

NOT FOR DISTRIBUTION, RELEASE OR PUBLICATION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES (INCLUDING ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA), AUSTRALIA, CANADA, HONG KONG, JAPAN, NEW ZEALAND, SINGAPORE, SOUTH AFRICA, SWITZERLAND OR THE UNITED ARAB EMIRATES, OR ANY OTHER JURISDICTION IN WHICH THE DISTRIBUTION, RELEASE OR PUBLICATION WOULD BE RESTRICTED OR PROHIBITED. OTHER RESTRICTIONS ARE APPLICABLE. PLEASE SEE THE IMPORTANT NOTICE AT THE END OF THE ANNOUNCEMENT.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.

FOR IMMEDIATE RELEASE

31 July 2020

International Consolidated Airlines Group, S.A.

Proposed Capital Increase of up to €2.75 billion

Strengthening IAG's Financial and Strategic Position for the Future

International Consolidated Airlines Group, S.A. ("IAG", the "Company" and, together with its subsidiaries, the "Group") today announces its proposal to undertake a capital increase with pre-emptive subscription rights to raise gross proceeds of up to €2.75 billion (the "Proposed Capital Increase"). Qatar Airways Group (Q.C.S.C) ("Qatar Airways"), IAG's largest shareholder (25.1 per cent. holding), has confirmed its support for the Proposed Capital Increase and irrevocably undertaken to subscribe for its pro rata entitlement. The remainder of the Proposed Capital Increase is fully underwritten on a standby basis.

Key Highlights

- The Proposed Capital Increase will strengthen IAG's balance sheet by reducing financial leverage and increasing IAG's overall liquidity position.
- IAG has a proven and successful operating model underpinned by its portfolio of world-class brands, global leadership positions in each of its home markets and unique structure. The Group has a strong track record of value-enhancing consolidation and delivering value to shareholders through industry-leading returns and growing profitability.
- IAG acted quickly to mitigate the impacts of the COVID-19 pandemic, bolster liquidity and to protect its long-term future. These actions preserved cash through a range of measures including: capacity reductions; lowering operating costs; accessing job retention schemes in the UK, Spain and Ireland; reducing discretionary spending, including halving planned capex over the next three years, and significantly reducing fleet deliveries.
- IAG has also accessed additional pools of liquidity including the c.£750 million extension of its worldwide commercial partnership with American Express and secured further aircraft financing.
- IAG believes the Proposed Capital Increase, together with its quick response to the crisis, should enable the Group to emerge from the current pandemic in a strong position, with more resilience, greater flexibility and the ability to make the right operational and strategic decisions for the long term benefit of all its stakeholders.

- The Proposed Capital Increase to raise up to €2.75 billion is designed to:
 - *enable IAG to strengthen its balance sheet and reduce leverage;*
 - *enhance liquidity and help IAG withstand a more prolonged downturn in air travel based on IAG's stressed, downside scenario planning; and*
 - *provide IAG with the operational and strategic flexibility to take advantage of a recovery in demand for air travel.*
- Qatar Airways, IAG's largest shareholder (25.1 per cent. holding), has confirmed its support for the Proposed Capital Increase and has irrevocably undertaken to take up its rights in full and to vote in favour of all resolutions to be proposed at the Company's Annual Shareholders Meeting ("Shareholders Meeting") that are required to give effect to the Proposed Capital Increase. Qatar Airways has proposed two directors to join the Board of the Company at the Shareholders Meeting as non-executive directors, within Qatar Airways' proportionate representation rights under Spanish law.

Willie Walsh, CEO of IAG said:

"Our industry is facing an unprecedented crisis and the outlook remains uncertain. However, we strongly believe that now is the time to look to the future and strengthen IAG's financial and strategic position. While we have had to make tough decisions on both people and costs, these actions are the right ones to protect as many jobs and serve as many customers as feasible and put IAG in the strongest position possible. The industry will recover from this crisis, though we do not expect this to be before 2023, and there will be opportunities for IAG to capitalise on its strength and leadership positions."

Luis Gallego, CEO-elect of IAG said:

"Since its formation in 2011, IAG has delivered value to shareholders by making bold decisions generating industry-leading returns. We are delighted that our largest shareholder, Qatar Airways, has committed its support for the Proposed Capital Increase and we look forward to our continued long-term collaboration.

We want to make our customers feel as comfortable as possible when flying with us and have introduced a range of measures to achieve this. We are seeing early signs of passenger demand returning and while early days in this recovery, now is the time for us to be bold again and ensure IAG emerges from this current crisis in a strong position."

Background to and reasons for the Proposed Capital Increase

Impact of, and the Group's response to, the COVID-19 pandemic

The COVID-19 pandemic led to governments implementing numerous wide-ranging measures in an attempt to contain the spread of the virus. This has caused a severe economic downturn in many countries and an unprecedented decrease in demand for both domestic and international air travel resulting in industry-wide reductions in capacity, traffic and volumes.

As an immediate response to the challenging market environment, the Group undertook measures to mitigate, as far as possible, the negative financial and operational impacts of the COVID-19 pandemic. These actions included:

- **Significant reduction in weekly operating costs:** reducing passenger capacity by 95 per cent. in 2Q 2020, cutting non-essential spending, implementing trade union agreed salary reductions for staff, reductions in management remuneration and Board fees, as well as contractor layoffs. IAG also accessed government employee support schemes by furloughing staff in the UK, Spain and Ireland. These combined actions have resulted in a reduction of weekly cash operating expenses from €440 million in 1Q to €205 million in 2Q 2020 (€193 million excluding cargo-driven flight costs);
- **Halving 2020-2022 gross capex:** 2020-2022 planned gross capex halved by c.€7.0 billion to €7.3 billion, of which €1.5 billion in 2020, €2.3 billion in 2021 and €3.1 billion in 2022, and securing financing for all 2020 fleet capex;
- **Material reduction in fleet deliveries:** 2020-2022 aircraft deliveries have been reduced by 68 to 75 through deferrals and cancellations and further fleet retirement has been implemented, including the retirement of 53 long haul aircraft by the end of 2020. IAG maintains the flexibility to return additional leased aircraft in 2021 (42 aircraft) and 2022 (54 aircraft);
- **Proactive working capital management:** net working capital inflow of €447 million in 1H 2020 as a result of a number of actions such as collecting outstanding revenue from agency billing process due from 2019; acceleration of invoicing and focus on collections; management of customer booking cancellations; negotiated supplier payment deferrals and sale of loyalty points from promotional activity; and
- **Decisive actions to boost liquidity:** \$1.38 billion British Airways RCF extended; €337 million final dividend for 2019 cancelled; raising £0.3 billion from the UK Covid Corporate Finance Facility and €1.0 billion in term loans (which are 70 per cent. guaranteed by the ICO in Spain); and arranging c\$1.0 billion of bridge facilities secured against aircraft. In addition the Group has secured c.€780 million from the sale and leaseback of 10 aircraft and c.£750 million from the extension of the worldwide commercial partnership with American Express.

As a result of the actions taken by IAG (excluding the proceeds of the Proposed Capital Increase) the Group had a liquidity position at 30 June 2020 of €8.1 billion, comprising cash and cash equivalents of €6.0 billion and €2.1 billion of undrawn general and committed aircraft finance facilities. This compares to a liquidity position of €8.6 billion as at 31 December 2019 and is before the c.€380 million sale and leaseback of 5 aircraft completed in July and receipt of the c.£750 million extension of the worldwide commercial partnership with American Express expected in August.

As at 30 June 2020, (and based in each case on the preceding 12 month period) the Group's leverage (net debt to EBITDA) was 4.2x, compared to 1.4x as at 31 December 2019, reflecting both the reduction in EBITDA generated in the period as a result of reduced passenger demand and the increase in financial debt raised to strengthen the Group's liquidity position.

IAG expects that global passenger demand will not return to 2019 levels until at least 2023 and the Board believes that enhancing the Group's financial strength will serve to reinforce its strategic position in that period.

The Group's long-term strategy

The Group has a strong track record of delivering value to shareholders through an agile and resilient business model, leveraging its strengths to advance its strategic priorities with a view to becoming the world's leading airline group. In order to realise its objectives, the Group's long-term strategy has three key priorities:

- **Strengthening a portfolio of world class brands and operations**, ensuring that its businesses deliver an unrivalled customer proposition that can adapt and meet changing customer expectations driving strong levels of customer satisfaction;
- **Growing sustainable global leadership positions**, taking advantage of organic and, where appropriate, inorganic opportunities; and
- **Enhancing the Group's common integrated platform**, strengthening the linkages between operating companies and unlocking additional value.

While the Group is focused in the near-term on maintaining its financial strength by optimising its cost structure and minimising cash burn, its long-term strategy is not expected to change due to the impact of the COVID-19 pandemic. The Group does, however, envisage the potential for changes in the industry overall (for example, changes in levels of demand by customer segment and geographical changes, with certain markets becoming more desirable than others), but these are yet to be evidenced. The Group continually monitors industry developments and will adapt and adjust its strategy and business model if necessary (in particular, in light of the ongoing uncertainties relating to the impact of the COVID-19 pandemic).

Rationale for the Proposed Capital Increase

In light of the impact of the COVID-19 pandemic on the Group, the Board believes that enhancing the Group's financial position is vital to ensuring that IAG has sufficient liquidity throughout a more prolonged downturn in air travel as it seeks to deliver on its strategy.

The purpose of the Proposed Capital Increase is to strengthen IAG's balance sheet by reducing financial leverage and increasing IAG's overall liquidity position. IAG believes that by taking this action it can provide greater financial certainty for the Group as it right-sizes the business for the future. IAG believes the Proposed Capital Increase, together with its quick response to the crisis, will enable the Group to emerge from the current pandemic in a strong position, with more resilience, greater flexibility

and the ability to make the right operational and strategic decisions for the long-term benefit of all its stakeholders.

As part of its capacity planning, the Group developed a downside scenario in order to help assess the impact of a more prolonged and severe downturn in global air travel with a slower recovery in passenger demand when compared to its current capacity planning scenario.

When assessing the amount to be raised via the Proposed Capital Increase, the Board considered a range of financial and operating metrics. The Board believes that the Proposed Capital Increase and the announced management actions will not only reduce IAG's leverage but should also ensure that the Group has sufficient liquidity throughout its downside scenario.

The downside scenario reflects an overall reduction in passenger capacity of c.66 per cent. in 2020 (compared to the current capacity planning scenario of c.59 per cent.) and a slower recovery in passenger ASK in 2021 compared to the current capacity planning scenario with both scenarios only converging by the second half of 2022. The downside scenario also assumes reduced revenue from cargo and other activities as well as an adverse near-term working capital profile. These assumptions remain uncertain and subject to the continued easing of lockdowns and travel restrictions. To partially offset the negative impact of the cumulative assumptions in the downside scenario, IAG has identified a number of additional mitigating actions including a number of operating cost and non-fleet capex related actions that could be implemented, if required.

Despite the unprecedented reduction in passenger demand in the second quarter and the continued spread of COVID-19 in North and South America, the Group is seeing early signs of demand recovery, albeit from a very low base, particularly in the domestic Spanish and international short haul markets. The Board will monitor and evaluate these developments with the management team in order to understand the implications for the Group.

In order to encourage customers to return to air travel, the Group has implemented a clear plan to ensure customer confidence during the return to service. However, IAG continues to be impacted by certain travel restrictions and advisories, some of which are subject to change at short notice.

Use of Proceeds

The net proceeds of the Proposed Capital Increase will be used to strengthen the Group's balance sheet by reducing financial leverage and increasing IAG's overall liquidity position.

Air Europa

In spite of the unprecedented impact that the COVID-19 pandemic has had on the airline industry, the Board continues to believe that the acquisition of Air Europa by IAG would have considerable strategic and financial benefits for IAG and its shareholders.

IAG and Globalia Corporación Empresarial, S.A. are engaged in active discussions regarding a potential restructuring of the acquisition to take into account the impact of the COVID-19 pandemic, and a further announcement will be made as appropriate.

The net proceeds of the Proposed Capital Increase are not planned to be used to fund the acquisition.

Qatar Airways Support

Qatar Airways, IAG's largest shareholder (25.1 per cent. holding, as at the last practicable date ahead of this announcement), has entered into an irrevocable undertaking to vote in favour of the resolutions at the Shareholders Meeting and subscribe for its pro rata entitlement under the Proposed Capital Increase when it is launched. Qatar Airways has proposed two directors to join the Board of the Company at the Shareholders Meeting as non-executive directors, within Qatar Airways' proportionate representation rights under Spanish law.

Qatar Airways Group Chief Executive Mr. Akbar Al Baker said:

"Our investment in IAG has always been for the long term and we continue to support the Company through these difficult times for our industry. We are confident that IAG will emerge from this global crisis as Europe's leading airline group and we look forward to working closely together to deliver our joint vision to enhance travel opportunities for airline passengers across the globe."

Directors' Intentions

Each Director who is a shareholder and who is able to participate in the Proposed Capital Increase has confirmed his or her intention to take up in full or in part his or her entitlement to subscribe for new shares.

Underwriting

IAG has entered into a standby underwriting agreement for up to €2.75 billion, less the Qatar Airways entitlement that is subject to the irrevocable undertaking, with Goldman Sachs International, Morgan Stanley & Co. International plc and Deutsche Bank Aktiengesellschaft in connection with the Proposed Capital Increase. The standby underwriting agreement is expected to remain in place until the publication of the prospectus, at which point it will be replaced by a full underwriting agreement.

Timetable

The Proposed Capital Increase will be conditional on the approval of the shareholders of the Company at the Shareholders Meeting to be held on 8 September 2020. A call notice of the Shareholders Meeting will be published by the Company shortly and include the relevant resolution for the Proposed Capital Increase as well as others to be put to shareholders.

Subject to shareholders approving the Proposed Capital Increase at the Shareholders Meeting, the Proposed Capital Increase is expected to be launched as soon as possible after the Shareholders Meeting. A prospectus setting out full details of the Proposed Capital Increase, including the terms and conditions, is expected to be published at the time.

Steve Gunning
Chief Financial Officer

31 July 2020

CONTACT DETAILS

Goldman Sachs (Joint Financial Adviser and Joint Global Coordinator)

+44 (0) 207 774 1000

Anthony Gutman
Richard Cormack
Nimesh Khuroya

Morgan Stanley (Joint Financial Adviser, Joint Global Coordinator and Joint Corporate Broker)

+44 (0) 207 425 8000

Colm Donlon
Henrik Gobel
David Kitterick

Deutsche Bank (Joint Global Coordinator and Joint Corporate Broker)

+44 (0) 207 545 8000

Matt Hall
Javier Rapallo
Saadi Soudavar

Rothschild & Co (Independent Financial Adviser to IAG)

+44 (0) 207 280 5000

John Deans
Peter Nicklin
Shannon Nicholls

IMPORTANT NOTICES

These materials may not be published, distributed or transmitted in the United States, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, South Africa, Switzerland or the United Arab Emirates, or in any other jurisdiction in which the distribution, release or publication would be restricted or prohibited. These materials do not constitute an offer of securities for sale or a solicitation of an offer to purchase securities (the "Securities") of the Company in the United States or any other jurisdiction. The Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Securities have not been, and will not be, registered under the Securities Act. There will be no public offer of securities in the United States.

This announcement is an advertisement and not a prospectus for the purposes of the Prospectus Regulation. A final form prospectus, which is expected to be approved by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*), will be prepared and made available to the public in accordance with the Prospectus Regulation. The approval of the prospectus should not be understood as an endorsement of the securities. Investors should not subscribe for or purchase any transferable securities referred to in this announcement except on the basis of information contained in the prospectus published and should read the prospectus before making an investment decision in order to fully understand the potential risks and rewards associated with the decision to invest in the securities. The final form prospectus, when published, will be available on the website of the Spanish National Securities Market Commission (www.cnmv.es) and the website of the Company (www.iairgroup.com).

This announcement does not constitute a recommendation concerning any investor's decision or options with respect to the Proposed Capital Increase. The price and value of securities can go down as well as up. Past performance is not a guide to future performance. The contents of this announcement are not to be construed as legal, business, financial or tax advice. Each shareholder or prospective investor should consult his, her or its own independent legal adviser, business adviser, financial adviser or tax adviser for legal, financial, business or tax advice.

Apart from the responsibilities and liabilities, if any, which may be imposed on Goldman Sachs, Morgan Stanley and Deutsche Bank (together, the "Underwriters") by the FSMA or the regulatory regime established thereunder, neither of the Underwriters nor any of their respective affiliates accepts any responsibility or liability whatsoever and makes no representation or warranty, express or implied, for the contents of this announcement, including its accuracy, fairness, sufficiency, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Proposed Capital Increase and nothing in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Each of the Underwriters and their respective affiliates accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this announcement or any such statement. Furthermore, each of the Underwriters and/or their affiliates provides various investment banking, commercial banking and financial advisory services from time to time to the Company.

Goldman Sachs International ("Goldman Sachs") is authorised in the United Kingdom by the Prudential Regulation Authority (the "PRA") and regulated in the United Kingdom by the Financial Conduct Authority (the "FCA") and the PRA. Goldman Sachs is acting as Joint Financial Adviser and Joint Global Co-ordinator to the Company and no other person in connection with this announcement and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Goldman Sachs nor for providing advice to any person in relation to any matters referred to in this announcement.

Morgan Stanley & Co. International plc ("Morgan Stanley") is authorised in the United Kingdom by the PRA and regulated in the United Kingdom by the FCA and the PRA. Morgan Stanley is acting as Joint Financial Adviser, Joint Global Co-ordinator and Joint Corporate Broker to the Company, and will not regard any other person as a client and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Morgan Stanley nor for providing advice to any such other person.

Deutsche Bank Aktiengesellschaft ("Deutsche Bank") is authorised under German Banking Law (competent authorities: European Central Bank and German Federal Financial Supervisory Authority ("BaFin")) and, in the United Kingdom, by the Prudential Regulation Authority. It is subject to supervision by the European Central Bank and the BaFin, and to limited supervision in the United Kingdom by the Prudential Regulation Authority and the Financial Conduct Authority. Details about the extent of Deutsche Bank's authorisation and supervision by these authorities are available on request. Deutsche Bank is acting as Joint Global Co-ordinator and Joint Corporate Broker to the Company and no other person in connection with this document and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Deutsche Bank nor for providing advice to any person in relation to any matters referred to in this announcement.

N. M. Rothschild & Sons Limited ("Rothschild & Co"), which is authorised and regulated by the FCA in the United Kingdom is acting exclusively for the Company and no one else in connection with the Proposed Capital Increase or any other matter referred to in this announcement and will not regard any other person (whether or not a recipient of this announcement) as a client and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Rothschild & Co or for providing advice in connection with the Proposed Capital Increase or any other matter referred to in this announcement.

None of Goldman Sachs, Morgan Stanley, Deutsche Bank or Rothschild & Co, nor any of their respective subsidiaries, branches or affiliates, nor any of their respective directors, officers or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Goldman Sachs, Morgan Stanley, Deutsche Bank or Rothschild & Co in connection with the Proposed Capital Increase, this announcement, any statement contained herein, or otherwise.

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 2019; these documents are available on 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.