

International Consolidated Airlines Group, S.A.

Supporting report on the amendment of the proposal of appropriation of results

In accordance with the provisions of article 41.3 of Royal Decree-Law 8/2020, we hereby inform you that the Board of Directors of International Consolidated Airlines Group, S.A. (IAG), at its meeting on April 2, 2020, agreed to modify the proposal for the appropriation of the results of the 2019 financial year, which will be submitted to the approval of the next Annual General Meeting of the Company, which is scheduled to be held on second call, on September 8, 2020.

A supporting report from the Board of Directors is attached, as well as the letter from Ernst & Young, S.L., statutory auditor of the Company and its Group.

Steve Gunning
Chief Financial Officer

31 July 2020

REPORT BY THE BOARD OF DIRECTORS OF INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. IN RELATION TO THE AMENDMENT TO THE PROPOSAL OF APPROPRIATION OF THE COMPANY’S PROFIT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

1. Purpose of the report

This report is formulated by the Board of Directors of International Consolidated Airlines Group, S.A. (“IAG” or the “Company”) for the purposes of article 40.6 bis of Royal Decree-Law 8/2020, of March 17, 2020 on urgent extraordinary measures to confront the economic and social impact of COVID-19, in order to justify the replacement of the proposal for the appropriation of the 2019 result of the Company.

2. Amendment of the proposed allocation of profit

At its meeting on February 27, 2020, the Company's Board of Directors approved the following proposal for the distribution of the Company’s income for fiscal year ended December 31, 2019, included in note 3 of the financial statements corresponding to said fiscal year:

3. APPROPRIATION OF PROFIT

The Company recorded a profit for the year of €763.583.000 (2018: €662.180.000).

Accordingly, the Company's Directors will submit the following proposed appropriation of the 2019 result for approval at the Shareholders' Meeting:

€'000	2019	2018
Proposed appropriation:		
Profit for the year	763.583	662.180
	763.583	662.180
Appropriation to:		
Legal reserves	-	-
Interim dividend	287.728	287.580
Final dividend (corresponding to a fixed dividend of 17,0 € cents per share; (total amount considering all the 1.992.032.634 shares outstanding on the date hereof)	337.483	327.195
Voluntary reserve (remaining amount of the profit for the year after the above referred distributions)	138.372	47.405
	763.583	662.180

At its meeting on 2 April 2020, the Board of Directors of the Company, based on the situation generated by COVID-19, agreed to cancel the proposal to allocate €337,483 thousand to the payment of an additional dividend and, instead, allocate that amount to recording a voluntary reserve, having ratified this decision at its meeting on 30 July 2020, in accordance to the justification included in the following section of this report.

Consequently, the proposed distribution of the Company's income for 2019 amounting to €763,583 thousand, which will be submitted for approval by the Company's next General Shareholders' Meeting, is as follows:

- (i) €287,728 thousand to the payment of a dividend which has already been paid in full as an interim dividend under the resolution adopted by the board at its meeting on October 30, 2019; and
- (ii) €475,855 thousand (amount of income for the year remaining following the distribution) to recording a voluntary reserve.

3. Justification for the amendment of the proposed allocation of profit

This new proposal for the allocation of profits, which will be submitted to the Company's next Ordinary General Shareholders' Meeting, is made in response to the current situation of uncertainty and exceptionality caused by the COVID-19 pandemic.

In this regard, the Board of Directors has considered it appropriate to maintain an attitude of prudence that will enable IAG to maintain its financial solidity until such time as the situation returns to full normality and with a view to strengthening the Company's balance sheet in the current circumstances, it being most appropriate that the amount corresponding to the aforementioned additional dividend be allocated in its place in full to reserves.

Such new proposal does not entail the reformulation of the annual accounts as it represents a more prudent position in terms of protecting IAG's asset situation in the face of the health crisis which has highlighted new risks that did not previously exist.

* * *

July 30, 2020.

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.
El Caserío, Iberia zona industrial nº 2, (La Muñoza)
Camino de la Muñoza s/n
28042 Madrid

July 30, 2020

To the Board of Directors

Dear Sir/Madam,

At its meeting held on February 27, 2020, the Board of Directors of INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. proposed the following appropriation of profit:

Thousand Euros	2019
Proposed appropriation:	
Profit for the year	763.583
	763.583
Appropriation to:	
Legal reserves	-
Interim dividend	287.728
Final dividend (corresponding to a fixed dividend of 17,0 € cents per share; (total amount considering all the 1.992.032.634 shares outstanding on the date hereof)	337.483
Voluntary reserve (remaining amount of the profit for the year after the above referred distributions)	138.372
	763.583

This proposal is included in note 3 to the financial statements for the year ended December 31, 2019, which were authorized for issue by the Board of Directors in the abovementioned meeting, and on which we issued our audit report on March 3, 2020, in which we expressed an unqualified opinion.

As explained in the accompanying documentation (appendix), in its meeting held on July 30, 2020, the Board of Directors resolved to replace the proposed appropriation of profit initially approved with:

Thousand Euros	2019
Proposed appropriation:	
Profit for the year	763.583
	763.583
Appropriation to:	
Interim dividend	287.728
Voluntary reserve (remaining amount of the profit for the year after the above referred distributions)	475.855
	763.583

In this context, we confirm that, had we known the newly proposed appropriation at the date we signed our report, this decision would not have modified our audit opinion in the audit report we issued on March 3, 2020 on the financial statements of INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. for the year ended December 31, 2019.

This letter refers exclusively to the decision to modify the proposed appropriation of profit that will be submitted to the Board of Directors. Since we issued our audit report on March 3, 2020, we have not performed any audit procedures on other matters or on subsequent events that may have occurred as of that date.

This letter has been issued at the request of the Board of Directors of INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. for the information of the Shareholders' Meeting of INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. as required by article 40.6.bis of Royal Decree Law 8/2020 and may not be used for any other purpose.

ERNST & YOUNG, S.L.



Hildur Eir Jónsdóttir
Partner