

## INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

### **Agreement for the full acquisition of Air Europa**

International Airlines Group ('IAG' or the 'Group') is pleased to announce it has agreed (the 'Agreement') with Globalia to acquire the remaining 80 per cent of issued share capital of Air Europa (the 'Acquisition'). The consideration is €400 million, including €200 million upon closing, comprising €100 million in IAG ordinary shares<sup>1</sup> and €100 million cash, followed by a further €100 million payable in cash on each of the first and second anniversaries of closing. The Agreement is subject to regulatory and other approvals, which could take around 18 months.

This Agreement follows the conversion made by IAG on 16 August 2022 of a €100 million seven-year unsecured loan to Globalia into a 20 per cent equity stake in Air Europa.

#### **Strategic rationale**

The Board of IAG believes that the Acquisition remains strategically important for the Group and positions it to benefit from growth opportunities in the Latin America and Caribbean market, as well as to increase connectivity to Asia.

Upon completion, the benefits of the Acquisition include:

- Transforming IAG's Madrid hub to compete with Europe's largest hubs.
- Enhancing IAG's position in the highly attractive Europe to Latin America and Caribbean market and enabling the company to open routes to new destinations in Asia.
- Delivering significant customer benefits by unlocking further network opportunities and providing access to IAG's Avios loyalty scheme.
- Offering significant synergies, in line with those of previous acquisitions, to be delivered around 2026 to 2028 assuming closing in around 18 months.

IAG has a strong track record of maximising synergies from previous acquisitions.

#### **Highlights**

- On completion, the Air Europa brand will be retained under the management of Iberia.
- Closing is expected to take place in around 18 months following receipt of relevant approvals.
- Payment deferred until closing and one to two years post-closing.
- Limited impact expected on IAG's financial leverage ratios.

Further strategic and financial information will be provided at a Capital Markets Day later in 2023.

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<sup>1</sup> 54,064,575 shares based on the average trading price of IAG shares of €1.8496 on the Spanish Market in the five stock exchange sessions immediately prior to the date of the Agreement

Luis Gallego, IAG's chief executive, said:

"This agreement will enable IAG's Madrid hub to compete on an equal footing with other European hubs and consolidate its position in the South Atlantic. Madrid is the main gateway between Latin America and Europe and there are opportunities to expand its network, providing significant benefits to our customers, employees and shareholders."

The Acquisition will provide opportunities for IAG to unlock value across three key areas:

- Integrating Air Europa into the existing Iberia hub structure at Madrid.
- Creating commercial links between Air Europa and other IAG operating companies, in addition to inclusion into IAG's joint businesses.
- Enabling Air Europa to benefit from IAG Loyalty and IAG Cargo and IAG's common technology and procurement services.

### **Air Europa overview**

Air Europa is a well-recognised brand and one of the leading private airlines in Spain, currently operating scheduled domestic and international flights, including European and longhaul routes to Latin America and the Caribbean. It carried 13.1 million passengers in 2019, 4.3 million in 2020, 5.0 million in 2021 and 10.0 million in 2022. Air Europa currently has an operating fleet of 50 aircraft with 15 aircraft on order via aircraft lessors. All aircraft are on operating lease, apart from one Boeing 737 finance lease.

### **Transaction details**

The payment will be comprised of €100 million in IAG ordinary shares upon closing of the Acquisition based on the average trading price of IAG shares on the Spanish Market in the five stock exchange sessions immediately prior to the date of this Agreement and €100 million in cash upon closing, followed by €100 million in cash on each of the first and second anniversaries of the closing date. The consideration for the transactions will be a total amount of €500 million for 100 per cent of the equity capital of Air Europa.

The Agreement is conditional on Globalia receiving approval from syndicated banks that provided the loan agreement partially guaranteed by the Instituto de Crédito Oficial (ICO) and by Sociedad Estatal de Participaciones Industriales (SEPI). The Acquisition is also subject to approval by relevant competition authorities.

IAG has agreed to pay a break-fee of €50 million if (i) it terminates the Agreement at any time prior to the closing date or (ii) the conditions for closing are not met prior to the second anniversary of the date of the Agreement. IAG retains the right to exit its current stake in Air Europa alongside Globalia should Air Europa be sold to a third party after termination of the Agreement.

The Acquisition constitutes a Class 2 transaction for the purposes of the UK Financial Conduct Authority's Listing Rules and, as such, does not require IAG's shareholders' approval.

Nicholas Cadbury  
Chief Financial Officer

23 February 2023

## Notes to editors

### Air Europa financial information

Air Europa reported revenue of €2.1 billion, operating profit of €71 million and pre-tax profit of €42 million for the year ended 31 December 2019. Air Europa Holding, S.L. reported revenue of €756 million, operating loss of €460 million and pre-tax loss of €465 million in 2020. For 2021, it reported revenue of €897 million, operating loss of €287 million and pre-tax loss of €330 million. Gross assets at the end of 2021 were €928 million. These figures are based on Spanish GAAP and exclude aircraft operating leases. 2022 financial data is not yet available.

### Air Europa loans

On 18 May 2020, Air Europa signed a syndicated loan agreement for a €141 million five-year term loan partially guaranteed by the Instituto de Crédito Oficial (ICO). This arrangement was within the legal framework set up by the Spanish government to mitigate the economic impact of COVID-19. In 2021 it was agreed to extend the maturity date of the loan until 2028. As of 31 December 2022 the amount outstanding was €132.5 million.

On 11 November 2020, SEPI approved loans of up to €475 million for 6 years to be provided to Air Europa in order to support its liquidity during and after the pandemic. The approval of these loans was subject to certain non-financial conditions.

On 17 March 2022, IAG made a €100 million seven-year unsecured loan to Globalia, which included the option to convert the loan into an up to 20 per cent equity stake in Air Europa, subject to any relevant regulatory approvals. This option was subsequently exercised by IAG on 16 August 2022.