuant to the European Union (Withdrawal) Act 2018;
US	means the United States of America;
US Dollar or **USD** or **$**	are references to the lawful currency of the US; and
Vueling	means Vueling Airlines, S.A.

Notice of Shareholders’ Meeting

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.
Shareholders’ Meeting

Pursuant to a resolution by the Board of Directors, the Shareholders’ Meeting of International Consolidated Airlines Group, S.A. (the “**Company**”) is called to be held in Madrid, at Auditorio Rafael del Pino, calle de Rafael Calvo 39, 28010, with the possibility of attending remotely, on 25 October 2022 at 18:30 (CEST), on first call and on the following day, 26 October 2022, at the same time and venue, on second call. Shareholders are informed that the Shareholders’ Meeting will be held on second call.

The Shareholders’ Meeting is called in accordance with the following:

AGENDA

1.- Approval of the proposed purchase of 50 Boeing 737 family aircraft.

2.- Approval of the proposed purchase of 37 Airbus A320neo family aircraft.

3.- Delegation of powers to formalise and execute all resolutions adopted by the Shareholders’ Meeting.

BOARD RECOMMENDATION

The Board of Directors considers that the resolutions that are proposed to the Shareholders’ Meeting for approval under each of the items on the agenda are in keeping with the corporate interest and recommends the shareholders to vote in favour of all resolutions.

RIGHT TO PROPOSE RESOLUTIONS

Shareholders representing at least three per cent. of the capital stock may submit reasoned proposals for resolutions on items already included or to be included on the agenda. This right must be exercised by serving duly authenticated notice (including the relevant documentation evidencing shareholder status) which must be received at the registered office (El Caserío, Iberia Zona Industrial no. 2 (La Muñoza), Camino de La Muñoza, s/n 28042 Madrid), marked for the attention of the Shareholder Office (IAG) within five days after the publication of this call notice.

RIGHT TO INFORMATION

Under the applicable legislation and, in particular, Article 272 and related provisions of the Companies Act (Ley de Sociedades de Capital) (the “**Companies Act**”), shareholders have the right to examine and obtain at the registered office (El Caserío, Iberia Zona Industrial n° 2 (La Muñoza), Camino de La Muñoza, s/n, 28042 Madrid), Monday to Friday, from 09:00 to 16:00 (CEST), or to make a request to the Company that a copy of the following documents be sent to them, immediately and free of charge:

- the complete wording of the proposed resolutions prepared by the Board of Directors in relation to the items on the agenda; and
- the circular to shareholders prepared by the Company relating to the proposed resolutions under item 1 and item 2.

All the documents mentioned above are also available on the Company’s website (www.iairgroup.com) both in Spanish and English. Shareholders who wish to obtain a copy of any or all of the documents mentioned above are recommended to send their request by e-mail to the address accionistas@iairgroup.com or to download them from the Company’s website.

Until the fifth day before the scheduled date for holding the Shareholders' Meeting, that is, until 21 October 2022, considering that the Shareholders' Meeting will be held on second call, shareholders may request any information or clarification they consider necessary, or submit in writing any questions they consider should be asked, concerning the items on the agenda or any publicly available information provided by the Company to the CNMV (the Spanish Securities Market Commission) since the holding of the last Shareholders' Meeting, i.e. since 16 June 2022.

Any requests for information or clarification and the submission of questions must be sent in writing by post to the Shareholder Office (IAG) at El Caserío, Iberia Zona Industrial n° 2 (La Muñoza), Camino de La Muñoza, or by e-mail (to the e-mail address: accionistas@iairgroup.com (Spanish) or shareholder.services@iairgroup.com (English)), mentioning the name of the shareholder making the request, together with their DNI or passport number or shareholder reference number, and the address for the purpose of replying if it is to be sent by post.

RIGHT TO ATTEND THE MEETING

Shareholders who have shares entered in their name on the relevant record of book entries at least five days before the date scheduled for the Shareholders' Meeting, that is, not later than 21 October 2022, considering that the Shareholders' Meeting will be held on second call, and evidence this by producing the appropriate attendance, proxy and remote vote card or certificate issued by one of the participating entities of the agency which manages said accounting register or in any other manner permitted by legislation in force, will be entitled to attend the Shareholders' Meeting in a speaking and voting capacity.

Holders of CREST Depository Interests ("**CDI**") representing shares in the Company will not be entitled to attend or vote or exercise other shareholder rights at the Shareholders' Meeting unless they have been appointed as a proxy to attend the Shareholders' Meeting and to vote the underlying shares to which such holder is entitled. Further information on the requirements for CDI holders to appoint proxies is set out in this notice.

All shareholders authorised to attend the Shareholders' Meeting may appoint any other person to represent them by fulfilling the requirements and formalities required to this end.

Attendance, proxy and remote voting cards for shareholders will be issued by the institutions with which their shares are deposited, and proxy forms for holders of CDIs will be issued by the Company to their addresses as they appear on the Company's share register book. Attendance, proxy and remote voting cards will also be available on the Company's website (www.iairgroup.com) in both Spanish and English.

In order for the proxy to be valid, it must be accepted by the proxy-holder. Save for the provisions regarding remote proxies, proxy-holders must record their acceptance on the attendance, proxy and remote vote card that has been signed as required by the proxy-holder. Notwithstanding this, all of the Board members have stated their personal decision to accept and carry out all proxies conferred on them, meaning that it will not be necessary for them to sign each individual attendance, proxy and remote vote card appointing them as proxies in order to leave record of their acceptance.

PROXIES AND VOTING BY REMOTE MEANS PRIOR TO THE MEETING

Shareholders may appoint proxies or cast their vote prior to the Shareholders' Meeting using the following means of communication:

a) By postal or electronic correspondence: by sending their original attendance, proxy and remote vote card, with the relevant section duly completed and signed, to the Shareholder Office (IAG) (El Caserío, Iberia Zona Industrial n° 2 (La Muñoza), Camino de La Muñoza, s/n, 28042 Madrid). The attendance, proxy and remote vote card may also be sent to the Company by email to accionistas@iairgroup.com.

b) Electronically: accessing the "Extraordinary Shareholders' Meeting 2022" section on the Company's website (www.iairgroup.com), by following the instructions given and using their electronic DNI (DNIe) or their digital signature based on a recognised and valid certificate issued by the Spanish Public Certification Entity (CERES) attached to Fábrica Nacional de Moneda y Timbre.

Shareholders that are legal entities must send to the Company a photocopy of a power of attorney, evidencing the authority of the individual signing the attendance, proxy and remote vote card in the name of the legal entity.

Proxies appointed or remote votes cast using any of the remote means set out above must be received by the Company not later than midnight on the day immediately preceding the date scheduled for the Shareholders' Meeting that is, not later than midnight (CEST) on 25 October 2022, considering that the Shareholders' Meeting will be held on second call. Otherwise, proxies will be considered not to have been appointed for the meeting or remote votes will be considered not issued.

Attendance at the Shareholders' Meeting by the represented shareholder, whether in person, by remote attendance or by having voted using remote means, will revoke the appointment of a proxy, regardless of the date of the appointment.

The Company will not be liable for any loss caused to shareholders as a result of malfunctions, overloads, line failures, connection failures or any other contingency of the same or a similar nature, beyond the control of the Company, that prevent the use of electronic mechanisms. The Company also reserves the right to modify, suspend, cancel or restrict the procedures for electronic voting and/or proxies where technical or security reasons make this necessary or obligatory. It is exclusively the responsibility of shareholders to keep their electronic certificates safe. The Company will not be liable for any loss caused to shareholders as a result of failures or delays caused by deficiencies in the postal service beyond the control of the Company.

CDI HOLDERS

CDI holders who wish to attend the Shareholders' Meeting and vote the underlying shares to which such holder is entitled must complete and return a proxy form to Computershare Investor Services PLC ("**Computershare**"), by 17:00 (BST) on 20 October 2022, to be appointed as a proxy for such shares. Persons who hold an interest in CDIs through the IAG Nominee Service operated by Computershare Company Nominees Limited and who wish to attend the Shareholders' Meeting must also complete and return a proxy form to Computershare, by 11:00 (BST) on 20 October 2022, to be granted a proxy. Computershare shall send the form to the registered address held by Computershare for each person who holds CDIs or an interest in CDIs through the IAG Nominee Service. Further information is available for CDI holders or persons who hold an interest in CDIs through the IAG Nominee Service from Computershare on + 44 (0) 370 702 0110, Monday to Friday, from 08:30 to 17:30 (BST) (excluding Bank Holidays).

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available at www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare (ID number 3RA50) by 17:00 BST on 20 October 2022. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

REMOTE ATTENDANCE

In accordance with article 25.4 of the Company's by-laws, the Board of Directors has resolved that the Shareholders' Meeting can also be attended using remote means according to the following rules:

(i) The platform for remotely attending the Shareholders' Meeting will be enabled on the "Extraordinary Shareholders' Meeting 2022" section on the Company's website (www.iairgroup.com), through the Remote Attendance tab. Remote attendance will be available from any device with access to the internet (including mobile phones and tablets).

(ii) In order to allow the appropriate management of the remote attendance systems, shareholders (or their proxy holders) must pre-register for this purpose in order to be able to access the remote attendance platform on the day of the Meeting **by no later than 18:30 (CEST) on 24 October 2022**, identifying themselves with their electronic DNI (DNIe) or their digital signature based on a recognised and valid certificate issued by the Spanish Public Certification Entity (CERES) attached to *Fábrica Nacional de Moneda y Timbre*. It will also be possible for shareholders to identify themselves by a valid photo ID that should be uploaded to the website.

(iii) CDI holders who wish to attend the meeting must have completed and returned the proxy form to Computershare according to the prior section (CDI Holders) and identify themselves by a valid passport that should be uploaded to the website. CDI holders who have already voted by remote means prior to the meeting will not be able to attend remotely and therefore will be invited to follow the meeting in streaming through the Company's website (www.iairgroup.com).

(iv) The shareholder (or proxy-holder) or CDI holder (attending as a proxy) that has preregistered according to point (ii) above will be entitled to attend the meeting remotely through the "Extraordinary Shareholders' Meeting 2022" section on the Company's website. Shareholders (or proxy-holders) or CDI holders (attending as a proxy) must log into the platform **between 15:30 and 18:00 (CEST) on the date of the Shareholders' Meeting.** The registration of attendees shall not be allowed outside this time period.

(v) The shareholder (or proxy holder) or CDI holder (attending as a proxy) that has registered to attend remotely according to point (ii) and (iii) above and wishes to leave the Shareholders' Meeting, placing it on record before the notary or personnel assisting the notary (or, in the absence thereof, before the secretary of the Shareholders' Meeting) may do so through the link that will be provided for that purpose in the online platform.

(vi) The shareholders (or proxy-holders) or CDI holder (attending as a proxy) who intend to participate in the Shareholders' Meeting and, as the case may be, make proposals for resolutions in the legally established cases or request information or clarifications during the holding of the Shareholders' Meeting, must state that intention at the time they register. Once that intention has been expressed, the speeches, resolution proposals and requests for information or clarifications shall be made exclusively in writing, with a length of no more than 4,000 characters, through the form that will be available in the online platform **until 18:30 (CEST) on the date of the Shareholders' Meeting**. Shareholders wishing to have their participation recorded in the minutes of the meeting shall expressly state such circumstance in the above-mentioned text.

(vii) If the Shareholders' Meeting is held on second call, remote attendees that wish to send proposals for resolutions or requests for information or clarifications shall send them on the date of the second call of the Shareholders' Meeting.

(viii) Valid requests for information or clarifications by the shareholders attending remotely shall be answered verbally during the meeting or within the seven days following the holding of the meeting, in accordance with article 182 of the Companies Act.

(ix) Duly registered shareholders (or proxy holders) or CDI holders (attending as a proxy) attending remotely may issue their vote through the online platform, on the terms established therein and according to the appropriate voting form.

(x) The period for voting through the online platform for remote attendance will be open until the end of the Shareholders' Meeting or such later time as may be specified, if applicable, by the Chairman of the meeting.

(xi) For all relevant legal purposes, remote attendance will be equivalent to attendance in person.

The Company reserves the right to modify, suspend, cancel or restrict the mechanisms for attending the Shareholders' Meeting remotely when so required or warranted for technical reasons or reasons of security.

The Company will not be liable for any damage caused to shareholders as a result of malfunctions, overloads, line failures, failed connections or any other contingency of the same or a similar nature, beyond the control of the Company, that hinders the use of the mechanisms described in this section for electronic attendance. Therefore, such circumstances will not constitute an unlawful deprivation of shareholder attendance rights.

SPECIAL CONSIDERATIONS

Physical attendance by the shareholders (or their proxies) at the Shareholders' Meeting could be hindered or restricted by any measures that may be in force on the date of the meeting in order to safeguard the general interests and preserve the health of the shareholders, employees and other individuals involved in the preparation and holding of the Shareholders' Meeting.

As soon as reasonably possible, and in any case within the legal deadlines, the Company will report through its website (www.iairgroup.com), the National Securities Market Commission, and through the additional media it deems required, on any changes or measures taken in relation to the holding of the Shareholders' Meeting. In the days prior to the holding of the meeting, shareholders are asked to check for any potential changes on the corporate website (www.iairgroup.com), which will provide the latest available information, so that shareholders can fully exercise their rights without having to physically attend the meeting.

SHAREHOLDERS' ELECTRONIC FORUM

Pursuant to the legislation in force, the Company has set up on its website (www.iairgroup.com) a Shareholders' Electronic Forum, which will be used in keeping with its legal purpose and the safeguards and operating rules established by the Company, and may be accessed by all appropriately authorised shareholders and shareholders' associations.

DATA PROTECTION

The Company will process the personal data that shareholders send to the Company or that are provided thereto by the institutions with which their shares are deposited in order to manage the call to and holding of the Shareholders' Meeting, based on compliance with a legal obligation. The data thereof will also be processed in order to manage the development of, compliance with and supervision of the shareholding relationship, based on performance of the underlying contractual relationship.

The data will be provided to the notary for the purposes of drawing up the notarised minutes of the Shareholders' Meeting and may be made available to third parties in the exercise of their right to receive information laid down in the law or be made accessible to the public to the extent that they are included in the information available on the corporate website (www.iairgroup.com) or are stated at the Shareholders' Meeting, the proceedings of which may be recorded by audio-visual means and broadcast on such website.

In accordance with applicable law, the link to the privacy policy of the Company is the following: https://www.iairgroup.com/en/site-services/privacy. The rights of access, rectification, objection, erasure, portability and restriction of processing may be exercised in accordance with said policy.

ADDITIONAL INFORMATION

In order to obtain additional information on this Shareholders' Meeting, shareholders may contact the Shareholder Office (IAG) located at El Caserío, Iberia Zona Industrial n° 2 (La Muñoza), Camino de La Muñoza, s/n, 28042 Madrid in person, by phone on (+34 915 878 974) between 09:00 to 16:00 (CEST), Monday to Friday, from 26 September 2022 until the conclusion of the Shareholder' Meeting, or by e-mail at the following addresses: institutional investors: investor.relations@iairgroup.com and private shareholders: accionistas@iairgroup.com (Spanish) or shareholder.services@iairgroup.com (English).

PARTICIPATION OF A NOTARY AT THE SHAREHOLDERS' MEETING

The Board of Directors has requested the participation of a notary to draw up the minutes of the Shareholders' Meeting, in accordance with the provisions of article 203 of the Companies Act.

Madrid, 22 September 2022. The Secretary of the Board of Directors, Álvaro López-Jorrín Hernández.

Resolutions

RESOLUTIONS PROPOSED BY THE BOARD OF DIRECTORS OF INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. TO THE 26 OCTOBER 2022 EXTRAORDINARY SHAREHOLDERS' MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the action you should take, you should immediately consult your independent professional adviser.

If you have sold or otherwise transferred all your shares in International Consolidated Airlines Group, S.A. (the "**Company**" or "**IAG**"), please forward this document and any accompanying documents you receive in relation to such shares to the purchaser or transferee, or to the stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

1. APPROVAL OF THE PROPOSED PURCHASE OF 50 BOEING 737 FAMILY AIRCRAFT.

PROPOSED RESOLUTION:

RESOLUTION 1

"To approve the proposed purchase of 50 Boeing 737 family aircraft, by Vueling Airlines, S.A. and/or International Consolidated Airlines Group, S.A. and/or any of its subsidiaries from time to time, on the terms and conditions of the Boeing Purchase Agreement, as defined in the Circular to Shareholders dated 22 September 2022 and described therein."

* * *

2. APPROVAL OF THE PROPOSED PURCHASE OF 37 AIRBUS A320NEO FAMILY AIRCRAFT.

PROPOSED RESOLUTION:

RESOLUTION 2

"To approve the proposed purchase of 37 Airbus A320neo family aircraft, by International Consolidated Airlines Group, S.A. and/or any of its subsidiaries from time to time, on the terms and conditions of the Airbus Purchase Agreement, as defined in the Circular to Shareholders dated 22 September 2022 and described therein."

* * *

3. DELEGATION OF POWERS TO FORMALISE AND EXECUTE ALL RESOLUTIONS ADOPTED BY THE SHAREHOLDERS' MEETING.

PROPOSED RESOLUTION:

RESOLUTION 3

"*To confer authority on the Board of Directors, with the express power of substitution, to the fullest extent permitted by law, to execute the foregoing resolutions, including: (i) to do all such things and procure that all such things are done, as may be necessary or expedient to complete or give effect to, or otherwise in connection with, the proposed purchases approved in the previous resolutions, and any other agreements or arrangements ancillary or incidental; and (ii) to agree to such modifications, variations, revisions, waivers or amendments to the proposed purchases approved in the previous resolutions provided such modifications, variations, waivers or amendments are not material, in either such case as it may in its absolute discretion think fit.*"

*   *   *

22 September 2022