

## 2023 ANNUAL GENERAL MEETING

**SUBJECT: IAG Debt**

### QUESTION

*Based on our conversation, we would be grateful if you could please update the debt position in the following table as at 31.03.2023.*

*We would also need more information on the credits differentiating them into long term, short term and what are loans or credit policies, to know their maturities and the interest rates if they are fixed or variable.*

*And lastly, to know if you plan to repay the debt before maturity.*

*Regarding the debt repayment plan, we would like to have an update as of 31.03.2023.*

#### DEBT POSITION

Net debt reduced by c.€700m vs September 2022

Net debt							
€m	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Mar 2022	30 Jun 2022	30 Sep 2022	31 Dec 2022
Gross debt	14,254	15,679	19,610	19,777	20,169	20,318	19,984
Bank and other loans	1,954	3,369	7,485	7,425	7,160	6,940	6,546
Asset finance and lease liabilities	12,300	12,310	12,125	12,352	13,009	13,378	13,438
Cash, cash equivalents and interest-bearing deposits	6,683	5,917	7,943	8,184	9,190	9,260	9,599
<b>Net debt</b>	<b>7,571</b>	<b>9,762</b>	<b>11,667</b>	<b>11,593</b>	<b>10,979</b>	<b>11,058</b>	<b>10,385</b>

Note: Net debt quarter on quarter increase includes adverse non-cash movements of: €380m in 1Q, €520m in 2Q, €400m in 3Q and €150m in 4Q.

- Gross debt reduced due to repayment of €500m IAG convertible bond and repayment of €100m Aer Lingus ISIF loan
- Quarter-on-quarter reduction in net debt in 4Q driven by favourable working capital inflow from:
  - Deferred revenue due to strong forward bookings
  - Trade payables as the business recovers
  - Foreign exchange had a favourable impact of c.€600m on gross debt

### RESPONSE

**1.- Update of the debt position at 31.03.2023.** We include below the update of the information on the Group's debt position provided in the presentation of the results for the first quarter of 2023, published on 5 May 2023.

Q1 2023 Financial results

## Seasonal improvement in net debt

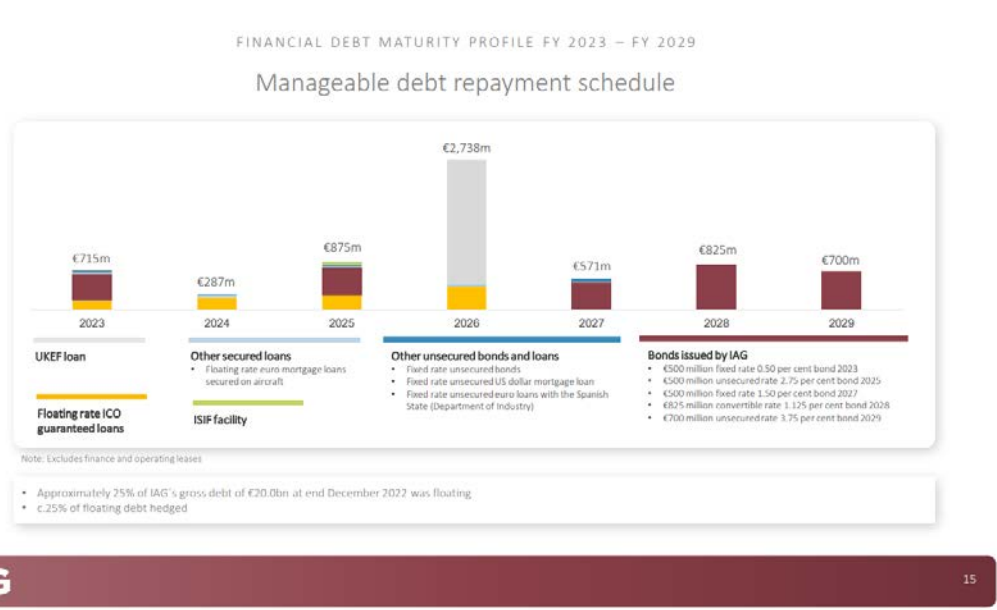
€m	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Mar 2023
Gross debt	14,254	15,679	19,610	19,984	19,767
Bank and other loans	1,954	3,369	7,485	6,546	6,461
Asset finance and lease liabilities	12,300	12,310	12,125	13,438	13,306
Cash, cash equivalents and interest-bearing deposits	6,683	5,917	7,943	9,599	11,369
<b>Net debt</b>	<b>7,571</b>	<b>9,762</b>	<b>11,667</b>	<b>10,385</b>	<b>8,398</b>

Note: Net debt quarter on quarter increase includes favourable non-cash movements of: €135m in Q1

- Improvement in cash:
  - Working capital inflow from passenger demand, which is expected mostly to unwind in the second half of the year
- Full Year capex still expected to be around €4bn. Aircraft deliveries weighted to the second half of the year
- Debt repayment of IAG's €500m bond due in July
- Net debt for the full year now expected to be better than previous guidance of broadly maintained year-on-year and to be down in line with our profit outperformance

**2.- Information on credits, differentiating them into long term, short term and loans or credit facilities, their maturities and interest rates, whether they are fixed or variable.** The latest information provided by the Company in this respect is detailed in Note 25 of the Notes to the Annual Accounts corresponding to the financial year 2022, which you can find at your disposal on our corporate website, both within the information for investors and shareholders, as well as forming part of the information for the General Shareholders' Meeting of 2023.

In addition to the information provided in the Annual Accounts, the same presentation to which you refer in your email provides a breakdown of the Group's debt classified by year of maturity (slide included below).



**3.- To know if there are any plans to repay the debt before maturity. Regarding the debt repayment plan we would like to have an update as of 31.03.2023.** The Company informs the market on a timely basis about its decisions regarding debt repayment that could be relevant. In this regard, we indicate, in case it is of interest to you, that in the results presentation on 5 May, the CFO of the Company indicated in this regard: *"On debt maturity this year, we have IAG senior unsecured bonds for €500 million due in July and around €250 million of other debt maturing throughout the year. With our cash deposits at over 11 billion, we have the flexibility to pay these down from cash reserves."*

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**SUBJECT: Questions received on 9.06.2023**

**QUESTION:**

*Are there any plans for Ms. Margaret Ewing to reduce her mandates to our expected level by the next AGM?*

Ms. Margaret Ewing is one of our most active non-executive directors. We appointed her as Chair of the Audit and Compliance Committee in September 2020, knowing that she was already Chair of the Audit and Risk Committees of ConvaTec Group Plc and ITV Plc.

Please note that Ms. Ewing has attended all seven of IAG's Audit and Compliance Committee meetings and all the twelve Board meetings held during 2022. This is consistent with her participation in preceding years, even in such exceptional and demanding circumstances as the pandemic period, particularly in 2020.

Furthermore, we want to highlight that the Nominations Committee reviews each director's commitment and performance before submitting any re-election proposal. The Committee had no objection to Ms. Ewing's availability and commitment to serve as a director of the Company. In addition to this, regarding her role as the IAG Audit and Compliance Committee Chair, we would like to state that Ms. Ewing has always been remarkably diligent and thorough in the preparation of this Committee meetings.

**QUESTION:**

*When can investors expect IAG will set mid-term decarbonization targets covering scope 1, 2 and material categories of Scope 3 emissions, aligned with the 1.5°C global warming target of the Paris Agreement?*

Our 2025 efficiency target has been independently assessed as 1.5C-aligned by the TPI. Their scores are public and so is their methodology here:

<https://www.transitionpathwayinitiative.org/sectors/airlines>.

With a 12% improvement in efficiency in 2022 we are on track to meet the 2025 goal. The TPI, on page 14 of their methodology note for aviation, also indicates that a 15% reduction in gross emissions between 2019-2030 is 1.5C-aligned, and IAG is currently projected to meet that.

**QUESTION:**

*When can investors expect IAG to validate its decarbonisation targets by the Science-Based Targets initiative (SBTi) to ensure their scientific rigor and credibility?*

IAG supports the 1.5°C ambition of the Paris Agreement and continues to review evidence on aviation pathways which support this. Where possible, IAG will work with relevant stakeholders, including the Science-Based Targets initiative (SBTi) and Transition Pathway Initiative (TPI), to build an understanding of aviation industry pathways to net zero, how these contribute to national and global goals, and how companies and policy makers can drive investment into a green transition.

Our approach to targets is that they need to be credible and to drive practical change. Our view on SBTi is that their approach lags the latest thinking on multiple topics (e.g. carbon accounting, carbon pricing, removals, aviation decarbonisation, risk exposure) and their analysis on aviation is not yet robust enough to be an effective guide to target-setting. The International Energy Agency (IEA) modelling which underpins the SBTi “pathway” for aviation is also out of date and likely to change once policy for aviation stabilises. Our industry association IATA plans to engage with SBTi during the development of the SBTi 1.5C guidance for aviation, which does not exist yet but is expected to open for consultation in 2023.

**QUESTION:**

*What is the status of the fleet modernization?*

Our wide-body fleet modernization programme began in 2013 with the delivery of new, next generation B787-8/9 and A380 aircraft for British Airways, and is currently ongoing with further deliveries of B787's and A350's for both British Airways and Iberia. In addition, we began the replacement of our A320ceo family aircraft in 2018 with the introduction of new, next generation A320neo family aircraft. In 2020 we accelerated the retirement of older generation aircraft at both British Airways and Iberia with the early retirement of 32 B747 aircraft at British Airways and 15 A340 aircraft at Iberia. In 2022, we took delivery of 27 new, next generation A350-900/A350-1000, B787-10 and A320neo family aircraft (15 A350-900/1000/B787-10 and 12 A320neo family aircraft). As a result of our fleet modernisation programme, at the end of 2022, our carbon intensity had fallen c14% compared to 2014.

**QUESTION:**

*Do you expect the planned order and replacement of aircraft to be fully implemented in 2025 and going forward?*

As an airline our fleet plans are constantly evolving, as we need to keep investing in the fleet as aircraft come to the end of their useful lives and as leases expire, as well as helping to achieve strategic objectives such as greater efficiency and helping to deliver sustainability targets.

In terms of our current plans, we expect to take delivery of 29 aircraft in 2023 (10 widebody aircraft and 19 narrowbody aircraft), and have firm orders for a further 163 aircraft between 2024 and 2030. This compares to an in-service fleet of 558 aircraft at the end of 2022.

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