



International Consolidated Airlines Group

General Meeting of Shareholders

Madrid, 15 June 2023

Luis Gallego, CEO

Ladies and Gentlemen, good afternoon and thank you for attending our Annual General Meeting.

This is the second year that we are holding this meeting again in person and, as the chairman pointed out earlier, this is very good news.

Actually, it is another sign that things are getting back to normal.

Today we are reviewing 2022, a year that has been very challenging.

It has not been an easy year, but that has not stopped us from continuing to transform the business to ensure we emerge strong from the biggest crisis in modern aviation history.

The measures we have been taking to strengthen our activities have shown positive results and enabled us to return to profitability in 2022.

I am confident that today we are better positioned to fulfil our purpose, and this is, to a large extent, thanks to the resilience and commitment shown by our people.

I would therefore like to start by thanking all our employees for their decisive contribution to the recovery of the Group.

Let me now turn to the financial highlights of the year.

In 2022, there was a strong recovery in our core markets, following the lifting of mobility restrictions.

Our markets gradually opened up, especially from the second quarter onwards.

In this context, we prioritised capacity deployment in the areas of highest demand. Western routes from Europe to North and South America performed best.

Demand for European travel during the summer period was also strong.

All this activity boosted our revenues and allowed us to return to profit with a remarkably positive operating cash flow.

Already in the second quarter we became profitable again at operational level.

And we close the year with an operations profit before exceptional items of EUR 1,225 million, compared to a loss of EUR 2,970 million in 2021.

It is worth noting that the Group's recovery has been multi-speed, influenced by operating constraints and government restrictions.

The recovery of leisure traffic is occurring before that of business travel and the premium leisure segment is showing very positive results.

Thus, we have gradually rebuilt our capacity, starting with 65 per cent of 2019 levels in the first quarter and reaching 87 per cent of 2019 levels in the fourth quarter.

For the full year, we reached 78 per cent of 2019 capacity levels.

In 2022, we were affected by the sharp spike in fuel prices and inflation.

The unit passenger revenues were 11 per cent higher than in 2019, with a particularly positive performance in the second half of the year.

Last year we invested 3.9 billion euros to make major improvements in fleet, customer offerings, IT infrastructure and sustainability.

On the debt side, we reduced our net debt by EUR1.4 billion to EUR 10.4 billion, supported by operating profit and significant working capital inflows.

In addition, we continue to strengthen our liquidity to EUR14 billion by 31 December 2022, from EUR12 billion at the end of 2021.

Regarding the individual performance of our airlines, the first thing I would like to highlight is that Aer Lingus, British Airways, Iberia and Vueling returned to profitability in 2022.

The speed of each airline's recovery again depended on the pace of relaxation of travel restrictions imposed by governments and the reopening of travel in its main markets and operational restrictions at its hubs and other airports.

British Airways operated at 70.3 per cent capacity of 2019 levels, due to a combination of the limited access to South Asia and operational restrictions at London Heathrow airport.

However, as global travel restrictions were relaxed, British Airways was able to resume routes such as Sydney, San Jose in California, Tokyo and Hong Kong and more recently to Shanghai and Beijing.

In March 2022, it also launched its new short-haul subsidiary from London Gatwick which operated flights to 35 new destinations over the summer.

Iberia operated at 87.1 per cent of 2019 levels. The airline's capacity gradually recovered during the year after being impacted by Omicron in the first quarter.

During the year, Iberia significantly increased its capacity in Latin America and the Caribbean compared to 2021, increasing frequencies to destinations such as Mexico and Colombia. Iberia had an occupancy rate only 0.8 points lower than in 2019.

Vueling reached 98.2 per cent of 2019 levels, including the expansion of its operations at Paris Orly.

The airline began implementing its new deseasonalisation strategy last year with the aim of increasing aircraft utilisation during the winter months.

In the last quarter of the financial year, it achieved capacity growth of 11.3 per cent above 2019 levels, despite having fewer aircraft in service.

Aer Lingus operated at 86.8 per cent of 2019 levels. The airline was able to re-establish most of its transatlantic services and, in addition, operated three transatlantic services from its new base at Manchester airport in the UK. These services accounted for 13 per cent of the airline's transatlantic capacity and 8 per cent of its total network in 2022.

The Manchester base was important in the recovery of long-haul capacity levels, especially towards the end of the year.

In 2022, Level broke its all-time records in terms of passengers carried, connecting flights and seats offered.

The company consolidated its position as the second largest operator from Barcelona airport to the United States and the first to Latin America.

At IAG Cargo, revenues were only 3.5 per cent lower than in 2021, when cargo revenues were at record levels.

In 2022, as passenger flight schedules were reinstated, the number of all-cargo flights was drastically reduced to 502, down from 3,788 in 2021.

IAG Loyalty achieved better results -compared to both 2019 and 2021- by recording significant growth in the number of Avios issued linked to its non-airline alliances.

It also benefited from the recovery of the Group's airlines, resulting in an operating profit before exceptional items of 282 million euros.

As all of you know, on 24 February we announced the agreement for the acquisition of the remaining 80 per cent of Air Europa, after having acquired 20 per cent in 2022.

I would like to reiterate that with this agreement we are demonstrating our firm commitment to the Madrid hub and Spain's air connectivity.

This in turn will help the recovery of Spanish tourism and the Spanish economy and enable Madrid to be able to compete with the main European hubs.

We consider that, if the operation is approved, it will consolidate leadership of the Madrid hub in the South Atlantic and will allow us to strengthen our commitment to connectivity with Asia and the Middle East.

This will result in significant benefits for consumers through improved connectivity, increased frequencies on existing routes and the creation of new routes to unserved destinations.

At IAG, we are fully convinced of the value of this transaction and are working to demonstrate this to the competition authorities.

Ultimately, our vision is that this agreement will allow us to generate additional value for the Group and, at the same time, bring significant benefits to the Madrid hub and to our customers, employees and all of you, our shareholders.

Finally, I would like to point out that, in May, we launched a share buy back programme to cover the obligation to deliver shares to Globalia as part of the consideration for the planned acquisition of the remaining 80 per cent of the issued share capital of Air Europa.

However, beyond inorganic growth opportunities, we must continue to develop the long-term redesign of the business and the organic growth to consolidate our leadership position in our core markets.

To achieve this, we continually seek new ways of doing things. The transformation of our businesses is key to guaranteeing the Group's success.

We are convinced that innovation is critical to improve our competitive position as demand recovers and companies recover from the impact of the pandemic.

The transformation of our activities has much to do with our concern for sustainability issues.

As our shareholders know, we were the first air transport group in the world to commit to a goal of zero net emissions by 2050, and later we have extended this commitment to Scope 3 emissions.

We were also the first European airline group to commit to using 10 per cent SAF from 2030.

To deliver on this commitment, IAG has already agreed to invest more than \$865 million in future SAF purchases and investments.

And we already have 250,000 tonnes of SAF guaranteed by 2030, which represents 25 per cent of our target volume.

Among the initiatives developed by our airlines, I would like to point out that, in March 2022, British Airways took delivery of the first batch of SAF produced by Phillips 66.

This made British Airways the first airline to start using SAF produced on a commercial scale in the UK. During the year, Phillips 66 supplied 9,980 tonnes of SAF to British Airways, saving almost 30,000 tonnes of CO₂.

In June, Iberia, in partnership with Repsol, operated its first transatlantic flights to Washington, Dallas and San Francisco using SAF.

In addition, Iberia signed an agreement with CESPAs to develop SAF and signed another contract with Gevo for the supply of six million gallons of SAF over five years.

Vueling became the first low-cost airline to allow customers to purchase SAF during the flight booking process.

And it conducted an experimental flight between Barcelona and Lyon in which it reported a relevant amount of CO₂ savings thanks to the use of SAF and a more direct flight route.

I am also very pleased to announce that in April this year, both Iberia and Vueling, joined the launch of the Air Transport Sustainability Alliance. A wide industry commitment to sustainability in which the need to scale up SAF production as fast as possible will be one of the key priorities for the alliance.

Aer Lingus also furthered its sustainability initiatives with the signing of two new SAF supply contracts. From 2026, 50 per cent of the fuel on its flights from California will have a percentage of SAF.

At IAG we are convinced that Europe has the opportunity to lead the global production of SAF. And the UK and Spain can have a main role in this.

With the right policy support, it is estimated that 30 SAF production plants could be built across Europe over the next eight years. This would save seven million tonnes of CO₂ per year from 2030 onwards.

We therefore hope that a regulatory framework can soon be put in place to incentivise investment and scale-up commercial production of SAF.

I would also like to take this opportunity to mention the key role our employees play in everything we do.

Knowing its importance, we keep working hard to enable all our people to grow and do their best.

All this over the solid foundations of our corporate culture and with the aim that our employees feel valued and fairly recognised.

Among other things, we have launched a number of initiatives to support diversity and inclusion that affect our recruitment processes, the generation of mentoring and networking opportunities for women and ethnic minority employees or training programmes aimed at diversifying the talent pool.

In conclusion, I would like to share with you a comment on how we have started the year 2023 and our outlook for this year.

The first quarter results have shown that the Group's airlines have continued to recover capacity to near pre-pandemic levels.

We have beaten the profit guidance we gave in February with all airlines ahead of expectations, benefitting from strong demand and lower fuel prices during the quarter.

We are one of the few airlines that delivered a profit in the first quarter with profit from operations before exceptional items was EUR 9 million, EUR 750 million higher than in the first quarter of 2022.

In addition, for the first time since the first quarter of 2019 we reported a positive result at the start of the year. Reflecting strong and sustained demand across all our airlines.

Passenger revenues increased by EUR 2.3 billion compared to Q1 2022 to EUR 5 billion.

This good result is due to the increase in capacity operated, and the increase in the occupancy rate and passenger yields.

Looking ahead to the summer, the outlook is encouraging as we have around 80 per cent of the expected second quarter revenues already booked.

We are seeing a healthy volume of bookings, with leisure demand particularly strong, while business travel continues to recover, although at a slower pace.

We now estimate that our capacity for the year will be around 97 per cent compared to 2019 levels, focusing on our core markets.

All in all, we now expect our profit from operations before exceptional items for the full year 2023 to be more than the guidance we gave in February of EUR 2.3 billion.

We also expect our net debt, as of 31 December 2023, to improve on the previous forecast and to decrease in line with our improved results.

Overall, we are finding that -despite the uncertain macroeconomic environment- people value flying highly, both for business and leisure travel.

However, the visibility we have, for now, on the second half of the year is limited.

That is why we have to be realistic. There are still challenges ahead that will have to be managed.

But we will do so with the confidence that we have the right model to succeed through the synergies and efficiencies generated across the Group.

As every year, it only remains for me to thank our employees, our customers and all our shareholders.

We have had to overcome very difficult times, but, without a doubt, your support has always encouraged us to do our best.

I am convinced that we have a great opportunity ahead of us to continue to make IAG one of the best aviation groups in the world.

Thank you very much for your confidence.