IAG results presentation

Quarter One 2020

7 May 2020

INTERNATIONAL AIRLINES GROUP

Highlights

Willie Walsh, Chief Executive Officer

INTERNATIONAL AIRLINES GROUP

Substantial loss from March due to COVID-19

Highlights and outlook

- Unusual quarterly pre-exceptional operating loss of €535m compared to a profit of €135m last year
  - The first two months were slightly loss-making but similar to last year despite the suspension of flights to China from the end of January due to COVID
  - All of the reduction in the operating result occurred in March following further government imposed travel
  - Most of the reduction in the operating result was incurred by British Airways, followed by Iberia and Aer Lingus, while Vueling experienced a modest increase in its operating loss
  - Exceptional loss of €1.3bn on fuel and foreign currency hedges due to a significant reduction in expected capacity for the rest of 2020 and a sharp decline in jet fuel prices
- Total liquidity position of €10.0bn as of 30 April – cash of €6.4bn and undrawn facilities of €3.6bn, with additional facilities under negotiation
- Actions have already been taken to preserve cash
  - Weekly cash operating costs reduced to €200m from €440m
  - 2020 €1.2bn capital spending reduction and fleet deliveries expected to be reduced by 68 between 2020 and 2022
  - IAG announced on 2 April the cancellation of its proposed final dividend for 2019 of €337m
- Highly uncertain outlook
  - Passenger capacity reduction in terms of ASKs of 94% in April and May with flights only undertaken for essential travel, repatriation and cargo
  - Demand for cargo is strong but a small offset to the reduction in passenger activity
  - Passenger capacity from June depends on the timing of the easing of lockdowns and travel restrictions by governments around the world
  - A substantially worse operating loss is therefore expected for the second quarter compared to the first quarter but accurate guidance is not possible
  - Our current planning scenario is for a reduction of passenger capacity of c50% in 2020
- We do not expect the level of passenger demand in 2019 to recover before 2023, making further Group-wide restructuring measures essential

Financial results and update

Steve Gunning, Chief Financial Officer

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Significant loss due to sudden revenue decline

1Q 2020 financial summary

OPERATING PROFIT	TOTAL UNIT REVENUE	PAX UNIT REVENUE
-€535m (reported before exceptional) **-€602m** (constant currency vly) -€670m (reported vly)	-6.5% (constant currency) -3.3% (reported) (€141m translation benefit) (€14m transaction tailwind)	**-7.7%** (constant currency) -4.5% (reported)

TRAFFIC/CAPACITY	TOTAL UNIT COST	NON-FUEL UNIT COST
ASKs: -10.5% (reported) RPKs: -15.2% (reported)	+6.0% (constant currency) +10.8% (reported) (€152m translation drag) (€71m transaction headwind)	+9.6% (constant currency) **+10.2%** (airline constant currency) +15.1% (reported)

'Translation' = drag/benefit from translation of British Airways and Avios financial results from GBP into EUR; 'Transaction' = FX headwind/tailwind at company level
See definition of airline non-fuel unit costs in appendices.

The 2019 results have been restated to reclassify the costs the Group incurs in relation to compensation for flight delays and cancellations as a deduction from revenue as opposed to an operating expense. There is no change in operating profit.

Exceptional fuel charge due to ‘over-hedging’

1Q 2020 fuel cost

- There have been two consequences as a result of the COVID-19 crisis
  - Price - jet fuel prices have fallen sharply since the start of the year from c.$650/mt to well below $200/mt
  - Volume – passenger capacity has been reduced significantly below the level of fuel and foreign currency hedging, resulting in substantial ‘over-hedging’ (minimal in Q1)
- As a result, there have been two impacts on the Income Statement in 1Q 2020
  - An ordinary fuel cost of €1,209m relating to fuel consumed and the effective fuel price after hedging
  - An exceptional operating charge of €1,325m relating to the over-hedging expected in 2020 based on forward jet fuel prices and foreign currency rates as of the end of March based on the current capacity planning scenario
- Full year 2020 fuel bill, based on our current planning scenario, would include the following two impacts
  - An ordinary fuel cost of c.€2.9bn relating to fuel consumed and the effective fuel price after hedging
  - An exceptional charge for the ‘over-hedging’ of fuel and related foreign currency of c.€1.5bn, based on the jet fuel prices and currency rates as of 1 May

Going into the crisis our balance sheet and cash liquidity were strong

Leverage and cash liquidity

€m	March 2020	December 2019
Gross debt	14,453	14,254
Cash, cash equivalents & interest-bearing deposits	6,945	6,683
On balance sheet net debt	7,508	7,571
Net debt / EBITDA	1.6x	1.4x
Cash (% of last 12 months revenues)	28%	26%
Liquidity (% of last 12 months revenues)	38%	34%

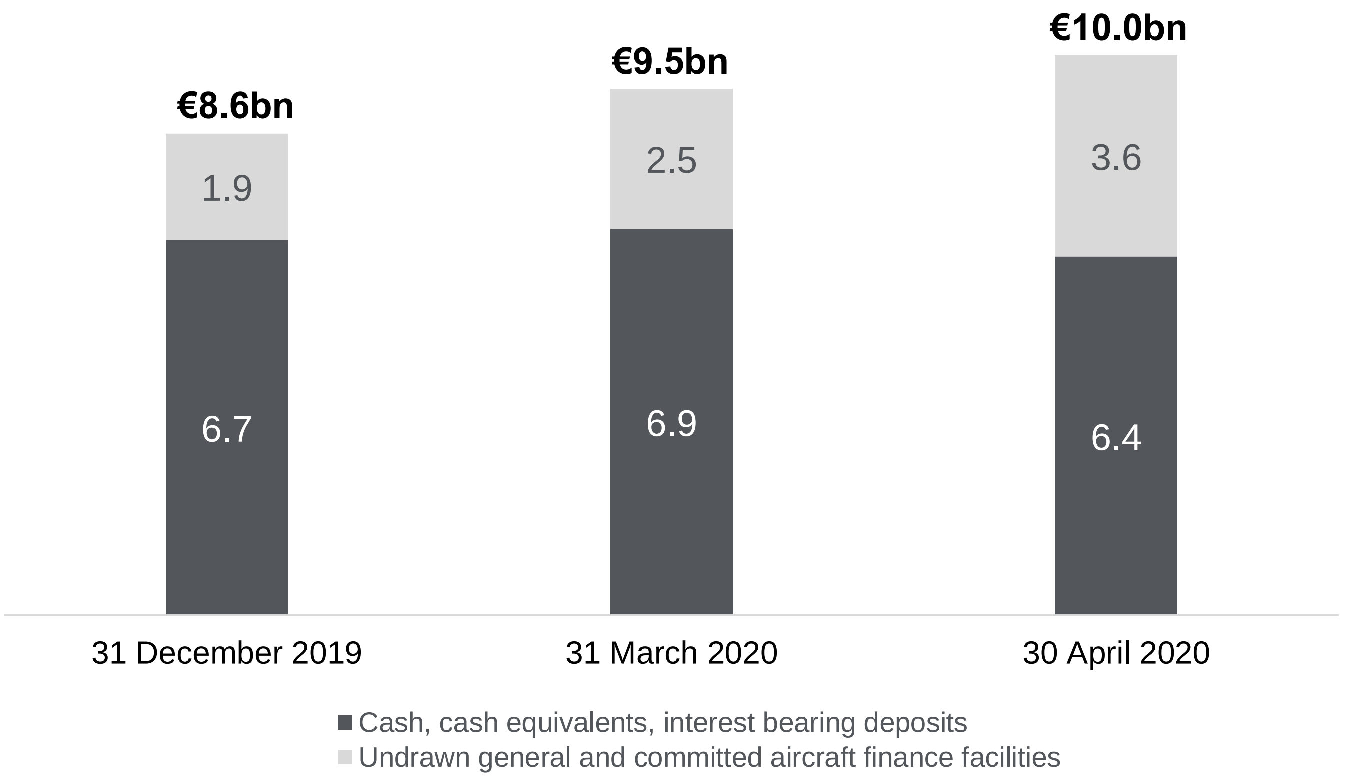
Note: liquidity calculation includes cash and cash equivalents, interest bearing deposits and undrawn general and committed aircraft finance facilities

The 2019 results have been restated to reclassify the costs the Group incurs in relation to compensation for flight delays and cancellations as a deduction from revenue as opposed to an operating expense. There is no change in operating profit.

Robust liquidity maintained in the short term

Cash and cash equivalents, interest bearing deposits and undrawn general and committed aircraft finance facilities

Liquidity position



Management actions

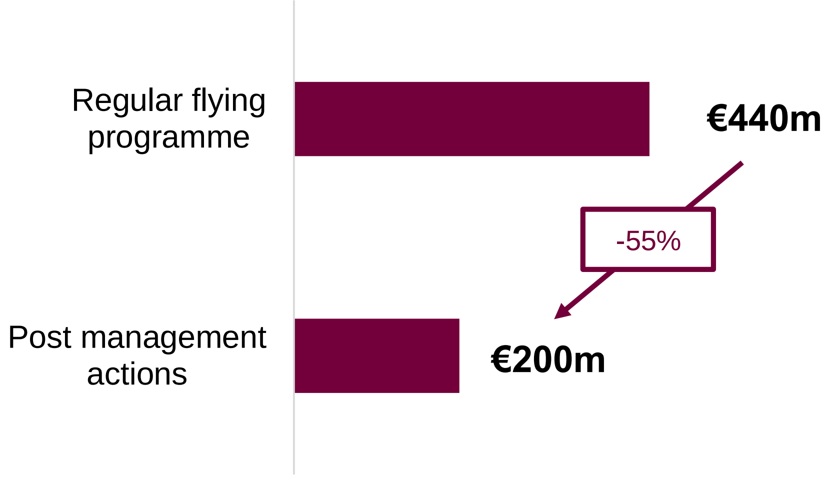
- $1.38bn British Airways RCF extended in March 2020
- £0.3bn of commercial paper issued in the UK under the Coronavirus Corporate Finance Facility (CCFF) in April 2020
- €1bn of term loans 70% guaranteed by the Instituto de Crédito Oficial (ICO) in Spain
- Various smaller credit lines

Note: The loans to be drawn from these agreements are conditional on the Instituto de Crédito Oficial (ICO) in Spain granting guarantees for 70% of the value of loans

Cash operating costs more than halved

Short-term operating cost reduction

Operating cash costs per week - April and May



Note:

- excludes revenue, working capital, tax, debt amortisation and pension deficit payments
- includes interest cash expense and income
- includes finance lease repayments and operating lease rentals
- includes fuel and FX over-hedge losses as of 31 March
- based on 94% capacity reduction in April and May and c.400+ cargo flights per month

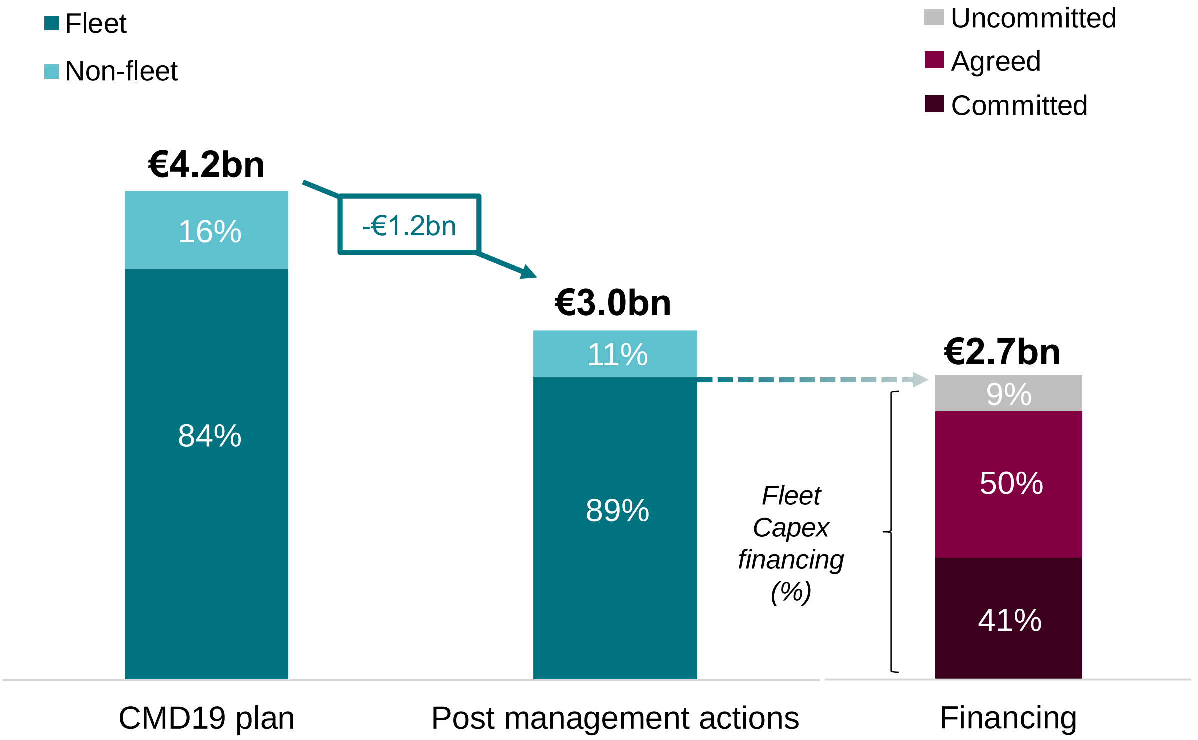
Management actions

- Furlough of crew and staff
  - UK Job Retention Scheme
  - Spain ERTE
  - Ireland Wage Subsidy Scheme
- Salary reductions and contractor layoffs
- Ending non-essential discretionary spending (e.g. IT, recruitment, training, marketing, T&E, etc.)
- Partly offset by over-hedge cash losses
- Partly offset by boosting revenue from cargo only flights
- Further actions planned for June onwards

2020 capex reduced by €1.2bn and largely financed

2020 capex plan update

Gross Capex 2020 – Fleet vs non-fleet (%)



Management actions

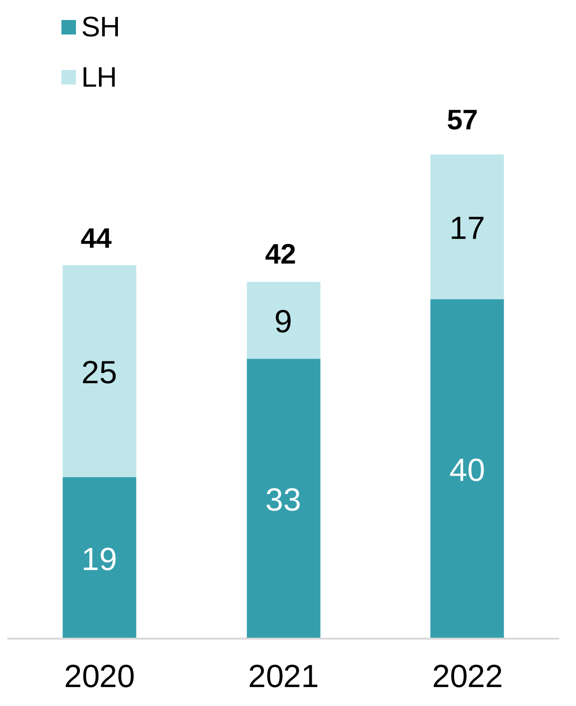
- 2020 capex reduction of €1.2bn to €3.0bn (of which €0.7bn spent in Q1)
- Fleet plans reflect latest negotiations with OEMs
- Fleet related capex down by €0.9bn from deferral of aircraft and associated payments
- More than 90% of 2020 fleet capex financed
- Property, ground equipment and IT spending reduction of more than €0.3bn
- Seeking to reduce further

Note: Agreed and committed financing includes €0.6bn of sale and lease-back

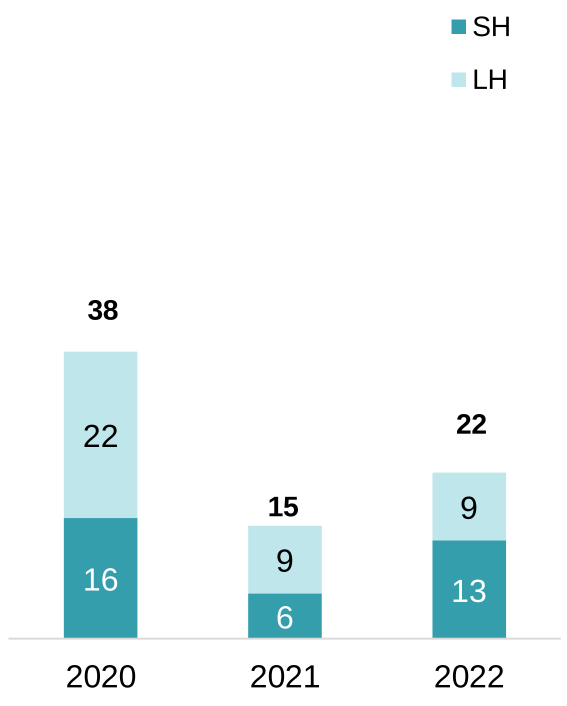
Fleet deliveries expected to be reduced by 68 between 2020 and 2022

2021 and 2022 fleet actions

Fleet deliveries – long-haul vs short-haul fleet (aircraft)



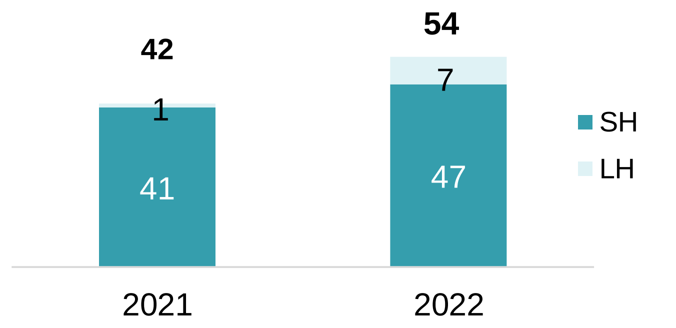
CMD 2019



Post management actions

Management actions

- Total fleet deliveries expected to be reduced by 68 aircraft between 2020 and 2022
- Accelerated planned retirement of 2x B747s within 2020
- Assessing further fleet reduction, including potential early retirement of B747s and A340s
- Maintain plan to return 20 leased aircraft due to expire in 2020
- Flexibility to return additional leased aircraft on expiry:



IAG

Outlook

Willie Walsh, Chief Executive Officer

INTERNATIONAL AIRLINES GROUP

Preparations are underway to return to service

Preparations to return to service

- Most of IAG's 595 aircraft are currently grounded
- Our preference is to operate new generation (e.g. A350/B787) and appropriately-sized aircraft on limited passenger, repatriation and cargo-only flights
- We are planning for a meaningful return to service in July 2020 at the earliest, depending on the easing of lockdowns and travel restrictions around the world
- We will adapt our operating procedures to ensure our customers and our people are properly protected in this new environment
- We are working with the various regulatory bodies and are confident that changes in regulations will enable a safe and organised return to service
- The industry will adapt to new requirements in the same way that it has adapted to developments in security requirements in the past
- At this stage we do not expect the level of passenger demand in 2019 to recover before 2023, making further Group-wide restructuring measures essential

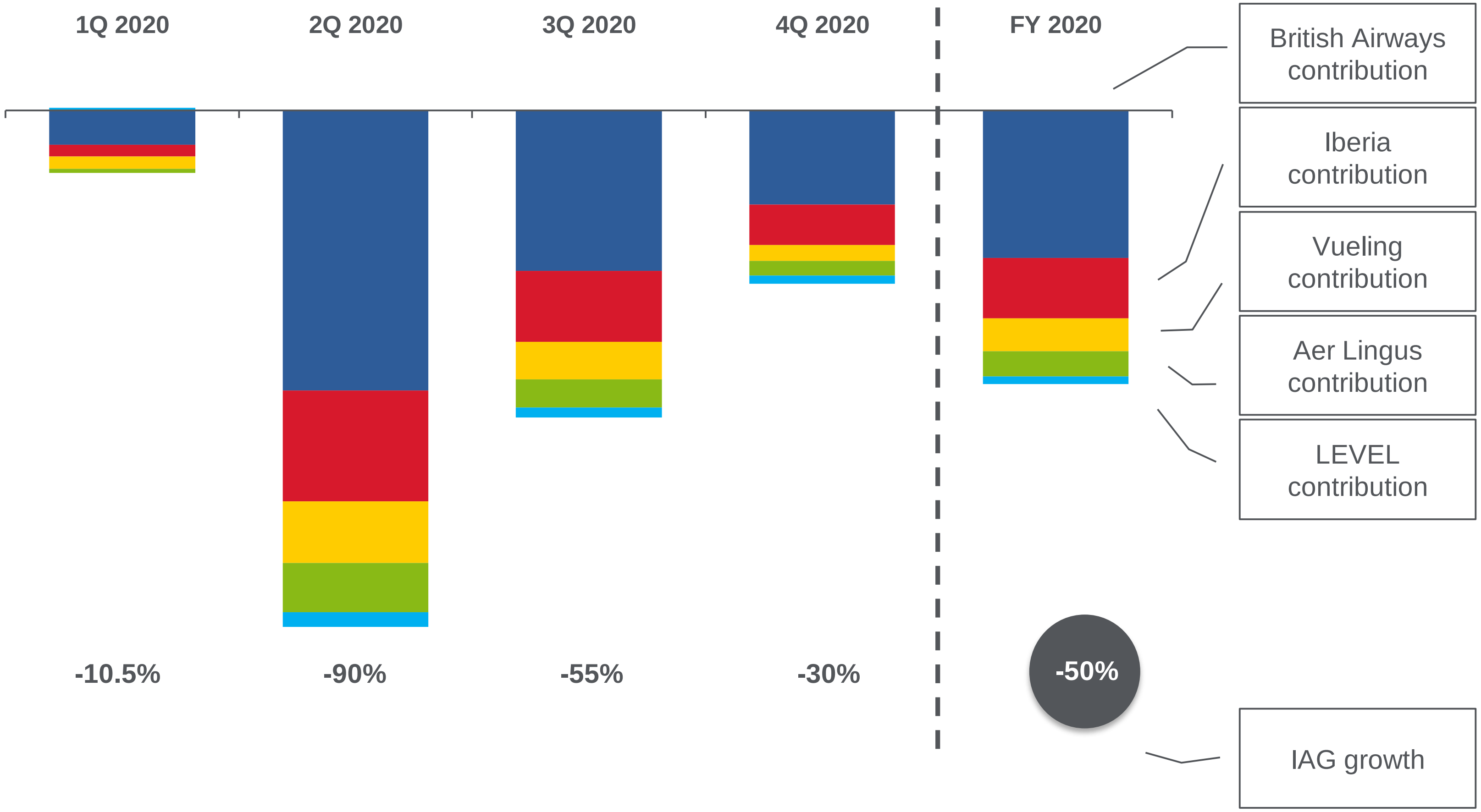
Consultation on restructuring at British Airways

UK labour legislation

- The Job Retention Scheme confirms that redundancies can take place despite the scheme and also says the normal employment laws continue to apply
- The obligation to collectively consult on redundancies arises from the Trade Union (Labour Relations) Consolidation Act 1992
- Trade Union (Labour Relations) Consolidation Act 1992 states that:
- An employer proposing to dismiss as redundant 100 or more employees at one establishment within a period of 90 days or less shall notify the Secretary of State, in writing, of his proposal
  a) before giving notice to terminate an employee's contract of employment in respect of any of those dismissals, and
  b) at least 45 days before the first of those dismissals takes effect
- Consultation must be with “appropriate” representatives and start in good time, be genuine and meaningful and be with a view to reaching an agreement

Current planning scenario c.50% capacity cut in 2020 for all IAG airlines

2020 current capacity planning scenario



Guidance for FY 2020

As announced on February 28, 2020, given the uncertainty on the impact and duration of COVID-19, IAG is not currently providing profit guidance for 2020. However, as announced on 28th April, the Group expects its operating loss before exceptional items in the second quarter to be significantly worse than in the first quarter, given the substantial decline in passenger capacity and traffic and despite some relief on employee costs from government wage support schemes and various management actions.

IAG will come out of this crisis as a stronger Group

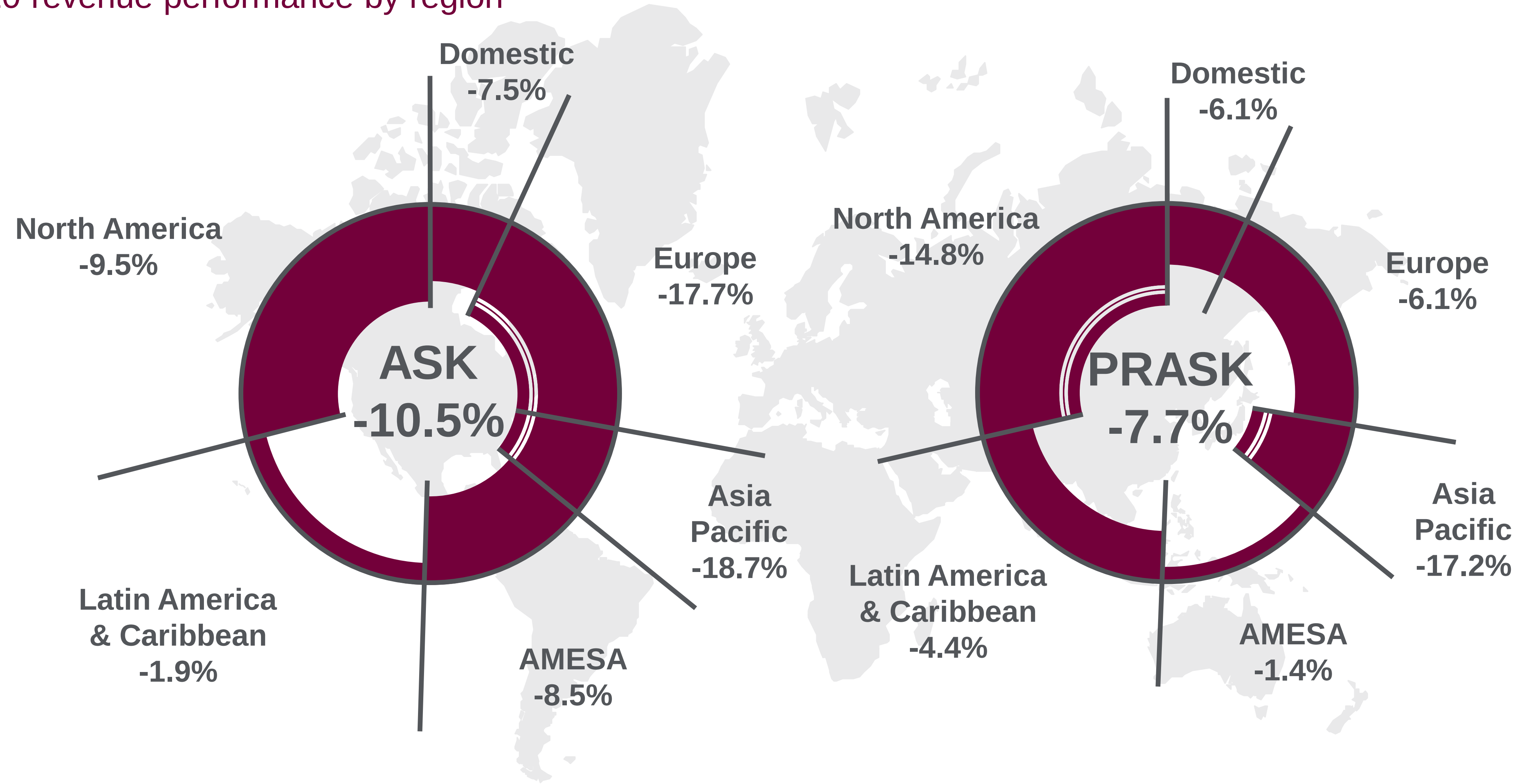
Strategic highlights

- Our business and industry is facing an unprecedented challenge from COVID-19 that will have a long lasting impact
- Going into this crisis our balance sheet and cash liquidity were strong
  - Total liquidity position of €10.0bn as of 30 April – cash of €6.4bn and undrawn facilities of €3.6bn
  - There are additional facilities under negotiation
- We have taken numerous actions to deal with this crisis
  - Cash operating costs have more than halved (to €200m from €440m)
  - Capex has been reduced by €1.2bn for 2020 and further capex reductions are being sought
  - Total fleet deliveries expected to be reduced by 68 aircraft between 2020 and 2022
  - 20 leased aircraft will be returned in 2020; flexibility to return up to 96 leased aircraft in 2021 and 2022
  - Accelerated planned retirement of long-haul aircraft; assessing further accelerated retirements
- At this stage we do not expect passenger demand to recover to the level of 2019 before 2023 at the earliest
- This means Group-wide restructuring is essential in order to get through the crisis and preserve an adequate level of liquidity
- We intend to come out of this crisis as a stronger Group

Appendices

All regions negatively impacted

1Q 2020 revenue performance by region



Regional data in the chart represents flown passenger revenue in unit terms at constant currency before transfer payments, Avios redemption and ancillaries

Increase in unit cost due to the speed of capacity reduction

1Q 2020 unit cost performance

	1Q 2019 reported unit costs (€ cents)	1Q 2020 reported unit costs (€ cents)	% vly	% vly constant currency
Employee	1.60	1.83	+14.5%	+11.4%
Supplier	2.75	3.12	+13.4%	+5.9%
Ownership	0.68	0.84	+23.6%	+19.9%
Non-fuel	**5.03**	**5.79**	**+15.1%**	**+9.6%**
Fuel	**1.81**	**1.79**	**-1.1%**	**-3.9%**
TOTAL	**6.84**	**7.58**	**+10.8%**	**+6.0%**

Airline non-fuel unit cost
+10.2% (constant currency pro forma)

'Translation' = drag/benefit from translation of British Airways and Avios financial results from GBP into EUR; 'Transaction' = FX headwind/tailwind at company level
See definition of airline non-fuel unit costs in appendices.

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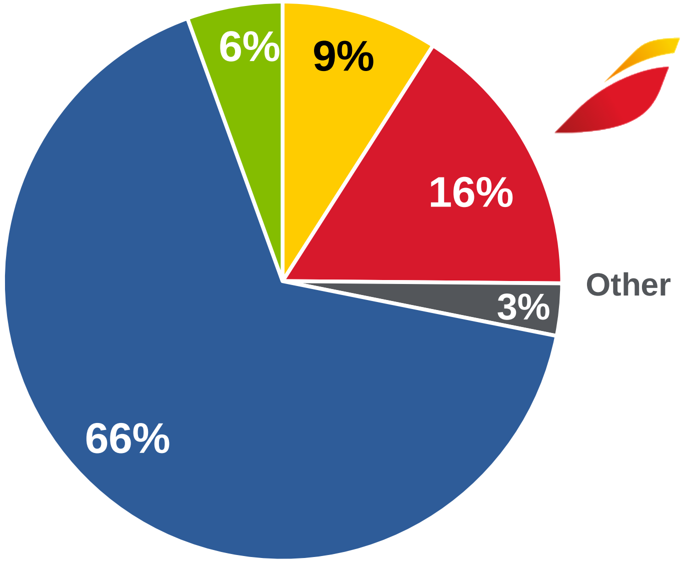
RoIC impacted by 1Q 2020 performance

Financial target tracker: profitability trend by airline



IAG capital allocation 1Q 2020

The 2019 results have been restated to reclassify the costs the Group incurs in relation to compensation for flight delays and cancellations as a deduction from revenue as opposed to an operating expense. There is no change in operating profit.

IAG

Op. margin: 1Q 2020	(11.7)%
Op. margin trend vly	-14.2pts
Nml. margin: last 4Qs	9.2%
RoIC: last 4Qs	11.4%

Aer Lingus

Op. margin: 1Q 2020	(29.6)%
Op. margin trend vly	-20.2pts
Nml. margin: last 4Qs	9.7%
RoIC: last 4Qs	16.7%

IBERIA

Op. margin: 1Q 2020	(7.5)%
Op. margin trend vly	-5.5pts
Nml. margin: last 4Qs	7.0%
RoIC: last 4Qs	11.9%

BRITISH AIRWAYS

Op. margin: 1Q 2020	(10.6)%
Op. margin trend vly	-18.2pts
Nml. margin: last 4Qs	9.7%
RoIC: last 4Qs	10.5%

vueling

Op. margin: 1Q 2020	(28.4)%
Op. margin trend vly	-11.0pts
Nml. margin: last 4Qs	8.1%
RoIC: last 4Qs	11.3%

Nml. Margin: As above, adjusted for inflation, for comparability with Invested Capital
Average Invested Capital: Tangible Fleet and ROU Fleet assets NBV (inflation adjusted), Other PPE and Other ROU assets NBV and Software intangible assets NBV.

Traffic and capacity statistics – 1Q 2020

Group performance	1Q 2020	1Q 2019	yoy
Passengers carried ('000s)	**19,877**	**24,382**	**-18.5%**
Domestic	5,023	5,921	-15.2%
Europe	9,582	12,406	-22.8%
North America	2,072	2,482	-16.5%
Latin America & Caribbean	1,435	1,475	-2.7%
Africa. Middle East & S. Asia	1,342	1,521	-11.8%
Asia Pacific	423	577	-26.7%
Revenue passenger km (m)	**51,617**	**60,878**	**-15.2%**
Domestic	3,899	4,331	-10.0%
Europe	10,431	13,551	-23.0%
North America	13,738	16,550	-17.0%
Latin America & Caribbean	11,821	12,182	-3.0%
Africa. Middle East & S. Asia	7,667	8,719	-12.1%
Asia Pacific	4,061	5,545	-26.8%
Available seat km (m)	**67,522**	**75,423**	**-10.5%**
Domestic	4,775	5,161	-7.5%
Europe	14,045	17,074	-17.7%
North America	19,389	21,428	-9.5%
Latin America & Caribbean	14,080	14,359	-1.9%
Africa. Middle East & S. Asia	9,786	10,699	-8.5%
Asia Pacific	5,447	6,702	-18.7%
Passenger load factor (%)	**76.4**	**80.7**	**-4.3 pts**
Domestic	81.7	83.9	-2.2 pts
Europe	74.3	79.4	-5.1 pts
North America	70.9	77.2	-6.3 pts
Latin America & Caribbean	84.0	84.8	-0.8 pts
Africa. Middle East & S. Asia	78.3	81.5	-3.2 pts
Asia Pacific	74.6	82.7	-8.1 pts
Cargo tonne km (m)	**1,173**	**1,391**	**-15.7%**

Note: Domestic includes routes within UK. Spain and Italy

Traffic and capacity statistics – 1Q 2020

Performance by airline	1Q 2020	1Q 2019	yoy
Aer Lingus			
Passengers carried (’000s)	1,669	2,196	-24.0%
Revenue passenger km (m)	3,338	4,255	-21.6%
Available seat km (m)	5,277	5,804	-9.1%
Passenger load factor (%)	63.3	73.3	-10.0 pts
Cargo tonne km (m)	42	39	7.7%
BRITISH AIRWAYS			
Passengers carried (’000s)	8,548	10,472	-18.4%
Revenue passenger km (m)	29,119	34,875	-16.5%
Available seat km (m)	39,248	43,833	-10.5%
Passenger load factor (%)	74.2	79.6	-5.4 pts
Cargo tonne km (m)	879	1,062	-17.2%
IBERIA			
Passengers carried (’000s)	4,164	4,946	-15.8%
Revenue passenger km (m)	12,124	13,966	-13.2%
Available seat km (m)	14,870	16,425	-9.5%
Passenger load factor (%)	81.5	85.0	-3.5 pts
Cargo tonne km (m)	248	290	-14.5%
LEVEL			
Passengers carried (’000s)	439	289	51.9%
Revenue passenger km (m)	2,082	1,527	36.3%
Available seat km (m)	2,322	1,918	21.1%
Passenger load factor (%)	89.7	79.6	+10.1 pts
Cargo tonne km (m)	4	1	300.0%
vueling			
Passengers carried (’000s)	5,057	6,479	-21.9%
Revenue passenger km (m)	4,954	6,255	-20.8%
Available seat km (m)	5,805	7,443	-22.0%
Passenger load factor (%)	85.3	84.0	+1.3 pts
Cargo tonne km (m)	n/a	n/a	n/a

Note: British Airways includes BA CityFlyer; Iberia includes Iberia Express; LEVEL includes Spain, France and Austria

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, 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.