



**INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.**

*(a company incorporated in the Kingdom of Spain whose registered office is at El Caserio, Iberia Zona Industrial No 2 (La Muñozza), Camino de La Muñozza, s/n, 28042 Madrid, Spain, with Spanish tax identification number A-85845535 and registered in the Madrid Mercantile Registry in volume 27,312, book 0, sheet 11, section 8, page number M-492,129)*

**Legal entity identifier (LEI): 959800TZHQRUSH1ESL13**

**€500,000,000 0.50 per cent. Bonds due 2023**

**€500,000,000 1.50 per cent. Bonds due 2027**

The issue price of the €500,000,000 0.50 per cent. Bonds due 2023 (the “**Series A Bonds**”) of International Consolidated Airlines Group, S.A. (the “**Issuer**”) is 99.417 per cent. of their principal amount. The issue price of the €500,000,000 1.50 per cent. Bonds due 2027 (the “**Series B Bonds**”) of the Issuer is 98.803 per cent. of their principal amount. The Bonds will be issued by the Issuer on or about 4 July 2019 (the “**Issue Date**”).

The Series A Bonds will bear interest at their principal amount from (and including) the Issue Date at the rate of 0.50 per cent. per annum payable annually in arrear on 4 July in each year up to (and including) 4 July 2023 (the “**Series A Final Maturity Date**”). The Series B Bonds will bear interest at their principal amount from (and including) the Issue Date at the rate of 1.50 per cent. per annum payable annually in arrear on 4 July in each year up to (and including) 4 July 2027 (the “**Series B Final Maturity Date**”). Payments on the Bonds will be made without deduction or withholding for taxes imposed by the Kingdom of Spain to the extent and subject as described in “*Terms and Conditions of the Bonds*” herein (the “**Conditions**”).

References in this Prospectus to: (i) “**Bonds**” shall, so far as the context permits, be construed as a reference to the Series A Bonds or the Series B Bonds as appropriate, (ii) “**Bondholders**” shall, so far as the context permits, be construed as references to the holders of Series A Bonds or the Series B Bonds as appropriate, (iii) “**Final Maturity Date**” shall, so far as the context permits, be construed as a reference to the Series A Final Maturity Date in respect of the Series A Bonds and the Series B Final Maturity Date in respect of the Series B Bonds, (iv) “**Conditions**” shall, so far as the context permits, be construed as reference to the Conditions of the Series A Bonds or the Series B Bonds as appropriate and (v) “**Global Bond**” shall be construed as a reference to the Global Bond in respect of the Series A Bonds or the Series B Bonds as appropriate.

Unless previously redeemed or cancelled, the Bonds will be redeemed at their principal amount together with accrued interest (if any) on the relevant Final Maturity Date. The Bonds are subject to redemption in whole at the relevant Make-Whole Redemption Amount (as described in Condition 6(b)) together with accrued interest (if any) at the option of the Issuer at any time. During the period commencing on (and including) the day that is 90 days prior to the relevant Final Maturity Date and ending on (but excluding) the relevant Final Maturity Date, the Bonds are subject to redemption in whole at their principal amount together with accrued interest (if any) at the option of the Issuer. If, at any time, the outstanding aggregate principal amount of the Series

A Bonds is 20 per cent. or less than the aggregate principal amount of the Series A Bonds when issued, the Series A Bonds are subject to redemption in whole at their principal amount together with accrued interest (if any) at the option of the Issuer. If, at any time, the outstanding aggregate principal amount of the Series B Bonds is 20 per cent. or less than the aggregate principal amount of the Series B Bonds when issued, the Series B Bonds are subject to redemption in whole at their principal amount together with accrued interest (if any) at the option of the Issuer. The Bonds are also subject to redemption in whole at their principal amount together with accrued interest (if any) at the option of the Issuer at any time in the event of certain tax changes. In addition, the holder of a Bond (the "**Bondholder**") may, by the exercise of the relevant option, require the Issuer to redeem such Bond at its principal amount, together with accrued interest (if any), following the occurrence of a Triggering Event as defined in Condition 6(g) below. See "*Terms and Conditions of the Bonds—Redemption and Purchase*".

The Bonds will (subject as provided in Condition 1(c) and Condition 2) constitute direct, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without any preference among themselves.

This Prospectus (the "**Prospectus**") has been approved as a prospectus by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"). Such approval relates only to the Bonds which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area ("**EEA**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin, ("**Euronext Dublin**") for the Series A Bonds and the Series B Bonds to be admitted to the Official List (the "**Official List**") and to trading on the Regulated Market. Reference in this Prospectus to being listed (and all date references) shall mean that the Series A Bonds or, as the case may be, the Series B Bonds have been admitted to trading on the Regulated Market of Euronext Dublin. The Regulated Market of Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial institutions ("**MiFiD II**").

The Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Bonds are being offered outside the United States by the Managers (as defined below) in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

For a description of these and certain further restrictions on offers, sales and transfer of the Bonds and the distribution of the Prospectus, see "*Subscription and Sale*".

The Series A Bonds and Series B Bonds will each be issued in registered form and represented on issue by a registered certificate in global form (each, a "**Global Bond**") which will be registered in the name of a nominee for a common safekeeper ("**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") on or about the Issue Date. Bonds in definitive form ("**Definitive Registered Bonds**") will be issued only in limited circumstances - see "*Overview of Provisions Relating to the Bonds While Represented by the Global Bond*". The Bonds will be issued in denominations of €100,000.

The Series A Bonds are expected to be rated BBB (stable) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and Baa3 (stable) by Moody's Investors Service Limited ("**Moody's**"). The Series B Bonds are expected to be rated BBB (stable) by S&P and Baa3 (stable) by Moody's.

Each of S&P and Moody's is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), and appear on the latest update of the list of registered credit rating agencies on the European Securities and Markets Authority ("**ESMA**") website <http://www.esma.europa.eu>. The ESMA website is not incorporated by reference into, nor does it form part of, this Prospectus.

**MiFID II professionals/ECPs-only/No PRIIPs KID** – Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (each as defined in MiFID II) (all distribution channels). No Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") key information document ("**KID**") has been prepared as the Bonds are not available to retail investors in the EEA. See "*MiFID II Product Governance / Professional Investors and ECPs only Target Market*" and "*PRIIPs Regulation – Prohibition of Sales to EEA Retail Investors*" below for further information.

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

**Joint Global Co-ordinators**

**BNP PARIBAS**

**J.P. MORGAN**

**Joint Lead Bookrunners**

**BNP PARIBAS**

**J.P. MORGAN**

**BofA MERRILL LYNCH**

**Passive Bookrunners**

**CRÉDIT AGRICOLE CORPORATE AND  
INVESTMENT BANK**

**SANTANDER CORPORATE AND  
INVESTMENT BANKING**

**Co-Managers**

**BANCO BILBAO VIZCAYA ARGENTARIA,  
S.A.**

**BARCLAYS**

**DEUTSCHE BANK**

**HSBC**

**NATWEST MARKETS**

**STANDARD CHARTERED BANK**

The date of this Prospectus is 1 July 2019.

## IMPORTANT INFORMATION

This Prospectus comprises a prospectus for the purposes of Article 5 of the Prospectus Directive and for the purposes of giving information with regard to the Issuer and the Bonds, which, according to the particular nature of the Issuer and the Bonds, is necessary to enable investors to make an informed assessment of the prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. The Issuer confirms that third party information has been accurately reproduced and that so far as it is aware, and is able to ascertain from information published by such source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*"). The Prospectus should be read and construed on the basis that such documents are incorporated in, and form part of, the Prospectus.

The Issuer has confirmed to the Managers (as defined below) that this Prospectus contains all information regarding the Issuer and the Group (as defined below) and the Bonds which is (in the context of the issue of the Bonds) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly and reasonably held or made and are not misleading in any material respect; this Prospectus does not contain any untrue statement of a material fact or omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Bonds other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Managers.

Neither the Managers nor BNP Paribas Securities Services, Luxembourg Branch (the "**Fiscal Agent**") nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Each Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bond shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus. The Managers and the Fiscal Agent expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds. Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer and/or any of the Managers or the Fiscal Agent

that any recipient of this Prospectus or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

The distribution of this Prospectus and the offering, sale and delivery of Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Bonds and on distribution of this Prospectus and other offering material relating to the Bonds, see "*Subscription and Sale*".

Prospective investors should also consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Bonds.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its own legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Bonds may be restricted by law in certain jurisdictions. The Issuer, the Managers and the Fiscal Agent do not represent that this Prospectus may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Managers or the Fiscal Agent which is intended to permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in the United States and the EEA (including the United Kingdom (the "**UK**")), see "*Subscription and Sale*".

The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities reviewed or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular,

each potential investor should consider, either on its own or with the help of financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal and interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant financial markets; and
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments and such instruments may be purchased by potential investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market of the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for the distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “**distributor**”) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

**PRIIPS REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## PRESENTATION OF INFORMATION

In this Prospectus, all references to **euro, EUR** and **€** are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the EU, as amended and all references to **sterling, GBP** and **£** are to the lawful currency of the United Kingdom.

## ROUNDINGS

Percentages and certain amounts in this Prospectus, including financial, statistical and operating information, have been rounded. As a result, the figures shown as totals may not be the precise sum of figures that precede them.

## PRESENTATION OF FINANCIAL INFORMATION

The financial information relating to the Issuer, as incorporated by reference into this Prospectus in respect of the financial years ended 31 December 2017 and 31 December 2018 and the three month period ending on 31 March 2019, has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (“**IFRS**”).

## FORWARD LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “seeks”, “will” and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding the business and management, growth and profitability of, and general economic and regulatory conditions and other factors that affect, the Issuer and its subsidiaries (the “**Group**”).

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Group’s financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Group’s business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: “*Overview*”, “*Risk Factors*” and “*Description of the Issuer and the Group*”. These sections include more detailed descriptions of factors that might have an impact on the Group’s business and the markets in which it operates. In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur.

In addition, the Issuer does not assume any obligation, except as required by law, to update any forward-looking statement or to confirm any such forward-looking statements to actual events or developments.

#### **STABILISATION**

**In connection with the issue of the Bonds, BNP Paribas (the “Stabilising Manager”) (or persons acting on behalf of the Stabilising Manager) may over allot Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail. However, stabilisation action may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.**



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## OVERVIEW

*This overview must be read as an overview of certain of the principal features of the Bonds and any decision to invest in the Bonds should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference herein. Capitalised terms which are defined in “Terms and Conditions of the Bonds” have the same meaning when used in this overview.*

<b>The Issuer:</b>	International Consolidated Airlines Group, S.A., a company incorporated in the Kingdom of Spain whose registered office is at El Caserio, Iberia Zona Industrial No 2 (La Muñoza), Camino de La Muñoza, s/n, 28042 Madrid, Spain, with Spanish tax identification number A-85845535 and registered in the Madrid Mercantile Registry in volume 27,312, book 0, sheet 11, section 8, page number M-492,129.
<b>The Group:</b>	The Issuer and its subsidiaries.
<b>Series A Bonds:</b>	€500,000,000 0.50 per cent. Bonds due 2023.
<b>Series B Bonds:</b>	€500,000,000 1.50 per cent. Bonds due 2027.
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Bonds. These are set out under “ <i>Risk Factors</i> ” below, and include risks relating to the markets in which the Group operates generally, risks relating to the Group's business, strategic risks, financial risks, legal risks, regulatory and compliance risks and tax risks. In addition, there are certain factors set out under “ <i>Risk Factors</i> ” below which are material for the purpose of assessing the market risks associated with the Bonds, including there being no assurance that a trading market for the Bonds will develop or be maintained, that the Bonds may be redeemed prior to their maturity, the fact that the Bonds are subject to certain transfer restrictions and that the Issuer may rely on paying agents and clearing systems.
<b>Joint Global Co-ordinators:</b>	BNP Paribas and J.P. Morgan Securities plc.
<b>Joint Lead Bookrunners:</b>	BNP Paribas, J.P. Morgan Securities plc and Merrill Lynch International.
<b>Passive Bookrunners:</b>	Banco Santander, S.A. and Crédit Agricole Corporate and Investment Bank.

<b>Co-Managers:</b>	Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Deutsche Bank AG, London Branch, HSBC Bank plc, NatWest Markets Plc and Standard Chartered Bank.
<b>Managers:</b>	The Joint Global Co-ordinators, the Joint Lead Bookrunners, the Passive Bookrunners and the Co-Managers.
<b>Fiscal Agent:</b>	BNP Paribas Securities Services, Luxembourg Branch.
<b>Registrar:</b>	BNP Paribas Securities Services, Luxembourg Branch.
<b>Issue Date:</b>	4 July 2019.
<b>Issue Price:</b>	99.417% in respect of the Series A Bonds.  98.803% in respect of the Series B Bonds.
<b>Use of Proceeds:</b>	The proceeds of the Bonds will be used by the Issuer for its general corporate purposes, including (without limitation) to fund the repurchase of any or all of the Issuer's outstanding €500,000,000 0.25 per cent. Convertible Bonds due 2020.
<b>Interest:</b>	The Series A Bonds will bear interest on their principal amount from the Issue Date at a rate of 0.50 per cent. per annum payable annually in arrear on 4 July in each year up to and including the Series A Final Maturity Date.  The Series B Bonds will bear interest on their principal amount from the Issue Date at a rate of 1.50 per cent. per annum payable annually in arrear on 4 July in each year up to and including the Series B Final Maturity Date.
<b>Status:</b>	The Bonds will (subject as provided in Condition 1(c) and Condition 2) constitute direct, unsecured and unsubordinated obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves.
<b>Form and Denomination:</b>	The Series A Bonds and Series B Bonds will each be in registered form and represented on issue by a registered Global Bond which will be registered in the name of a nominee for a Common Safekeeper for Euroclear and Clearstream, Luxembourg on or about the Issue Date. Save in limited circumstances, the Bonds in definitive form will not be issued in exchange for interests in the relevant registered Global Bond.

The Bonds are intended to be held in a manner which will allow for Eurosystem eligibility.

Depositing the Global Bonds with the Common Safekeeper does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

The Bonds will be issued in denominations of €100,000.

**Final Maturity Date:**

The Series A Bonds will be redeemed in full at their principal amount together with accrued interest (if any) on 4 July 2023.

The Series B Bonds will be redeemed in full at their principal amount together with accrued interest (if any) on 4 July 2027.

**Optional Redemption:**

The Bonds are subject to redemption at the option of the Issuer at any time in whole at the relevant Make-Whole Redemption Amount together with accrued interest (if any), as further described in Condition 6(b).

During the period commencing on (and including) the day that is 90 days prior to the relevant Final Maturity Date and ending on (but excluding) the relevant Final Maturity Date, the Bonds are also subject to redemption at the option of the Issuer at their principal amount together with accrued interest (if any), as further described in Condition 6(c).

If, at any time, the outstanding aggregate principal amount of the Series A Bonds is 20 per cent. or less than the aggregate principal amount of the Series A Bonds when issued, the Series A Bonds are subject to redemption at the option of the Issuer in whole at their principal amount together with accrued interest (if any), as further described in Condition 6(d).

If, at any time, the outstanding aggregate principal amount of the Series B Bonds is 20 per cent. or less than the aggregate principal amount of the Series B Bonds when issued, the Series B Bonds are subject to redemption at the option of the Issuer in whole at their principal amount together with accrued interest (if any), as further described in Condition 6(d).

In addition, the holder of a Bond may, by the exercise of the relevant option, require the Issuer to redeem such Bond at its principal amount together with accrued interest (if any) following the occurrence of a Triggering Event, as further described in Condition 6(g).

**Tax Redemption:**

The Bonds are subject to redemption in whole at their principal amount together with accrued interest (if any) at the option of the Issuer at any time in the event of certain tax changes, as further described in Condition 6(e).

**Cross Default:**

The Bonds will have the benefit of a cross default provision as described in Condition 9 (*Events of Default*).

**Rating:**

The Series A Bonds are expected to be assigned ratings of Baa3 (stable) by Moody's and BBB (stable) by S&P.

The Series B Bonds are expected to be assigned ratings of Baa3 (stable) by Moody's and BBB (stable) by S&P.

Each of Moody's and S&P is established in the EU and registered under the CRA Regulation.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

**Withholding Tax:**

All payments in respect of the Bonds will be made free and clear of withholding taxes imposed by Kingdom of Spain as provided in Condition 8 (*Taxation*) unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 8 (*Taxation*)) pay such additional amounts as will result in the Bondholder receiving such amounts as they would have received in respect of such Bonds had no such withholding been required.

**Meetings of Bondholders:**

The Conditions of the Bonds and the Fiscal Agency Agreement contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not

attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

**Purchase:** Subject to certain conditions, the Issuer or any other member of the Group may at any time purchase Bonds in the open market or otherwise at any price. All Bonds purchased on behalf of the Issuer or any other member of the Group may be held, re-sold or reissued or, at the option of the relevant purchaser, surrendered for cancellation.

**Governing Law:** Subject as provided below, the Bonds and the Fiscal Agency Agreement, and any non-contractual obligations arising out of or in connection therewith, will be governed by English law.

The status of the Bonds as described in Condition 1(c) is governed by, and shall be construed in accordance with, Spanish law.

**Listing and Trading:** Applications have been made to Euronext Dublin for the Series A Bonds and the Series B Bonds to be admitted to the Official List and to trading on the Regulated Market. The Regulated Market of Euronext Dublin is a regulated market for the purposes of MiFID II.

**Clearing Systems:** Euroclear and Clearstream, Luxembourg.

**Selling Restrictions:** The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. The Bonds may be sold in other jurisdictions only in compliance with applicable laws and regulations. See “*Subscription and Sale*” below.

**MiFID II Product Governance/PRIIPs Regulation:** Solely for the purposes of each manufacturer’s product approval processes, the manufacturers have concluded that: (i) the target market for the Bonds is eligible counterparties and professional clients only; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. No PRIIPs Regulation KID has been prepared as the Bonds are not available to retail investors in the EEA.

**ISIN:** XS2020580945 in respect of the Series A Bonds.

XS2020581752 in respect of the Series B Bonds.

**Common Code:** 202058094 in respect of the Series A Bonds.  
202058175 in respect of the Series B Bonds.

## RISK FACTORS

*Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider risk factors associated with any investment in the Bonds, the business of the Issuer and its subsidiaries and the industry in which it and its subsidiaries operate together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the “Terms and Conditions of the Bonds” below or elsewhere in this Prospectus have the same meanings in this section.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Issuer and its subsidiaries that are not currently known to the Issuer, or that the Issuer currently deems immaterial, may individually or cumulatively also have a material adverse effect on the businesses, prospects, results of operations and/or financial condition of the Issuer and/or its subsidiaries and affect the ability of the Issuer to fulfil its obligations under the Bonds and, if any such risk should occur, the price of the Bonds may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Prospectus and their personal circumstances.*

### FACTORS THAT MAY AFFECT THE ISSUER’S ABILITY TO FULFIL ITS OBLIGATIONS UNDER BONDS

#### Strategic Risks

##### ***The Issuer is a holding company***

The Issuer is the holding company of Aer Lingus Group plc (“**Aer Lingus**”), British Airways Plc (“**British Airways**”), Iberia Líneas Aéreas de España, S.A. Operadora (“**Iberia**”), Vueling Airlines, S.A. (“**Vueling**”) and FLY LEVEL, S.L. (“**LEVEL**”) and the indirect owner of BA Cityflyer Limited (“**British Airways Cityflyer**”) and Compañía Operadora de Corto y Medio Radio Iberia Express, S.A. (“**Iberia Express**”) (each being an “**IAG Airline**” and, together, the “**IAG Airlines**”). In addition, the Issuer is the holding company of IAG Cargo Limited (“**IAG Cargo**”), Avios Group Limited (“**Avios**”), IAG GBS Limited (“**IAG GBS**”) and IAG Connect Limited (“**IAG Connect**”) (each being an “**IAG Platform Company**” and, together, “**IAG Platform Companies**”, and the IAG Platform Companies together with IAG Airlines being the “**IAG Subsidiaries**”). The Issuer is therefore dependant on the earnings and cash flows of, and the distribution of funds from, the IAG Subsidiaries to meet its debt obligations, including its obligations with respect to the Bonds. Generally, creditors of an IAG Subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by an IAG Subsidiary, and preferred shareholders, if any, of an IAG Subsidiary, will be entitled to the assets of that IAG Subsidiary before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer’s obligations in respect of the Bonds will, to the extent described above, effectively be subordinated to the prior payment of all the debts and other liabilities of the IAG Subsidiaries, including the rights of trade creditors and preferred shareholders (if any), as well as contingent liabilities, all of which could be substantial.



### ***Dependency on third party service providers***

The Issuer and each IAG Subsidiary have entered into agreements with third party service providers for services covering a significant proportion of their operation and cost base, including ground handling, aircraft maintenance, IT call centres, catering and fuel supply. Failure to adequately manage the performance of such service providers and failure by such service providers to perform their obligations under these agreements could adversely affect the Issuer's and/or the IAG Subsidiaries' respective reputations and their operational and financial performances. Loss of such third party contracts or the inability to renew or negotiate favourable replacement contracts could have a material adverse effect on the IAG Subsidiaries' and/or the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Dependency on strategic alliances and bilateral cooperation agreements***

The IAG Airlines benefit from the connectivity provided by the *oneworld* global airline alliance (as described in the section of this Prospectus entitled "*Description of the Issuer and the Group – Strategic Alliances and Co-operation*") and its ability to maintain a strong membership of airlines whom will attract consumer attention. No assurance can be given that *oneworld* will not lose member airlines, whether as a result of one or more member airline terminating their membership or having their membership suspended. Furthermore, no assurance can be given that *oneworld* will be able to attract the new members it might need to be successful in the future.

Certain IAG Airlines are party to a number of joint business arrangements, with entities such as American Airlines, Japan Airlines and Qatar Airways, which are subject to inherent delivery risks such as realising planned synergies and agreeing the deployment of additional capacity within the joint business. There can be no assurance that its partner airlines will perform in line with certain IAG Airlines, which could result in significant variation in the amount of transfer payments or receipts. Certain IAG Airlines may also have a number of franchise partners that feed traffic into hubs or major outstations.

Any major failure of a joint business, a joint business partner or franchise partner could have a material adverse effect on the IAG Subsidiaries' and, by extension, the Issuer's businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Risks in the execution of its business strategy***

The Issuer and the IAG Subsidiaries are undertaking a number of key projects and programmes to deliver key elements of their respective strategies. If one or more of these projects or programmes fail to deliver the anticipated business benefits and costs savings planned, this could have a material adverse effect on the Issuer's and/or relevant IAG Subsidiary's respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Exposure to a highly competitive industry and other alternative means of transportation***

The IAG Airlines operate in competitive market places facing direct and indirect competition on their routes, as well as from indirect flights, 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 margins of the IAG Airlines. Failure to react quickly to competitor changes could have an impact on each IAG Airline's market share and brand strength and could result in a material adverse effect on the IAG Subsidiaries' and, by extension, the Issuer's businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

Likewise, industry consolidation could affect the competitive environment of the IAG Airlines in a number of different markets. Each IAG 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 and could have a material adverse effect on the IAG Subsidiaries' and, by extension, the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds. In addition, the airline industry competes with other modes of transport including train travel. The short-haul operations of the IAG Airlines are concentrated across Europe where there is a significant and reliable rail network. If alternative modes of transport provide a more cost-effective means of travel or there is a change in preference amongst airline travellers against using airlines this could have a material adverse effect on the IAG Subsidiaries' and, by extension, the Issuer's businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

#### ***Reliance upon, and exposure to, national and international infrastructure development***

The Issuer and the IAG Airlines are dependent on, and may be affected by, infrastructure decisions or changes in infrastructure policy by governments, regulators or other entities, which are often outside the Issuer's and/or the IAG Airlines' control including, for example, a decision to allow additional runway capacity at an airport or the construction of a new airport. This in turn could have a material adverse effect on the Issuer's and/or any relevant IAG Subsidiaries' respective businesses, prospects, results of operations and financial conditions and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

#### ***Dependency on new aircraft and engine performance***

Each IAG Airline is dependent on the timely entry and availability of new aircraft and engine performance in order to improve its operational efficiency and maintain its market position. Each IAG Airline is exposed to engine and fleet manufacturers' delay or complete failure of delivery which could impact its fleet plans. This could result in significant disruption to such IAG Airline's operations as well as passengers forming a negative perception of such IAG Airline thereby reducing demand. Such disruption to operations and/or reduction in demand could have a material adverse effect on the IAG Subsidiaries' and, by extension, the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

In addition, fleet manufacturers and/or regulatory authorities may require mandatory or recommended modifications to be made across a particular fleet which may mean having to ground a particular type of aircraft. This may cause operational disruption to and impose significant costs on the IAG Airlines.

Any material defect in any of the IAG Airlines' aircraft maintenance or grounding of aircraft for any reason (including as a result of regulatory requirements) could result in low reliability, flight delays

for technical reasons and unscheduled stops which, in each case, could have a material adverse effect on the IAG Subsidiaries' and, by extension, the Issuer's businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

#### ***Impacts from severe global economic conditions***

The Issuer's and the IAG Subsidiaries' respective businesses can be affected by macroeconomic conditions outside of their control, including weakening consumer confidence, inflationary pressure or economic instability. During such times consumers may choose not to fly. Neither the Issuer nor the IAG Subsidiaries have control over the impact of macroeconomic conditions and there can be no assurance that any such issue will not have a material adverse effect on the Issuer's and/or the IAG Subsidiaries' respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

#### ***Difficulties in completing acquisitions, integrating acquired businesses and achieving anticipated synergies***

The Issuer regularly identifies and evaluates acquisition opportunities and may acquire additional businesses that it expects to complement or augment its existing operations. The Issuer may be limited in its ability to acquire companies depending on the concentration of ownership in specific markets and the Issuer's relative market position. There is a risk that suitable acquisition candidates are not identified in the future or that the Issuer is not able to finance such acquisitions on favourable terms. Further, there is a risk that future acquisitions may not be fully integrated successfully into the Issuer's operations and may not achieve the desired financial objectives.

In agreeing to acquire entities, the Issuer generally makes certain assessments and assumptions on, among other things, future revenues and earnings, based on the Issuer's investigation of the respective businesses and other information available. The Issuer's assessment of, or assumptions regarding, opportunities and risks associated with acquisitions may prove to be incorrect and liabilities, contingencies or other risks previously not known to the Issuer may arise. In addition, such unanticipated risks, liabilities, contingencies, losses or issues, if realised, could have a material adverse effect on the Issuer's businesses, prospects, results of operations and financial condition and therefore may affect the Issuer's ability to fulfil its obligations under the Bonds.

#### ***Legal proceedings brought against an IAG Subsidiary***

British Airways, an IAG Subsidiary, is involved in a number of legal proceedings, which are ongoing (see the section of this Prospectus entitled "*Description of the Issuer – Legal Proceedings*").

At present, the outcome of the various legal proceedings is unknown and may have a material adverse effect on British Airways' and, by extension the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

## Business and Operational Risks

### ***Major safety and operational incidents***

Aircraft crashes or other safety incidents involving an IAG Airline or another airline, as well as potentially leading to loss of life, could impact passenger confidence and have an adverse effect on the airline industry in general and (to the extent any IAG Airline was involved) such IAG Airline's reputation in particular, leading to reduced demand for that IAG Airline's (and potentially other IAG Subsidiaries') services. Such events could have a material adverse effect on the IAG Subsidiaries' and, by extension, the Issuer's, respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds. Moreover, costs associated with the repair or replacement of damaged or lost aircraft, resulting in temporary or permanent loss from service of such damaged or lost aircraft and claims by affected passengers, owners and third parties may occur. Failure to prevent or respond promptly and effectively to such an incident could have a material adverse effect on the IAG Subsidiaries' and, by extension, the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Exposure to major security-related threats or attacks***

A major security-related threat or attack, or failure to react immediately and effectively to such an event, could impact passenger confidence and (to the extent an IAG Airline is involved) have an adverse effect on such IAG Airline's reputation, leading to reduced demand for such IAG Airline's services (and potentially other IAG Subsidiaries) which could in turn lead to a loss of revenues for such IAG Airline and, by extension, the other IAG Subsidiaries and the Issuer. Additional adverse consequences of such events, and the threat of such events, could include a complete or partial closure of European airspace for certain periods, reduced demand for air travel, limitations on the availability of insurance coverage, increased costs associated with security precautions and flight restrictions over war zones. Major security-related threats or attacks have the potential to adversely affect each IAG Subsidiary's business regardless of the location or target of such threat or attack or whether an IAG Airline was involved. All of these adverse consequences, should such an incident occur, could have a material adverse effect on the IAG Subsidiaries' and, by extension, the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Disruptions and vulnerability from loss of key airports***

The IAG Subsidiaries operate from a number of key airports across Europe. The complete or partial closure or temporary unavailability of any of the key airports from which the IAG Subsidiaries operate, for instance due to forces of nature (including fire, flooding, excessive snow and acts of God), a major air crash at the site, union activity and strike action, a terrorist or similar security incident, or any other network disruption, could result in the disruption of any relevant IAG Subsidiary's operations and, consequently, have a material adverse effect on the relevant IAG Subsidiary's and, by extension, the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

In addition to a number of possible events or factors of the kind of those listed above or that have already happened in the past, air traffic control and management issues, and epidemics and

pandemics, should they occur and remain for a sustained period, may cause significant and widespread disruption to the IAG Airlines' network. The occurrence and timing of such events, together with the reaction of aviation authorities, cannot be predicted or controlled by the Issuer or the IAG Airlines and could weaken the demand for air travel, materially affect airline operations or require significant compensation to be paid, which could result in the disruption of the IAG Subsidiaries' respective operations and, subsequently, cause a material adverse effect on the IAG Subsidiaries' and, by extension, the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

#### ***Failure of critical IT systems and/or security breaches***

The Issuer and the IAG Subsidiaries are dependent on a number of key IT systems and processes. In particular, the IAG Airlines' key operational and commercial IT systems include internet bookings, online check in, flight planning and flight operations. A disruption of such systems or access to premises and facilities, including any IAG Subsidiary website, or a failure on the part of an IT supplier and its infrastructure, could lead to significant operational disruption. Any such disruption or loss of access to critical IT systems, premises or facilities could have a material adverse effect on the IAG Subsidiaries' and/or the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

In addition, the Issuer and the IAG Subsidiaries face both external cyber threats and internal risks to their respective data and systems. The Issuer and each IAG Subsidiary's respective data and systems may be vulnerable to theft, loss, damage and interruption due to unauthorised access, security breaches, cyber-attacks, computer viruses, power loss, or other disruptive events. A security breach could have a negative impact on customer confidence in the Issuer and/or the relevant IAG Subsidiary's systems and negatively impact the Issuer's and/or such IAG Subsidiary's reputation as well as subject it to penalties for regulatory breach, if applicable. Should a security breach occur this could have a material adverse effect on the Issuer's and/or such IAG Subsidiary's results of operations and financial condition and therefore on the ability of the Issuer to fulfil its obligations under the Bonds.

#### ***Inability to meet customer expectations***

Reliability, including on time performance, is a key element of each IAG Subsidiary's customer experience. Unreliable operational performance and inability to react to customer expectations as a result of routine and ongoing disruption could negatively impact customer satisfaction and have a material adverse effect on the relevant IAG Subsidiary's and, by extension, the Issuer's, businesses, prospects, results of operations and financial condition, as a result of reduced demand and payment of compensation (see "*Risk Factor – Impact from passengers' compensation for certain flight delays and cancellations*" below). This in turn could affect the ability of the Issuer to fulfil its obligations under the Bonds.

#### ***Failure to perform contractual obligations***

A failure by the Issuer or an IAG Subsidiary to comply with its contractual obligations or to pay its indebtedness and fixed costs, could result in a variety of material adverse consequences, including acceleration of indebtedness, the exercise of remedies by its creditors, lessors or other co-contracting parties, or termination of the relevant contract, and such defaults could trigger

additional cross defaults under other indebtedness or agreements. In such situations, the Issuer or any relevant IAG Subsidiary may not be able to repay the accelerated indebtedness or fulfil its obligations under certain contracts, make required aircraft lease payments or otherwise cover its fixed costs. Once default has occurred, the lenders under such financing arrangements could enforce upon all or substantially all of the assets of the Issuer or the relevant IAG Subsidiary which secure its obligations in accordance with the terms of the agreement. Such failure to pay or resulting enforcement action could have a material adverse effect on the Issuer's or relevant IAG Subsidiary's businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

***Size of certain IAG Subsidiaries' pension deficit and association commitments are substantial and subject to variation***

Certain IAG Subsidiaries have in place defined benefit pension schemes for their staff, for which the IAG Subsidiary is the ultimate sponsor for funding, whereby contribution requirements are generally assessed every three years as part of a full actuarial valuation. Significant negative movements in pension assets values and financial returns from these assets, major changes in actuarial assumptions used to assess the pension scheme funding position and changes in the rate of inflation and interest rates may lead to deficits in these defined benefit pension schemes, which in turn could require increased cash contributions from the relevant IAG Subsidiary and could have a material adverse effect on the relevant IAG Subsidiary's and, by extension the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

***Exposure to legal actions and disputes with trade unions***

The IAG Subsidiaries and their suppliers have a significant number of employees who are members of trade unions and also have key third party service providers whose employees are members of trade unions. The IAG Subsidiaries and their suppliers regularly negotiate with a number of the unionised groups including airport operators, pilots, cabin crew, ramp staff and engineering staff. Whilst collective bargaining and other agreements with these unions takes place regularly, a breakdown in the bargaining process could lead to strikes or other industrial action being taken by the IAG Subsidiaries' respective employees, or by the employees of key third party service providers, which could impact on the relevant IAG Subsidiary's ability to maintain its flight schedules. There can be no assurance that the IAG Subsidiaries will not experience strikes or other industrial action in the future. Any drawn out dispute including the prospect of strikes or other industrial action, even if it does not ultimately result in strikes or other industrial action taking place, could have a material adverse effect on such IAG Subsidiary's reputation and cause consumers to book flights with such IAG Subsidiary's competitors. Any such strike or other industrial action, or any threat of a strike or other industrial action, could have a material adverse effect on such IAG Subsidiary's and, by extension the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

***Challenges in recruiting and retaining talent***

The Issuer's and each IAG Subsidiary's current and future success depend upon the efforts, abilities and knowledge of their personnel, including the management team and other key financial, commercial and operating personnel. Competition for highly qualified personnel within the aviation industry is intense and failure to attract and retain key talent or, if an adequate

replacement cannot be found within a suitable time period, the loss of any of the key management personnel of the Issuer or of any IAG Subsidiary could lead to an adverse effect on the Issuer's and the IAG Subsidiaries' respective ability to deliver their strategic objectives and could have a material adverse effect on the Issuer's and the IAG Subsidiaries' respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

#### ***Insufficient insurance cover***

The Issuer and each IAG Subsidiary believes that it has insurance in place consistent with its requirements. However, insurance policies are typically subject to a number of conditions and exclusions and must be renewed from time to time. In addition, similar insurance may be difficult to obtain subsequent to the occurrence of a safety incident. Any disaster or major disruption involving an IAG Airline or its aircraft could result in potential claims from injured passengers, third parties, crew or others. There may also be temporary or permanent loss of the aircraft from service, as well as repair and replacement costs. There can be no assurance that the amount or type of insurance cover currently held by the Issuer or the IAG Subsidiaries will be sufficient or adequate to cover all potential losses. If the Issuer's or an IAG Subsidiary's insurance policies exclude certain events or specific claims or if the amounts insured under such policies are insufficient, the Issuer or as the case may be, the relevant IAG Subsidiary may suffer significant costs. In addition, if the cost of insurance increases substantially, for example due to a terrorist incident, there may be a negative impact on the Issuer's or any relevant IAG Subsidiary's profits.

Any insurance claim, or the inability of the Issuer or any relevant IAG Subsidiary to renew or obtain adequate insurance could have a material adverse effect on the Issuer's or any relevant IAG Subsidiary's results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

#### ***Exposure to increases in airport, transit and landing fees, along with changes in aviation security policies and air traffic security costs***

Airlines are exposed to increases in airport, transit and landing fees, along with changes in air security policies and air traffic security costs. Airport, transit and landing fees and security charges or initiatives represent a significant operating cost to the IAG Airlines and have an impact on their respective operations.

There can be no assurance that such costs will not increase or that the IAG Airlines will not incur new costs in the United Kingdom, Spain or elsewhere in Europe and in the jurisdictions in which they respectively operate. If an IAG Airline is not able to pass any increases in charges, fees or other costs on to its customers, these increases could have a material adverse effect on such IAG Airline's and, by extension certain other IAG Subsidiaries' and the Issuer's, businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

#### **Financial Risks**

##### ***Jet fuel price risk***

Jet fuel costs constitute a substantial proportion of each IAG Airline's total operating expenses. Jet fuel can be subject to significant price volatility. Jet fuel prices are influenced by a number of

political and economic factors such as war or the threat of war, refining capacity and sudden disruptions in supply. Substantial increases in jet fuel prices would significantly impact jet fuel costs.

If the IAG Airlines are exposed to sustained significant price volatility and/or increases in jet fuel prices, there can be no assurance that they will be able to offset such volatility and/or increases by passing these costs on to customers and/or through fuel hedging arrangements. In addition, neither the Issuer nor the IAG Airlines can predict the movement of either short-term or long-term jet fuel prices. Any such price volatility and/or increases in prices for jet fuel could have a material adverse effect on the IAG Subsidiaries' and, by extension, the Issuer's, respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Liquidity risk***

Liquidity risk is the possibility of being unable to meet all present and future financial obligations as they become due and to cover material capital expenditures requirements. While the Issuer and the IAG Subsidiaries believe they have processes in place designed to deliver sufficient cash resources and the availability of funding as needed, there can be no assurance that such processes will be effective. Any business disruption as a result of not being able to meet all present and future financial obligations and capital expenditure requirements as they become due could have a material adverse effect on the Issuer and/or any relevant IAG Subsidiary's respective businesses, prospects, results of operations and financial conditions and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Foreign exchange rate risk***

The Issuer and the IAG Subsidiaries (other than British Airways, Avios and IAG Connect) report their financial results in euro. British Airways, Avios and IAG Connect report their financial results in pound sterling. Therefore the Issuer's and each IAG Subsidiary's principal exposure to currency exchange rates arise from fluctuations of the euro or pound sterling, which impact their operating, financing and investing activities. The Issuer's and/or the IAG Subsidiaries' financial results for each period may be affected by fluctuations in exchange rates. Sustained adverse changes in exchange rates against the reporting currency could have a material adverse effect on the Issuer's and the IAG Subsidiaries' respective businesses, operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

Whilst the Issuer and the IAG Subsidiaries manage foreign currency risk through hedging activity which aims to reduce the impact of exchange rate volatility on the results and cash flows of the Issuer and the IAG Subsidiaries, there can be no assurance that such foreign currency risk management will be fully effective to minimise or eliminate the impact of exchange rate volatility. If such foreign currency risk management is not effective, this could have a material adverse effect on the Issuer's and/or the IAG Subsidiaries' respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Interest rate risk***

The Issuer and the IAG Subsidiaries are exposed to movements on interest rates on interest bearing monetary items. The IAG Subsidiaries' ability to finance their respective operations and



satisfy their financing commitments, together with future capital expenditure and financing requirements, is reliant on a number of factors including those outside of their control. In some cases, an IAG Subsidiary may need to refinance and such refinancing may be more expensive than current rates or may be unavailable depending on the Issuer's or, as the case may be, the relevant IAG Subsidiary's prevailing credit profile, the financial markets conditions at the time and other factors outside of the Issuer's or any IAG Subsidiary's control. Should the Issuer or an IAG Subsidiary be unable to obtain satisfactory financing in respect of its current commitments or future financing needs, this could have a material adverse effect on the Issuer and/or the relevant IAG Subsidiary's businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Exposure to non-performance of counterparties***

The Issuer and the IAG Subsidiaries are exposed to the credit risk of non-performance by its counterparties in respect of receivable financial assets, which include cash and money market deposits, derivative financial instruments, and trade and other receivables. The Issuer and the IAG Subsidiaries are also exposed to the credit risk of non-performance by, amongst others, its insurance and financial counterparties. Failure of any of its counterparties could have a material adverse effect on the Issuer's and/or the IAG Subsidiaries' respective businesses, prospects, results of operations and financial conditions and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### Compliance and Regulatory Risks

#### ***Uncertainty around the withdrawal of the United Kingdom from the European Union***

On 23 June 2016, the United Kingdom held a referendum on its membership of the EU, the result of which favoured an exit from the EU, commonly referred to as "Brexit". On 29 March 2017, the Prime Minister of the United Kingdom notified the European Council, in accordance with Article 50 of the Treaty on EU, of the United Kingdom's intention to withdraw from the EU, triggering a two-year period of negotiation of the United Kingdom's withdrawal from the EU. On 11 April 2019, the United Kingdom and the EU agreed to an extension of this negotiating period until 31 October 2019, with the possibility of the United Kingdom to leave before this date if an agreement is reached. At present, the precise timing and conditions for Brexit are not fully known.

There are multiple EU Directives and Regulations which determine how the Issuer and each IAG Airline shall operate. These range from specific aviation directives and regulations (for example, the regulation on the harmonisation of technical requirements and administrative procedures in the field of civil aviation (Council Regulation (EEC) No 3922/91, referred to as EU-OPS), the requirement to hold an air operator's certificate (an "**AOC**" or, "**Aircraft Operating Certificate**") and compliance with the rules and regulations of the European Aviation Safety Agency ("**EASA**")) through to more general business directives and regulations (for example, including relating to social security, shareholder ownership, competition and pricing).

The Issuer and the IAG Airlines have continued to engage extensively with the relevant authorities to ensure the views of the Issuer and the IAG Airlines on post-Brexit aviation arrangements are understood and taken into account. This has included frequent dialogue with the United Kingdom, Spanish and Irish governments, as well as the European Commission and Members of the European Parliament. The completion of a draft withdrawal agreement between the negotiators in March 2019 (the "**Draft Withdrawal Agreement**") confirmed that there would be no change to

aviation arrangements until the end of the transition period on 31 December 2020 and that the future relationship between the parties would include a comprehensive air transport agreement.

As the Draft Withdrawal Agreement is subject to ratification by the United Kingdom and EU parliaments, both the European Commission and the United Kingdom Government published separate plans to allow air services to continue in the event that the Draft Withdrawal Agreement (or an amended version of it) cannot be ratified. These include mechanisms to permit flights between the United Kingdom and the EU and recognition of each other's safety certification, approvals and security regimes. As part of this, the EU adopted a Regulation on basic connectivity between the EU and United Kingdom that may result in some restrictions on code share flexibility. In addition, in November the United Kingdom signed new air services agreements with the USA and Canada to replace existing EU-wide agreements once the United Kingdom leaves the EU, securing market access and regulatory arrangements for the future.

While the Issuer's assessment remains that, even in the event of no-deal, Brexit will have no significant long-term impact on its business, Brexit has caused and may continue to cause uncertainty and could have a material adverse effect on the Issuer's and/or any IAG Subsidiary's business, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

#### ***Requirement to maintain majority share ownership and control by European Economic Area Member States or their nationals***

It is a requirement of EU law that a EU Member State may only licence an air carrier to operate airline services if the majority of its share capital is owned, and the carrier is effectively controlled by, Member States of the EEA or their nationals (including ownership by Switzerland and/or Swiss nationals) (the "**Ownership and Control Requirement**"). Each of the IAG Airlines which holds a European AOC currently complies with the Ownership and Control Requirement. In preparation for Brexit, each of the IAG Airlines which holds a European AOC (other than British Airways as it was not required to do so) has proposed to its applicable licensing authority, a remedial action plan detailing the measures that would be taken to ensure its continued compliance with the Ownership and Control Requirement in the event that the United Kingdom withdraws from the EU without having entered into an agreement with the EU to provide for the United Kingdom's continued inclusion in the EU's Single Aviation Market. However, if an IAG Airline which holds a European AOC fails to comply with the Ownership and Control Requirement, the relevant IAG Airline may temporarily or permanently lose the ability to operate airline services in the EU which could have a material adverse effect on such IAG Airline's and, by extension certain other IAG Subsidiaries' and the Issuer's, respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

#### ***Climate Change***

Vulnerability to the effects of global warming and climate change has the potential to affect the IAG Airlines' operations and broader business. In particular, if climate change results in more volatile weather, such as a greater frequency and intensity of storms, this could disrupt the IAG Airlines' operations by reducing handling capacity at airports 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 the relevant IAG Airline's reputation, which may have an adverse effect on the relevant IAG Airline's and, by extension, certain other IAG

Subsidiaries' and the Issuer's respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

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 the IAG Airlines' customer satisfaction and retention. Customer attitudes to environmental and climate issues may also change and this may lead to a reduced demand for air travel or reputational consequences for less environmentally conscious airlines.

***Exposure to risks associated with the limitation of greenhouse gas emissions and related trading schemes or allowances and any changes to environmental legislation***

Under the United Nations Framework Convention on Climate Change and the Kyoto Protocol, certain contracting states entered into obligations to control and reduce the emission of greenhouse gases.

To comply with its obligations under public international law, the EU introduced the Emissions Trading Scheme (the "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. In October 2016 the International Civil Aviation Organisation agreed a Carbon Offsetting and Reduction Scheme for International Aviation ("CORSA") to target carbon neutral growth for the airline sector, which is due to commence in 2021. CORSA will require airlines to purchase carbon offsets from other industries to compensate for emission growth in the airline sector. The number of offsets required to be purchased, and any increase in such number, could have an adverse impact upon demand for air travel and/or reduce the profit margin per ticket.

Further regulations on greenhouse gas emissions may be enacted in one or more of the countries in which the IAG Airlines operate. In addition, if the cost of carbon emission permits significantly increase in the future, and there is unequal application of carbon regulation or the cost of more efficient technologies significantly increases, the IAG Airlines may face a material financial risk. All of these factors may limit the IAG Airlines' operational flexibility, increase costs and therefore could have a material adverse effect on their and, by extension, certain other IAG Subsidiaries' and the Issuer's, respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

***Exposure to changes to regional, national or international law or regulations***

The Issuer and the IAG Subsidiaries are subject not only to English and Spanish laws and regulations but also to the laws and regulations of the EU and other nations in which they respectively operate outside the EU, together with international organisations and international, bilateral and multilateral treaties. The scope of such laws and regulations includes (among other things) infrastructure issues relating to slot capacity, route flying rights, environmental and security requirements, safety, licensing, competition, customer protection and tax as well as controlling capacity and restricting market entry. Additional laws, regulations, taxes and airport rates and charges and/or any relaxation or tightening of laws to which the Issuer and/or any IAG Subsidiary is subject, may be proposed from time to time and could significantly increase the cost of the IAG Subsidiaries' respective airline operations, reduce their revenues and/or impact the IAG

Subsidiaries' ability to compete with other airlines. Furthermore, while neither the Issuer nor the IAG Subsidiaries can fully anticipate all changes that may be made in the future or the possible adverse impact of such changes, their ability to comply with such regulations is key to maintaining their operational and financial performances. Any such reduction in revenues could have a material adverse effect on the Issuer's and/or the IAG Subsidiaries' respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Exposure to extensive and changing legislative and regulatory oversight***

The airline industry is subject to extensive and changing legislative and regulatory requirements. Changes to legislative and regulatory requirements occur frequently and may in addition occur as a result of the United Kingdom leaving the EU (see "*Political and economic uncertainty around the United Kingdom leaving the European Union*" below). Additional laws, regulations and taxes have been proposed from time to time that, if implemented, could significantly increase the cost of airline operations or reduce revenues. Each IAG Subsidiary is also exposed to legislative and regulatory oversight in all countries where it sells its product via local language websites. This will increase as the IAG Subsidiaries grow geographically and the number of local language websites increases. New regulations could have a negative impact on the IAG Subsidiaries' respective costs and business models. For example, more safety and/or security requirements could impact on each IAG Airline's ability to manage quick turnarounds and therefore may compromise aircraft utilisation or may impose additional costs. Neither the Issuer nor the IAG Subsidiaries can anticipate all changes that may be made in the future including changes made in response to the United Kingdom leaving the EU, nor the possible adverse impact of such changes, including on each IAG Subsidiary's operations, financial condition or prospects. Any such new legislation or regulations could have a material adverse effect on the IAG Subsidiaries' and, by extension the Issuer's, respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Data protection legislation breaches***

The Issuer's and each IAG Subsidiary's operations involve the processing and storage of large quantities of personal data relating to its customers, employees and other parties and, as such, is subject to significant obligations in respect of data protection legislation. In the event that the Issuer or an IAG Subsidiary is unable to meet such obligations, it may be subject to regulatory action or civil claims. The General Data Protection Regulation (2016/679/EU), together with Constitutional Act 3/2018, of December 5, on the Protection of Personal Data and guarantee of digital rights permits national supervisory authorities to levy administrative penalties of up to 4 per cent. of companies' global annual turnover in cases of significant non-compliance. Additionally, the Issuer or an IAG Subsidiary may be subject to claims for material and non-material damage from groups of affected customers and employees. The cost of regulatory or legal action, and any reputational damage suffered as a result of such action, could have a material adverse effect on the Issuer's, or as the case may be, any relevant IAG Subsidiary's financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Impact from passengers' compensation for certain flight delays and cancellations***

Under European legislation (EU Regulation (EC) No. 261/2004 ("**EU 261**")), airlines including the IAG Airlines are required to compensate passengers for certain flight delays and cancellations. The legislation provides for compensation in a cash amount equal to €250, €400 or €600 per

passenger, depending on the length of the flight, with short-haul flights typically subject to compensation in an amount equal to €250 per passenger where this is due. In addition, passengers may also be entitled to assistance, including meals, drinks and telephone calls, as well as hotel accommodation, depending on the length of the delay. In certain circumstances, the IAG Airlines must offer the option of a refund of the cost of the unused ticket. There can be no assurance that they will be able to manage all circumstances which may give rise to such delays and/or cancellations. In such circumstances, the IAG Airlines may be required to make compensatory payments to affected passengers and may also suffer reputational damage. Although the IAG Airlines maintain and regularly assess their respective provisions for EU 261 compensation payable in respect of flight delays and cancellations, any such claims could have a material adverse effect on the relevant IAG Airline's and, by extension, certain other IAG Subsidiaries' and the Issuer's, respective businesses, prospects, results of operations and financial condition and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

### ***Non-compliance with competition, bribery, privacy laws and with internal regulations***

The Issuer and the IAG Subsidiaries each have company-wide anti-bribery and corruption policies, based on applicable laws, as well as a gifts and hospitality policy and an online register to record all gifts and hospitality that are accepted by employees. There can be no assurance that violations of the Issuer's and/or the IAG Subsidiaries' respective internal corporate governance requirements will not occur. In the event violations do occur, they could have material adverse effects on the Issuer's and the IAG Subsidiaries' respective reputations and result in fines, which could in turn have a material adverse effect on the Issuer's and the IAG Subsidiaries' respective businesses, prospects, financial condition and results of operations and therefore could affect the ability of the Issuer to fulfil its obligations under the Bonds.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH BONDS**

### ***The Bonds may not be a suitable investment for all investors***

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- i. have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement;
- ii. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- iii. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- iv. understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and

- v. be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Bonds are legal investments for it; (ii) the Bonds can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

***The Issuer may redeem the Bonds prior to maturity***

In the event that the Issuer has or will become obliged to pay additional amounts in respect of the Bonds pursuant to Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or authority therein or thereon having the power to tax, or any change in the general application or official interpretation of such laws or regulations, which becomes effective on or after the Issue Date and such obligations cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may redeem all outstanding Bonds in accordance with the Conditions, as described under Condition 6 (*Redemption and Purchase*). In addition, the Issuer may redeem all but not some only of the Bonds at the relevant Make-Whole Redemption Amount (together with accrued but unpaid interest) at any time, as described in Condition 6(b). The Issuer may also redeem all but not some only of the Bonds then outstanding on any Business Day which falls during the period commencing on (and including) the day that is 90 days prior to the relevant Final Maturity Date and ending on (but excluding) the relevant Final Maturity Date, at their principal amount, as described in Condition 6(c). If, at any time, the outstanding aggregate principal amount of the Series A Bonds is 20 per cent. or less of the aggregate principal amount of the Series A Bonds when issued, the Issuer may redeem all but not some only of the Series A Bonds then outstanding at their principal amount, as described in Condition 6(d). If, at any time, the outstanding aggregate principal amount of the Series B Bonds is 20 per cent. or less of the aggregate principal amount of the Series B Bonds when issued, the Issuer may redeem all but not some only of the Series B Bonds then outstanding at their principal amount, as described in Condition 6(d). If the Issuer calls and redeems the Bonds in the circumstances mentioned above, an investor may not be able to reinvest the redemption proceeds in securities offering a comparable yield.

***A Bondholder may require the Issuer to redeem its Bonds prior to the Final Maturity Date***

Each Bondholder may, upon the occurrence of a Triggering Event (as defined in the Condition 6(g)) require the Issuer to redeem its Bonds at their principal amount outstanding together with accrued interest (if any), in accordance with Condition 6(g). There can be no assurance that, at the time a Bondholder requires the Issuer to redeem its Bonds in accordance with Condition 6(g), the Issuer will have sufficient funds available to redeem the Bonds specified in the relevant Put Exercise Notice.

## **Risks related to Bonds generally**

Set out below is a description of material risks relating to the Bonds generally:

### ***Binding nature of defined majority decisions of Bondholders***

The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

### ***The Bonds do not restrict the amount of debt which the Issuer may incur***

The terms and conditions of the Bonds do not contain any restriction on the amount of indebtedness which the Issuer may from time to time incur. In the event of any insolvency or winding up of the Issuer, the Bonds will rank equally with the Issuer's other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer's unsecured senior indebtedness in the future may reduce the amount recoverable by Bondholders. In addition, the Bonds are unsecured and, save as provided in Condition 2 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Bonds and other unsecured indebtedness of the Issuer in respect of such assets.

In relation to the assets and indebtedness of the Issuer's subsidiaries, see also "*Factors that may affect the Issuer's ability to fulfil its obligations under Bonds – The Issuer is a holding company*".

### ***Payments in respect of the Bonds may in certain circumstances be made subject to withholding or deduction of tax***

Under the regulations established by Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, income paid in respect of the Bonds will not be subject to withholding tax in Spain provided certain reporting obligations are met, being, at the date hereof, the provision to the Issuer by the Fiscal Agent, in a timely manner, of a duly executed and completed Payment Statement. See "*Taxation — Taxation in Spain — Disclosure obligations in connection with payments on the Bonds*".

The Fiscal Agent is expected to follow certain procedures to facilitate the timely provision by the Fiscal Agent to the Issuer of a duly executed and completed Payment Statement in connection with each payment of income under the Bonds. A description of those procedures is set out in a schedule to the Fiscal Agency Agreement and should be read together with the section of this Prospectus entitled "*Taxation — Taxation in Spain*". If the procedures are not followed, the Issuer will withhold at the then applicable rate (being 19 per cent. at the date of this Prospectus) from any interest payment in respect of the Bonds, as well as from any income derived from the redemption of the Bonds. Such procedures may be revised from time to time in accordance with changes in the applicable Spanish laws and regulations or administrative interpretations thereof. In this case, the Issuer shall pay such additional amounts as will result in the receipt by the holders of the Bonds, after any withholding or deduction for or on account of such taxes, duties, assessments or charges, of such amounts as would have been received by them if no such withholding or deduction had been required. No such additional amounts, however, shall be

payable if any of the exceptions referred to in Condition 8 of the Conditions of the Bonds applies. Bondholders entitled to receive income payments in respect of the Bonds free from Spanish withholding tax, but whose income payments have been made net of Spanish withholding tax, may apply directly to the Spanish tax authorities for any refund to which they may be entitled.

### ***Risks in relation to Bonds held by Spanish corporate entities***

Despite the Issuer's opinion that, due to the Bonds not being placed in Spain (on the basis that there will be no public offer into Spain, as contemplated in "*Subscription and Sale - Spain*") there is a possible exemption from withholding tax on payments to Spanish corporate Bondholders, the Spanish tax authorities may determine that the Bonds have been placed, totally or partially, in Spain and that such exemption does not apply to any of the Bonds (see "*Taxation – Taxation in Spain*"). If such determination were made, income derived from the transfer of the Bonds by Bondholders could be subject to withholding tax at the applicable rate which, as at the date of this Prospectus, is 19%. No additional amounts will be payable by the Issuer in such circumstances.

### ***Taxation***

Potential investors of Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing Bonds and receiving payments of interest, principal and/or other amounts or delivery of securities under the Bonds and the consequences of such actions under the tax laws of those countries.

### ***Change of law***

All conditions of the Bonds are governed by English law, save for Condition 1(c) which is governed by Spanish law, in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English or Spanish law or administrative practice after the date of this Prospectus.

### ***As each registered Global Bond is held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

The Series A Bonds and the Series B Bonds will each be represented by a registered Global Bond, except in certain limited circumstances described in the relevant registered Global Bond. Each Global Bond will be deposited with, and registered in the name of a nominee for, a Common Safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the relevant registered Global Bond, investors will not be entitled to receive Definitive Registered Bonds. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the relevant Global Bond and, while the Bonds are represented by the relevant registered Global Bond, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Bonds by making payments to the Common Safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the relevant registered Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the relevant registered Global Bond.



## **Risks related to the market generally**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***An active secondary market in respect of the Bonds may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Bonds.***

Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

***If an investor holds Bonds which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Bonds could result in an investor not receiving payments on those Bonds.***

The Issuer will pay principal and interest on the Bonds in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***The value of the Bonds may be adversely affected by movements in market interest rates.***

Investment in the Bonds, which have a fixed rate of interest, involves the risk that if market interest rates subsequently increase above the rate paid on the Bonds, this will adversely affect the value of the Bonds.

***Credit ratings assigned to the Issuer or any Bonds may not reflect all the risks associated with an investment in those Bonds.***

The Series A Bonds are expected to be rated on issue Baa3 (stable) by Moody's and BBB (stable) by S&P and the Series B Bonds are expected to be rated on issue Baa3 (stable) by Moody's and BBB (stable) by S&P. The assigned ratings to the Bonds may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Bonds. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating or the assignment of an

unfavourable rating by another ratings agency could adversely affect the trading price for the Bonds.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents which shall be incorporated in, and form part of, this Prospectus:

- (a) the unaudited interim report of the Issuer for the three month period ending on 31 March 2019 (the “**Issuer’s Interim Report**”);
- (b) the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2018, together with the audit report thereon (the “**Issuer’s 2018 Annual Financial Statements**”), as included in the Issuer’s Annual Report and Accounts 2018.

The Issuer’s 2018 Annual Financial Statements appear on the following pages of the Issuer’s Annual Report and Accounts 2018:

### **Issuer’s 2018 Annual Financial Statements**

Consolidated Income Statement	Page 116
Consolidated Statement of other Comprehensive Income	Page 117
Consolidated Balance Sheet	Page 118
Consolidated Cash Flow Statement	Page 119
Consolidated Statement of Changes in Equity	Page 120
Notes to the Consolidated Financial Statements	Pages 122 to 171
Audit Report	Pages 177 to 182

- (c) the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2017, together with the audit report thereon (the “**Issuer’s 2017 Annual Financial Statements**” and, together with the Issuer’s 2018 Annual Financial Statements and the Issuer’s Interim Report, the “**Financial Statements**”), as included in the Issuers Annual Report and Accounts 2017.

The Issuer’s 2017 Annual Financial Statements appear on the following pages of the Issuer’s Annual Report and Accounts 2017:

### **Issuer’s 2017 Annual Financial Statements**

Consolidated Income Statement	Page 105
Consolidated Statement of other Comprehensive Income	Page 106
Consolidated Balance Sheet	Page 107
Consolidated Cash Flow Statement	Page 108
Consolidated Statement of Changes in Equity	Page 109
Notes to Consolidated Financial Statements	Pages 111 to 164
Audit Report	Pages 170 to 174

The above documents have been previously published or are published simultaneously with this Prospectus and have been approved by the Central Bank or filed with it. Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Bonds or the relevant information is included elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Save for the information that has been expressly incorporated by reference into this Prospectus above, the information on any website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the following website:

<https://www.iairgroup.com/en/investors-and-shareholders/results-and-reports>

and from the specified office of the Fiscal Agent for the time being in Luxembourg.

## TERMS AND CONDITIONS OF THE BONDS

The issue of the €500,000,000 0.50 per cent. Bonds due 2023 (the “**Series A Bonds**” which expression shall, unless otherwise indicated, include any relevant Further Bonds) and the €500,000,000 1.50 per cent. Bonds due 2027 (the “**Series B Bonds**” which expression shall, unless otherwise indicated, include any relevant Further Bonds) was (save in respect of any such Further Bonds) authorised by a resolution of the Board of Directors of International Consolidated Airlines Group, S.A. (the “**Issuer**”) passed on 9 May 2019. References in these Conditions to “**Bonds**” shall, so far as the context permits, be construed as a reference to the Series A Bonds or the Series B Bonds as appropriate and these Conditions shall be construed to apply separately to each of the Series A Bonds and the Series B Bonds.

A fiscal agency agreement dated on or about 4 July 2019 (the “**Fiscal Agency Agreement**”) has been entered into in relation to the Bonds between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent (the “**Fiscal Agent**”, which expression shall include any successor as fiscal agent under the Fiscal Agency Agreement) and the paying and transfer agents named therein (together with the Fiscal Agent and any other paying and transfer agents appointed pursuant to the Fiscal Agency Agreement for the time being, the “**Paying and Transfer Agents**”, which expression shall include their successors as paying and transfer agents under the Fiscal Agency Agreement) and BNP Paribas Securities Services, Luxembourg Branch as registrar (the “**Registrar**”, which expression shall include any successor as registrar under the Fiscal Agency Agreement).

Copies of the Fiscal Agency Agreement (which contain these terms and conditions of the Bonds (the “**Conditions**”)) are available for inspection during normal business hours at the specified office of the Fiscal Agent. The statements in these Conditions are summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement, which includes the forms of the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of those provisions applicable to them which are contained in the Fiscal Agency Agreement.

The Issuer, as required by Spanish law, has executed an *escritura pública* (the “**Public Deed**”) before a Spanish notary public in relation to the issue of the Bonds and will register the Public Deed with Madrid’s Mercantile Registry. The Public Deed contains, among other information, these Conditions.

Capitalised terms used but not defined in these Conditions shall have the meanings given to them in the Fiscal Agency Agreement unless, in any case, the context otherwise requires or unless otherwise stated.

### 1. Form, Denomination, Title and Status of the Bonds

#### (a) *Form and Denomination*

The Bonds are in registered form, serially numbered, in principal amounts of €100,000 each.

#### (b) *Title*

Title to the Bonds will pass by transfer and registration as provided in Condition 4. The holder (as defined below) of any Bond will (except as otherwise required

by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

(c) *Status*

The Bonds constitute direct, unconditional, senior, unsubordinated and, subject to Condition 2, unsecured obligations of the Issuer and in the event of insolvency of the Issuer (unless they qualify as subordinated debts under article 92 of Law 22/2003, of 9 July, on Insolvency (the “**Insolvency Law**”) or equivalent legal provision which replaces it in the future and save for such exceptions as may be provided by applicable legislation and by provisions of law that are mandatory and of general application) will rank, according to the Insolvency Law, *pari passu*, without any preference among themselves, and equally with all other existing and future senior, unsecured and unsubordinated obligations of the Issuer.

*Interest on the Bonds accrued but unpaid as at the commencement of any insolvency proceedings relating to the Issuer under Spanish law shall thereupon constitute subordinated obligations of the Issuer ranking below its unsecured and unsubordinated obligations. Under Spanish law, no further interest on the Bonds shall be deemed to accrue from the date of the declaration of any insolvency proceeding relating to the Issuer.*

**2. Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not and will ensure that British Airways plc will not create or have outstanding any mortgage, charge, pledge, lien (other than arising by operation of law) or other security interest or form of encumbrance (“**Relevant Security**”), in each case, other than Permitted Security, on the whole or any part of its assets, revenues or uncalled capital, present or future, to secure any present or future Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, unless, simultaneously with, or prior to, the creation of such Relevant Security, there shall be taken any and all action necessary to procure that (i) all amounts payable by the Issuer under the Bonds are secured equally and rateably with such Relevant Indebtedness or guarantee or indemnity; or (ii) that such other security, guarantee or arrangement is provided as the Bondholders may consider not materially less beneficial to their interests, as shall be approved by an Extraordinary Resolution of the Bondholders.

For the purposes of this Condition 2:

- (i) “**Permitted Security**” means (a) any Relevant Security which directly or indirectly secures any aircraft or aircraft equipment of British Airways plc; or (b) any Relevant Security existing on property at the time of the acquisition thereof by the Issuer or British Airways plc, provided that such Relevant Security was not created in connection with or in contemplation of such acquisition and that the amount secured by such Relevant Security is not increased subsequently to the acquisition of the relevant property; and

- (ii) **“Relevant Indebtedness”** means any present or future indebtedness for borrowed money which is in the form of or represented by any bonds, notes, debentures, loan stock or other securities which with the consent of the issuer of the indebtedness are for the time being (or are intended to be) quoted, listed or ordinarily dealt in or on any recognised stock exchange, over the counter or other centrally organised or regulated securities market.

### 3. Definitions

In these Conditions, unless otherwise provided:

**“Bondholder”** and **“holder”** mean the person in whose name a Bond is registered in the Register.

**“Business Day”** means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

**“Calculation Agent”** has the meaning provided in Condition 6(b).

**“Change of Control”** has the meaning provided in Condition 6(g).

**“Change of Control Period”** has the meaning provided in Condition 6(g).

**“Change of Control Put Event”** has the meaning provided in Condition 6(g).

**“Code”** means the US Internal Revenue Code of 1986, as amended.

**“Control”** has the meaning provided in Condition 6(g).

**“Disposal Event”** has the meaning provided in Condition 6(g).

**“Euronext Dublin”** means the Irish Stock Exchange plc trading as Euronext Dublin.

**“Extraordinary Resolution”** has the meaning provided in the Fiscal Agency Agreement.

**“FATCA”** means sections 1471 to 1474 of the Code (including any regulations or official interpretations issued, agreements (including, without limitation, intergovernmental agreements) entered into or non-US laws enacted with respect thereto).

**“Final Maturity Date”** means

(a) in respect of the Series A Bonds, 4 July 2023; and

(b) in respect of the Series B Bonds, 4 July 2027.

**“Further Bonds”** means any further Bonds issued pursuant to Condition 15 and consolidated and forming a single series with the then outstanding Bonds.

“**Group**” means the Issuer and its Subsidiaries taken as a whole.

“**Interest Payment Date**” has the meaning provided in Condition 5(a).

“**Issue Date**” means 4 July 2019.

“**Make-Whole Redemption Amount**” has the meaning provided in Condition 6(b).

“**Make-Whole Redemption Date**” has the meaning provided in Condition 6(b).

“**Make-Whole Redemption Notice**” has the meaning provided in Condition 6(b).

“**Maturity Call Redemption Date**” has the meaning provided in Condition 6(b).

“**Maturity Call Redemption Notice**” has the meaning provided in Condition 6(b).

“**Negative Rating Event**” has the meaning provided in Condition 6(g).

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, unincorporated association, limited liability company, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

“**Put Date**” has the meaning provided in Condition 6(g).

“**Put Exercise Notice**” has the meaning provided in Condition 6(g).

“**Put Period**” has the meaning provided in Condition 6(g).

“**Put Price**” has the meaning provided in Condition 6(g).

“**Rating Agency**” has the meaning provided in Condition 6(g).

“**Record Date**” has the meaning given to it in Condition 7(c).

“**Reference Bond**” has the meaning provided in Condition 6(b).

“**Reference Bond Price**” has the meaning provided in Condition 6(b).

“**Reference Market Maker Quotations**” has the meaning provided in Condition 6(b).

“**Reference Market Makers**” has the meaning provided in Condition 6(b).

“**Reference Rate**” has the meaning provided in Condition 6(b).

“**Register**” has the meaning provided in Condition 4(a).

“**Relevant Announcement Date**” has the meaning provided in Condition 6(g).

“**Relevant Date**” means, in respect of any Bond, whichever is the later of:



- (a) the date on which payment in respect of it first becomes due; and
- (b) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect is given to the Bondholders.

“**Relevant Indebtedness**” has the meaning provided in Condition 2.

“**Relevant Potential Change of Control Announcement**” has the meaning provided in Condition 6(g).

“**Relevant Security**” has the meaning provided in Condition 2.

“**Residual Call Redemption Date**” has the meaning provided in Condition 6(b).

“**Residual Call Redemption Notice**” has the meaning provided in Condition 6(b).

“**Spanish Capital Companies Act**” means the Stock Companies Act 2010 (*Real Decreto Legislativo 14/2010, de 2 de julio, por el que se aprueba el Texto Refundido de la Ley de Sociedades de Capital*) of the Kingdom of Spain.

“**Subsidiary**” means a company in respect of which another company:

- (a) holds or controls 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,

or which is a Subsidiary of a company that is itself a Subsidiary of that other company.

“**TARGET Business Day**” means a day on which the TARGET System is operating.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

“**Tax Redemption Date**” has the meaning provided in Condition 6(e).

“**Tax Redemption Notice**” has the meaning provided in Condition 6(e).

“**Triggering Event**” has the meaning provided in Condition 6(g).

“**Trust UK**” has the meaning provided in Condition 6(g).

“**€**” and “**euro**” means the single currency which was introduced at the start of the third stage of the European Economic and Monetary Union, pursuant to the Treaty establishing the European Community (as amended from time to time).

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

#### 4. **Registration and Transfer of Bonds**

(a) *Registration*

The Issuer will cause a register (the “**Register**”) to be kept at the specified office of the Registrar outside the United Kingdom, on which will be entered, among other things, the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers and redemptions of Bonds.

(b) *Transfer*

Bonds may, subject to the terms of the Fiscal Agency Agreement and to Conditions 4(c) and 4(d) be transferred by lodging the certificate representing the relevant Bond (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying and Transfer Agent.

No transfer of a Bond will be valid unless and until it has been entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven Business Days (or such longer period as may be required for the Registrar to comply with any fiscal or other requirements, in the place of the specified office of the Registrar) of any duly made application for the transfer of a Bond enter the details of such transfer on the Register and deliver a new certificate representing the Bond to the transferee (and, in the case of a transfer of less than all the Bonds represented by any certificate, deliver a certificate for the untransferred balance of such Bonds to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Bond by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(c) *Formalities Free of Charge*

Such transfer will be effected without charge subject to: (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith; (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application; and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar.

(d) *Closed Periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond (or part thereof): (i) during the period of 15 days immediately prior to the relevant Final Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 6(b), 6(c), 6(d) or 6(e); (ii) in respect of which a holder has exercised its right to require redemption pursuant to Condition 6(g); or (iii) during the period of 15 days ending on (and including) any Record Date in respect of any payment of interest on the Bonds.

**5. Interest**

(a) *Interest Rate*

The Bonds bear interest from (and including) the Issue Date at the rate of 0.50 per cent. per annum in the case of the Series A Bonds and 1.50 per cent. per annum in the case of the Series B Bonds, calculated in each case by reference to the outstanding principal amount thereof and payable annually in arrear on 4 July in each year (each an “**Interest Payment Date**”), commencing with the Interest Payment Date falling on 4 July 2020 and ending on the relevant Final Maturity Date.

The amount of interest payable in respect of a Bond in respect of any period which is shorter than an Interest Period shall be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the number of days from (and including) the immediately preceding Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next Interest Payment Date.

“**Interest Period**” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) *Accrual of Interest*

Each Bond will cease to bear interest where such Bond is redeemed or repaid pursuant to Condition 6 or Condition 9, from the due date for redemption or repayment thereof unless, upon due presentation of the certificate representing the relevant Bond, payment of the principal in respect of the relevant Bond is improperly withheld or refused, in which event interest will continue to accrue at the rate specified in Condition 5(a) (both before and after judgment) until whichever is the earlier of: (A) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder; and (B) the seventh day after the Fiscal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

## 6. Redemption and Purchase

### (a) *Final Redemption*

Unless previously purchased and cancelled, or redeemed as herein provided, the Bonds will be redeemed at their principal amount on the relevant Final Maturity Date. The Bonds may only be redeemed at the option of the Issuer prior to the relevant Final Maturity Date in accordance with Conditions 6(b), 6(c), 6(d) or 6(e).

### (b) *Make-Whole Redemption by the Issuer*

Subject to Conditions 6(c) and 6(d) below, on giving not less than 10 or more than 60 days' notice (an "**Make-Whole Redemption Notice**") to the Bondholders in accordance with Condition 13, the Issuer may redeem all but not some only of the Bonds then outstanding on the date (the "**Make-Whole Redemption Date**") specified in the Make-Whole Redemption Notice at the Make-Whole Redemption Amount together with accrued but unpaid interest to such date.

In this Condition 6(b), "**Make-Whole Redemption Amount**" means: (i) the aggregate outstanding principal amount of the Bonds; or (ii) if higher, the sum, as determined by the Calculation Agent, of the present values of the remaining scheduled payments of principal and interest on the Bonds (not including any portion of such payments of interest accrued to the date of redemption and assuming, for such purpose, that the Bonds would be redeemed on the date falling 90 days prior to the relevant Final Maturity Date in accordance with Condition 6(c) below) discounted to the relevant Make-Whole Redemption Date on an annual basis at the Reference Rate plus the Redemption Margin, where:

- (i) "**Calculation Agent**" means a leading and independent investment, merchant or commercial bank appointed by the Issuer in good faith for the purposes of calculating the relevant Make-Whole Redemption Amount, and notified to the Bondholders in accordance with Condition 13;
- (ii) "**Redemption Margin**" means, in respect of the Series A Bonds, 0.25 per cent. and, in respect of the Series B Bonds, 0.35 per cent.;
- (iii) "**Reference Bond**" means (i) in respect of the Series A Bonds, OBL 0% 04/2023 and, in respect of the Series B Bonds, DBR 0.25% 02/2027 or (ii) if the relevant Reference Bond is no longer outstanding at the relevant time, a German government bond selected by the Calculation Agent as having a maturity comparable to the remaining term of the Bonds to be redeemed and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Bonds, provided that if the Calculation Agent advises the Issuer that, at the time at which the relevant Make-Whole Redemption Amount is to be determined, for reasons of illiquidity or otherwise, the relevant security specified is not appropriate for such purpose, such other central bank or government security as the Calculation Agent may, after consultation with

the Issuer and with the advice of Reference Market Makers, determine to be appropriate;

- (iv) **“Reference Bond Price”** means (i) the average of five Reference Market Maker Quotations for the relevant Make-Whole Redemption Date, after excluding the highest and lowest of such five Reference Market Maker Quotations (or, if there are two highest and/or two lowest quotations, excluding just one of such highest quotations and/or one of such lowest quotations, as the case may be), (ii) if the Calculation Agent obtains fewer than five, but more than one, such Reference Market Maker Quotations, the average of all such quotations, or (iii) if only one such Reference Market Maker Quotation is obtained, the amount of the Reference Market Maker Quotation so obtained;
- (v) **“Reference Market Maker Quotations”** means, with respect to each Reference Market Maker and the Make-Whole Redemption Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) quoted in writing to the Calculation Agent at 11.00 am London time on the third Business Day preceding the Make-Whole Redemption Date;
- (vi) **“Reference Market Makers”** means five brokers or market makers of securities such as the Reference Bond selected by the Calculation Agent or such other five persons operating in the market for securities such as the Reference Bond as are selected by the Calculation Agent in consultation with the Issuer; and
- (vii) **“Reference Rate”** means, with respect to any Make-Whole Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Reference Bond, calculated using a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Make-Whole Redemption Date.

(c) *Issuer Maturity Call Option*

On giving not less than 10 nor more than 60 days' notice (a **“Maturity Call Redemption Notice”**) to the Bondholders in accordance with Condition 13, the Issuer may redeem all but not some only of the Bonds then outstanding on the day (the **“Maturity Call Redemption Date”**) specified in the Maturity Call Redemption Notice which falls during the period commencing on (and including) the day that is 90 days prior to the relevant Final Maturity Date and ending on (but excluding) the relevant Final Maturity Date, at their principal amount together with accrued but unpaid interest to such date.

(d) *Issuer Residual Call Option*

If, at any time, the outstanding aggregate principal amount of the Bonds is 20 per cent. or less than the aggregate principal amount of the Bonds when issued, on giving not less than 10 or more that 60 days' notice (a **“Residual Call**

**Redemption Notice**") to the Bondholders in accordance with Condition 13, the Issuer may redeem all but not some only of the Bonds then outstanding on the date (the "**Residual Call Redemption Date**") specified in the Residual Call Redemption Notice at their principal amount together with accrued but unpaid interest to such date.

Prior to the publication of any Residual Call Redemption Notice pursuant to this Condition 6(d), the Issuer shall deliver to the Fiscal Agent, to make available at its specified office to the Bondholders, a certificate signed by an director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the outstanding aggregate principal amount of the Bonds is 20 per cent. or less than the aggregate principal amount of the Bonds originally issued. The Fiscal Agent shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out above, in which event it shall be conclusive and binding on the Bondholders.

(e) *Redemption for Tax Reasons*

The Issuer may, at any time, having given not less than 10 or more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 13, redeem all but not some only of the Bonds for the time being outstanding on the date (the "**Tax Redemption Date**") specified in the Tax Redemption Notice at their principal amount, together with accrued but unpaid interest up to (but excluding) the Tax Redemption Date, if:

- (i) the Issuer has or will become obliged to pay additional amounts pursuant to Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or authority therein or thereof having the power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

On the relevant Tax Redemption Date, the Issuer shall (subject to the next following paragraph) redeem the Bonds at their principal amount, together with accrued but unpaid interest up to (but excluding) such Tax Redemption Date.

Prior to the publication of any Tax Redemption Notice pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent (x) a certificate signed by a director of the Issuer stating that the Issuer is entitled to effect such redemption and stating that the obligation referred to in (i) above will apply and cannot be avoided by the Issuer taking reasonable measures available to it, and (y) an opinion of independent legal or tax advisers of recognised standing to the effect that such

change or amendment has occurred and that the Issuer has or will become obliged to pay such additional amounts as a result thereof.

(f) *Redemption Notices*

Other than in the circumstance set out in the paragraph below, any Make-Whole Redemption Notice, Maturity Call Redemption Notice, Residual Call Redemption Notice or Tax Redemption Notice shall be irrevocable and shall specify: (i) the relevant Make-Whole Redemption Date, Maturity Call Redemption Date, Residual Call Redemption Date or, as the case may be, the relevant Tax Redemption Date, which shall be a London and Madrid Business Day, (ii) where applicable, the Make-Whole Redemption Amount and (iii) the amount of accrued interest payable in respect of each Bond on the relevant Make-Whole Redemption Date, Maturity Call Redemption Date, Residual Call Redemption Date or, as the case may be, the relevant Tax Redemption Date.

Any Make-Whole Redemption Notice, Maturity Call Redemption Notice or Residual Call Redemption Notice may, at the Issuer's discretion, be made subject to one or more conditions precedent, in which case such Make-Whole Redemption Notice, Maturity Call Redemption Notice or Residual Call Redemption Notice (as applicable) shall state that, in the Issuer's discretion, the Make-Whole Redemption Date, Maturity Call Redemption Date or Residual Call Redemption Date (as applicable) may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), and/or that such redemption may not occur and such Make-Whole Redemption Notice, Maturity Call Redemption Notice or Residual Call Redemption Notice (as applicable) may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the Make-Whole Redemption Date, Maturity Call Redemption Date or Residual Call Redemption Date (as applicable) or by the Make-Whole Redemption Date, Maturity Call Redemption Date or Residual Call Redemption Date (as applicable) so delayed.

(g) *Redemption at the option of Bondholders following a Triggering Event*

If a Triggering Event occurs, the holder of each Bond will have the right (unless prior to the giving of the relevant Put Exercise Notice the Issuer has given notice of redemption under Conditions 6(b), 6(c), 6(d) or 6(e) above) to require the Issuer to redeem that Bond on the Put Date at the Put Price, together with accrued interest to (but excluding) the Put Date.

To exercise such right, the holder of the relevant Bond must present the certificate representing such Bond at the specified office of any Paying and Transfer Agent during normal business hours, together with a duly completed and signed notice of exercise, in the form for the time being current and obtainable from the specified office of any Paying and Transfer Agent (a "**Put Exercise Notice**") at any time in the period (the "**Put Period**") commencing on the date upon which notice as required by Condition 6(f) is given to Bondholders by the Issuer in connection with the Triggering Event and ending 30 days thereafter. The "**Put Date**" shall be the 14th calendar day after the expiry of the Put Period.

Payment in respect of any such Bond shall be made by transfer to a bank in a city in which banks have access to the TARGET System specified by the relevant Bondholder in the applicable Put Exercise Notice.

In these Conditions:

a “**Change of Control**” shall occur if, by any means, any person or persons acting together acquire Control of the Issuer.

“**Change of Control Period**” means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which any Bonds are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration).

a “**Change of Control Put Event**” will be deemed to occur if a Change of Control occurs and either on the Relevant Announcement Date the Bonds have:

- (i) been assigned at the invitation of the Issuer:
  - (a) an investment grade rating by any Rating Agency and, within the Change of Control Period, that credit rating is either downgraded to a non-investment grade rating or such Rating Agency ceases to assign a credit rating to the Bonds and, in each case, does not subsequently upgrade its credit rating assigned to the Bonds to an investment grade rating or re-assign an investment grade rating to the Bonds by the end of the Change of Control Period provided that a Change of Control Put Event shall not occur if the Bonds are assigned, at the invitation of the Issuer, an investment grade credit rating by at least one Rating Agency by the end of the Change of Control Period; or
  - (b) a non-investment grade rating by any Rating Agency and, within the Change of Control Period, that credit rating is either downgraded by one or more categories (by way of example, BB+ to BB being one rating category) or such Rating Agency ceases to assign a credit rating to the Bonds and, in each case, does not subsequently upgrade its credit rating assigned to the Bonds to, or re-assign a credit rating to the Bonds of, the category assigned to the Bonds on the Relevant Announcement Date or better by the end of the Change of Control Period,

provided that if on the Relevant Announcement Date the Bonds have been assigned at the invitation of the Issuer a credit rating from more than one Rating Agency, at least one of which is an investment grade rating, then paragraph (i) only will apply; or



- (ii) not been assigned a credit rating by any Rating Agency at the invitation of the Issuer and a Negative Rating Event also occurs within the Change of Control Period,

and, in making any decision to downgrade or cease to assign a credit rating pursuant to paragraphs (i)(a) and (b) above or not to award a credit rating of at least investment grade as described in paragraph (ii) of the definition of Negative Rating Event, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement.

“**Control**” means:

- (i) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer or, as the case may be, British Airways plc; or
- (ii) the right to appoint and/or remove all or the majority of the members of the Issuer’s or, as the case may be, British Airways plc’s board of directors or other governing body, whether obtained directly or indirectly and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

a “**Disposal Event**” shall occur if:

- (i) the Issuer shall cease to Control, either alone or together with the Trust UK, British Airways plc; or
- (ii) British Airways plc and its Subsidiaries as a whole (the “**BA Group**”) shall cease to carry on or shall transfer or dispose of all or substantially all the business and assets of the BA Group as at the Issue Date.

an “**investment grade rating**” shall mean, in relation to S&P, a rating of BBB- or above, in relation to Moody’s, a rating of Baa3 or above, in relation to Fitch, a rating of BBB- or above (provided that, if the rating designations employed by a Rating Agency are changed from those referred to above, the Issuer shall determine, and promptly notify the Bondholders of the same in accordance with these Conditions, the rating designations of such Rating Agency as are most equivalent to the prior rating designations of such Rating Agency and these Conditions shall, on and from the date of such notice to the Bondholders, be read accordingly) and, in the case of any other Rating Agency, a comparable rating from that Rating Agency.

a “**Negative Rating Event**” shall be deemed to have occurred at any time if at such time there is no credit rating assigned to the Bonds by any Rating Agency at the invitation of the Issuer and (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to

obtain, a credit rating of the Bonds or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain a credit rating that is an investment grade rating by the end of the Change of Control Period;

a “**non-investment grade rating**” shall mean, in relation to S&P, a rating of BB+ or below, in relation to Moody’s, a rating of Ba1 or below, in relation to Fitch, a rating of BB+ or below (provided that, if the rating designations employed by a Rating Agency are changed from those referred to above, the Issuer shall determine, and promptly notify the Bondholders of the same in accordance with these Conditions, the rating designations of such Rating Agency as are most equivalent to the prior rating designations of such Rating Agency and these Conditions shall, on and from the date of such notice to the Bondholders, be read accordingly) and, in the case of any other Rating Agency, a comparable rating from that Rating Agency.

“**Put Price**” means, in respect of a Bond, the principal amount of such Bond then outstanding.

“**Rating Agency**” means Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”), Fitch Ratings Ltd. (“**Fitch**”) or Moody’s Investors Service Ltd. (“**Moody’s**”), or any of their respective successors, or any other rating agency of international standing notified by the Issuer to the Bondholders from time to time in accordance with these Conditions.

“**Relevant Announcement Date**” means the date that is the earlier of (i) the date of the first public announcement of the relevant Change of Control, and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any).

“**Relevant Potential Change of Control Announcement**” means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

“**Triggering Event**” means the occurrence of a Change of Control Put Event or a Disposal Event.

“**Trust UK**” means the trust established for the purpose of implementing the Group’s nationality structure for British Airways plc and in respect of which LDC (NCS) Limited, a wholly-owned subsidiary of The Law Debenture Corporation p.l.c., acts as trustee (as may be replaced from time to time).

(h) *Notice of Triggering Event*

Within 14 calendar days following the occurrence of a Triggering Event, the Issuer shall give notice thereof to the Bondholders in accordance with Condition 13. Such notice shall contain a statement informing Bondholders of their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 6(g).

Such notice shall also specify:

- (a) all information material to Bondholders concerning the Triggering Event;
- (b) the last day of the Put Period;
- (c) the Put Date; and
- (d) the Put Price.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Put Exercise Notices delivered as aforesaid on the relevant Put Date.

(i) *Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or any other member of the Group may at any time purchase any Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such member of the Group, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 12(a). Such Bonds may be held, re-sold or reissued or, at the option of the relevant purchaser, surrendered to any Paying and Transfer Agent for cancellation.

(j) *Cancellation*

All Bonds which are redeemed will be cancelled and may not be reissued or resold. Certificates representing Bonds purchased by the Issuer or any other member of the Group may be surrendered to the Principal Paying and Transfer Agent for cancellation and, if so surrendered, the relevant Bonds shall be cancelled.

(k) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 6, the first of such notices to be given shall prevail.

## **7. Payments**

(a) *Principal and Interest*

Payment of principal in respect of the Bonds and accrued interest payable on a redemption of the Bonds will be made to the persons shown in the Register at the close of business on the Record Date and subject to the surrender (or, in the case of partial payment only, endorsement) of the certificates representing

relevant Bonds at the specified offices of the Registrar or of any of the Paying and Transfer Agents.

(b) *Other Amounts*

- (i) Subject to Condition 7(a), payments of interest due on an Interest Payment Date will be made to the persons shown in the Register at close of business on the Record Date.
- (ii) Payments of all amounts other than as provided in Condition 7(a) will be made as provided in these Conditions.

(c) *Record Date*

“**Record Date**” means the fifth Business Day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

(d) *Payments*

Each payment in respect of the Bonds pursuant to Condition 7(a) and 7(b) will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(e) *Payments subject to fiscal laws*

Without prejudice to the provisions of Condition 8, all payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or its agents). For the purposes of the preceding sentence, the phrase “fiscal or other laws, regulations and directives” shall include, without limitation, any withholding or deduction imposed or required by FATCA. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(f) *Delay in payment*

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due as a result of the due date not being a TARGET Business Day or if the Bondholder is late in surrendering the certificate representing the relevant Bond (where such surrender is required pursuant to these Conditions as a precondition to any payment).

(g) *Paying and Transfer Agents, etc.*

In acting under the Fiscal Agency Agreement and in connection with the Bonds, the Paying and Transfer Agents and the Registrar act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The initial Paying and Transfer Agents and the Registrar and their initial specified offices are listed below. The Issuer reserves the right under the Fiscal Agency

Agreement at any time to vary or terminate the appointment of any Paying and Transfer Agent and/or the Registrar and appoint additional or other paying and transfer agents and/or appoint another registrar, provided that it will: (i) at all times maintain a fiscal agent and a registrar and (ii) if and for so long as the Bonds are, at the request of the Issuer, admitted to trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a paying and transfer agent in any particular place, maintain a paying and transfer agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system. Notice of any change in the Paying and Transfer Agents and/or the Registrar or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 13.

(h) *No charges*

None of the Paying and Transfer Agents shall make or impose on a Bondholder any charge or commission in relation to any payment in respect of the Bonds.

(i) *Fractions*

When making payments to Bondholders, if the relevant payment is not of an amount that is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

**8. Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any authority therein or thereof having the power to tax, unless such withholding or deduction is required by law.

In the event a withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature is finally imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any authority therein or thereof having the power to tax being made by the Issuer in respect of a payment made by it, the Issuer shall pay such additional amounts as will result in the receipt by the holders of the Bonds, after any withholding or deduction for or on account of such taxes, duties, assessments or charges, of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Bond:

- (a) held by (or by a third party on behalf of) a holder of such Bond where such withholding or deduction is required by reason of the holder having some connection (whether past or present) with the Kingdom of Spain other than: (i) the mere holding of such Bond; or (ii) the receipt of principal, interest or any other amount in respect of such Bond; or

- (b) held by (or by a third party on behalf of) a holder of such Bond who could lawfully avoid (but has not so avoided) such withholding or deduction by making any statutory declaration concerning the nationality, residence or identity of the holder (or providing information, documentation or other evidence of the same) or other similar claim for exemption to the relevant tax authority or to (or on behalf of) the Issuer, where such declaration, provision or claim is required or imposed by Spanish tax regulations; or
- (c) where such withholding or deduction is imposed on payments made to individuals with tax residence in the Kingdom of Spain following the criteria applied by the Spanish tax authorities in relation to Article 44.5, Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July; or
- (d) for or on account of any withholding or deduction arising under or in connection with FATCA.

## 9. Events of Default

If any of the events listed in paragraphs (a) to (j) of this Condition 9 (each, an “**Event of Default**”) occurs, the holder of any Bond may give written notice to the Issuer and the Fiscal Agent at its specified office that such Bond is immediately repayable, whereupon such Bond shall become immediately due and repayable at its principal amount together with accrued interest as provided in these Conditions, without further formality.

The said events are that:

- (a) there is default for more than 15 days in the payment of any interest due in respect of the Bonds or if there is default for more than seven days in the payment of any principal due in respect of the Bonds;
- (b) there is default in the performance or observance by the Issuer of any obligation or provision under the Bonds (other than any obligation for the payment of any principal or interest in respect of the Bonds) which continues for more than 45 days after written notice thereof shall have been given to the Issuer by any Bondholder;
- (c) as a result of default by the Issuer or British Airways plc (other than a default arising due to compliance by the Issuer or, as the case may be, British Airways plc with any applicable law or directive or with any requirement, whether having the force of law or not, of any government or regulatory authority to which the Issuer or, as the case may be, British Airways plc is subject, unless such default results in the Issuer or, as the case may be, British Airways plc becoming bound to repay prematurely any of its indebtedness for borrowed moneys as described in (i) below (not being that in respect of which the default has occurred) and steps are taken to obtain repayment thereof):
  - (i) the Issuer or, as the case may be, British Airways plc becomes bound to repay prematurely any of its indebtedness for borrowed moneys and steps are taken to obtain repayment thereof; and/or

- (ii) any such indebtedness for borrowed moneys or any guarantee or indemnity of the Issuer or, as the case may be, British Airways plc of any indebtedness for borrowed moneys of any person is not, when due, called or demanded, repaid or paid by the latest of its due date, the expiry of any applicable grace period and (if payment is prevented by any applicable law) 15 days after the first date on which payment is permitted,

provided that any such acceleration of maturity, default or failure to pay under this Condition 9(c), as the case may be, shall not constitute an event upon the happening of which the outstanding Bonds may (subject as mentioned above) become immediately due and repayable so long as such indebtedness, guarantee or indemnity to which (i) and/or (ii) above applies, either alone or in aggregate, shall amount to an outstanding aggregate principal amount of not more than €100,000,000 or its equivalent in any other currency or currencies;

- (d) a resolution is passed, or a final order of a court in the Kingdom of Spain (in the case of the Issuer) or England and Wales (in the case of British Airways plc) is made, or an order of a court of competent jurisdiction outside the Kingdom of Spain or England and Wales (as the case may be) is made and, where possible, not discharged or stayed within a period of 60 days, that the Issuer or British Airways plc be wound up or dissolved, otherwise than for the purposes of a restructuring, amalgamation or merger the terms of which have previously been approved by an Extraordinary Resolution of the Bondholders;
- (e) an encumbrancer or secured party 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 Issuer or British Airways plc or an administration order is made in relation to the Issuer or British Airways plc and such taking of possession, appointment or order is not released, discharged or cancelled within 60 days;
- (f) 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 Issuer or British Airways plc and is not discharged, dismissed or stayed within 60 days thereof;
- (g) the Issuer (otherwise than for the purposes of a restructuring, amalgamation or merger the terms of which have previously been approved by an Extraordinary Resolution of the Bondholders) ceases or threatens to cease to carry on all or substantially all of its business;
- (h) the Issuer or British Airways plc 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;
- (i) one or more judgment(s) or order(s) (which is not being disputed in good faith by appropriate proceedings) for the payment of any amount is rendered against the Issuer or British Airways plc and continue(s) unsatisfied and unstayed for a period

of 60 days after the date(s) thereof, or, if later, the date therein specified for payment; or

- (j) if any event occurs in respect of the Issuer or British Airways plc which, under the laws of the Kingdom of Spain, has or may have an analogous effect to any of the events referred to in paragraphs (d) to (i) above.

#### **10. Prescription**

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 7 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

Claims in respect of any other amounts payable in respect of the Bonds shall be prescribed and become void unless made within 10 years following the due date for payment thereof.

#### **11. Replacement of Bonds**

If any Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying and Transfer Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

#### **12. Bondholder Meetings, Modification and Waiver**

##### **(a) *Bondholder Meetings***

The Fiscal Agency Agreement contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or any of the provisions of the Fiscal Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Bonds (including modifying the date of maturity of the Bonds or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or altering the currency of payment of the Bonds), the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Bonds for the time being outstanding.



The Fiscal Agency Agreement provides that: (i) a resolution passed at a meeting duly convened and held in accordance with the Fiscal Agency Agreement by a majority consisting of not less than 75 per cent. of the votes cast on such resolution; (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding; or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. Any resolution passed by the Bondholders will be binding on all the Bondholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

(b) *Modification of Fiscal Agency Agreement*

The Issuer shall only permit any modification, waiver or authorisation of any breach or proposed breach or any failure to comply with the Fiscal Agency Agreement if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders.

(c) *Notification to the Bondholders*

Any modification, waiver or authorisation in accordance with this Condition 12 shall be binding on the Bondholders and shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 13.

### **13. Notices**

Notices to Bondholders shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register or, if such publication is not practicable, in a leading English language newspaper having general circulation in Europe, or (for so long as the Bonds are listed and admitted to trading on Euronext Dublin) via the Companies Announcement Office of Euronext Dublin. The Issuer shall also ensure that all notices are duly published in a manner which complies with the applicable rules and regulations of any stock exchange, multilateral trading facility or other relevant authority on which the Bonds are for the time being listed at the request of the Issuer. Any such notice shall be deemed to have been given on the second Business Day after the date of mailing or, if such notices are published in a newspaper or via the Companies Announcement Office (as contemplated above), on the date of such publication (provided that if the Issuer is required to publish notices to Bondholders in more than one newspaper or in more than one manner, any such notice shall be deemed to have been given on the date of the first such publication in each required manner).

Notices to be given by any Bondholder shall be in writing and given by lodging the same, together (in the case of any Bond in definitive form) with the relevant Bond, with any Paying and Transfer Agent.

#### **14. Spanish Capital Companies Act**

In compliance with Condition 18(a), a holder of Bonds:

- (a) will not benefit from any right as a holder of Bonds arising from Article 411 of the Spanish Capital Companies Act; and
- (b) will be deemed to have irrevocably instructed the Fiscal Agent to take any action and/or to sign or execute and deliver any documents or notices that may be necessary or desirable to comply with, and give effect to, paragraph (a) hereof.

#### **15. Further Issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further securities, either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Bonds or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Bonds.

#### **16. Currency Indemnity**

Euro is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any Bond, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgment or order.

#### **17. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

## 18. Governing Law and Jurisdiction

### (a) *Governing Law*

The Fiscal Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The status of the Bonds as described in Condition 1(c) is governed by, and shall be construed in accordance with, Spanish law.

### (b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

### (c) *Agent for Service of Process*

The Issuer has appointed International Consolidated Airlines Group, S.A. at its branch office for the time being, currently at Waterside (HAA2), PO Box 265, Harmondsworth, Middlesex, UB7 0GB, as its agent in England to receive service of process of any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Bondholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## **OVERVIEW OF PROVISIONS RELATING TO THE BONDS WHILE REPRESENTED BY THE GLOBAL BOND**

*The following is an overview of the provisions to be contained in the Fiscal Agency Agreement and in the relevant Global Bond which will apply to, and in some cases modify the effect of, the Conditions while the Bonds are represented by the relevant Global Bond*

### **Initial Issue of Global Bond**

Each Global Bond will be registered in the name of a nominee for a Common Safekeeper for Euroclear and Clearstream, Luxembourg and may be delivered on or prior to the Issue Date.

Upon the registration of the relevant Global Bond in the name of a nominee for the Common Safekeeper for Euroclear and Clearstream, Luxembourg and delivery of the relevant Global Bond to the Common Safekeeper, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Bonds equal to the principal amount thereof for which it has subscribed and paid.

The Bonds are intended to be held in a manner which will allow for Eurosystem eligibility.

Depositing the relevant Global Bond with the Common Safekeeper does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

### **Relationship of account holders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) as the holder of a Bond represented by the relevant Global Bond (an “**account holder**”) must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his or her share of each payment made by the Issuer to the holder of the relevant Global Bond and in relation to all other rights arising under the relevant Global Bond, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Subject as provided below, such persons shall have no claim directly against the Issuer in respect of payments due on the Bonds for so long as the Bonds are represented by the relevant Global Bond and such obligations of the Issuer will be discharged by payment to the holder of the relevant Global Bond in respect of each amount so paid.

### **Exchange of the Global Bond for Definitive Registered Bonds**

Each Global Bond will become exchangeable in whole but not in part (free of charge to the Bondholder) for Definitive Registered Bonds if the relevant Global Bond is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system:

- (i) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise); or

- (ii) announces an intention permanently to cease business or does in fact do so,

by the Bondholder giving notice to the Issuer of its intention to exchange the relevant Global Bond for Definitive Registered Bonds on or after the Exchange Date specified in the notice. On or after the Exchange Date, the holder of the relevant Global Bond will surrender the relevant Global Bond to or to the order of the Registrar. In exchange for the relevant Global Bond, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Registered Bonds printed in accordance with any applicable legal and stock exchange requirements to such persons or entities as the holder of the relevant Global Bond shall direct. For such purpose, “**Exchange Date**” means a day falling not less than 60 days after that on which the notice requiring exchange of the relevant Global Bond for Definitive Registered Bonds is given in accordance with the terms of the relevant Global Bond and on which banks are open for business in the city in which the specified office of the Registrar is located and in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System are located.

### **Conditions applicable to the Global Bond**

Each Global Bond will contain provisions which modify the Conditions as they apply to the relevant Global Bond. The following is a summary of certain of those provisions:

**Payments:** all payments in respect of Bonds represented by a Global Bond will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which (notwithstanding Condition 7) shall be on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

**Notices:** for so long as the Bonds are represented by the relevant Global Bond and such Global Bond is held on behalf of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System, notices may be given to the Bondholders by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or such Alternative Clearing System (as applicable) for communication to their respective account holders in substitution for publication as required by the Conditions provided that, for so long as the Bonds are listed on the Regulated Market of Euronext Dublin or on any other stock exchange, notices will also be given in accordance with any applicable requirements of such stock exchange. Any notice shall be deemed to have been given on the date of delivery or publication which, in the case of communication through Euroclear, Clearstream, Luxembourg or an Alternative Clearing System, shall mean the date on which the notice is delivered to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be).

For so long as all of the Bonds are represented by the relevant Global Bond and the relevant Global Bond is held on behalf of Euroclear, Clearstream, Luxembourg and/or an Alternative Clearing System, an account holder may give notice to the Issuer in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and/or the Alternative Clearing System (which may include notice being given on his or her instructions by Euroclear, Clearstream, Luxembourg, the Alternative Clearing System or any common safekeeper for them to the Issuer or the Fiscal Agent (on behalf of the Issuer) by electronic means).

**Prescription:** claims in respect of principal, interest and other amounts payable in respect of the relevant Global Bond will become void unless it is presented for payment within a period of 10

years (in the case of principal) and five years (in the case of interest or any other amounts) from the appropriate Relevant Date (as defined in Condition 3).

**Meetings:** the holder of the relevant Global Bond shall be treated as one person for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each €1,000 principal amount of Bonds for which the relevant Global Bond may be exchanged.

**Events of Default:** from time to time, the Bonds represented by the relevant Global Bond may be declared due and payable following an Event of Default in accordance with the Conditions by stating in a notice from the relevant Bondholder given to the Issuer the principal amount of Bonds to which any such notice relates.

If either (i) principal in respect of any Bonds is not paid when due and payable and, as a result thereof, an Event of Default occurs, as defined in Condition 9 or (ii) the Issuer fails to deliver, or procure the delivery of, an aggregate principal amount of duly executed and authenticated Definitive Registered Bonds in exchange for the relevant Global Bond surrendered in accordance with the terms of such Global Bond, each account holder shall acquire against the Issuer, upon reduction of the Bonds represented by the relevant Global Bond by endorsement of an amount represented by such account holder's interest in the relevant Global Bond and entry in the Register of the relevant account holder's name and the principal amount represented by such account holder's interest in the relevant Global Bond, all rights which the relevant account holder would have had if, immediately before such non-payment of principal or such failure to deliver Definitive Registered Bonds (as applicable), it had been the holder of Definitive Registered Bonds in registered form issued on the Issue Date in an aggregate principal amount equal to such account holders interest in the relevant Global Bond.

**Redemption at the Option of Bondholders:** the option of the Bondholders provided for in Condition 6(g) may be exercised by the holder of any account holder giving notice to the Issuer within the time limits set out in Condition 6(g), in accordance with the standard procedures for Euroclear and/or Clearstream, Luxembourg and/or any Alternative Clearing System (which may include notice being given on such account holder's instructions by Euroclear and/or Clearstream, Luxembourg and/or any Alternative Clearing System or any common safekeeper for them to the Issuer or the Fiscal Agent (on behalf of the Issuer) by electronic means) and in a form acceptable to Euroclear and/or Clearstream, Luxembourg and/or any Alternative Clearing System, stating the principal amount of the Bonds in respect of which the option is exercised.

## **USE OF PROCEEDS**

The proceeds of the Bonds will be used by the Issuer for its general corporate purposes, including (without limitation) to fund the repurchase of any or all of the Issuer's outstanding €500,000,000 0.25 per cent. Convertible Bonds due 2020.

## ALTERNATIVE PERFORMANCE MEASURES

The Issuer considers that the following metrics (which are set out below along with their reconciliation, to the extent that such information is not defined according to IFRS) referenced in or in connection with this Prospectus constitute Alternative Performance Measures (“APMs”) as defined in the ESMA Guidelines on Alternative Performance Measures. The Issuer considers that the APMs contained in this Prospectus comply with the ESMA Guidelines on Alternative Performance Measures. The APMs are calculated based on the Issuer’s or, as the case may be, the relevant IAG Airline’s annual reports and accounts.

The Issuer believes that these measures provide useful supplementary information to investors to enhance their understanding of the Issuer’s and the Group’s financial performance. However, investors should note that, since not all companies calculate financial measures, such as the APMs presented by the Issuer in this Prospectus, in the same manner, these are not always directly comparable to performance metrics used by other companies. Additionally, the APMs presented by the Issuer in this Prospectus are unaudited and have not been prepared in accordance with IFRS or any other accounting standards. Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS.

### Operating profit and lease adjusted operating margin

Operating profit is the Group’s or, as the case may be, the relevant IAG Airline’s operating result before exceptional items.

Lease adjusted operating margin is operating profit adjusted for leases as a percentage of revenue. The lease adjustment reduces the fleet rental charge to 0.67 of the annual reported charge. This is to reflect the embedded interest expense component in leases; 0.67 is a commonly used ratio in the airline industry.

#### Group

€ million	2015 <sup>2</sup>	2016 (restated) <sup>1</sup>	2017 (restated) <sup>1</sup>	2018
Operating profit before exceptional items	2,335	2,444	2,950	3,230
Aircraft operating lease costs	659	759	888	890
Aircraft operating lease costs multiplied by 0.67	(442)	(509)	(595)	(596)
	2,552	2,694	3,243	3,524
Revenue	22,858	22,409	22,880	24,406
<b>Lease adjusted operating margin</b>	<b>11.2%</b>	<b>12.0%</b>	<b>14.2%</b>	<b>14.4%</b>

<sup>1</sup> Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'.

<sup>2</sup> Not restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.



### British Airways

£ million	2015 <sup>2</sup>	2016 <sup>2</sup>	2017 <sup>1</sup>	2018
Operating profit before exceptional items	1,264	1,473	1,769	1,952
Aircraft operating lease costs	113	159	223	233
Aircraft operating lease costs multiplied by 0.67	(76)	(107)	(149)	(156)
	1,301	1,525	1,843	2,029
Revenue	11,333	11,443	12,271	13,021
<b>Lease Adjusted Operating Margin</b>	<b>11.5%</b>	<b>13.3%</b>	<b>15.0%</b>	<b>15.6%</b>

1. Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

2. Not restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

### Iberia and Iberia Express

€ million (IFRS)	2015 <sup>2</sup>	2016 <sup>2</sup>	2017 <sup>1</sup>	2018
Operating profit before exceptional items	222	271	375	436
Aircraft operating lease costs	254	243	284	267
Aircraft operating lease costs multiplied by 0.67	(170)	(163)	(190)	(179)
	306	351	469	524
Revenue	4,698	4,586	4,919	5,292
<b>Lease Adjusted Operating Margin</b>	<b>6.5%</b>	<b>7.7%</b>	<b>9.5%</b>	<b>9.9%</b>

1. Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

2. Not restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

### Vueling

€ million (Spanish GAAP)	2015	2016	2017	2018
Operating profit before exceptional items	138	48	181	191
Aircraft operating lease costs	226	272	250	253
Aircraft operating lease costs multiplied by 0.67	(151)	(182)	(168)	(170)
	213	138	264	274
Revenue	1,933	2,027	2,085	2,338
<b>Lease Adjusted Operating Margin</b>	<b>11.0%</b>	<b>6.8%</b>	<b>12.6%</b>	<b>11.7%</b>

## Aer Lingus

€ million (IFRS)	2015 <sup>2</sup>	2016 <sup>2</sup>	2017 <sup>1</sup>	2018
Operating profit before exceptional items	141	232	267	303
Aircraft operating lease costs	89	92	97	103
Aircraft operating lease costs multiplied by 0.67	(60)	(62)	(65)	(69)
	170	262	299	337
Revenue	1,719	1,766	1,858	2,020
<b>Lease Adjusted Operating Margin</b>	<b>9.9%</b>	<b>14.9%</b>	<b>16.1%</b>	<b>16.7%</b>

1. Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

2. Not restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

## EBITDAR

EBITDAR is calculated as operating profit before exceptional items, depreciation, amortisation and impairment and aircraft operating lease costs.

## Group

€ million	2015 <sup>2</sup>	2016 <sup>1</sup>	2017 <sup>1</sup>	2018
Operating profit before exceptional items	2,335	2,444	2,950	3,230
Depreciation, amortisation and impairment	1,307	1,287	1,184	1,254
Aircraft operating lease costs	659	759	888	890
<b>EBITDAR</b>	<b>4,301</b>	<b>4,490</b>	<b>5,022</b>	<b>5,374</b>

1 Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

2 Not restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

## British Airways

£ million	2015 <sup>2</sup>	2016 <sup>2</sup>	2017 <sup>1</sup>	2018
Operating profit before exceptional items	1,264	1,473	1,769	1,952
Depreciation, amortisation and impairment	761	769	751	786
Aircraft operating lease costs	113	159	223	233
<b>EBITDAR</b>	<b>2,138</b>	<b>2,401</b>	<b>2,743</b>	<b>2,971</b>

1 Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

2 Not restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

### *Iberia and Iberia Express*

€ million	2015 <sup>2</sup>	2016 <sup>2</sup>	2017 <sup>1</sup>	2018
Operating profit before exceptional items	222	271	375	436
Depreciation, amortisation and impairment	205	215	184	207
Aircraft operating lease costs	254	243	284	267
<b>EBITDAR</b>	<b>681</b>	<b>729</b>	<b>843</b>	<b>910</b>

1 Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

2 Not restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

### *Vueling*

€ million (Spanish GAAP)	2015	2016	2017	2018
Operating profit before exceptional items	138	48	181	191
Depreciation, amortisation and impairment	13	24	25	30
Aircraft operating lease costs	226	272	250	253
<b>EBITDAR</b>	<b>377</b>	<b>344</b>	<b>456</b>	<b>474</b>

### *Aer Lingus*

€ million	2015 <sup>2</sup>	2016 <sup>2</sup>	2017 <sup>1</sup>	2018
Operating profit before exceptional items	141	232	267	303
Depreciation, amortisation and impairment	72	75	77	83
Aircraft operating lease costs	89	92	97	103
<b>EBITDAR</b>	<b>302</b>	<b>399</b>	<b>441</b>	<b>489</b>

1 Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

2 Not restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

## **Return on Invested Capital**

Return on Invested Capital ("**RoIC**") is defined as EBITDAR, less adjusted aircraft operating lease costs, fleet depreciation charge adjusted for inflation, and the depreciation charge for other property, plant and equipment, divided by invested capital. It is expressed as a percentage.

The lease adjustment reduces aircraft operating lease costs to 0.67 of the annual reported charge. The inflation adjustment is applied to the fleet depreciation charge and is calculated using a 1.5 per cent. inflation rate over the average age of the fleet to allow for inflation and efficiencies of new fleet.

Invested capital is the fleet net book value at the balance sheet date, excluding progress payments for aircraft not yet delivered and adjusted for inflation, plus the net book value of the remaining property, plant and equipment plus annual aircraft operating lease costs multiplied by 8. Intangible assets are excluded from the calculation.

## Group

€ million	2015 <sup>3</sup>	2016 (restated) <sup>1</sup>	2017 (restated) <sup>1</sup>	2018
EBITDAR	4,463	4,490	5,022	5,374
Less: Aircraft operating lease costs multiplied by 0.67	(463)	(509)	(595)	(596)
Less: Depreciation charge for fleet assets multiplied by inflation adjustment	(1,277)	(1,231)	(1,133)	(1,205)
Less: Depreciation charge for other property, plant and equipment	(162)	(153)	(140)	(138)
	2,561	2,597	3,154	3,435
Invested capital				
Fleet book value excluding progress payments	11,090	9,930	9,275	9,721
Inflation adjustment <sup>2</sup>	1.16	1.21	1.23	1.22
	12,883	12,048	11,374	11,902
Net book value of other property, plant and equipment	1,798	1,683	1,613	1,647
Aircraft operating lease costs multiplied by 8	5,520	6,072	7,104	7,120
	20,201	19,803	20,091	20,669
<b>Return on Invested Capital</b>	12.7%	13.1%	15.7%	<b>16.6%</b>

<sup>1</sup> Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'.

<sup>2</sup> Presented to two decimal places and calculated using a 1.5 per cent. inflation rate over the weighted average age of the on balance sheet fleet (2018: 13.6 years, 2017: 13.7 years)

<sup>3</sup> Not restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

## Adjusted net debt to EBITDAR

Adjusted net debt is calculated as long-term borrowings, less cash and cash equivalents and other current interest-bearing deposits, plus annual aircraft operating lease costs multiplied by 8. This is divided by EBITDAR to arrive at adjusted net debt to EBITDAR.

## Group

€ million	2016 <sup>1</sup>	2017 <sup>1</sup>	2018
Interest-bearing long-term borrowing	8,515	7,331	7,509
Cash and cash equivalents	(3,337)	(3,292)	(3,837)
Other interest-bearing deposits	(3,091)	(3,384)	(2,437)
Net debt	<b>2,087</b>	<b>655</b>	<b>1,235</b>
Aircraft operating lease costs multiplied by 8	6,072	7,104	7,120
Adjusted net debt	<b>8,159</b>	<b>7,759</b>	<b>8,355</b>
EBITDAR	4,490	5,022	5,374
<b>Adjusted net debt to EBITDAR</b>	<b>1.8</b>	<b>1.5</b>	<b>1.6</b>

<sup>1</sup> Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'.

### *British Airways*

<b>£ million</b>	<b>2018</b>
Current portion of long-term borrowing	473
Interest-bearing long term borrowing	3,953
Cash and cash equivalents	(1,327)
Other interest-bearing deposits	(1,175)
Net debt	<b>1,924</b>
Aircraft operating lease costs multiplied by 8	1,864
Adjusted net debt	<b>3,788</b>
EBITDAR	2,971
<b>Adjusted net debt to EBITDAR</b>	<b>1.3</b>

### *Iberia and Iberia Express*

<b>€ million</b>	<b>2018</b>
Current portion of long-term borrowing	151
Interest-bearing long-term borrowing	931
Cash and cash equivalents	(732)
Other interest-bearing deposits	(459)
Net debt	<b>(109)</b>
Aircraft operating lease costs multiplied by 8	2,136
Adjusted net debt	<b>2,027</b>
EBITDAR	910
<b>Adjusted net debt to EBITDAR</b>	<b>2.2</b>

### *Vueling*

<b>€ million (Spanish GAAP)</b>	<b>2018</b>
Current portion of long-term borrowing	11
Interest-bearing long-term borrowing	118
Cash and cash equivalents	(206)
Other interest-bearing deposits	(315)
Net debt	<b>(392)</b>
Aircraft operating lease costs multiplied by 8	2,023
Adjusted net debt	<b>1,631</b>
EBITDAR	474
<b>Adjusted net debt to EBITDAR</b>	<b>3.4</b>

## Aer Lingus

€ Million	2018
Current portion of long-term borrowing	136
Interest-bearing long-term borrowing	202
Cash and cash equivalents	(217)
Other interest-bearing deposits	(671)
Net debt	<b>(550)</b>
Aircraft operating lease costs multiplied by 8	824
Adjusted net debt	<b>274</b>
EBITDAR	489
<b>Adjusted net debt to EBITDAR</b>	<b>0.6</b>

## Equity free cash flow

Equity free cash flow is EBITDA less cash tax, cash interest paid and received and CAPEX which is cash capital expenditure net of proceeds from sale of property, plant and equipment and intangible assets. EBITDA is calculated as operating profit before exceptional items, depreciation, amortisation and impairment.

### Group

€ million	2016 (restated) <sup>1</sup>	2017 (restated) <sup>1</sup>	2018
Operating profit before exceptional items	2,444	2,950	<b>3,230</b>
Depreciation, amortisation and impairment	1,287	1,184	<b>1,254</b>
EBITDA	3,731	4,134	<b>4,484</b>
Interest paid	(185)	(122)	<b>(149)</b>
Interest received	37	29	<b>37</b>
Tax paid	(318)	(237)	<b>(343)</b>
Acquisition of property plant and equipment and intangible assets	(3,038)	(1,490)	<b>(2,802)</b>
Proceeds from sale of property, plant and equipment and intangible assets	1,737	306	<b>574</b>
Equity free cash flow	1,964	2,620	1,801

<sup>1</sup> Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'.

## Cash and Cash Equivalents to Revenue

Cash and cash equivalents to revenue is calculated as cash and cash equivalents plus other interest-bearing deposits divided by revenue to arrive at the cash and cash equivalents to revenue.

*Group*

<b>€ million</b>	<b>2018</b>
Cash and cash equivalents	3,837
Other interest-bearing deposits	2,437
Revenue	24,406
<b>Cash and cash equivalents and interest-bearing deposits to Revenue</b>	<b>25.7%</b>

*British Airways*

<b>£ million</b>	<b>2018</b>
Cash and cash equivalents	1,327
Other interest-bearing deposits	1,175
Revenue	13,021
<b>Cash and cash equivalent and interest-bearing deposits to Revenue</b>	<b>19.2%</b>

*Iberia and Iberia Express*

<b>€ million</b>	<b>2018</b>
Cash and cash equivalents	732
Other interest-bearing deposits	459
Revenue	5,292
<b>Cash and cash equivalent and interest-bearing deposits to Revenue</b>	<b>22.5%</b>

*Vueling*

<b>€ million</b>	<b>2018</b>
Cash and cash equivalents	206
Other interest-bearing deposits	315
Revenue	2,338
<b>Cash and cash equivalent and interest-bearing deposits to Revenue</b>	<b>22.3%</b>

*Aer Lingus*

<b>€ million</b>	<b>2018</b>
Cash and cash equivalents	217
Other interest-bearing deposits	671
Revenue	2,020
<b>Cash and cash equivalent and interest-bearing deposits to Revenue</b>	<b>44.0%</b>

## Glossary of terms relating to APMs

Adjusted aircraft operating leases	Aircraft operating lease costs multiplied by 0.67
Adjusted net debt	Net debt plus capitalised aircraft operating lease costs
EBITDAR	Operating profit before depreciation, amortisation and rental charges
Equity free cash flow	EBITDA before exceptional items less cash tax, cash interest paid and received and cash capital expenditure net of proceeds from sale of property, plant and equipment and intangible assets
Invested capital	Fleet net book value at the balance sheet date, excluding progress payments and adjusted for inflation, plus the net book value of the remaining property, plant and equipment plus annual aircraft operating lease costs multiplied by 8
Lease adjusted operating margin	Operating result less aircraft operating lease cost plus adjusted aircraft operating lease costs divided by revenue
Net debt	Current and long-term interest-bearing borrowings less other current interest-bearing deposits and cash and cash equivalents
Return on invested capital (RoIC)	EBITDAR less adjusted aircraft operating lease costs, fleet depreciation charge adjusted for inflation, and the depreciation charge for other property, plant and equipment, divided by invested capital. It is expressed as a percentage



## DESCRIPTION OF THE ISSUER AND THE GROUP

### INCORPORATION AND STATUS

The Issuer is the parent company of Aer Lingus, British Airways, Iberia, Vueling and LEVEL and is the indirect owner of British Airways Cityflyer and Iberia Express, making it one of the world's largest airline groups with 573 aircraft flying 685 routes to 268 destinations. The Group offers 97 long-haul routes with 70 non-overlap routes. In 2018, the Group made €24,406 million in total revenues and €3,230 million operating profit before exceptional items, and the IAG Airlines flew 113 million passengers and carried 5,713 million cargo tonnes. This performance resulted in an adjusted net debt to EBITDAR for the Group of 1.6x, equity free cashflow for the Group of €1,801 million, cash and interest-bearing deposits of €6,274 million and a cash and cash equivalents to revenue of 25.7 per cent. to revenue for the financial year ending 31 December 2018.

The Issuer is registered in Spain at the Madrid Commercial Registry in volume 27312, sheet 11, page number M-492129 (registration number M-492129). Its registered office is El Caserío, Iberia Zona Industrial nº 2 (La Muñoza), Camino de La Muñoza, s/n, 28042, Madrid, Spain and its telephone number is +44 (0) 20 8564 2800. The principal place of business of the Issuer is Waterside, Harmondsworth, UB7 0GB, United Kingdom.

The Issuer's corporate purpose, as stated in Article 2 of its by-laws, includes the holding of shares in its subsidiaries, the operation of airlines for passenger and cargo transport and the operation of various ancillary businesses relating to aviation and tourism. The by-laws permit the activities to be carried on anywhere in the world, either directly by the Issuer or indirectly through its subsidiaries.

As a Spanish public limited company (*sociedad anónima cotizada*), the Issuer and its board of directors (the "**Board of Directors**") are subject to Spanish Companies legislation, in particular the restated text of the Spanish Capital Companies Act, approved by Royal Decree 1/2010 (the "**Spanish Capital Companies Act**"). The Issuer's shares are listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges (the "**Spanish Stock Exchanges**") and traded through the Spanish Stock Exchanges automated quotation system (*Sistema de interconexión bursátil*). The Issuer's shares are also listed on the London Stock Exchange.

### HISTORY

The Issuer was incorporated on 17 December 2009. On 21 January 2011, British Airways and Iberia merged (the "**Merger**"). As a result of the Merger, the Issuer became the parent company of British Airways and Iberia, with British Airways and Iberia remaining as separate legal and operating subsidiaries.

In 2012, the Group made its first acquisition of British Midlands Airways Limited ("**BMI**"). BMI was fully integrated into British Airways, providing additional growth opportunities in key markets.

Since 2013, the Issuer has owned 99.5% of the total shares of Vueling, a Spanish low-cost carrier based in Barcelona. On 2 September 2015, the Issuer acquired 100% of the shares of Aer Lingus, the Irish flag carrier based in Dublin.

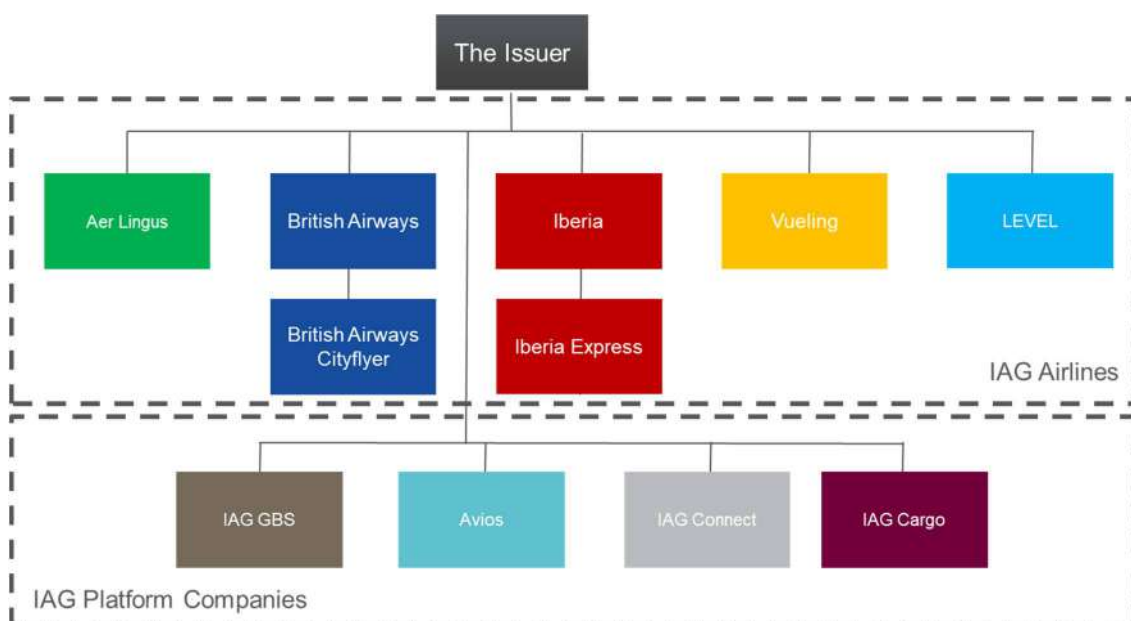
To continue its growth and diversify its customer base, the Issuer launched LEVEL in 2017. LEVEL is a low-cost, long-haul airline which provides services across the Atlantic and began operating short-haul European routes in 2018.

In addition to the IAG Airlines, the Issuer owns a number of subsidiaries which provide common services to the Group which are collectively referred to as the IAG Platform Companies (see “Group Structure” below).

## GROUP STRUCTURE

The Issuer is the holding company or the indirect owner of the IAG Airlines and the IAG Platform Companies. The Issuer (through its Digital and Maintenance, Repair and Overhaul (“MRO”) business lines) and the IAG Platform Companies provide common services to the IAG Airlines which allows the IAG Airlines to benefit from cost reductions and synergies by leveraging the Group’s scale.

The following simplified corporate structure chart shows the Group structure as at the date of this Prospectus.



Whilst the Issuer controls the overall direction, strategy and management of the Group, each IAG Subsidiary retains a separate board of directors and leadership teams comprised of the members of key directorates who are responsible for the day-to-day operation of each IAG Subsidiary. Notwithstanding this, the Group’s corporate structure allows the Issuer to exert vertical and horizontal influence over the IAG Subsidiaries in an efficient and cost-effective manner.

None of British Airways’, Iberias’, Vueling’s, Aer Lingus’s, British Airways Cityflyer’s, Iberia Express’s or any of the IAG Platform Companies’ shares are listed on any public stock exchange.

## BUSINESS

A description of the Issuer’s and the IAG Subsidiaries’ respective businesses is set out below.

## IAG Airlines

### *British Airways and British Airways Cityflyer*

British Airways was founded in 1919. According to the external airline data provider, Official Aviation Guide (“**OAG**”), British Airways is the number one carrier in London (the world’s largest international aviation market) on the basis of departing seats, and the number one European carrier across the North Atlantic in terms of number of passengers carried. British Airways operates one of the most extensive international scheduled airline route networks, together with its joint business, codeshare and franchise partners, flying to more than 250 destinations in 70 different countries with a fleet of 299 aircraft.

British Airways Cityflyer is a wholly-owned subsidiary of British Airways, and operates a network of domestic and European services from its main bases at London City airport and Edinburgh airport, as well as other minor United Kingdom bases.

For the year ending 31 December 2018, British Airways carried approximately 45 million passengers across the world and generated revenues of £13,021 million and an operating profit of £1,952 million from continuing operations before exceptional items. During the same period, British Airways’ EBITDAR reached £2,971 million and, as at 31 December 2018, its cash and cash equivalents to revenue was 19.2 per cent. The steady levels of cash to revenue and the growth in EBITDAR resulted in British Airways having an adjusted net debt to EBITDAR of 1.3x as at 31 December 2018. An overview of British Airways’ key performance measures from the last four financial years is shown below.

	2015 <sup>1</sup>	2016 <sup>1</sup>	2017 <sup>2</sup>	2018
<b>Operating Profit before exceptional items (£m)</b>	1,264	1,473	1,769	1,952
<b>Lease adjusted operating margin</b>	11.5%	13.3%	15.0%	15.6%

<sup>1</sup> Not restated for new accounting standards IFRS 15 ‘Revenue from contracts with customers’ and IFRS 9 ‘Financial Instruments’.

<sup>2</sup> Restated for new accounting standards IFRS 15 ‘Revenue from contracts with customers’ and IFRS 9 ‘Financial Instruments’.

In the first quarter of 2019, British Airways carried 10.5 million passengers, an improvement of 2.9 per cent. on the comparable period in 2018, and its available seat kilometres (“**ASKs**”) was 184,547 million as at 31 December 2018.

British Airways’ principal place of business is London with significant presences at Heathrow, Gatwick and London City airports.

### *Iberia and Iberia Express*

Founded in 1927, Iberia is Spain’s largest airline and its flag carrier. Its primary hub is Madrid. Together with its wholly-owned subsidiary Iberia Express and its franchise airline, Air Nostrum L.A.M. S.A. (“**Iberia Regional Air Nostrum**”), it operates some 600 flights each day to 124 destinations in 48 countries with a fleet of 110 aircraft.

Iberia and Iberia Express place customer experience at the centre of their operations and decision-making and Iberia Express was recognised as the world's most punctual low-cost carrier at the annual FlightGlobal awards in 2014, 2015, 2016 and 2017. This approach has enabled continuous growth in the number of passengers flown and their levels of satisfaction, with Iberia holding a 4-star rating from Skytrax, the international air transport rating organisation, as at the date of this Prospectus.

In 2014, Iberia launched its *Plan de Futuro* (restructuring plan) which focused on implementing structural change across its business and restraining growth until structural cost savings and productivity improvements have been achieved. Following the completion of the initial phase of the restructuring plan, Iberia has implemented the second phase of its *Plan de Futuro* and is currently running several ongoing projects and initiatives to strengthen its brand, customer, digitalisation and operational offering while maintaining focus on cost-efficiency.

For the year ending 31 December 2018, Iberia's revenue was €5,292 million and operating profit before exceptional items was €436 million. During the same period, Iberia's EBITDAR reached €910 million and, as at 31 December 2018, its cash and cash equivalents to revenue was 22.5 per cent. Iberia's steady levels of cash to revenue and the growth in EBITDAR resulted in Iberia having an adjusted net debt to EBITDAR of 2.2x as at 31 December 2018. An overview of Iberia's key performance measures from the last four years is shown below.

	2015 <sup>1</sup>	2016 <sup>1</sup>	2017 <sup>2</sup>	2018
<b>Operating Profit before exceptional items (€m)</b>	222	271	375	436
<b>Lease adjusted operating margin</b>	6.5%	7.7%	9.5%	9.9%

1 Not restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

2 Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

In the first quarter of 2019, Iberia transported 4.9 million passengers, an increase of 8.8 per cent. on the comparable period in 2018. As at 31 December 2018, capacity for Iberia was 68,179 million ASKs.

In addition to passenger and cargo operations, Iberia manages several profitable, complementary businesses. For example, Iberia provides maintenance, repair and general overhauls for engines, aircraft and components for the Iberia fleet, other IAG Airlines and third-party airlines. Iberia also manages Spain's largest airport handling operator providing passenger, baggage and aircraft services at 29 airports in Spain.

### *Vueling*

Vueling is one of Europe's leading low-cost airlines and is number one in connecting Spain and Continental Europe in terms of departing seats, according to OAG. Vueling currently offers flights to 32 million customers a year on its 285 routes to 131 cities throughout Europe with a fleet of 119 aircraft.

Vueling's home base is Barcelona with 12 million passengers departing annually from this base on Vueling flights. As Vueling continues to expand across Europe, it has also developed bases in Paris and Rome. Vueling further serves 27 cities in Spain, of which 14 are operational bases.

Vueling is focused on transforming its business model to deliver the leading European low-cost carrier customer experience at a competitive price. In light of a more challenging operating environment with continuing Air Traffic Control strikes, Vueling's management team designed the NEXT Transformation Program to build operation resilience and improve financial performance. The NEXT Transformation Program focuses on making continued investments in customer experience, improving operations resilience, and also includes projects relating cost reduction and digital innovation.

For the year ending 31 December 2018, Vueling generated €2,338 million in revenue and €191 million in profit from continuing operations before exceptional items. During the same period, Vueling's EBITDAR reached €474 million and, as at 31 December 2018, its cash and cash equivalents to revenue was 22.3 per cent. and its adjusted net debt to EBITDAR was 3.4x. An overview of Vueling's key performance measures from the last four financial years is shown below.

	2015 <sup>1</sup>	2016 <sup>1</sup>	2017 <sup>1</sup>	2018 <sup>1</sup>
<b>Operating Profit before exceptional items (€m)</b>	138	48	181	191
<b>Lease adjusted operating margin</b>	11.0%	6.8%	12.6%	11.7%

<sup>1</sup> All figures reported as per Spanish GAAP and no restatements made for IFRS as it is not applicable for Spanish GAAP.

Vueling had 37,431 million ASKs as at 31 December 2018, and throughout first quarter of 2019, Vueling flew 6.5 million passengers, a 6.2 per cent. increase on the comparable period in 2018.

### *Aer Lingus*

Aer Lingus is the national airline of Ireland, founded in 1936. Its primary mission is 'To Connect Ireland to The World' by providing customers with convenience, choice, comfort, value and seamless transfer options. As at the date of this Prospectus, Aer Lingus is Ireland's only airline to have received a 4-Star rating from Skytrax, the international air transport rating organisation.

With its fleet of 50 aircraft, Aer Lingus operates from central airport locations in the United Kingdom, Continental Europe and North America on over 100 routes, carrying approximately 12 million customers per annum. Aer Lingus's home base is Dublin Airport, from which it offers a broad range of routes, including routes to 13 North American destinations, with more than 100 onward connections across the United States and Canada available through its partner airlines. It also operates a network of 64 destinations within Europe.

Aer Lingus aims to be the leading value carrier across the North Atlantic and will aim to support this growth through its profitable and sustainable European short-haul network. As part of the expansion into the Trans-Atlantic market, Aer Lingus is adding new routes, such as Dublin to Minneapolis, and increasing the number of flights scheduled. This will be supported through an increase in its long-haul fleet and an expansion of its hub network from Dublin.

For the year ending 31 December 2018, Aer Lingus generated revenues of €2,020 million and operating profit of €303 million from continuing operations before exceptional items. During the same period, Aer Lingus's EBITDAR reached €489 million and, as at 31 December 2018, its cash and cash equivalents to revenue was 44.0 per cent. Aer Lingus's high levels of cash and an increase in EBITDAR resulted in Aer Lingus having an adjusted net debt to EBITDAR of 0.6x as at 31 December 2018. An overview of Aer Lingus's key performance measures from the last four financial years is shown below.

	2015 <sup>1</sup>	2016 <sup>1</sup>	2017 <sup>2</sup>	2018
<b>Operating Profit before exceptional items (€m)</b>	141	232	267	303
<b>Lease adjusted operating margin</b>	9.9%	14.9%	16.1%	16.7%

1 Not restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

2 Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'.

In the first quarter of 2019, approximately 2.2 million people travelled on Aer Lingus, a growth rate of 7.5 per cent. on the comparable period in 2018. As at 31 December 2018, Aer Lingus had a capacity of 29,029 million ASKs.

## LEVEL

LEVEL is a low-cost airline brand which aims to make travel more affordable. LEVEL commenced operations in June 2017 with two aircraft flying from Barcelona to San Francisco and Buenos Aires. LEVEL has since expanded its operations to include short-haul flights within Europe and it has increased its long-haul offering to include Boston, Montreal, New York, Las Vegas, Santiago de Chile, Martinique and Guadeloupe. LEVEL operates out of Barcelona and Paris (Orly Airport) for its long-haul flights and out of Vienna, and more recently Amsterdam, for its short-haul flights. LEVEL operates nine aircraft to 25 destinations across Europe, North and Latin America.

LEVEL's strategy is based on a customer-centric, technologically-enabled airline business, offering lower fares by letting customers choose what's important to them. LEVEL targets ancillary revenue as the key opportunity to outperform its peers, with the key drivers being seat prices, bag types and third-party ancillaries. To achieve this, LEVEL is improving its product proposition at a lower cost, for example there has been a reduction in packaging to improve the cost of catering.

LEVEL's business model breaks the traditional 'vertically-integrated' airline business model. It separates operational production from the customer-facing elements of the business to lower costs and makes the business model scalable.

In 2018, LEVEL flew 880,000 passengers and is seeking to grow this in 2019 through an increase in its fleet and destinations.

## **IAG Platform Companies**

### *IAG Cargo*

IAG Cargo is a wholly-owned subsidiary of the Issuer and was created in 2011 from the integration of British Airways World Cargo and Iberia Cargo following the Merger. IAG Cargo uses the IAG Airlines' and partner airlines' 'bellyhold' capacity and cargo assets to transport goods around the globe. IAG Cargo does not manage its own fleet, relying on the IAG Airlines and partner airlines to provide capacity on key cargo routes. As such, IAG Cargo operates from hubs located at London, Madrid and Dublin to provide 'bellyhold' capacity to transport a variety of goods to 350 destinations on 15,000 flights a week with a fleet of over 500 aircraft.

### *Avios*

Avios is a wholly-owned subsidiary of the Issuer and started out as Airmiles in the United Kingdom in 1988. In 2011, the brand Avios was established and Avios now operates the Group's loyalty programme which combines the IAG Airlines' frequent flyer programmes and enhances members' ability to collect and spend Avios points.

Avios currently has over 8.7 million members worldwide. During 2018, these members collected 115,100 million Avios points and redeemed 86,400 million Avios points.

Members of Avios can collect Avios points when they fly, spend on their credit cards and shop at the Group's online e-stores. Members can use their Avios points to fly with the IAG Airlines, *oneworld* and Avios partner airlines, to obtain discounts on relevant airline fares and to purchase travel and leisure experiences. Avios were used on 8 million flight bookings in 2018.

### *IAG GBS*

IAG GBS is a wholly-owned subsidiary of the Issuer and delivers IT, procurement and finance support to the IAG Airlines.

IAG GBS was established in 2014 and aims to identify and implement process improvements, streamlining, standardising and automating processes across the IAG Airlines wherever possible. IAG GBS is based in Kraków, Poland.

### *IAG Connect*

IAG Connect, which was established in 2015, is a wholly-owned subsidiary of the Issuer and is tasked with bringing scale and efficiency to the IAG Airlines' in-flight connectivity through an e-commerce platform. The Group's in-flight connectivity portal '.air' offers entertainment, shopping and Wi-Fi allowing customers to pair their smartphones or tablet to the seatback screen to pay for on-board purchases.

Inflight Wi-Fi and connectivity are becoming an increasingly critical factor to passengers and are important in driving passenger loyalty. Rolling out the Wi-Fi embodiment programme across the fleet remains an area of focus for the Group, although this has been affected by regulatory issues relating to the air-to-ground Wi-Fi solution and by other supplier delays. As at 31 December 2018, more than 55 of the Group's wide-body fleet had been fitted with on-board Wi-Fi. By the end of 2019, IAG Connect aims to have 80 to 90 per cent. of the Group's long-haul fleet fitted with on

board Wi-Fi. The Issuer expects that most of the short-haul aircraft will be fitted with the ground-to-air Wi-Fi technology, which is currently being tested on three aircraft, by the end of the second quarter of 2019.

### **Common services provided by the Issuer**

#### *MRO*

The Issuer, through its MRO business (which was established in 2011 after the Merger), provides maintenance, repair and overhaul services to the IAG Airlines and to third-party airlines. Services include scheduled and unscheduled maintenance work on aircraft. The focus of MRO's work is to improve the cost competitiveness of services to the IAG Airlines, while maintaining high quality. In 2018, the Issuer made significant progress in the transformation of its MRO activities. The main achievements included:

- the transformation of the MRO engine shop and narrow body airframe maintenance divisions which are now more competitive facilities; and
- the optimisation of the supply chain spend through leveraging the Issuer's procurement team to utilise the Group's volume to further outsource products at a reduced spend.

#### *Digital*

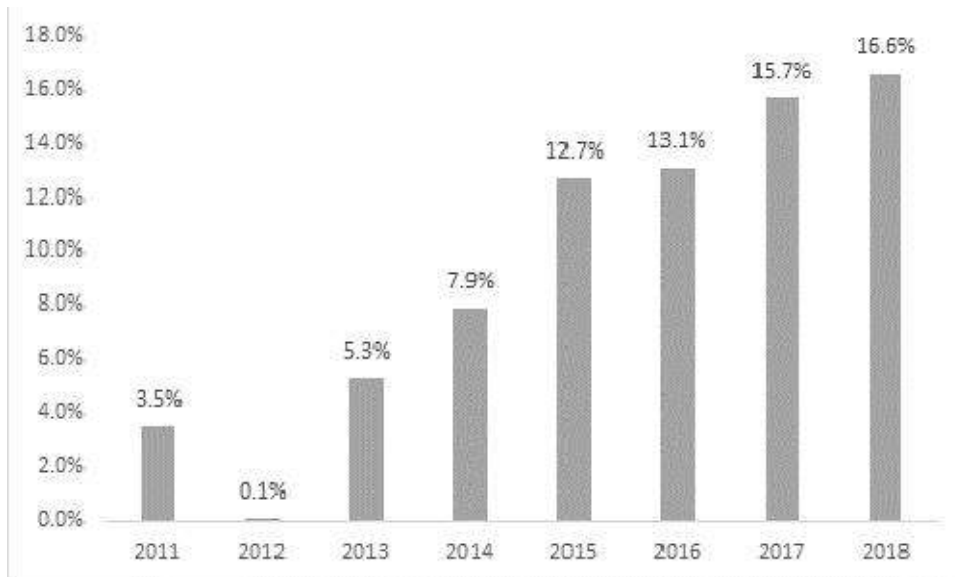
The Issuer, through its Digital business, which was established in 2014, is responsible for expanding digital innovations that can be utilised across the IAG Airlines. The Digital business focuses on five areas: shop order settle, automation, data, marketplaces and digital mindset.

Shop order settle aims to improve the retail platform for the Group. The automation project aims to improve operation safety, enhance regularity and drive efficiency across the Group's operations. Data is key for the Group and the Issuer's Digital business aims to improve the Group's ability to leverage the data collected by the Group to drive innovation, customer centricity and benchmarking. Marketplaces aims to create new business models for LEVEL and scale them up where possible. The areas that Digital focuses on are important to improve the overall operations of the Group and drive new potential sources of revenue.

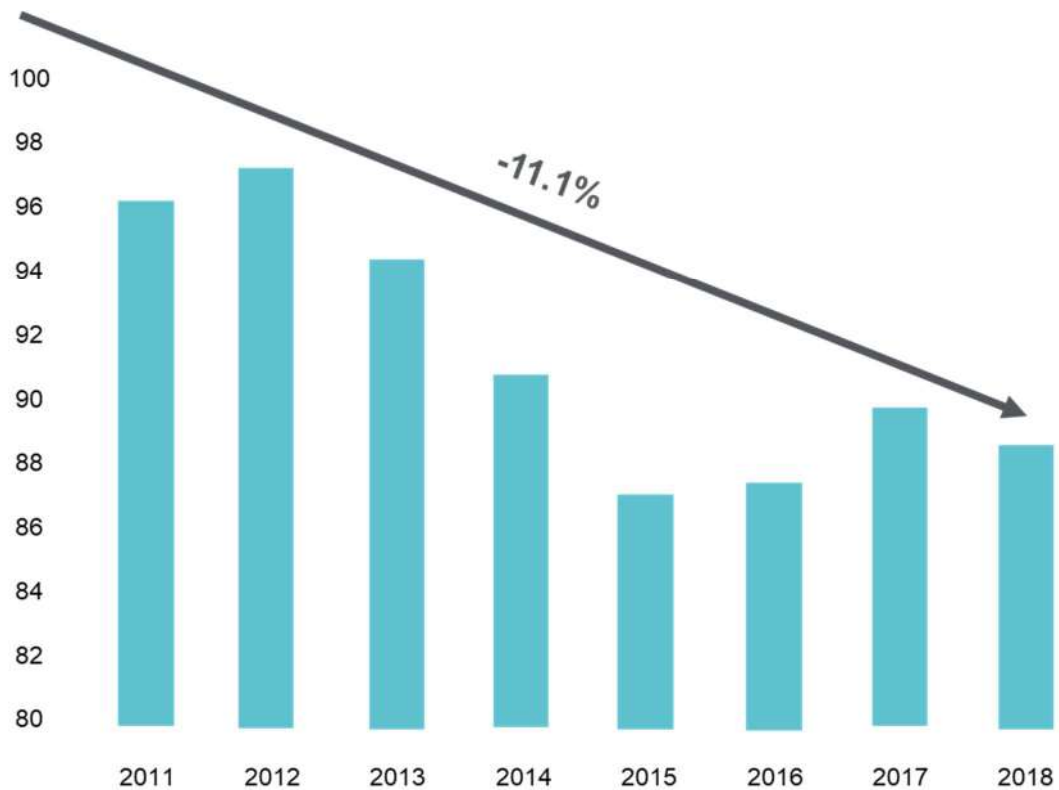
### **STRATEGY**

The Issuer's vision is to be the world's leading airline group with a business model that is built to maximise choice and value creation. The table below details the Group's RoIC since the Merger. The Group targets an overall RoIC of 15 per cent. per annum, with each of the IAG Airlines, excluding LEVEL also targeting an RoIC of 15 per cent. per annum.





The Group had achieved this improvement on RoIC through its ability to leverage the Group's size to create cost efficiency and synergies. This improvement can be seen through the below chart demonstrating that the Issuer has delivered a 11.1 per cent. ex-fuel unit reduction since the Merger in 2011.



The Issuer's current strategy is to focus on strengthening its portfolio of brands and operations, growing its global leadership positions and enhancing its common integrated platform.

## **Strengthening the Issuer's brands and operations**

The Issuer is committed to ensuring that the IAG Subsidiaries collectively deliver an unrivalled proposition to fulfil their customers' needs. The Group is focused on strengthening its customer centricity to ensure that the IAG Subsidiaries continue to adapt and focus their business model to reflect and meet changing customer expectations. As part of this, the IAG Airlines have entered into a number of strategic partnerships in order to, among other things, increase the number of connections and provide a larger combined network to their customers.

### *Atlantic Joint Business and North Atlantic Presence*

The Atlantic Joint Business Agreement comprising of British Airways, Iberia, American Airlines and Finnair supports the Group's strong position in the North Atlantic market. The agreement allows the participants to deliver increased choice and flexibility to customers by enabling co-ordination of schedules, network and commercial activity. Customers therefore benefit from an increased number of connection options, a larger combined network with more travel alternatives and frequent flier programme alignment.

British Airways operates the Group's most comprehensive network between Europe and North America. Following the introduction of new routes to Pittsburgh and Charleston, British Airways will soon serve 34 destinations in North America, consolidating its position as the largest long-haul carrier into North America by number of destinations served. In the recent past, British Airways has opened new routes to markets such as Austin, New Orleans and Nashville and will look for further opportunities in the United States, partly enabled by the introduction of new fleet. As British Airways develops its long-haul network further, its relationship with its joint business partners will remain critical to its ability to offer customers better frequency and easier connections in the markets it serves.

The North Atlantic is also a key market for Aer Lingus as Dublin Airport increasingly becomes a major hub connecting Europe and North America.

### *Strategic alliances and co-operation*

The Group, through British Airways and Iberia, is a founder of the *oneworld* global airline alliance ("**oneworld**"). The *oneworld* alliance, as at the date of this Prospectus, consists of 13 global airlines, including American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, LATAM, Qantas, Qatar, Royal Jordanian, S7 Airlines, Sri Lankan, Malaysia Airlines and selected affiliated airlines.

The *oneworld* alliance is designed to maximise the offering to customers by providing greater network coverage and loyalty benefits. The *oneworld* alliance currently serves over 1,000 destinations in over 150 countries with its 3,500 aircraft. The *oneworld* alliance allows each partner airline to provide standardised benefits to its frequent flyer members, meaning that customers have increased options in terms of the routes available to them, stop-overs and fare types, greater access to airport lounges and opportunities to earn more frequent flyer points. The system benefits partner airlines by assisting them in increasing their load factors, traffic and revenues.

British Airways and Iberia together with Finnair and Japan Airlines also participate in the Siberian Joint Business Agreement to provide services between Europe, Japan and Asia. The agreement

allows the partner airlines to offer additional flights to Asia with greater number of connections and the ability for customers to book flights through any of the partner airlines. This partnership has expanded the Group's network into Japan and Asia and has allowed it to target a different geographical customer base.

Most recently, on 30 October 2016, British Airways entered into a joint business agreement with Qatar Airways to enhance each airline's network and connections when providing flights between the United Kingdom, the Middle East, Africa and Asia. Given Qatar's geographically advantageous position in the Middle East to provide connections to Asia and onwards, this partnership is mutually beneficial to both airlines by offering access to a larger flight network to their customers.

### **Growing global leadership positions**

One aspect of the Issuer's current strategy is to focus on value accretive and sustainable growth in both existing and new markets. As part of this, the Issuer aims to consolidate and expand its revenues in key airports for the Group. As at the date of this Prospectus, the Issuer's airlines, British Airways, Iberia and Vueling each have the largest revenue and passenger share for London, Madrid and Barcelona airports respectively and Aer Lingus holds the largest revenue share and second largest share of passengers for Dublin Airport, according to the International Air Transport Association ("IATA") operated company, Direct Data Solutions ("DDS"). A description of the Group's presence at London, Madrid, Barcelona and Dublin airports is set out below.

#### *London*

London is one of the largest international aviation markets with three airports, Heathrow, London City and Gatwick. Primarily through British Airways, whose home base is London, the Group operates 23 per cent. of the passengers departing from London, with the next competitor operating 20 per cent., according to data provided by DDS. Additionally, according to data provided by DDS, the Issuer has a revenue share of 30 per cent. of the Greater London area (Heathrow, Gatwick, London City, Stanstead, Luton and Southend airports), with the closest competitor receiving 8 per cent.

At the beginning of 2018, British Airways acquired additional slots at Gatwick airport from Monarch Airlines after Monarch Airlines went into administration, which has facilitated both capacity and financial growth. From February 2018, these slots were operated for longer short-haul routes, with an 18 per cent. growth in ASKs generating a 20 per cent. increase in the Group's Gatwick revenue. British Airways continues to optimise the use of its Gatwick slots.

To further leverage the benefits of the London aviation market, the Group intends to capitalise on its strong position by using dynamic peak summer scheduling to increase seat factors at Heathrow, improving the number of passengers on a flight in comparison to number of seats available. The Group will also expand its Gatwick presence by using its slots to their full potential by increasing number of passengers carried with denser aircraft. The Group will also increase its operations at London City airport by adding four new aircraft to British Airways Cityflyer's fleet in 2019 to meet the growth in demand for both business and leisure travel from London City airport.

The Issuer continues to optimise the Group's network operation and fleet to meet customer demand and offer customers more choice and convenience, with increased frequency of flights

to popular destinations, such as Nashville and Seattle. It also deploys its A380 aircraft from London to cities such as Boston, Washington and Chicago to carry more passengers. The Issuer will also continue to explore opportunities with joint business partners, such as American Airlines, to service common routes from London if there is sufficient demand to do so.

### *Madrid*

Madrid is one of the largest airport hubs in Europe and the fourth largest to service Latin America. The primary airport in Spain is the Adolfo Suárez - Madrid Barajas International airport which is designed to handle 70 million passengers annually. Madrid is the home airport for Iberia.

The Group operates flights departing from Madrid for 36 per cent. of the passengers who pass through the airport, constituting 34 per cent. of the revenue generated from the Madrid airport, according to data provided by DDS.

### *Barcelona*

Approximately 44 million passengers depart from Barcelona airport annually, with the Group capturing 38 per cent. of these passengers. The Group's closest competitor provides services to 17 per cent. of passengers departing from Barcelona airport annually, according to data provided by DDS. The IAG Airlines generate 29 per cent. of the annual revenue for the Barcelona aviation market, according to data provided by DDS.

The Group operates routes from Barcelona airport primarily through Vueling, flying to Europe and North Africa. LEVEL also provides routes to the United States, Argentina and Brazil from Barcelona airport.

### *Dublin*

Dublin airport is Ireland's largest airport catering to approximately 30 million passengers a year. The airport connects to over 180 destinations in 42 different countries. Aer Lingus has a strong position in Dublin airport, generating 30 per cent. of the annual revenue at Dublin airport and operating an overall passenger share of 30 per cent., according to data provided by DDS.

Dublin airport is in the process of developing its infrastructure with a new northern runway and approximately €1,700 million in development funding through 2020-24.

Dublin Airport is the only major airport in Europe to offer U.S. pre-clearance, which enables passengers to save time on arrival in the U.S. by completing all the necessary immigration and customs checks prior to departure.

### *Exploring business growth*

The Issuer has a history of making value accretive acquisitions as demonstrated through the acquisitions of Vueling (in 2013) and Aer Lingus (in 2015) which have enabled the Issuer to obtain annual revenue shares of 29 per cent. and 36 per cent. at Barcelona and Dublin airports respectively, according to data provided by DDS. Moving forward, the Issuer will continue to consider value accretive organic and inorganic growth options to reinforce existing or pursue new positions. The Issuer will continue to review potential organic growth and consolidation opportunities to differentiate itself from its competitors and to ensure customer demands are met

where they are currently under served.

### Enhancing the Issuer's common integrated platform

The common services provided by the Issuer (through its Digital and MRO business) and the IAG Platform Companies are a well-established part of the Group which aim to reduce costs and improve efficiency of the IAG Airlines by leveraging group scale and synergy opportunities. The Group will continue to invest in and develop its common integrated platform.

### FLEET

As at 31 December 2018, the Group had a fleet of 573 aircraft in service with an average age of 11.3 years. The Group operates a fleet comprising Airbus, Boeing and Embraer aircraft. The fleet includes both operating leased and owned aircraft. Aircraft owned by the Group are either unencumbered or financed through a combination of finance leases and mortgage loans.

	ON BALANCE SHEET FIXED ASSETS	OFF BALANCE SHEET OPERATING LEASES	TOTAL DECEMBER 31, 2018	CHANGES SINCE DECEMBER 31, 2017	FUTURE DELIVERIES	OPTIONS
AIRBUS A318	1	-	1	-	-	-
AIRBUS A319	21	40	61	(3)	-	-
AIRBUS A320	82	159	241	23	71	128
AIRBUS A321	27	29	56	5	21	-
AIRBUS A330-200	9	13	22	5	2	-
AIRBUS A330-300	6	10	16	1	2	-
AIRBUS A340-600	11	6	17	-	-	-
AIRBUS A350	2	-	2	2	41	52
AIRBUS A380	12	-	12	-	-	-
BOEING 747-400	35	-	35	(1)	-	-
BOEING 777-200	41	5	46	-	-	-
BOEING 777-300	9	3	12	-	4	-
BOEING 787-8	11	1	12	3	-	-
BOEING 787-9	9	9	18	2	-	6
BOEING 787-10	-	-	-	-	12	-
EMBRAER E170	6	-	6	-	-	-
EMBRAER E190	9	7	16	1	-	-
<b>GROUP TOTAL</b>	<b>291</b>	<b>282</b>	<b>573</b>	<b>39</b>	<b>153</b>	<b>186</b>

The Group continues to focus on the modernisation and harmonisation of its fleet. Increased commonality across the fleet allows the IAG Airlines to realise cost efficiencies in areas including maintenance, cabin configuration and flight and cabin crew. While the Group seeks harmonisation across the fleet where possible, future aircraft commitments are split by IAG Airline reflecting the diversity and unique characteristics of their respective route networks.

British Airways will continue to modernise its short-haul fleet with twenty-two A320 NEO aircraft and thirteen A321 NEO aircraft on order. British Airways existing widebody fleet includes both Airbus and Boeing aircraft. British Airways have orders for eighteen A350-1000 aircraft, plus sixteen additional options. In the first quarter of 2019, British Airways reached an agreement with Boeing to purchase eighteen Boeing B777-9 aircraft for delivery between 2022 and 2025. The aircraft allow British Airways to retire the remainder of its B747-600 fleet, preserve existing capacity and achieve operational savings from the more efficient aircraft type. The new aircraft will also deliver environmental improvements versus the older B747.

Iberia currently operates an all Airbus fleet comprising both narrow and widebody aircraft. The company have orders with Airbus for thirteen A320 NEO aircraft and seven A321 NEO aircraft. Iberia have a further sixteen firm orders for Airbus A350-900 aircraft with sixteen additional options. The A350-900 will replace older A340-600 aircraft lowering the average fleet age and improving operational efficiency through the application of newer technology and more efficient aircraft.

Vueling currently operate an all Airbus fleet. The company has orders with Airbus for seventy seven aircraft comprising fifteen A320 CEO aircraft, thirty-five A320 NEO aircraft, fifteen A321 CEO aircraft and twelve A321 NEO aircraft. The deliveries will support Vueling's future network growth and replace older aircraft that will leave the fleet.

Aer Lingus have also reached an agreement to lease eight new A321 NEO Long Range aircraft with deliveries between 2019 and 2020. The new aircraft will be used to meet the long haul network growth, replace leased Boeing B757 aircraft and older A320 aircraft currently in operation. Aer Lingus will take delivery of two A330-300 aircraft in early 2020. The A330 is a core component of LEVEL, Iberia and Aer Lingus's fleets allowing the airlines to benefit from its low ownership costs.

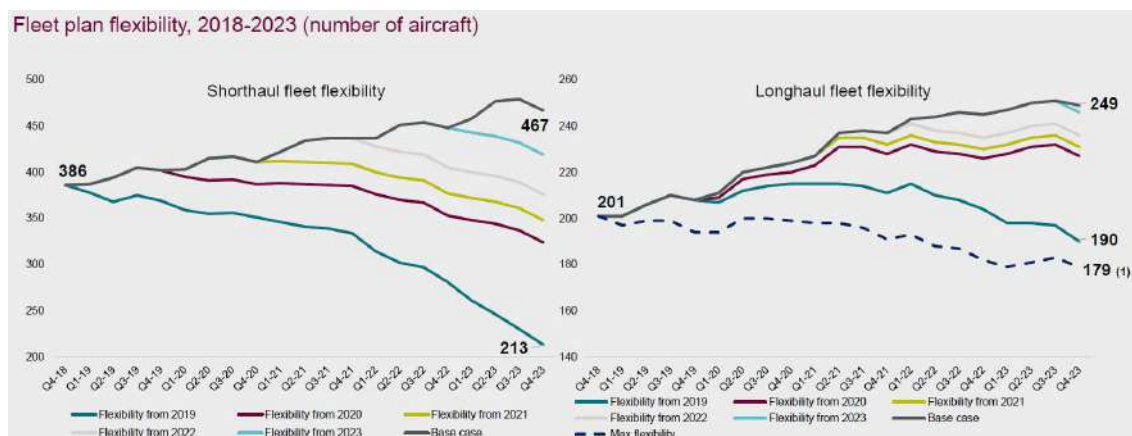
LEVEL currently flies a fleet of A330-200 aircraft for its transatlantic flights, while intra-European flights utilise the new A321 and A320 aircraft.

The Group has significant flexibility on its long-haul and short-haul fleet orders including:

- purchase options for future aircraft;
- type flexibility within an order, for example changing a B787-8 for a B787-9;
- ability to vary allocation between IAG Airlines; and
- rescheduling rights.

On 18 June 2019, the Issuer announced that it had signed a non-binding letter of intent with Boeing to purchase 200 B737 aircraft powered by CFM Leap engines to join the Group's fleet. Whilst the letter of intent remains subject to formal agreement, the B737 aircraft would be delivered between 2023 and 2027.

Additionally, the Issuer can adapt fleet size through use of lease expiries and aircraft retirements as shown below.



## REGULATORY ENVIRONMENT

The international and strategic nature of the airline sector, along with its safety and security critical requirements, means that it will always be subject to a wide range of regulatory controls. The Issuer and each IAG Airline monitor and, where possible, contribute to global, regional and national regulatory developments where they affect their respective businesses.

The regulatory environment has a significant impact on the Group, in particular the legislative framework set out by the EU, UK, Ireland, Spain, Austria and France. As at the time of this Prospectus, all IAG Airlines have the relevant and required operating licences and AOCs to operate their respective networks.

### International Regulation

The International Civil Aviation Organisation is an agency of the United Nations and was established by the 1944 Chicago Convention on International Civil Aviation (the “**Convention**”). The Convention established the process of coordinating and regulating international air services through bilateral air services agreements (“**ASAs**”) between sovereign states. ASAs are international bilateral treaties between states, with government-negotiated terms and conditions covering all aspects of commercial scheduled air services between the two countries. An exception to this is the single aviation market arrangement which applies within the EU and the multilateral agreements between the EU and third countries.

### EU Regulation

The Group is and will continue to be affected by a wide range of EU laws and regulations. These include safety, security, aircraft operations, airline ownership, airport slot allocations, ground handling, competition, airport charges, consumer protection, insurance, environmental protection, air traffic control and general data protection.

There are no longer ASAs between EU Member States since April 1997, EU air carriers have been able to provide passenger services on routes between and within EU Member States (and outside their home country of operations) without restrictions on capacity, frequencies and fares.

The European Free Trade Association states and a number of other neighbouring countries are also parties to a multilateral agreement known as the European Common Aviation Area.

EU Regulation 1008/2008 (the “**2008 Regulation**”) sets nationality requirements for the holding of operating licences issued by EU Member States. The 2008 Regulation requires that (i) an air carrier must be owned and continue to be owned directly or through majority ownership by EEA states and/or nationals of EEA states (for the purposes of the 2008 Regulation, this includes also ownership by Switzerland and/or Swiss nationals) and (ii) the air carrier must at all times be effectively controlled by such EEA Member States or EEA nationals.

### **UK Regulation**

The UK Civil Aviation Authority (the “**CAA**”) is responsible for overseeing and regulating air carriers in the UK. The CAA is responsible for licensing UK airlines through the issue of operating licences, subject to the requirements of EU and UK law. An operating licence is an authorisation permitting the holder to transport passengers, mail or cargo by air. The criteria for granting an operating licence includes, inter alia, an air carrier’s financial fitness, the adequacy of its insurance and the fitness of the persons who will manage the air carrier.

The CAA currently issues operating licences in the UK under the provisions of the 2008 Regulation which sets nationality requirements as described above. The Civil Aviation Act 1982, provides further that a carrier must hold (and comply with the terms of) a relevant “route licence” to operate aircraft on flights involving the carriage of passengers or cargo outside the EU or to or from a point outside the EU for consideration. Such licences are granted by the CAA and can only be granted where the applicant holds a valid operating licence. The IAG Airlines hold the required licences for all relevant routes.

The UK Department for Transport is responsible for overall air transport policy and, in particular, relations with third countries including the negotiation of bilateral ASAs, which govern airline market access.

The Air Passenger Duty Regulations 1994 and its more recent amendments also impose a duty levied on the carriage of passengers from a UK airport (subject to limited exceptions). The duty is payable by operating carriers (both those based in the UK and foreign carriers) with the amount payable being calculated by reference to the passenger’s final destination and the class of travel.

### **Irish regulation**

Irish aviation regulation is implemented primarily by the Commission for Aviation Regulation (“**CAR**”), the Irish Aviation Authority (“**IAA**”) and the Department of Transport, Tourism and Sport (“**DTTAS**”). The CAR has responsibility for licensing Irish airlines, subject to the requirements of EU law. It issues operating licences under the provisions of the 2008 Regulation.

The CAR is also responsible for deciding maximum airport charges at Dublin Airport, and for the enforcement of EU legislation requiring compensation of airline passengers who have been denied boarding on a flight for which they hold a valid ticket (Regulation (EC) No. 261/2004).

The IAA is primarily responsible for the operational and regulatory function and services relating to the safety, security and technical aspects of aviation in Ireland. To operate in the EU, an Irish



air carrier is required to hold an AOC granted by the IAA attesting to the air carrier's operational and technical competence to conduct airline services with specified types of aircraft.

The IAA is also responsible for overseeing and regulating the operations of Irish air carriers. Matters within the scope of the IAA's regulatory authority include: air safety; aircraft certification; personnel licensing and training; maintenance, manufacture, repair, airworthiness, and operation of aircraft; implementation of EU legislation; aircraft noise; aviation security and ground services.

The DTTAS is responsible for implementation of certain EU and Irish legislation and international standards relating to air transport.

### **Spanish regulation**

Spanish aviation regulation is implemented primarily by the Spanish Aviation Safety Agency ("**AESA**") and the Civil Aviation General Direction ("**DGAC**"), both within the Ministry for Development. AESA has responsibility for licensing Spanish airlines, subject to the requirements of EU law. It issues operating licences under the provisions of the 2008 Regulation.

At the same time, the DGAC is responsible for deciding maximum airport charges at all AENA's Spanish airports. AESA, for its part, is responsible for the enforcement of EU legislation requiring compensation of airline passengers who have been denied boarding on a flight for which they hold a valid ticket (Regulation (EC) No. 261/2004).

AESA is primarily responsible for the operational and regulatory function and services relating to the safety, security and technical aspects of aviation in Spain. To operate in the EU, a Spanish air carrier is required to hold an AOC granted by AESA attesting to the air carrier's operational and technical competence to conduct airline services with specified types of aircraft. However, AESA has broad authority to amend or revoke the AOC, with each Spanish air carrier's ability to continue to hold its AOC being subject to ongoing compliance with applicable statutes, rules and regulations pertaining to the airline industry, including any new rules and regulations that may be adopted in the future. AESA also reviews each Spanish air carrier audits, including flight audits, training audits, returned flight document audits, and quality audits.

AESA is also responsible for overseeing and regulating the operations of Spanish air carriers. Matters within the scope of the AESA's regulatory authority include: air safety; aircraft certification; personnel licensing and training; maintenance, manufacture, repair, airworthiness, and operation of aircraft; implementation of EU legislation; aircraft noise; aviation security and ground services. Spanish air carriers' aircraft are required to have a Certificate of Airworthiness, which is issued by AESA. The validity of Certificates of Airworthiness is subject to review by AESA. Spanish air carriers' flight personnel, flight and emergency procedures, aircraft, and maintenance facilities are subject to periodic inspections by AESA. AESA has broad regulatory and enforcement powers, including the authority to require reports; inspect the books, records, premises, and aircraft of a carrier; and investigate and institute enforcement proceedings. Failure to comply with AESA regulations can result in revocation of the AOC.

The DGAC is also responsible for implementation of certain EU and Spanish legislation and international standards relating to air transport.

## **Austrian regulation**

Austro Control GmbH (“**Austro Control**”) is responsible for overseeing and regulating air carriers in Austria and issues AOCs under the requirements of EU and Austrian law. The Federal Ministry for Transport, Innovation and Technology is responsible for issuing operating licences in accordance with EU and Austrian law.

## **French regulation**

The French aviation industry is regulated by the Ministry of Ecological and Solidarity Transition, which is responsible for transport and infrastructure. Pursuant to Decree 2017/1086 of May 24 2017, the ministry deals with civil aviation policies, promulgates civil aviation regulations and submits propositions for law to parliament.

The Directorate-General for Civil Aviation is an authority attached to the Ministry for Transport. Its functions are defined by Decree 2008/680 of July 9 2008 regarding the central organisation and administration of the Ministry for Ecology, Energy, Sustainable Development and Regional Planning. It is thus responsible for air carriage, infrastructure and economic regulation.

Air carriage companies must hold an operating licence and an air operator certificate issued by the Civil Aviation Authority in accordance with the terms of the 2008 Regulation on common rules for the operation of air services.

## **Other National Regulation**

Generally, the IAG Airlines are affected by a wide range of laws and regulations in each of the jurisdictions they operate in. These include safety, security, ground handling, airport charges, consumer protection, passenger taxes, environmental protection and air traffic control.

## **SAFETY AND SECURITY**

The safety and security of the Group’s customers and employees are fundamental values for the Group. The Group is committed to operating in a healthy, safe and secure way in compliance with all applicable laws, regulations, company policies and industry standards. Each IAG Airline has robust governance in place which is led by the safety committees in each of the IAG Airlines.

The responsibility for safety and security lies with each IAG Airline which is assessed and marketed in accordance with each IAG Airline’s applicable standards. However, the Issuer’s safety committee exercises a high-level overview of safety activities across the IAG Airlines to ensure compliance with the minimum Group standard and that common safety issues and best-practices are shared. The Issuer’s safety committee is chaired by the Group Chief Executive Officer and monitors all matters in relation to the operational safety of the IAG Airlines as well as the systems and resources dedicated to safety activities across the Group.

## **ENVIRONMENT**

### **Sustainability**

Sustainability forms part of the Group’s business strategy and is fundamental to the Group’s long-term growth. The Group is committed to minimising its environmental impact and to driving global

improvements in the aviation industry's sustainability performance. The Group has aligned its sustainability programmes with the Group's strategic priorities and value propositions, and is committed to:

- ensuring customers have visibility of, and are engaged in, the Group's sustainability programmes;
- demonstrating industry leadership and advocating for carbon pricing and carbon disclosures;
- maturing the Group's transition pathway towards low carbon economy;
- investing in an efficient aircraft fleet and delivering best practice in operational efficiency; and
- innovating and investing to accelerate progress in sustainable aviation fuels, future aircraft and low carbon technologies.

### **Environmental impact of the business**

The Issuer believes that the aviation industry has a full part to play in the global reduction of CO<sub>2</sub> given that, by its very nature, the airline industry is a significant emitter of greenhouse gases. The airline industry has agreed to reduce net carbon emissions, introducing an emissions cap from 2020 and aiming for a 50 per cent. cut by 2050. The industry has set up the first global carbon offsetting scheme, CORSIA, to achieve these goals. The Issuer was the first airline group worldwide to set its own carbon emissions targets and has taken a leading role in securing the adoption of CORSIA.

The Group continues to make progress with the adoption of the IATA Environmental Assessment programme ("**IEnvA**"). IEnvA is the airline industry version of ISO14001 tailored specifically for airlines and fully certified by the International Standards Organisation ("**ISO**"). British Airways, Iberia and Vueling are expected to achieve Phase 1 Certification in 2019.

The Group measures its climate targets against the following key strategic aims:

- 10 per cent. improvement in fuel efficiency to 87.3gCO<sub>2</sub>/pkm by 2020 versus baseline of 97.5gCO<sub>2</sub>/pkm in 2014;
- carbon neutral growth from 2020; and
- net reduction of 50 per cent. CO<sub>2</sub> emissions by 2050 versus 2005.

### **EU Emissions Trading**

Under the United Nations Framework Convention on Climate Change and the Kyoto Protocol, certain contracting states entered into obligations to control and reduce the emission of greenhouse gases.

To comply with its obligations under public international law, the EU introduced the Emissions Trading Scheme ("**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. In October 2016, the International Civil Aviation Organisation (“**ICAO**”) agreed CORSIA to target carbon neutral growth for the airline sector, which commenced on 1 January 2019. The IAG Airlines each have CORSIA Emission Monitoring Plans and baseline monitoring has now begun. For the moment, it appears that CORSIA will run in tangent with ETS for the initial years of the scheme.

The Issuer worked with the IATA and ICAO to help finalise the rules governing the CORSIA scheme as it views environmental sustainability to be key to the continuance of the aviation industry. The Group contributed approximately 3 million tonnes of carbon reductions in 2018 through its compliance with the ETS, bringing its net carbon dioxide to approximately 27 million tonnes.

### **Carbon Emissions**

The Group’s direct greenhouse gas emissions in the year ending 31 December 2018 were 29.99 million tonnes, compared to 28.76 million tonnes in the year ending 31 December 2017. The increase in overall emissions was due to the continued growth in the Group’s operations, although notably the increase was lower than the overall activity growth of the IAG Airlines. The Group targets a flight only CO<sub>2</sub> emission of 87.3gCO<sub>2</sub>/pkm by 2020. In 2018, the Group achieved 91.9gCO<sub>2</sub>/pkm, down from 92.3 grams in 2017. This achievement was due to the rate of fleet renewal as well as challenging operating conditions including disruption caused by European air traffic control strikes.

The Group is reviewing the possibility of implementing management incentives aligned to its carbon targets to improve the alignment of the business strategy and decarbonisation pathway. For 2019, to meet these targets, the Group is prioritising developing options for the Group on a net zero emissions pathway, the implementation of the CORSIA baseline monitoring and preparing its carbon offsetting strategy.

### **DATA PROTECTION**

The Group is subject to significant obligations in respect of data protection legislation. In 2018, the Group’s focus on cyber security was brought to the fore following the attack on British Airways’ customer data. The Group has leveraged the expertise of strategic global partners to help ensure early detection of future threats through an enhanced 24/7 Security Operations Centre. Relevant testing and scans for all IAG Airlines to support Payment Card Industry compliance and fulfil the Group’s requirements for implementation of the General Data Protection Regulation, which came into effect in May 2018, have been deployed. The cyber security threat is a reality for all businesses today and requires constant vigilance. The Issuer works closely with the world’s leading experts to ensure the Group’s systems and processes are robust and cyber security risk is a key priority for 2019.

### **LEGAL PROCEEDINGS**

British Airways is involved in the legal proceedings detailed below. Although no assurance can be given as to the outcome of any current or pending litigation, the Issuer does not believe that any such litigation will, individually or in the aggregate, have a material adverse effect on the results of operations or financial condition of the Issuer.

### **Theft of customer data**

On 6 September 2018, British Airways announced the theft of certain of its customers' personal data. Following an investigation into the theft, British Airways announced on 25 October 2018 that further personal data had potentially been compromised. As at the date of this Prospectus, British Airways is not aware of any confirmed cases of fraud in connection with such theft. British Airways continues to cooperate with the investigations of the UK Information Commissioner's Office and other relevant regulators. British Airways has received letters before action from certain UK law firms threatening claims arising from the data breach. Additionally, a putative class action has been filed in the Eastern District of New York, USA. The outcome of the various investigations and litigation, which British Airways will vigorously defend, is uncertain.

### **European Commission cargo decision**

On 15 October 2014, the European Commission issued a decision in which it found that British Airways, and 10 other airline groups, had engaged in cartel activity in the air cargo sector (the "**Original Decision**"). British Airways was fined €104 million. Following an appeal, the decision was partially annulled against British Airways (and annulled in full against the other appealing airlines) (the "**General Counsel Judgment**"), and the fine was refunded in full. British Airways appealed the partial annulment to the European Court of Justice, but that appeal was rejected.

In parallel, the European Commission chose not to appeal the General Counsel Judgement, and instead adopted a new decision in March 2017 (the "**New Decision**"). The New Decision re-issued fines against all the participating carriers, which match those contained in the Original Decision. British Airways has therefore again been fined €104 million. British Airways has appealed the New Decision to the General Court, the constituent court of the Court of Justice of the EU, again (as have other carriers).

A large number of claimants have brought proceedings in the English courts to recover damages from British Airways which, relying on the findings in the New Decision, they claim arise from the alleged cartel activity. British Airways joined with the other airlines alleged to have participated in cartel activity, to contribute to those proceedings. A number of those claims were concluded in 2018.

British Airways is also a party to similar litigation in a number of other jurisdictions including Germany, the Netherlands and Canada together with a number of other airlines. At present, the outcome of the proceedings is unknown. In each case, the precise effect, if any, of the alleged cartelising activity on the claimants will need to be assessed.

### **UK Competition and Markets Authority review of the Atlantic Joint Business Agreement**

On 11 October 2018, the UK Competition and Markets Authority (the "**CMA**") launched a competition investigation into the Atlantic Joint Business Agreement. In line with the approach of the European Commission when it first investigated the Atlantic Joint Business Agreement during 2009 to 2010, the investigation is being conducted under the rules on agreements restrictive of competition which, for the UK, are in the Chapter I prohibition in the Competition Act 1998 and, to the extent applicable, Article 101 of the Treaty on the Functioning of the European Union.

In 2010, following an investigation under EU competition law, the European Commission accepted commitments from the parties to the Atlantic Joint Business Agreement in relation to 6 routes to

address potential competition concerns. These commitments were binding for 10 years. On expiry of the parties' commitments, due in 2020, the European Commission may re-assess the Atlantic Joint Business Agreement, but there is no requirement for it to do so. As five of the six routes subject to commitments are from the UK, to prepare for the time when the European Commission may no longer have responsibility for competition law in the UK, the CMA has decided to review afresh the competitive impact of the Joint Atlantic Business Agreement.

This case is at an early stage and, as at the date of this Prospectus, no assumption can be made that the Atlantic Joint Business Agreement infringes competition law.

## **INSURANCE**

The Group has insurance coverage which it believes is consistent with industry standards. Broadly, the Group's insurance coverage includes:

- hull (all risks) and liabilities insurance (including spares);
- property damage insurance;
- employer's liability insurance;
- directors and officers insurance;
- public and product liability insurance; and
- cyber and network interruption insurance (to cover cyber disruption and/or loss of key systems).

Council Regulation (EC) No. 2027/97, as amended by Council Regulation (EC) No. 889/2002, governs air carrier liability. This legislation provides for unlimited liability of an air carrier in the event of death or bodily injuries suffered by passengers, implementing the Warsaw Convention of 1929 for the Unification of Certain Rules Relating to Transportation by Air, as amended by the Montreal Convention of 1999. The Issuer's liability insurance has been designed to meet the appropriate requirements of this legislation.

## **STAFF AND LABOUR RELATIONS**

The Group focuses on leveraging employee expertise and ensuring the development of talent, with succession planning in place to ensure that the best people are moved across the various businesses. This assists the Issuer in maintaining stable relations with its employees. Each IAG Subsidiary is responsible for ensuring its employees complete mandatory training, with the majority of training being provided to cabin crew and pilots. In 2018, the average hours of training completed per employee was 48.5 showing the Group's investment into training its employees.

At 31 December 2018, the Group's "average manpower equivalent" was 64,734 compared to 63,422 in 2017. As at 31 December 2018, the group employed 71,135 employees with 25 per cent. employed in a part-time capacity (as opposed to in a full-time capacity) and 94 per cent. employed in a permanent capacity (as opposed to in a temporary capacity). The breakdown of employees across the Group is shown in the below table.

**As at 31 December 2018**

<b>Cabin Crew</b>	35 per cent.
<b>Pilots</b>	11 per cent.
<b>Airport</b>	26 per cent.
<b>Maintenance</b>	10 per cent.
<b>Corporate</b>	18 per cent.

The Group has a large proportion of employees who are members of their respective trade unions. The Group has well established mechanisms for negotiation and dialogue with the unions who represent their employees. Each IAG Subsidiary has its own human resources department and is responsible for the management of its employees. As such, collective bargaining takes place on a regular basis with the IAG Subsidiaries' human resources departments. The Group has a European Works Council ("**EWC**") which brings together representatives from the different EEA countries in which the Group has operations, covering 95 per cent. of the Group's total workforce. EWC representatives are informed and consulted about matters which may impact the Group's employees in two or more EEA countries. Two meetings of the EWC were held in 2018.

**DIRECTORS AND MAJOR SHAREHOLDERS****Board of Directors of the Issuer**

The Issuer's Board of Directors consists of ten non-executive directors and two executive director members who are elected at the annual general meeting for a period of one year.

Details of the Issuer's Board of Directors as at the date of this Prospectus are as follows:

<b>Name</b>	<b>Position</b>	<b>External roles</b>	<b>Shareholdings in the Issuer (No. of shares)</b>
<b>Antonio Vázquez</b>	Elected Chairman 2018 Member of the Safety Committee and Committee Chair of the Nominations Committee	Member of the Advisory Board of the Franklin Institute, Member of the Cooperation Board of Loyola University and Trustee of the Nantik Lum Foundation	512,291
<b>William Matthew Walsh</b>	Chief Executive Officer Committee Chair of the Safety Committee	Chairman of Aer Lingus Board of Directors, Chairman of Airlines for Europe (A4E)	1,305,331

<b>Margaret Ewing</b>	Non-Executive Independent Director	Senior Independent Non-Executive Director, ConvaTec Group Plc  Independent Non-Executive Director and Chair of the Audit and Risk Committee, ITC Plc  Trustee and Vice Chairman of the Board and Chairman of the Finance and Audit Committee, Great Ormond Street Hospital Children's Charity	0
<b>Marc Bolland</b>	Non-Executive Director  Committee Chair of the Remuneration Committee and Member of the Safety Committee	Head of European Portfolio Operations of The Blackstone Group, Director of the Coca-Cola Company, Non-Executive Director of Exor S.p.A. and Vice President of UNICEF UK	0
<b>Stephen Gunning</b>	Chief Financial Officer	Director, IAG GBS Limited  Director, British Airways Plc  Director, IAG Cargo Limited  Director, Avios Group (AGL) Limited  Non-Executive Director, FirstGroup Plc	158,857
<b>María Fernanda Mejía</b>	Non-Executive Director  Member of the Audit and Compliance Committee and the Remuneration Committee	Senior Vice President of The Kellogg Company, President of Kellogg Latin America, Corporate Officer and member of The Kellogg Company Executive Leadership Team and Board Member of the Council of the Americas	100
<b>Deborah Kerr</b>	Non-Executive Director  Member of the Audit and Compliance Committee	Director of NetApp Inc., Director of Chico's FAS Inc., Director of ExlService Holdings, Inc. and Managing Director of Warburg Pincus	0
<b>Kieran Poynter</b>	Non-Executive Director  Committee Chair of the Audit and Compliance Committee and Member of the Safety Committee	Chairman of BMO Asset Management (Holdings) PLC and Senior Independent Director of British American Tobacco	15,000



<b>Emilio Saracho</b>	Non-Executive Director  Member of the Nominations Committee	Director of Altamar Capital Partners and Director of Inditex	0
<b>Francisco Javier Ferrán Larraz</b>	Non-Executive Independent Director  Member of the Remuneration Committee and Member of the Nominations Committee	Chairman, Diageo plc  Non-Executive Director, Coca Cola European Partners plc  Member, International Advisory Board ESADE  Member, Supervisory Board Picard Surgeles	80,000
<b>Nicola Shaw</b>	Non-Executive Director  Member of the Safety Committee and the Remuneration Committee	Executive Director of National Grid plc, Member of the Audit and Risk Committee of English Heritage and Director for Major Projects Association	1,517
<b>Alberto Terol</b>	Non-Executive Director  Member of the Audit and Compliance Committee and the Remunerations Committee	Vice Chairman, Leading Independent Director and Chairman of the Appointments, Remuneration and Corporate Governance Committee of Indra Sistemas, Chairman of the Supervisory Board of Senvion GmbH, Chairman of the Audit Committee of Senvion S.A., Director of Broseta Abogados, International Senior Advisor to Centerbridge, Independent Director of Schindler España, Patron of Fundación Telefonica and Executive Chairman of various family-owned companies	26,537

The business address for all members of the Board of Directors in the United Kingdom is Waterside (HAA2), PO Box 365, Speedbird Way, Harmondsworth, UB7 0GB and in Spain is El Caserío, Iberia Zona Industrial nº 2 (La Muñoza), Camino de La Muñoza, s/n, 28042, Madrid.

#### *Interests of the Board of Directors*

There are no actual or potential conflicts of interest between the duties of each member of the Board of Directors listed above to the Issuer and their private interests or other duties.

#### **Management Committee of the Issuer**

In addition to the Chief Executive Officer and Chief Financial Officer (as disclosed above), the

Issuer's management committee includes the heads of the Issuer's business areas, its Chief of Staff and its General Counsel.

Details of the Issuer's management committee as at the date of this Prospectus are as follows:

<b>Name</b>	<b>Position</b>	<b>Management roles</b>
<b>William Matthew Walsh</b>	IAG Management Committee Member	Chief Executive Officer of IAG Chairman of Aer Lingus Chairman of Airlines for Europe (A4E)
<b>Stephen Gunning</b>	IAG Management Committee Member	Director, IAG GBS Limited Director, British Airways Plc Director, IAG Cargo Limited Director, Avios Group (AGL) Limited Non-Executive Director, FirstGroup Plc
<b>Sean Doyle</b>	IAG Management Committee Member	Chief Executive Officer of Aer Lingus
<b>Álex Cruz de Llano</b>	IAG Management Committee Member	Chairman and Chief Executive Officer of British Airways
<b>Luis Gallego Martin</b>	IAG Management Committee Member	Chairman and Chief Executive Officer of Iberia
<b>Javier Sanchez Prieto</b>	IAG Management Committee Member	Chairman and Chief Executive Officer of Vueling
<b>Julia Simpson</b>	IAG Management Committee Member	Chief of Staff Board Member of British Airways Board Member of Iberia
<b>Christopher Haynes</b>	IAG Management Committee Member	General Counsel
<b>Lynne Embleton</b>	IAG Management Committee Member	Chief Executive Officer of IAG Cargo
<b>Andrew Crawley</b>	IAG Management Committee Member	Chief Executive Officer of Avios

The business address for all members of the management committee in the United Kingdom is Waterside (HAA2), PO Box 365, Speedbird Way, Harmondsworth, UB7 0GB and in Spain is El Caserío, Iberia Zona Industrial nº 2 (La Muñoza), Camino de La Muñoza, s/n, 28042, Madrid.

#### *Interests of the Management Committee*

There are no actual or potential conflicts of interest between the duties of each member of the management committee listed above to the Issuer and their private interests or other duties.

#### **Major Shareholders of the Issuer**

As at the date of this Prospectus, the Issuer's share capital, excluding shares held as treasury shares, was made up of 1,983,178,424 shares with a nominal value of €0.50 each and belonging to a single class and series. The Issuer's share capital is fully paid-up. No individual or legal entity controls the Issuer for the purposes of Article 42 of the Spanish Commercial Code 1885. Its main shareholders as at 21 June 2019 are:

	<b>Share capital, %</b>
Qatar Airways (Q.C.S.C.)	21.43
Capital Research and Management Company (owns said shares indirectly)	10.01
Europacific Growth Fund	5.26
Lansdowne Partners International Limited (owns said shares indirectly)	1.62
Invesco Limited (owns said shares indirectly)	1.13
<hr/>	
Total	39.45

#### **Statutory Auditors**

The Issuer has appointed Ernst & Young, S.L. with its registered office at C/ Raimundo Fernández Villaverde, 65, 28003, Madrid, Spain as its approved statutory auditor for the financial years commencing 1 January 2017 and 2018.

Ernst & Young, S.L. is registered in the Official Registry of Auditors (*Registro Oficial de Auditores de Cuentas*) under number S0530.

#### **Financial Year**

The Issuer's financial year is from 1 January to 31 December of each year. The Issuer has prepared consolidated financial statements as at and for the year ended 31 December 2017 and 2018, copies of which have been filed with Euronext Dublin and the Central Bank.

## TAXATION

*The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Bonds, and does not purport to deal with the tax consequences applicable to all categories of investors, some of whom may be subject to special rules. Prospective investors who are in any doubt as to their position should consult with their own professional advisers.*

### Taxation in Spain

The following summary describes the main Spanish tax implications arising in connection with the acquisition, holding and disposal of the Bonds by individuals or entities who are the beneficial owners of the Bonds (the “**Bondholders**” and each a “**Bondholder**”).

This taxation summary solely addresses the principal Spanish tax consequences of the acquisition, the ownership and disposal of Bonds issued by the Issuer after the date hereof held by a holder of Bonds. It does not consider every aspect of taxation that may be relevant to a particular holder of Bonds under special circumstances or who is subject to special treatment under applicable law or to the special tax regimes applicable in the Basque Country and Navarra (*Territorios Forales*). Where in this summary English terms and expressions are used to refer to Spanish concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Spanish concepts under Spanish tax laws. This summary assumes that each transaction with respect to the Bonds is at arm’s length.

All the tax consequences described in this section are based on the general assumption that the Bonds are initially registered for clearance and settlement in Euroclear and Clearstream, Luxembourg. Prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences, including those under the tax laws of the country of which they are resident, of purchasing, owning and disposing of Bonds.

The information provided below does not purport to be a complete summary of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect.

#### 1. Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Prospectus:

- a) of general application, (i) First Additional Provision of Law 10/2014, of 26 June, on regulation, supervision and solvency of credit entities (“**Law 10/2014**”), as well as (ii) Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes (“**Royal Decree 1065/2007**”), as amended by Royal Decree 1145/2011 of 29 July (“**Royal Decree 1145/2011**”);
- b) for individuals resident for tax purposes in Spain who are Personal Income Tax (“**PIT**”) tax-payers, (i) Law 35/2006, of 28 November, on the PIT and on the partial amendment of the Corporate Income Tax Law, Non-Resident Income Tax Law and Wealth Tax Law, as amended by Law 26/2014 of 27 November (the “**PIT Law**”), and (ii) Royal Decree

439/2007, of 30 March approving the PIT Regulations which develop the PIT Law, as amended by Royal Decree 633/2015, of 10 July, along with (iii) Law 19/1991, of 6 June on Wealth Tax ("**Wealth Tax Law**"), and (iv) Law 29/1987, of 18 December on Inheritance and Gift Tax ("**Inheritance and Gift Tax Law**"), as amended;

- c) for legal entities resident for tax purposes in Spain which are Corporate Income Tax ("**CIT**") taxpayers, (i) Law 27/2014 of 27 November on Corporate Income Tax (the "**CIT Law**"), and (ii) Royal Decree 634/2015, of 10 July promulgating the CIT Regulations, as amended (the "**CIT Regulations**"); and
- d) for individuals and entities who are not resident for tax purposes in Spain which are Non-Resident Income Tax ("**NRIT**") taxpayers, (i) Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended (the "**NRIT Law**"), and (ii) Royal Decree 1776/2004, of 30 July, promulgating the NRIT Regulations, as amended along with Wealth Tax Law, and Inheritance and Gift Tax Law, as amended.

Whatever the nature and residence of the Bondholder, the acquisition and transfer of the Bonds will be exempt from indirect taxes in Spain, for example, exempt from Transfer Tax and Stamp Duty, in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December, regulating such tax.

## **2. Spanish tax resident individuals**

### **2.1 Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)**

Both interest periodically received and income deriving from the transfer of the Bonds constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and must be included in the PIT savings taxable base of each investor and taxed currently at 19 per cent. for taxable income up to €6,000; 21 per cent. for taxable income between €6,001 and €50,000, and 23 per cent. for taxable income exceeding €50,000.

As a general rule, both types of income may be subject to the corresponding withholding tax on account of PIT, at the applicable tax rate (currently 19%).

However, article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, establishes simplified information procedures applicable to debt instruments issued under Law 10/2014 under which interest payments will be paid by the Issuer to the Fiscal Agent free of withholding tax, provided that such information procedures are complied with, as described in "*Disclosure Obligations in connection with payments on the Bonds*".

Nevertheless, withholding tax at the applicable rate (currently 19%) on interest payments may be deducted by other entities (such as depositaries or financial entities), provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory. Furthermore, in this case PIT taxpayers would be subject to withholding tax upon transferring the Bonds on the difference between the transfer price and the acquisition cost of those securities.

Amounts withheld, if any, may be credited by the relevant investors against their final PIT liability.

## **2.2 Wealth Tax (*Impuesto sobre el Patrimonio*)**

According to Wealth Tax Law (subject to any exceptions provided under relevant legislation in each autonomous region (*Comunidad Autónoma*)), the net worth of any Spanish tax resident individuals in excess of €700,000 is subject to Wealth Tax in year 2019.

Therefore, investors who are Spanish tax resident individuals should take into account the value of the Bonds which they hold as at 31 December 2019 for the purposes of Spanish Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent. (subject to any exceptions provided under relevant legislation in each autonomous region (*Comunidad Autónoma*)).

In accordance with article 3 of the *Royal Decree-Law*, of December 28, as from year 2020, full relief (*bonificación del 100%*) on Spanish Wealth Tax will apply, and therefore from year 2020 Spanish individual holders should, in principle, be released from formal and filing obligations in relation to this Spanish Wealth Tax. However, it cannot be ruled out that the full relief is finally derogated before 2020, as it has been occurring in previous years. If this were to happen, these investors could be subject to Wealth Tax as from year 2020 too.

## **2.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Bonds by inheritance, gift or legacy will be subject to the Inheritance and Gift Tax in accordance with the applicable Spanish regional or State rules (subject to any regional tax exemptions being available to them).

The applicable effective tax rates currently range between 0 per cent. and 81.6 per cent. (subject to any specific regional rules), depending on relevant factors.

## **3. Spanish tax resident legal entities**

### **3.1 Corporate Income Tax (*Impuesto sobre Sociedades*)**

Both interest periodically received and income deriving from the transfer of the Bonds must be included as taxable income of Spanish tax resident legal entities for CIT purposes in accordance with the rules for this tax, being typically subject to the standard rate of 25 per cent.

According to article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, the Issuer is not obliged to withhold any tax amount on interest payments made under the Bonds provided that the new simplified information procedures (which do not require identification of the Bondholders) are complied with by the Fiscal Agent, as described in section "*Disclosure Obligations in connection with Payments on the Bonds*".

Income derived from the transfer of the Bonds shall not be subject to withholding tax (currently 19%) as provided by Section 61(s) of the Corporate Income Tax Regulations, to the extent that the Bonds are traded on organised markets in OECD countries. However, the Directorate General for Taxation's (*Dirección General de Tributos*) in consultation dated 27 July 2004, stated that in the case of issuances made by entities with tax residency in Spain (as in the case of the Issuer), application of this exemption requires that the Bonds be also placed outside Spain in another OECD country.

In any event, the exemption to withhold on interest payments set out in Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, applies and therefore, there is no obligation to withhold any tax on interest paid on the Bonds in respect of the Bondholders who are Spanish CIT taxpayers, provided that such information procedures (as amended) are complied with.

Amounts withheld, if any, may be credited by the relevant investors against their final CIT liability.

### **3.2 Wealth Tax (*Impuesto sobre el Patrimonio*)**

Legal entities resident in Spain for tax purposes are not subject to Wealth Tax.

### **3.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Bonds by inheritance, gift or legacy are not subject to the Inheritance and Gift Tax but must include the market value of the Bonds in their taxable income for Spanish CIT purposes.

## **4. Individuals and legal entities tax resident outside Spain**

### **4.1 Non-Resident Income Tax (*Impuesto sobre la Renta de No Residentes*)**

#### *A. Acting through a permanent establishment in Spain*

Ownership of the Bonds by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Bonds form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Bonds shall be, generally, the same as those previously set out for Spanish CIT taxpayers.

#### *B. Not acting through a permanent establishment in Spain*

Both interest payments periodically received and income deriving from the transfer, redemption or repayment of the Bonds, obtained by individuals or entities who are not resident in Spain for tax purposes, and who are NRIT taxpayers with no permanent establishment in Spain, are exempt from NRIT.

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Bonds, in the manner detailed under "*Disclosure obligations in connection with payments on the Bonds*" as laid down in Article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011. If these information obligations are not complied with in the manner indicated, the Issuer will withhold 19 per cent.

### **4.2 Wealth Tax (*Impuesto sobre el Patrimonio*)**

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax will not be generally subject to such tax on the Bonds. Otherwise, under current Wealth Tax regulations non-Spanish resident individuals whose properties and rights located in Spain (or that can be exercised within the Spanish territory) exceed € 700,000 in respect of each

year would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent., without prejudice to any other exemption that may be applicable.

Bondholders tax resident in a EU Member State or in the EEA may be entitled to apply the specific regulation of the autonomous community where their most valuable assets are located and which trigger this Spanish Wealth Tax due to the fact that they are located or are to be exercised within the Spanish territory.

In accordance with article 3 of the *Royal Decree-Law*, of December 28, as from year 2020, the full relief (*bonificación del 100%*) on Spanish Wealth Tax will apply, and therefore from year 2020 Spanish individual holders should, in principle, be released from formal and filing obligations in relation to this Spanish Wealth Tax. However, it cannot be ruled out that the full relief is finally derogated before 2020, as it has been occurring in previous years. If this were to happen, these investors could be subject to Wealth Tax as from year 2020 too.

However, to the extent that income derived from the Bonds is exempt from NRIT, individual Bondholders not resident in Spain for tax purposes who hold Bonds on the last day of any calendar year will be exempt from Wealth Tax.

Legal entities tax resident outside Spain are not subject to Spanish Wealth Tax.

#### **4.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals not tax resident in Spain who acquire ownership or other rights over the Bonds by inheritance, gift or legacy, and who are tax resident in a country with which Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional and State legislation described above.

However, if the deceased or the donee are resident in an EU or EEA Member State, the applicable rules will be those corresponding to the relevant autonomous regions according to the law.

Also, as a consequence of the Judgements of February 19, 2018 and March 21 and 22, 2018, the Supreme Court has declared that the application of state regulations when the deceased, heir or donee is resident outside of a Member State of the EU or the EEA violated EU law to the free movement of capital, so even in that case it would be appropriate to defend the application of regional regulations in the same cases as if the deceased, heir or donee was resident in a Member State of the EU. The General Directorate for Taxation has recently ruled in accordance with those judgments (V3151-18 and V3193-18).

Legal entities not tax resident in Spain which acquire ownership or other rights over the Bonds by inheritance, gift or legacy are not subject to the Inheritance and Gift Tax. They will be subject to NRIT (as described above). If the entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.



## 5. Disclosure obligations in connection with payments on the Bonds

The Issuer is currently required by Spanish law to gather certain information relating to the Bonds. In accordance with Article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, certain information with respect to the Bonds must be submitted by the Fiscal Agent to the Issuer at the time of each payment (or, alternatively, before the tenth calendar day of the month following the month in which the relevant payment is made).

Such information includes the following:

- a) Identification of the Bonds (as applicable) in respect of which the relevant payment is made;
- b) the date on which the relevant payment is made;
- c) total amount of income from the Bonds; and
- d) total amount of income (either from interest payments or redemption) corresponding to each clearing house located outside Spain.

In particular, the Fiscal Agent must certify the information above about the Bonds by means of a certificate (such certificate, the "**Payment Statement**"). In light of the above, the Issuer and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Bonds by the close of business on the Business Day immediately preceding each relevant payment date. If, despite these procedures, the relevant information is not received by the Issuer on each payment date, the Issuer will withhold tax at the then-applicable rate (currently 19 per cent.) on the total amount of interest payable in respect of the relevant Bonds.

If, on or before the 10th calendar day of the month following the month in which the income is payable, the Fiscal Agent submits such statement to the Issuer, the Bondholders will be entitled to receive a payment of the amount so withheld.

If such statement is not submitted to the Issuer by that date, the Issuer will be obliged to pay to the Bondholders such additional amounts as will result in the receipt by the Bondholders, after the withholding, of such amounts as would have been received by the Bondholders if the withholding had not been required, except that no such additional amounts shall be payable if any of the exceptions referred to in Condition 8 of the Conditions of the Bonds applies. If any of those exceptions does apply, the relevant Bondholder will not be entitled to receive any additional amount to compensate him for such withholding having been made.

In the case of Spanish-resident Bondholders, the application for repayment of any amounts withheld may be made in such Bondholders' Spanish income tax return filed in the year immediately following the year in which the relevant income is derived.

Non-Spanish-resident Bondholders may claim repayment of any amounts withheld from the Spanish Treasury within four years following the last day on which the Issuer is obliged to pay any amounts withheld to the Spanish Treasury (which is generally the 20th calendar day of the month immediately following the relevant payment date) by filing with the Spanish tax authorities by February of the year following that in which the amount was withheld (i) the relevant Spanish

tax form; (ii) proof of beneficial ownership; and (iii) a certificate of residency issued by the tax authorities of the country of tax residence of the relevant Bondholder, among other documents.

The Issuer, and the financial entities resident in Spain acting as depositaries of the Bonds, will be obliged to report to the Spanish tax authorities the identity of Bondholders who are resident in Spain for tax purposes or non-Spanish-resident Bondholders acting, with respect to the Bonds, through a permanent establishment in Spain.

In the event that the currently applicable procedures were modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish tax authorities, the Issuer will inform the Bondholders of such information procedures and of their implications, as the Issuer may be required to apply withholding tax on interest payments under the Bonds if the Bondholders would not comply with such information procedures. In such case, the Issuer will not pay additional amounts with respect to the Bonds as a result of the imposition of such withholding tax, as provided in Condition 8 (*Taxation*).

## **6. Other reporting obligations**

Under the Eighteenth Additional Provision of the General Tax Law and Article 42 of Royal Decree 1065/2007, investors liable to Spanish tax holding securities deposited or located outside of Spain will have to report them to the Spanish tax authorities, provided that their value on 31 December exceeds €50,000.

Reporting is earned out through Tax Form 720 (approved by Order 72/2013 dated 30 January 2013). The Form will have to be filed before 31 March of the year following the acquisition (even where the securities were transferred prior to year-end). A new filing is required if the value of the total assets held abroad by the investor increases by €20,000 with respect to the last filing.

This reporting obligation does not apply to Spanish resident legal entities or permanent establishments as long as the securities are duly booked in their accounting records on an individualised basis.

Where applicable, failure to comply with this obligation may give rise to tax penalties and other adverse tax consequences. Bondholders should consult their own tax adviser for further details.

## **7. The proposed financial transaction tax (the “FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a participating Member State). However, Estonia has since ceased to participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Bonds (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Bonds where at least one party is a financial institution, and at least one party is established in

a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

## **8. The proposed Spanish financial transaction tax**

On 19 October 2018, the Spanish Council of Ministers approved a draft bill (the "**Draft Bill**") according to which, due to the delay in the FTT being approved, the purpose of which is to implement a Spanish financial transaction tax (the "**Spanish FTT**"). However, the Spanish Council of Minister stated that Spain will continue to participate in the enhanced co-operation for the approval of the FTT and, if finally approved, Spain will adapt the Spanish FTT to align it with the FTT.

According to the Draft Bill, the Spanish FTT will be aligned with the French and Italian financial transaction tax. Specifically, it is proposed that a Spanish FTT, at a rate of 0.2%, would apply to certain acquisitions of listed shares issued by Spanish companies whose market capitalisation exceeds €1 billion, regardless of the jurisdiction of residence of the parties involved in the transaction. While as currently drafted, the Spanish FTT would not apply in relation to the Bonds, there can be no assurance that any such Spanish FTT would not apply to the Bonds in the future.

Due to the dissolution of the Spanish Parliament for elections the procedure for approval of the Draft Bill has been postponed until a new Government is formed and parliamentary sessions resume. As a result, some of the proposed measures could be substantially modified (or even abandoned) during the legislative process. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the Spanish FTT.

## SUBSCRIPTION AND SALE

The Managers have, pursuant to a Subscription Agreement dated 1 July 2019 (the “**Subscription Agreement**”) agreed to subscribe or procure subscribers for (i) the Series A Bonds at the issue price of 99.417 per cent. of the principal amount of the Series A Bonds and (ii) the Series B Bonds at the issue price of 98.803 per cent. of the principal amount of the Series B Bonds, upon the terms and subject to the conditions contained therein. The Issuer will pay a commission to the Managers and will reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment being made to the Issuer.

### United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

### United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

### Spain

Each Manager has acknowledged that the Bonds must not be offered, sold or distributed in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Restated Spanish Securities Market Act approved by the Royal Legislative Decree 4/2015 of 23 October 2015 (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) and Royal Decree 1310/2015 of 4 November 2005 (*Real Decreto 1310/2015, 4 de noviembre*), as amended, or without complying with all legal and regulatory requirements under Spanish securities laws. Neither the Bonds nor

the Prospectus have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and, therefore, this Prospectus is not intended for any public offer of Bonds in Spain.

### **Prohibition of sales to EEA Retail Investors**

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any “retail investor” in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **General**

No action has been or will be taken in any jurisdiction by the Managers or the Issuer that would to the best of their knowledge permit a public offering of the Bonds, or possession or distribution of this Prospectus, or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, each Manager has represented, warranted and agreed that the Bonds have not been and or will not be offered, sold or publicly promoted or advertised by it in any jurisdiction in which offers or sales would (to the best of its knowledge and belief) be prohibited by applicable law.

## GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations in the Spain in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Issuer, passed on 9 May 2019.
2. There has been no significant change in the financial or trading position of the Issuer or the Group since 31 March 2019.
3. There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2018.
4. Neither the Issuer nor any other member of the Group is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
5. The Series A Bonds have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 202058094 and the Series B Bonds have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 202058175. The International Securities Identification Number (“**ISIN**”) for the Series A Bonds is XS2020580945 and the ISIN for the Series B Bonds is XS2020581752. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg, Grand Duchy of Luxembourg.
6. The Classification of Financial Instrument (“**CFI**”) Code for the Series A Bonds is DBFNFR and for the Series B Bonds is DBFNFR and the Financial Instrument Short Name (“**FISN**”) Code for the Series A Bonds is INTERNATIONAL C/BD 20230704 and for the Series B Bonds is INTERNATIONAL C/BD 20270704, each as updated, as set out on the website of ANNA or alternatively sourced from the National Numbering Agency that assigned the ISIN.
7. For so long as the Bonds are outstanding (as defined in the Fiscal Agency Agreement), physical copies of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered offices of each of the Issuer and the office of the Fiscal Agent (60, avenue J.F. Kennedy, L-1855 Luxembourg):
  - (a) the Fiscal Agency Agreement;
  - (b) the articles of association of the Issuer;
  - (c) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus;

- (d) the Issuer's 2017 Annual Financial Statements;
  - (e) the Issuer's 2018 Annual Financial Statements; and
  - (f) the Issuer's Interim Report.
8. This Prospectus will be published on the website of the Issuer (<https://www.iairgroup.com/en/investors-and-shareholders/debtholders/debt-home>) and the website of Euronext Dublin ([www.ise.ie](http://www.ise.ie)). This Prospectus will also be published on the website of the Central Bank of Ireland ([www.centralbank.ie](http://www.centralbank.ie)) for a period of 12 months from the date of this Prospectus.
  9. The Issuer's 2017 Annual Financial Statements and the Issuer's 2018 Annual Financial Statements have been audited by Ernst & Young, S.L., with its registered office at C/ Raimundo Fernández Villaverde, 65, 28003, Madrid, Spain, which are, incorporated by reference in, and which forms part of, this Prospectus (see "*Documents Incorporated by Reference*").
  10. An application has been made to Euronext Dublin to admit the Series A Bonds and the Series B Bonds to listing on the Official List and to have the Series A Bonds and the Series B Bonds admitted to trading on the Regulated Market of Euronext Dublin; however, no assurance can be given that such application will be accepted. It is expected that admission of the Series A Bonds and the Series B Bonds to the Official List and to trading on the Regulated Market of Euronext Dublin will be granted on or before the Issue Date, subject only to the issue of the Series A Bonds and the Series B Bonds (as applicable). The expenses in connection with the admission of the Series A Bonds and the Series B Bonds to the Official List and to trading on the Regulated Market of Euronext Dublin are expected to amount to approximately €5,140.
  11. On the basis of the issue price of the Series A Bonds of 99.417 per cent. of their principal amount, the gross yield of the Series A Bonds is 0.648 per cent. on an annual basis. On the basis of the issue price of the Series B Bonds of 98.803 per cent. of their principal amount, the gross yield of the Series B Bonds is 1.661 per cent. on an annual basis. The yield to maturity is calculated as at the pricing date on the basis of the Issue Price, the applicable interest rate of the Bonds, the redemption amount of the Bonds and the tenor of the Bonds. It is not an indication of future yield.
  12. BNP Paribas Securities Services, Luxembourg Branch is acting solely in its capacity as listing agent for the Issuer in relation to the Series A Bonds and the Series B Bonds and is not itself seeking admission of the Series A Bonds or the Series B Bonds to the Official List of Euronext Dublin or to trading on the Regulated Market.
  13. The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.
  14. The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. The Managers and their affiliates may have positions, deal or make markets in the Bonds,

related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and their affiliates. Where the Managers or their affiliates have a lending relationship with the Issuer and/or its affiliates they may routinely hedge their credit exposure to those entities consistent with their customary risk management policies. Typically, the Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds. Any such positions could adversely affect future trading prices of the Bonds. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.



## **THE ISSUER**

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## **FISCAL AGENT AND REGISTRAR**

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*To the Issuer as to English law*

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*To the Issuer as to Spanish law*

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*To the Managers as to English and Spanish law*

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## **AUDITORS TO THE ISSUER**

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