

# IAG results presentation

**Quarter One 2021**

7 May 2021



# Highlights

**Luis Gallego, Chief Executive Officer**

# Limited passenger flying but liquidity is strong and IAG is ready to re-start

## 1Q 2021 highlights and outlook

- Pre-exceptional operating loss of -€1,135m compared to a loss of -€535m last year
  - Total revenue of €963m down -79.0% vs. 1Q 2020 and down -81.8% vs. 1Q 2019
  - Passenger capacity (ASKs) decline of -80.4% vs. 1Q 2019 in line with previous expectations, lower than -73.4% in 4Q 2020
  - Cargo revenue remains strong up +42.3% vs. 1Q 2020 and up +27.3% vs. 1Q 2019
- Liquidity remains strong: €10.5bn at the end of March compared to €10.3bn pro-forma at the end of 2020, due to successful debt and facility raising activities
  - £2.0bn UKEF guaranteed 5-year loan facility drawdown by British Airways
  - €75m ISIF facility drawdown for Aer Lingus
  - €1.2bn IAG unsecured bonds issued
  - \$1.755bn IAG 3-year RCF available to Aer Lingus, British Airways and Iberia
- Outlook depends on Governments allowing a summer re-start
  - Vaccine success, lower infection rates, greater testing capability and availability of digital apps means travel can and should re-start safely in the summer as lockdowns are eased
  - 2Q 2021 capacity to be c.25% compared to 2Q 2019
- Sustainability enhancements
  - First European airline group to commit to powering 10% of its flights with sustainable aviation fuel by 2030
  - First airline group worldwide to extend its net zero commitment to its supply chain by 2050 (Scope 3)

# Financial results

Steve Gunning, Chief Financial Officer

# Continued losses due to COVID-19

Pre exceptional operating results, 1Q 2021





	1Q 2021	1Q 2020	vly	1Q 2019	v2y
Passenger revenue	454	3,953	-88.5%	4,623	-90.2%
Cargo revenue	350	246	42.3%	275	27.3%
Other revenue	159	386	-58.8%	397	-59.9%
<b>Total revenue</b>	<b>963</b>	<b>4,585</b>	<b>-79.0%</b>	<b>5,295</b>	<b>-81.8%</b>
Employee costs	622	1,234	-49.6%	1,204	-48.3%
Fuel, oil costs and emissions charges	288	1,209	-76.2%	1,366	-78.9%
Handling, catering and other operating costs	173	652	-73.5%	664	-73.9%
Landing fees and en-route charges	127	451	-71.8%	485	-73.8%
Engineering and other aircraft costs	207	504	-58.9%	485	-57.3%
Property, IT and other costs	184	225	-18.2%	169	8.9%
Selling costs	70	211	-66.8%	281	-75.1%
Depreciation, amortisation and impairment	470	570	-17.5%	515	-8.7%
Currency differences	-43	64	nm	-9	nm
<b>Total expenditure on operations</b>	<b>2,098</b>	<b>5,120</b>	<b>-59.0%</b>	<b>5,160</b>	<b>-59.3%</b>
<b>Pre exceptional operating result</b>	<b>-1,135</b>	<b>-535</b>	<b>nm</b>	<b>135</b>	<b>nm</b>
<b>ASKs</b>	<b>14,796</b>	<b>67,522</b>	<b>-78.1%</b>	<b>75,423</b>	<b>-80.4%</b>

# Exceptional over-hedging gain of €67m

- **Exceptional items** in 1Q 2021 related to a net 'over-hedging' gain of €67m
  - A fuel 'over-hedging' gain of €62m based on forward jet fuel prices and foreign currency rates as of the end of March
  - Driven by the positive impact from the increase in fuel prices since 31 December 2020
- A revised **fuel hedging policy** designed to provide more flexibility to both significant unexpected reductions in travel demand or capacity and/or material or sudden changes in jet fuel prices. Key changes include:
  - Lower maximum hedging limits
  - Greater use of call options
  - Hedging beyond 24 months only in exceptional circumstances

# Different approaches to different challenges

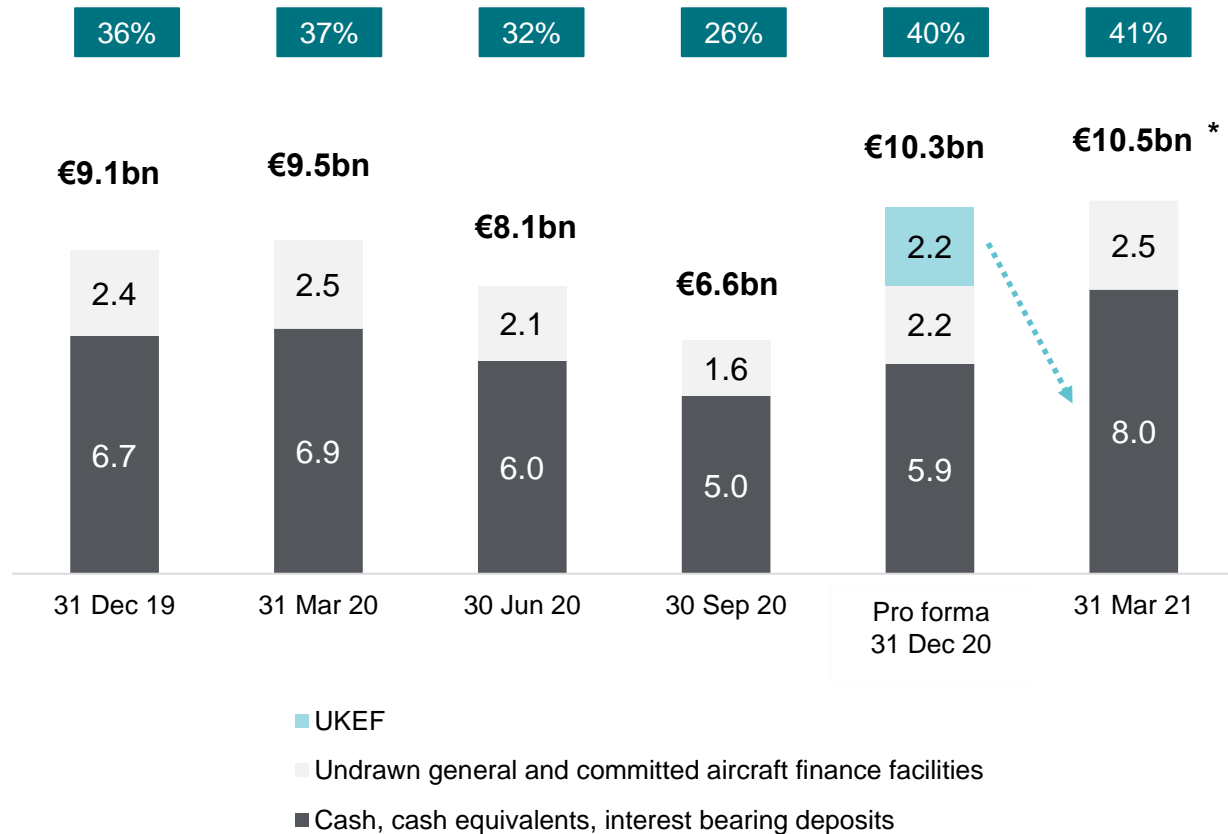
## Financial performance at airline level, 1Q 2021

	Aer Lingus 			BRITISH AIRWAYS 			IBERIA 			vueling 		
	1Q 2021 (€m)	vly	v2y	1Q 2021 (£m)	vly	v2y	1Q 2021 (€m)	vly	v2y	1Q 2021 (€m)	vly	v2y
Passenger revenue	12	-95.7%	-96.5%	172	-92.0%	-93.5%	199	-73.0%	-76.0%	47	-84.7%	-87.5%
Cargo revenue	15	-2.5%	+13.6%	231	+57.0%	+31.6%	86	+42.9%	+22.9%	-	-	-
Other revenue	1	-75.8%	-88.9%	16	-87.8%	-88.1%	142	-52.0%	-50.9%	-	nm	nm
<b>Total revenue</b>	<b>28</b>	<b>-90.9%</b>	<b>-92.4%</b>	<b>419</b>	<b>-82.7%</b>	<b>-85.9%</b>	<b>427</b>	<b>-61.0%</b>	<b>-64.1%</b>	<b>47</b>	<b>-84.8%</b>	<b>-87.6%</b>
<b>Total costs</b>	<b>131</b>	<b>-66.8%</b>	<b>-67.1%</b>	<b>1,060</b>	<b>-60.3%</b>	<b>-61.2%</b>	<b>620</b>	<b>-47.3%</b>	<b>-48.9%</b>	<b>152</b>	<b>-61.4%</b>	<b>-65.5%</b>
Pre exceptional operating result	-103	-13	-69	-641	-386	-868	-193	-111	-169	-105	-18	-40
Pre exceptional operating margin	-371.0%	-341.3pts	-361.5pts	-153.3%	-142.7pts	-160.9pts	-45.3%	-37.8pts	-43.3pts	-225.7%	-197.3pts	-208.3pts
ASK (m)	883	-83.3%	-84.8%	6,466	-83.5%	-85.2%	6,159	-58.6%	-62.5%	1,096	-81.1%	-85.3%
RPK (m)	124	-96.3%	-97.1%	2,480	-91.5%	-92.9%	3,366	-72.2%	-75.9%	667	-86.5%	-89.3%
Load factor (%)	14.0%	-49.2%	-59.3%	38.4%	-35.8%	-41.2%	54.7%	-26.9%	-30.4%	60.9%	-24.5%	-23.2%
Sector length (km)	2,570	+35.3%	+36.8%	4,422	+36.4%	+36.8%	2,913	+2.2%	+4.1%	1,013	+5.7%	+7.3%

# Liquidity position higher than before the COVID-19 crisis

## Liquidity position

Cash + Facilities (% of 2019 revenue)



## Liquidity actions

1Q 2021

- **£2.0bn** UKEF guaranteed 5-year loan facility drawdown by British Airways
- **€75m** ISIF facility for Aer Lingus
- **£450m** British Airways NAPS contribution deferral (October 2020 to September 2021)
- **€1.2bn** IAG unsecured bonds issued
- **\$1.755bn** IAG 3-year RCF available to Aer Lingus, British Airways and Iberia. Replacing BA USD RCF due to expire in June 2021
- **£0.3bn** UK CCF commercial paper repaid by BA in April 2021

Note: The figures relating to the US dollar facilities expiring in December 2021 have been included to better reflect the amount available to the Group at 31 Dec 2019

2020 Pro forma total liquidity includes cash, undrawn general and committed aircraft finance facilities and the €2.2bn (£2.0bn) UKEF loan

\* €0.4bn of facilities expired during 1Q 2021

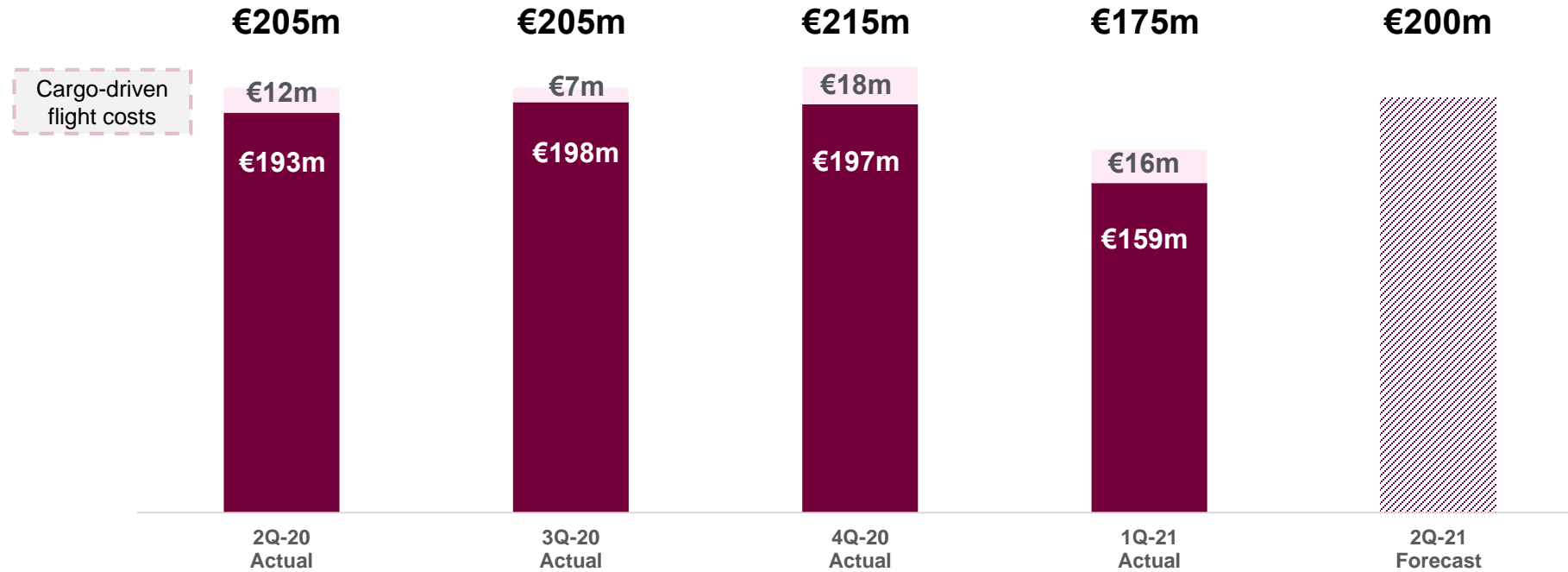


# €1.8bn increase in net debt in the first quarter, of which €0.6bn non-cash

## Leverage

€m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Gross debt	19,539	15,679	16,107	16,479	14,453	14,254
Bank and other loans	6,948	3,369	4,078	4,014	1,995	1,954
Asset finance and lease liabilities	12,591	12,310	12,029	12,465	12,458	12,300
Cash, cash equivalents and interest-bearing deposits	7,975	5,917	5,011	6,016	6,945	6,683
Net debt	11,564*	9,762	11,096	10,463	7,508	7,571
Net debt / EBITDA	Nm	nm	nm	4.2x	1.6x	1.4x

# Weekly cash operating costs expected to rise as capacity resumes



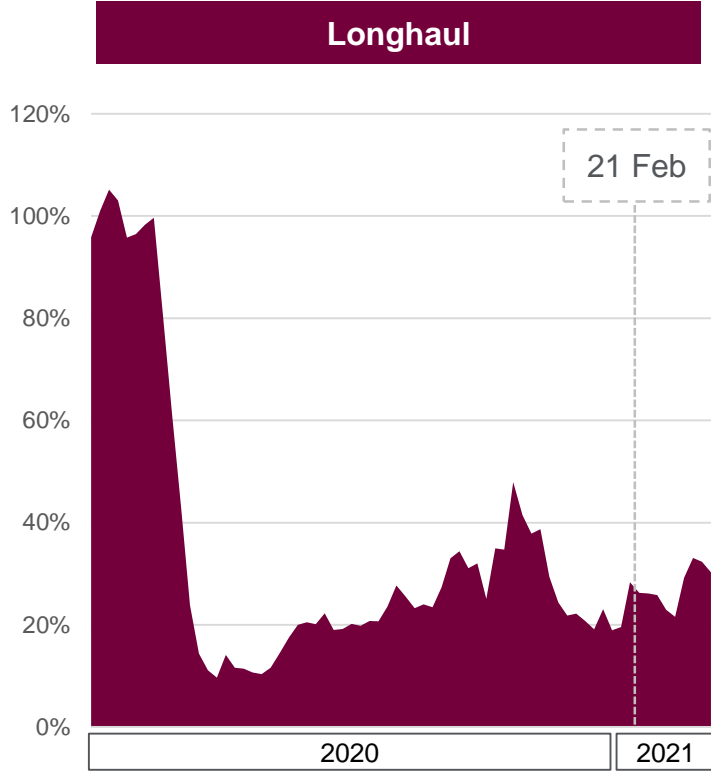
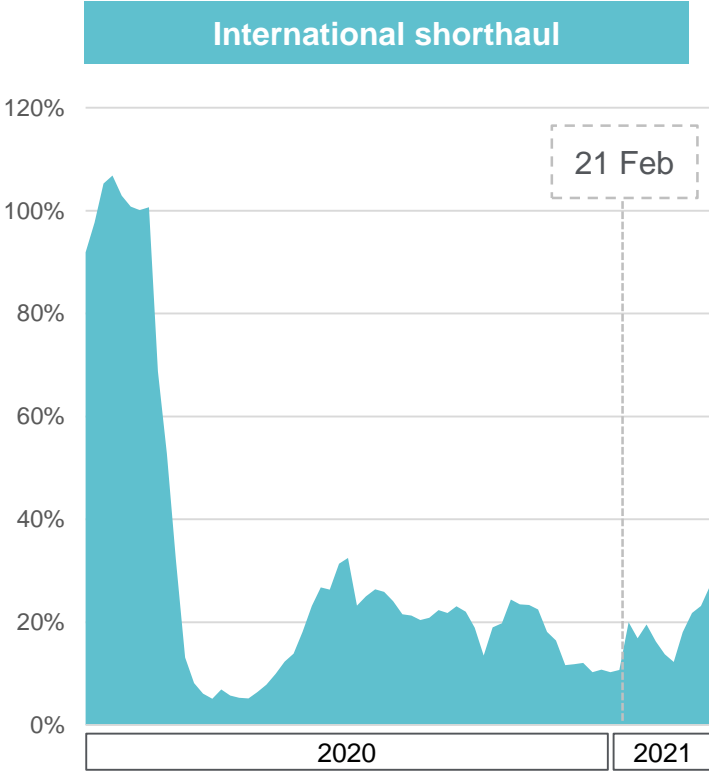
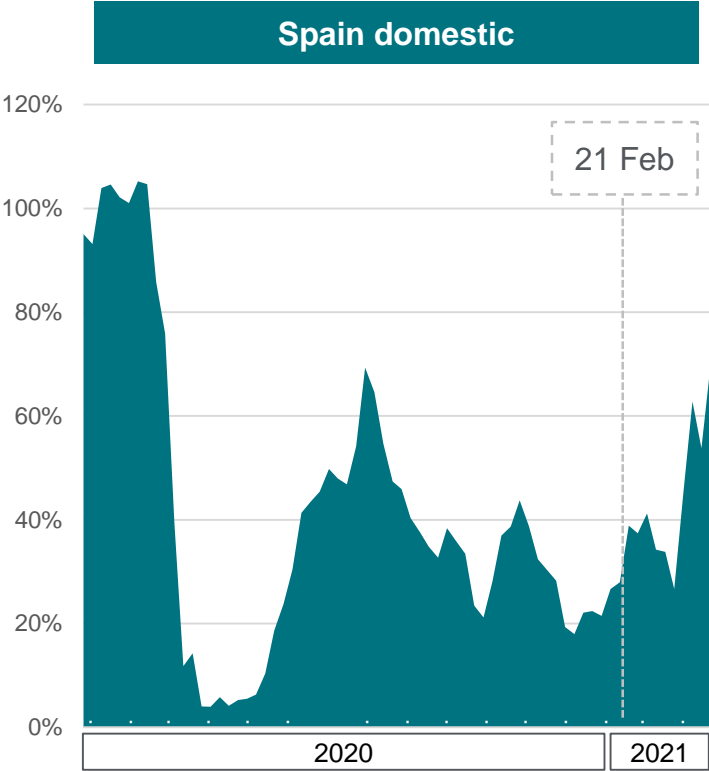
<b>Capacity (ASKs)</b>	4,103	19,769	21,801	14,796	c.22,000
<b>% of 2019</b>	5%	21%	27%	20%	c.25%

# Outlook

**Luis Gallego, Chief Executive Officer**

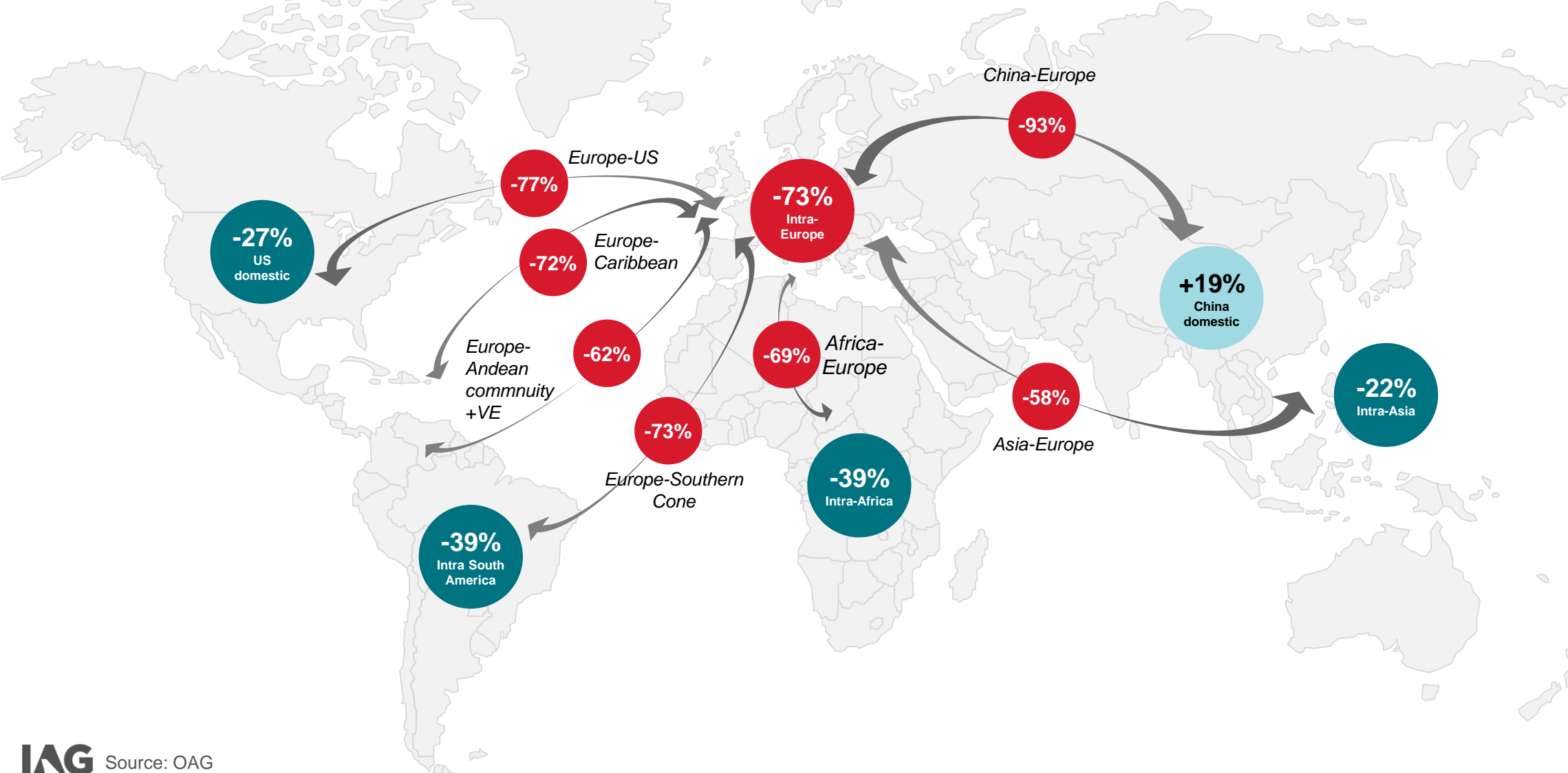
# Bookings volatile but indicate existence of pent-up demand

Weekly new passenger booking intake vs. 2019 (5 Jan 2020 - 2 May 2021)



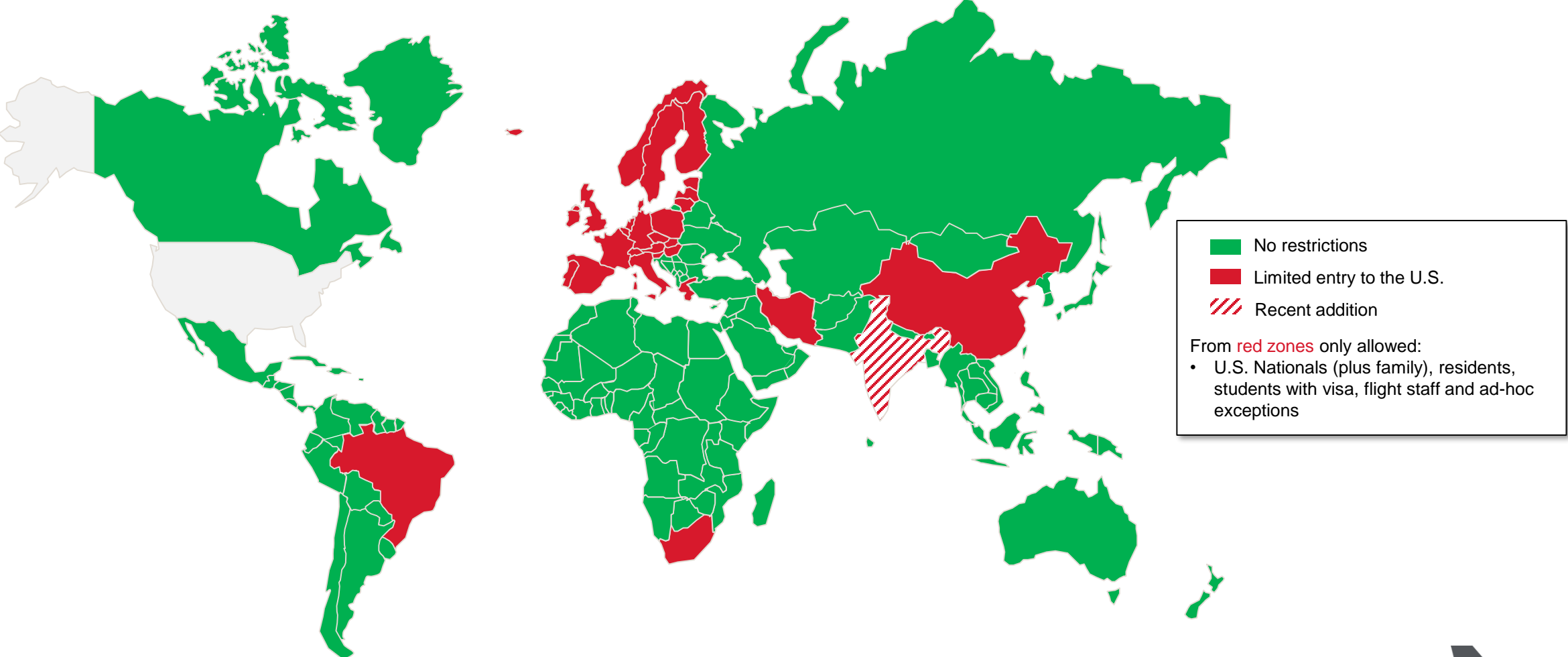
# IAG's main markets (Europe and USA) have the most restricted access

Capacity (seats) by regional flow: April 2021 vs April 2019



# US border remains open for most countries except European countries

## US entry requirements



# IAG is ready for a summer re-start, building on positive health developments

## IAG airlines are well prepared



- **Industry health and operating protocols for airlines and airports** (e.g. ICAO, EASA/ECDC COVID-19 Aviation Health Safety Protocol)
- **Operating solutions make aircraft safer and healthier than elsewhere** (HEPA filters, cleaning procedures, masks, crew training, etc)
- **Testing infrastructure at airports and kits offered by airlines** (e.g. BA Qured)
- **Digital verification and contactless solutions** (e.g. IATA Travel Pass, VeriFLY)
- **Fleet/crew readiness plans for re-opening of air travel**

## Governments have taken first steps



- **COVID-19 infection rates significantly lower** (UK being the lowest in our key markets)
- **Vaccination programmes successful** (UK 100% of eligible adult population by end July, EU 70% by end August, US 100% by end July)
- **Domestic testing capacity strong, increasingly accurate and rapid** (antigen tests more accurate)
- **Re-opening roadmaps and frameworks in place (UK)**
- **Traffic Light systems designed (UK and EC)**
- **EU COVID-19 certificate proposals by EC**
- **Online Passenger Locator Forms (PLFs) in place**

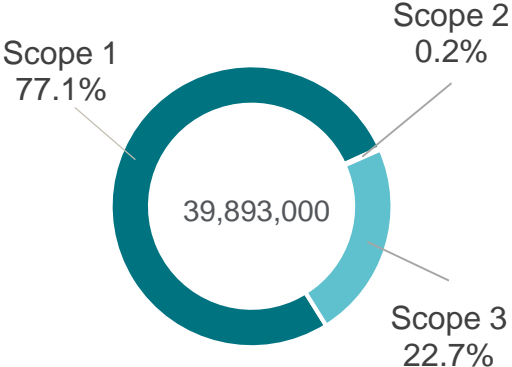
# However, further government actions are needed to re-start summer travel at scale

Enabler	Required actions
<b>Legal barriers</b>	<ul style="list-style-type: none"><li>• Harmonised EU roadmap to air travel re-start</li><li>• Ending of penalties in UK and Republic of Ireland for non-essential travel</li><li>• Repeal of US entry ban for UK, Schengen and Republic of Ireland citizens</li></ul>
<b>Traffic Light systems</b>	<ul style="list-style-type: none"><li>• Harmonised across Europe (EU, UK)</li><li>• Consistent criteria to determine Green, Amber, Red countries</li><li>• Travel corridors between Green countries/regions (e.g. UK/US)</li><li>• Islands and regions to be treated on their own merits not the national classification</li><li>• Official travel advice to align with traffic light tiers</li></ul>
<b>Testing</b>	<ul style="list-style-type: none"><li>• Testing to replace quarantines</li><li>• More affordable, simpler (lateral flow replacing PCR), faster and proportionate</li><li>• Vaccinated travellers to travel without quarantine</li><li>• Unvaccinated travellers to travel with testing</li></ul>
<b>Airports and Borders</b>	<ul style="list-style-type: none"><li>• Re-opening of e-gates</li><li>• Improved border control resourcing and processes to handle volume recovery</li></ul>
<b>Digital passes</b>	<ul style="list-style-type: none"><li>• Vaccination and testing certificates captured in industry apps</li><li>• Passenger locator apps integrated with border control and industry apps</li><li>• Global agreement on a digital standard for testing and vaccination documentation</li></ul>



# Continuing to lead the airline industry on tackling climate change

2019 GHG emissions, in tonnes CO<sub>2</sub> equivalent<sup>1</sup>



## Previous commitment (October 2019)



1<sup>st</sup> airline group worldwide to commit to achieve **net zero carbon** emissions by 2050 (Scope 1 and 2)

## New commitments (April 2021)

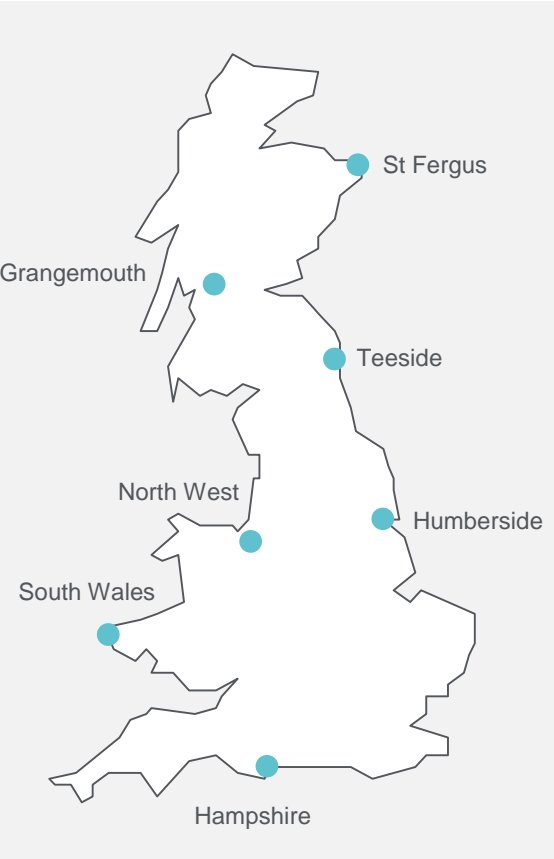


1<sup>st</sup> airline group worldwide to commit to achieve **supply chain net zero carbon** emissions by 2050 and 20% reduction by 2030 (Scope 3)



1<sup>st</sup> European airline group to commit to powering **10% flights with sustainable aviation fuel** by 2030

Potential 14 Sustainable Aviation Fuel (SAF) facilities in GB<sup>2</sup>



**IAG** <sup>1</sup> Scope 1: Direct emissions related to IAG operations. Scope 2: Emissions associated with electricity use by IAG. Scope 3: Indirect emissions associated with products IAG buys/sells  
<sup>2</sup> Source: Sustainable Aviation UK and E4Tech research shows the potential for 14 SAF plants across 7 locations in the UK

# Outlook depends on governments allowing a summer re-start

- Assuming limited progress on opening up travel in our home markets, 2Q 2021 capacity expected to be c.25% compared to 2Q 2019
- 3Q 2021 capacity will depend on the extent and speed of travel restrictions relaxation
- IAG is doing everything in its power to emerge in a stronger competitive position and is confident that a safe re-start can happen as shown by the scientific data
- IAG airlines are ready and governments have taken first steps. However, further government action is needed:
  - Travel corridors without restrictions between countries with successful vaccination rollouts and effective testing such as the UK and the US
  - Testing: Affordable, simple and proportionate testing to replace quarantine and costly, multi-layered testing
  - Borders: Well-staffed borders using contactless technology including e-gates to ensure a safe, smooth flow of people and frictionless travel
  - Digital passes for testing and vaccination documentation to facilitate international travel

# Appendices

# Net loss of c.€1.1bn in the first quarter

Reconciliation between pre exceptional operating result and post exceptional result after tax

€m	1Q 2021	1Q 2020
Operating result (pre exceptional)	-1,135	-535
Exceptional items	67	-1,325
Operating result (post exceptional)	-1,068	-1,860
Net finance costs	-174	-140
Net financing (charge)/credit relating to pensions	-1	1
Net currency retranslation (charges)/credits	-13	77
Other non-operating credits	40	40
Result before tax (post exceptional)	-1,216	-1,882
Tax	149	199
Result after tax (post exceptional)	-1,067	-1,683

# 1Q 2021 traffic and capacity statistics: Group performance

Group performance			Quarter		
	Q1 2021	Q1 2020	vLY	Q1 2019	v19
<b>Passengers carried ('000s)</b>	<b>2,612</b>	<b>19,877</b>	<b>-86.9%</b>	<b>24,382</b>	<b>-89.3%</b>
Domestic (UK & Spain)	1,256	5,023	-75.0%	5,921	-78.8%
Europe	667	9,582	-93.0%	12,406	-94.6%
North America	115	2,072	-94.4%	2,482	-95.4%
Latin America & Caribbean	301	1,435	-79.0%	1,475	-79.6%
Africa & Middle East	260	1,342	-80.6%	1,521	-82.9%
Asia & Pacific	13	423	-96.9%	577	-97.7%
<b>Revenue passenger km (m)</b>	<b>6,779</b>	<b>51,617</b>	<b>-86.9%</b>	<b>60,878</b>	<b>-88.9%</b>
Domestic (UK & Spain)	1,117	3,899	-71.4%	4,331	-74.2%
Europe	810	10,431	-92.2%	13,551	-94.0%
North America	746	13,738	-94.6%	16,550	-95.5%
Latin America & Caribbean	2,510	11,821	-78.8%	12,182	-79.4%
Africa & Middle East	1,473	7,667	-80.8%	8,719	-83.1%
Asia & Pacific	123	4,061	-97.0%	5,545	-97.8%
<b>Available seat km (m)</b>	<b>14,796</b>	<b>67,522</b>	<b>-78.1%</b>	<b>75,423</b>	<b>-80.4%</b>
Domestic (UK & Spain)	1,797	4,775	-62.4%	5,161	-65.2%
Europe	1,469	14,045	-89.5%	17,074	-91.4%
North America	3,746	19,389	-80.7%	21,428	-82.5%
Latin America & Caribbean	4,924	14,080	-65.0%	14,359	-65.7%
Africa & Middle East	2,487	9,786	-74.6%	10,699	-76.8%
Asia & Pacific	373	5,447	-93.2%	6,702	-94.4%
<b>Passenger load factor (%)</b>	<b>45.8</b>	<b>76.4</b>	<b>-30.7 pts</b>	<b>80.7</b>	<b>-34.9 pts</b>
Domestic (UK & Spain)	62.2	81.7	-19.5 pts	83.9	-21.8 pts
Europe	55.1	74.3	-19.1 pts	79.4	-24.2 pts
North America	19.9	70.9	-50.9 pts	77.2	-57.3 pts
Latin America & Caribbean	51.0	84.0	-33.0 pts	84.8	-33.9 pts
Africa & Middle East	59.2	78.3	-19.1 pts	81.5	-22.3 pts
Asia & Pacific	33.0	74.6	-41.6 pts	82.7	-49.8 pts
<b>Cargo tonne km (m)</b>	<b>854</b>	<b>1,173</b>	<b>-27.2%</b>	<b>1,393</b>	<b>-38.7%</b>

# 1Q 2021 traffic and capacity statistics: Airline performance

Performance by airline	Quarter		vLY	Q1 2019	v19
	Q1 2021	Q1 2020			
<b>AerLingus</b> 					
Passengers carried ('000s)	82	1,669	-95.1%	2,196	-96.3%
Revenue passenger km (m)	124	3,338	-96.3%	4,255	-97.1%
Available seat km (m)	883	5,277	-83.3%	5,804	-84.8%
Passenger load factor (%)	14.0	63.3	-49.2 pts	73.3	-59.3 pts
Cargo tonne km (m)	20	42	-52.4%	39	-48.7%
<b>BRITISH AIRWAYS</b> 					
Passengers carried ('000s)	630	8,548	-92.6%	10,472	-94.0%
Revenue passenger km (m)	2,480	29,119	-91.5%	34,875	-92.9%
Available seat km (m)	6,466	39,248	-83.5%	43,833	-85.2%
Passenger load factor (%)	38.4	74.2	-35.8 pts	79.6	-41.2 pts
Cargo tonne km (m)	658	879	-25.1%	1,062	-38.0%
<b>IBERIA</b> 					
Passengers carried ('000s)	1,232	4,164	-70.4%	4,946	-75.1%
Revenue passenger km (m)	3,366	12,124	-72.2%	13,966	-75.9%
Available seat km (m)	6,159	14,870	-58.6%	16,425	-62.5%
Passenger load factor (%)	54.7	81.5	-26.9 pts	85.0	-30.4 pts
Cargo tonne km (m)	174	248	-29.8%	291	-40.2%
<b>LEVEL</b> 					
Passengers carried ('000s)	13	439	-97.0%	289	-95.5%
Revenue passenger km (m)	142	2,082	-93.2%	1,527	-90.7%
Available seat km (m)	192	2,322	-91.7%	1,918	-90.0%
Passenger load factor (%)	74.0	89.7	-15.7 pts	79.6	-5.7 pts
Cargo tonne km (m)	2	4	-50.0%	1	+100.0%
<b>vueling</b> 					
Passengers carried ('000s)	655	5,057	-87.0%	6,479	-89.9%
Revenue passenger km (m)	667	4,954	-86.5%	6,255	-89.3%
Available seat km (m)	1,096	5,805	-81.1%	7,443	-85.3%
Passenger load factor (%)	60.9	85.3	-24.5 pts	84.0	-23.2 pts
Cargo tonne km (m)	n/a	n/a	n/a	n/a	n/a

# Disclaimer

## Forward-looking statements:

Certain statements included in this announcement are forward-looking. These statements can be identified by the fact that they do not relate only to historical or current facts. By their nature, they involve risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Actual results could differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements often use words such as “expects”, “may”, “will”, “could”, “should”, “intends”, “plans”, “predicts”, “envisages” or “anticipates” or other words of similar meaning. They include, without limitation, any and all projections relating to the results of operations and financial conditions of International Consolidated Airlines Group, S.A. and its subsidiary undertakings from time to time (the ‘Group’), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and divestments relating to the Group and discussions of the Group’s business plan. All forward-looking statements in this announcement are based upon information known to the Group on the date of this announcement and speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

Actual results may differ from those expressed or implied in the forward-looking statements in this announcement as a result of any number of known and unknown risks, uncertainties and other factors, including, but not limited to, the effects of the COVID-19 pandemic and uncertainties about its impact and duration, many of which are difficult to predict and are generally beyond the control of the Group, and it is not reasonably possible to itemise each item. Accordingly, readers of this announcement are cautioned against relying on forward-looking statements. Further information on the primary risks of the business and the Group’s risk management process is set out in the Risk management and principal risk factors section in the Annual Report and Accounts 2020; these documents are available on [www.iairgroup.com](http://www.iairgroup.com). All forward-looking statements made on or after the date of this announcement and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section. Many of these risks are, and will be, exacerbated by the COVID-19 pandemic and any further disruption to the global airline industry and economic environment as a result.