

IAG results presentation

Quarter Three 2020

30 October 2020



Highlights

Luis Gallego, Chief Executive Officer

A quarter of significant structural change

3Q 2020 strategic and financial highlights

- Successful Capital Increase provides IAG with the operational and strategic flexibility to take advantage of a recovery in demand for air travel, reduces balance sheet leverage and enhances liquidity to help withstand a more prolonged downturn in air travel demand
 - Gross proceeds of €2.741bn
 - 92.75% of subscription rights taken up by shareholders and offer of new shares over-subscribed by 211.53%
 - Fully supported and subscribed to by Qatar Airways, IAG's largest shareholder (25.1%)
- Initial restructuring set to further improve IAG's competitive cost advantage in terms of unit cost and cost flexibility
 - British Airways – annual employee cost savings of c.30% as a result of restructuring, more competitive employee contracts and enhanced flexibility to vary total cost with capacity
 - Aer Lingus – c.50% annual employee cost benefit from company actions, the Irish Government wage subsidy schemes and headcount reduction
 - Iberia – over 35% annual employee cost benefit from the Spanish Government ERTE furlough scheme and company actions
 - Vueling – over 35% annual employee cost benefit from the Spanish Government ERTE furlough scheme and local furlough schemes in France and Italy and company actions
- Management succession from internal talent pool
 - New CEOs at IAG, British Airways, Iberia and Vueling, and interim for Aer Lingus appointed in September/October
 - Appointment of Chief Transformation Officer on the Group's Management Committee
- Pre-exceptional operating loss of -€1.3bn compared to a profit of €1.425bn last year
 - Revenue decline of -83% to €1.2bn compared to €7.3bn a year ago
 - Passenger capacity (ASKs) decline of -78.6% and seat load factor decline of -38.8 points to 48.9%
- Uncertain outlook due to government lockdowns, travel restrictions and quarantine requirements
 - 4Q 2020 capacity to be no more than 30% compared to 2019
 - IAG no longer expects to reach breakeven in terms of Net cash flows from operating activities during 4Q 2020
- Strong liquidity position of €9.3bn pro-forma as of 30 September, including proceeds from Capital Increase and including €1.6bn of undrawn facilities

Financial results

Steve Gunning, Chief Financial Officer

Continued losses due to COVID-19

Pre exceptional operating results, 3Q 2020 and 9M 2020

	3Q 2020	3Q 2019	vly	9M 2020	9M 2019	vly
Passenger revenue	737	6,492	-88.6%	4,888	17,078	-71.4%
Cargo revenue	302	269	+12.3%	917	825	+11.2%
Other revenue	200	505	-60.4%	760	1,389	-45.3%
Total revenue	1,239	7,266	-82.9%	6,565	19,292	-66.0%
Employee costs	708	1,221	-42.0%	2,598	3,713	-30.0%
Fuel, oil costs and emissions charges	370	1,633	-77.3%	1,683	4,569	-63.2%
Handling, catering and other operating costs	227	823	-72.4%	1,080	2,236	-51.7%
Landing fees and en-route charges	198	618	-68.0%	737	1,699	-56.6%
Engineering and other aircraft costs	286	556	-48.6%	1,052	1,587	-33.7%
Property, IT and other costs	163	202	-19.3%	569	582	-2.2%
Selling costs	72	262	-72.5%	340	813	-58.2%
Depreciation, amortisation and impairment	505	519	-2.7%	1,619	1,554	+4.2%
Currency differences	10	7	+42.9%	87	19	+357.9%
Total expenditure on operations	2,539	5,841	-56.5%	9,765	16,772	-41.8%
Operating result	-1,300	1,425	nm	-3,200	2,520	nm
ASKs	19,769	92,318	-78.6%	91,394	255,749	-64.3%

Exceptional charge of €618m for the quarter

Exceptional items, 3Q 2020 and 9M 2020

- Net 'over-hedging' loss of €352m
 - A fuel 'over-hedging' loss of €330m based on forward jet fuel prices and foreign currency rates as of the end of September
 - Negative impact from a slower capacity ramp up
 - Negative impact from the decrease in fuel prices since 30 June
- Employee restructuring cost of €275m relating to redundancy programmes in British Airways and Aer Lingus
- Impairment of additional aircraft offset by reversal of engine impairments due to disposal proceeds being higher than anticipated resulting in a credit of €15m and lease return provisions of €6m
- Total exceptional items for 9M 2020 of €2.755bn

Balance sheet and liquidity improved by €2.7bn Capital Increase

Leverage and cash liquidity

€m	Pro-forma post Capital Increase*	30 Sep 2020*	30 Jun 2020	31 Mar 2020	31 Dec 2019
Gross debt	16,107	16,107	16,479	14,453	14,254
Cash, cash equivalents and interest-bearing deposits	7,752	5,011	6,016	6,945	6,683
Net debt	8,355	11,096	10,463	7,508	7,571
Net debt / EBITDA	n.m.	n.m.	4.2x	1.6x	1.4x
Cash (% of 2019 revenue)	30%	20%	24%	27%	26%
Total liquidity (€bn)	9.3	6.6	8.1	9.5	8.6
Liquidity (% of 2019 revenue)	37%	26%	32%	37%	34%

*Capital Increase gross proceeds of €2.741bn received on 2 October

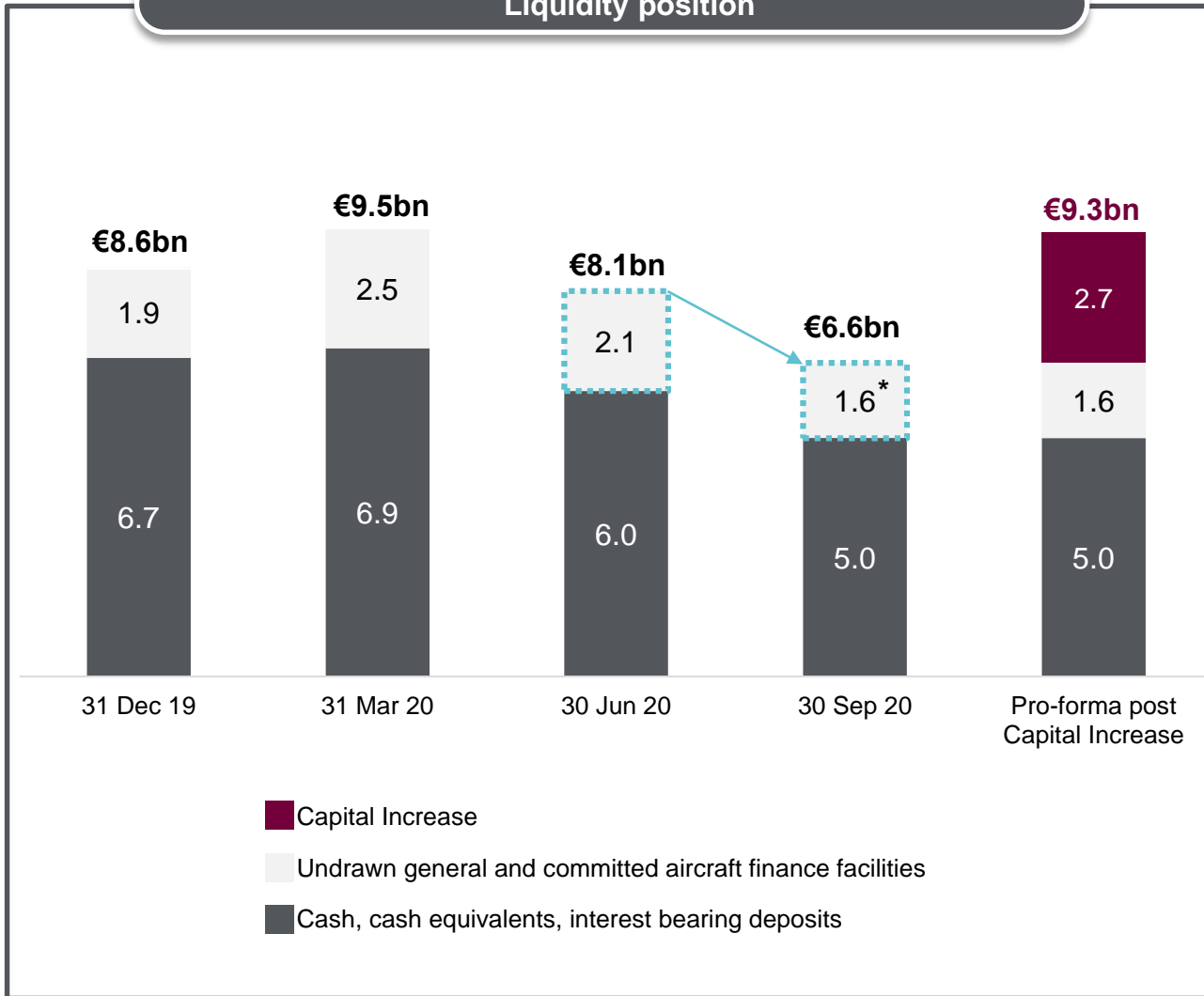
Liquidity calculation includes cash and cash equivalents, interest bearing deposits and undrawn general and committed aircraft finance facilities

The 2019 results includes a reclassification of 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.

Net debt / EBITDA calculated using rolling 12 month EBITDA

Liquidity remains strong

Liquidity position



Management actions

In 1Q and 2Q

- **\$1.38bn** British Airways RCF extended in March
- **€337m final dividend** for 2019 cancelled in April
- **£0.3bn** UK CCFF drawn in April
- **€1.0bn** of term loans 70% guaranteed by the ICO in Spain drawn in May
- **c.\$1.0bn bridge facilities** secured against aircraft arranged in May and June
- **€400m sale proceeds** including sale and lease back of 5 aircraft

In 3Q

- **£750m American Express** cash payment completed in August
- **c€380m sale and lease back** of 5 aircraft completed in July
- Various additional credit lines

Post 3Q

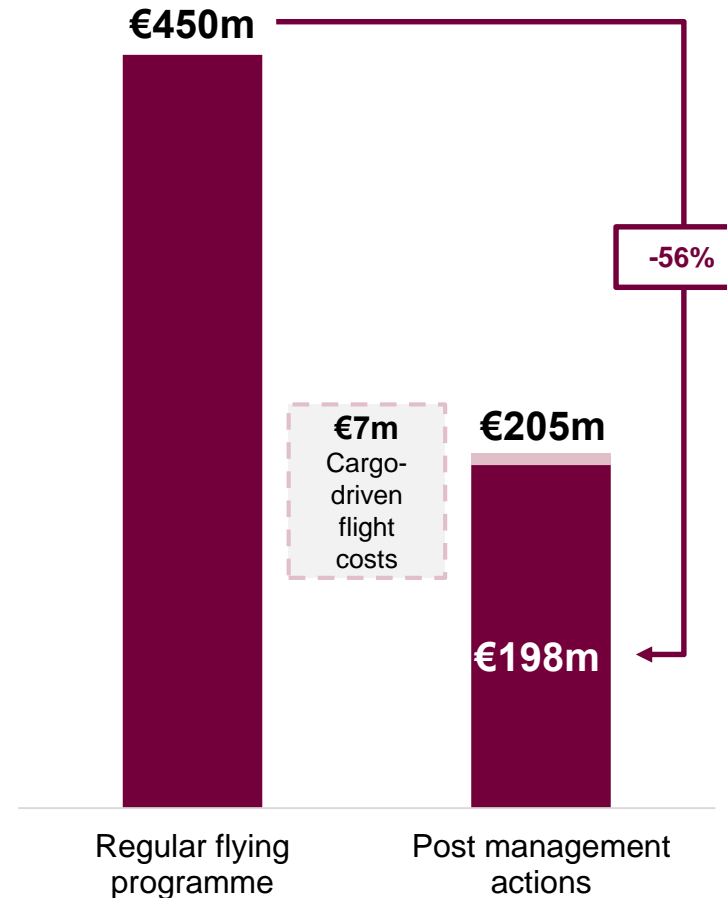
- **€2.741bn Capital Increase** completed in October
- Additional sale and lease backs planned
- Further debt funding actions under consideration

Cash operating costs more than halved

Management actions 3Q

- 3Q operating cash costs the same as 2Q despite passenger capacity being c.5x higher (-78.6% reduction vly)
- 1,115 cargo-driven flights
- Employee cost reduction
 - Wage support schemes in UK, Spain and Ireland
 - Salary cuts across the Group
 - Initial BA restructuring
- Non-essential discretionary spending remains suspended (e.g. IT excluding cybersecurity, recruitment, training, marketing, T&E, etc.)

Actual operating cash costs per week – 3Q





Continuing management actions

- 1) Reducing fixed cost base**
 - Restructuring and right-sizing benefits
 - Wage support schemes in Spain and Ireland
 - Right-size the supply chain
- 2) Increasing variability of costs**
 - New BA employee conditions
 - Vueling pilot and cabin crew agreements: change in employee cost linked to changes in capacity
 - More flexible supplier contractual terms (e.g. power-by-the-hour)




Significant savings from employee restructuring at Aer Lingus and BA

Employee restructuring initiatives

Airline	Initiatives
	<ul style="list-style-type: none">• Benefit from Ireland's furlough scheme (CTWSS) since April• Hours and pay cuts for all staff from April 2020 – 50% cut applying to majority of employees• 590 short-term contractors / contract offers released in April 2020• 250 currently planned redundancies• 200 staff in catering function moved to external supplier
	<ul style="list-style-type: none">• The UK CJRS comes to an end on 31 October, having reduced BA's employee costs by £38m per month from April to August scaling down to £5m in September. CJRS to be replaced by JSS from November• 9,620 employees have left as of end October through a combination of voluntary (c.80%) and compulsory redundancies that have been agreed with the major employee groups. A further 180 employees are expected to leave by early 2021.• Annual employee cost savings are expected to be 30%• In addition, BA has significantly enhanced flexibility to vary employee costs should air travel demand remain depressed (19,000 out of 28,000 UK employees with layoff and short-time working clauses)• Main outstanding area to be addressed is cargo handling

Spanish ERTE allows airlines to better match employee costs with capacity

Employee restructuring initiatives

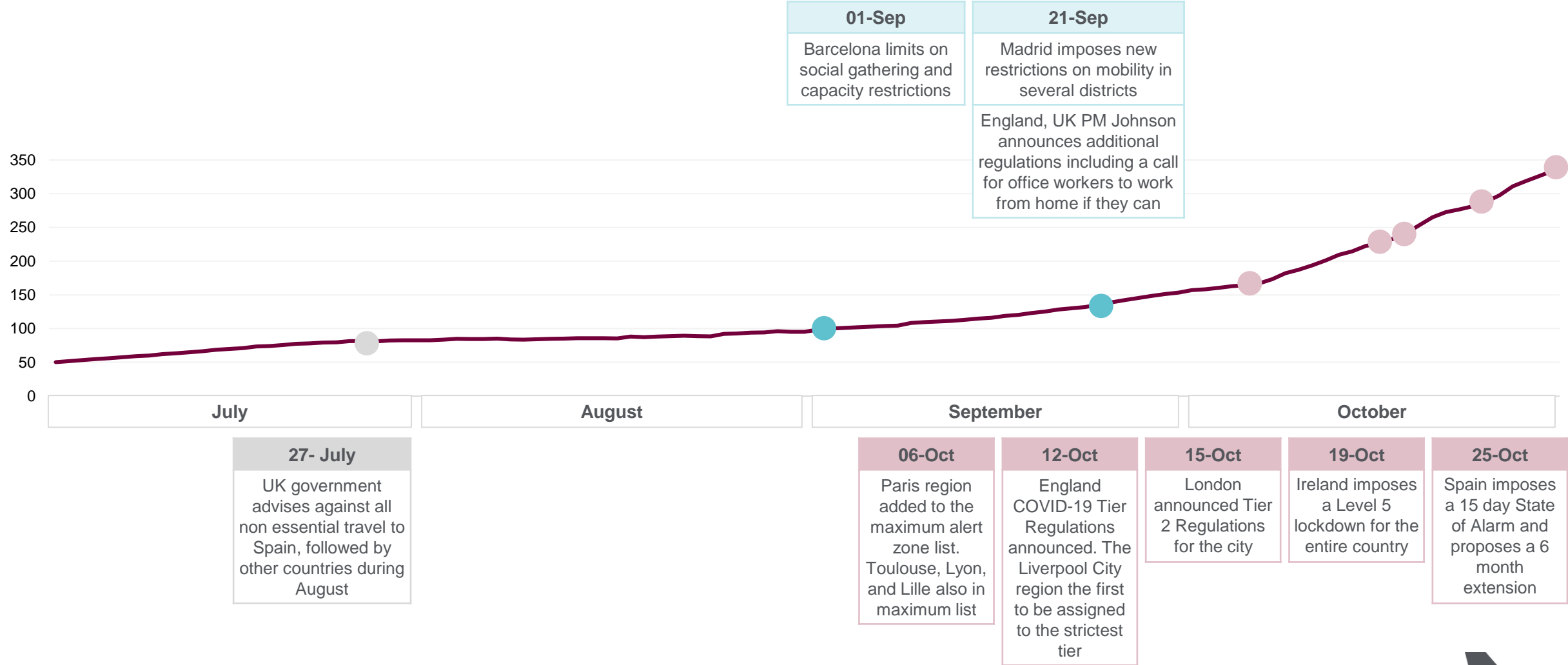
Airline	Initiatives
	<ul style="list-style-type: none">• Has benefited from Spain's furlough scheme, ERTE Force Majeure, which is currently due to end in January 2021 – monthly benefit of c.€25m since April• 10-45% pay cut for non-union employees scaled with seniority
	<ul style="list-style-type: none">• Focus on Barcelona with routes to Buenos Aires and New York JFK• Closure of remaining bases at Vienna, Amsterdam and Paris (subject to consultation) – total of 430 redundancies
	<ul style="list-style-type: none">• Has benefited from Spain's furlough scheme, ERTE Force Majeure, which is currently due to end in January 2021 and local furlough schemes in France and Italy – monthly benefit of c.€10m since April• Agreement with pilots and cabin crew at its Spanish bases to vary employee costs in line with capacity (ASKs) from November 2020 up to December 2021 with a mixture of temporary and permanent measures• Elimination of 20% of managerial positions and 18% pay cut for non-union employees

Outlook

Luis Gallego, Chief Executive Officer

Infection rates driving increased government restrictions

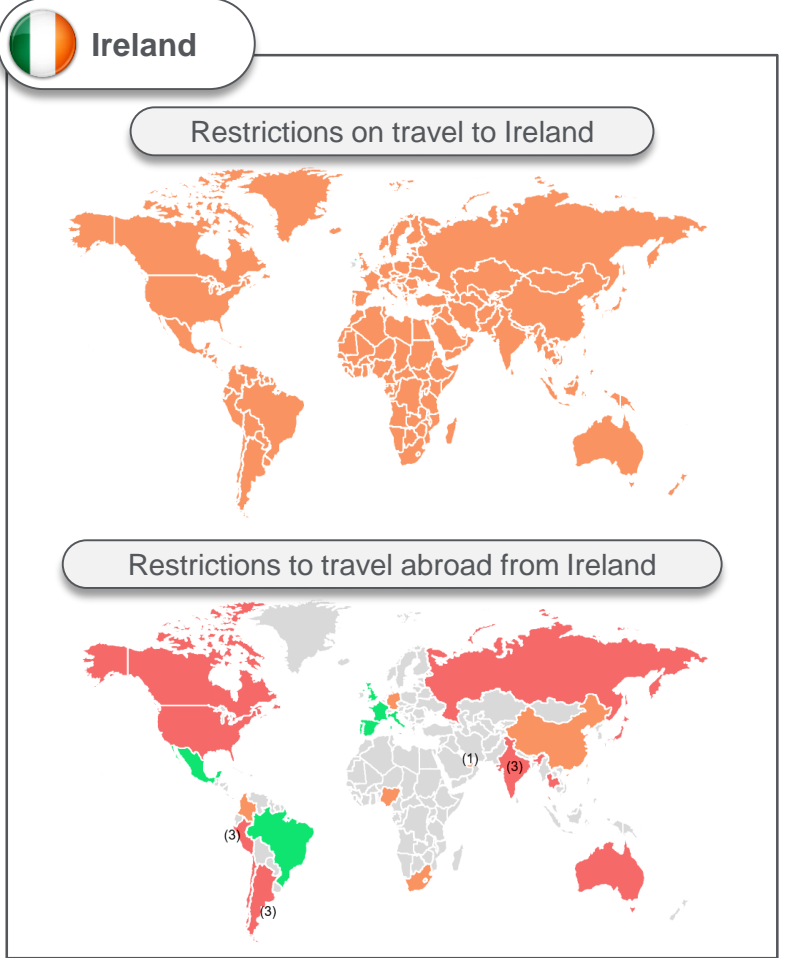
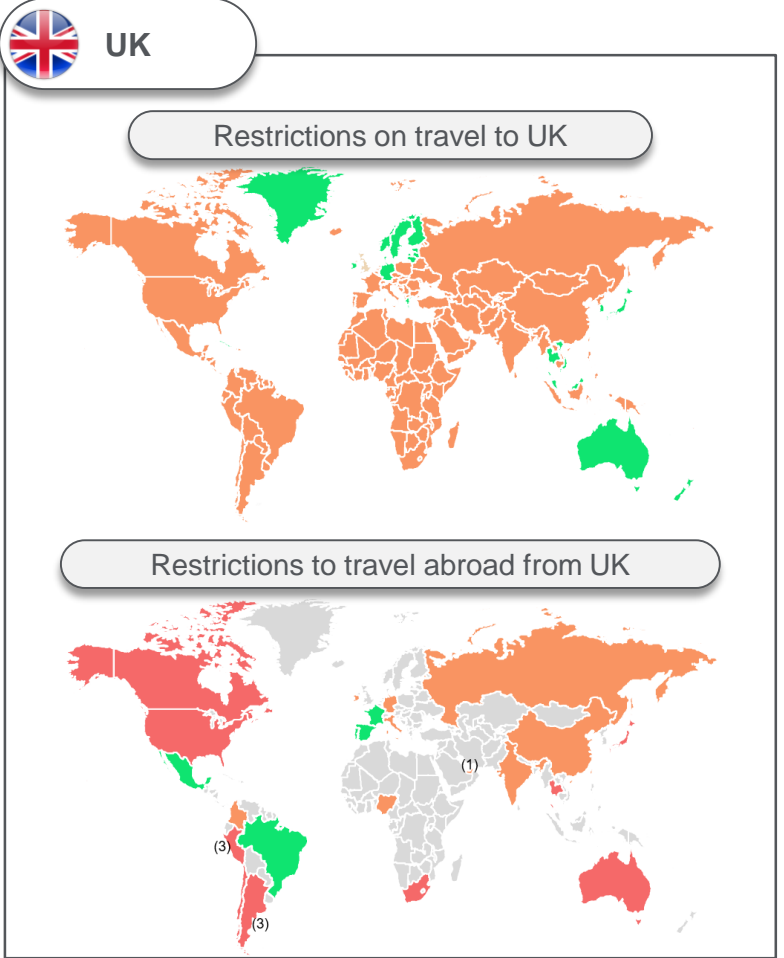
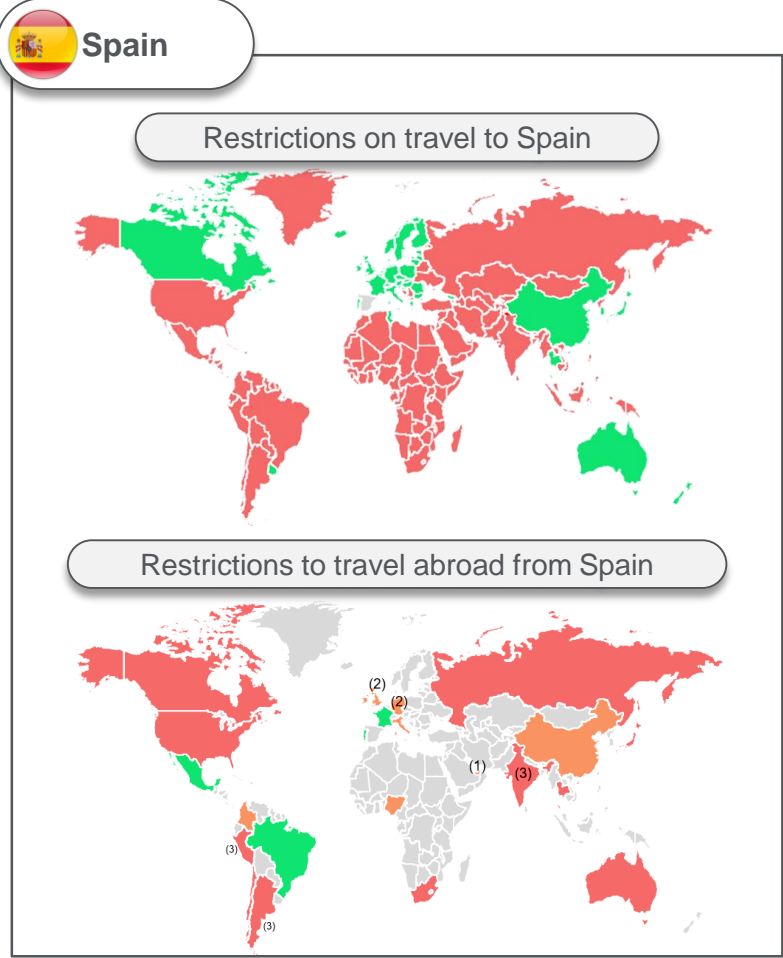
Weighted COVID-19 case rate (July-October 2020)



IAG Note: Cumulative number for previous 14 days of COVID-19 cases per 100,000 for IAG's top 14 countries, weighted by 2019 revenue
 Source: European Centre for Disease Prevention and Control

IAG's home markets among the most restrictive in Europe

Degrees of restriction by market: inbound and outbound



- Allowed without restrictions
- Allowed with restrictions
- Not allowed with exceptions for nationals/residents
- Not analysed

Note: as of 26 October 2020

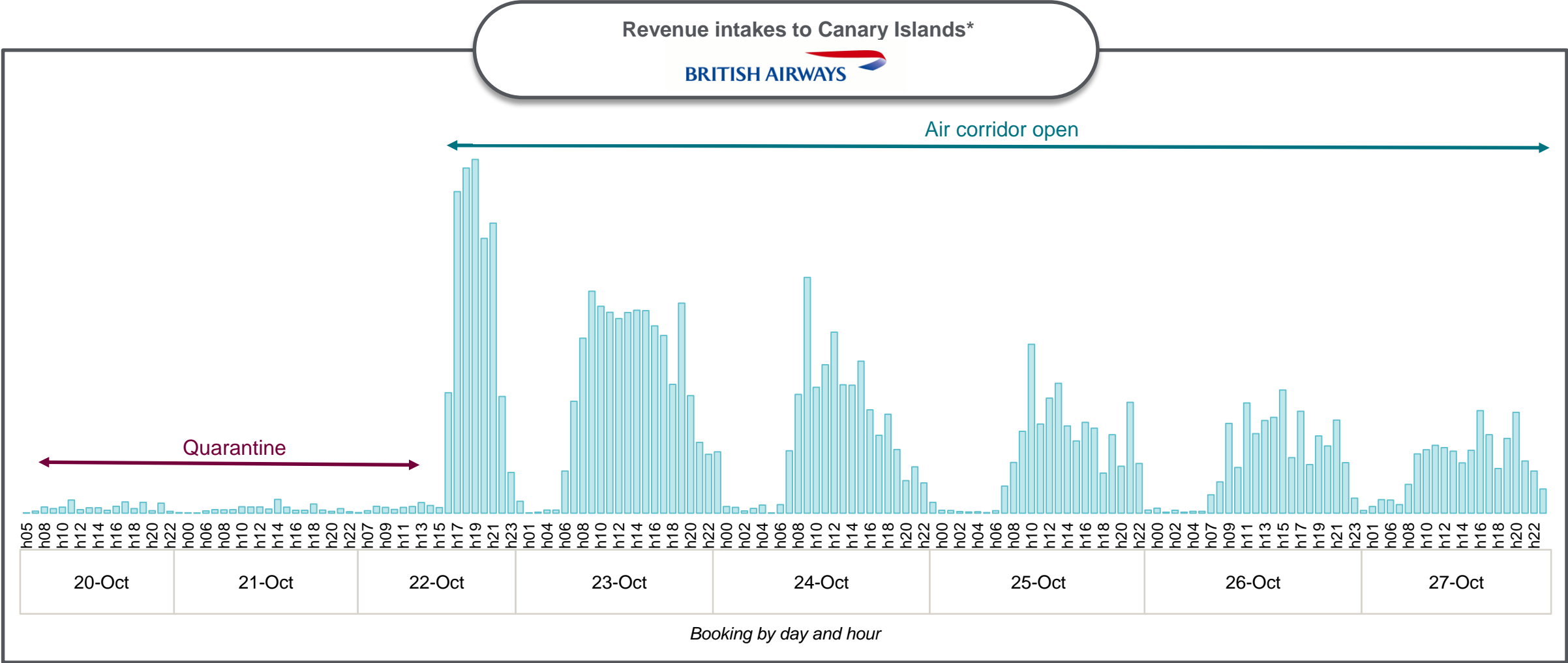
(1) Foreign passengers are only allowed to travel to Dubai, not to the rest of the country

(2) Travel from Canary Islands to UK/Germany allowed without restrictions

(3) Flights to these destinations are currently suspended, even though entry of foreigners might be permitted under certain circumstances

Demand reacts positively when restrictions are removed

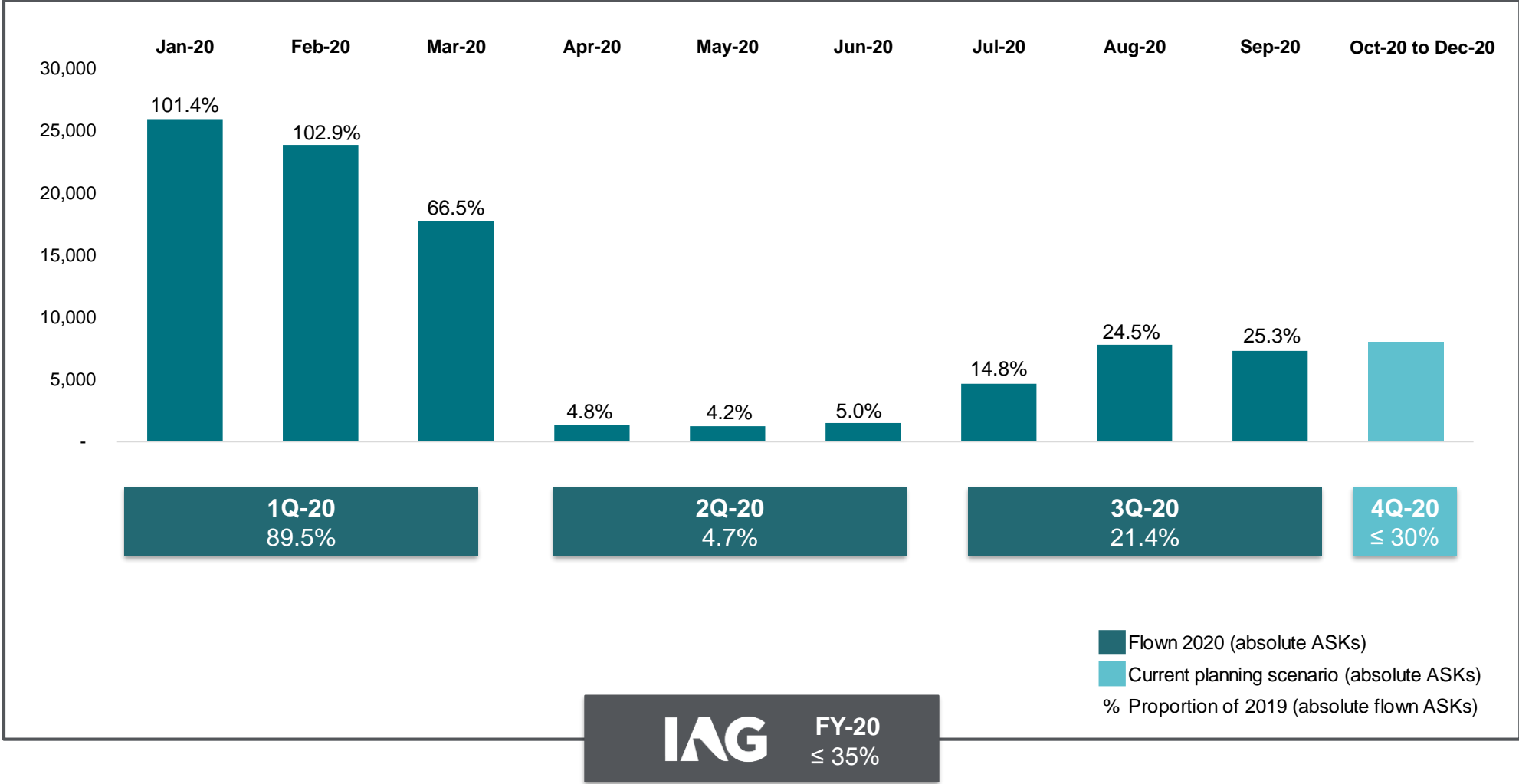
British Airways revenue intakes to Canary Islands for travel between October 2020-January 2021



IAAG *Note: includes Las Palmas, Tenerife and Lanzarote

Slower resumption in capacity in response to flat demand

2020 current capacity planning scenario (absolute 2020 and proportion of 2019 ASKs)



IAG Management Committee

Marco Sansavini
Vueling CEO



Steve Gunning
IAG CFO



Luis Gallego
IAG CEO



Lynne Embleton
IAG Cargo CEO



Javier Sánchez-Prieto
Iberia CEO



Sean Doyle
British Airways CEO



Dónal Moriarty
Aer Lingus Interim CEO



John Gibbs
IAG CIO



Fernando Candela
IAG Chief Transformation Officer



Chris Haynes
IAG General Counsel



Alistair Hartley
IAG Director of Strategy



Adam Daniels
IAG Loyalty CEO



Julia Simpson
IAG Chief of Staff



Set to emerge from COVID-19 in a strong position






- IAG's strength has enabled us to cope with COVID-19 so far:
 - Strong position both strategically and financially going into the COVID-19 crisis
 - Quick and decisive actions to mitigate the negative impacts, bolster liquidity and protect our long term future
- Successful Capital Increase:
 - Provided IAG with the operational and strategic flexibility to take advantage of a recovery in demand for air travel
 - Reduced balance sheet leverage and enhanced liquidity to help withstand a more prolonged downturn in air travel demand
- Restructuring set to further improve IAG's competitive advantage in terms of reducing total costs and fixed costs and increase variability of costs
- Management succession from internal talent pool
- Priorities:
 - Continue to deal with the impacts of COVID-19
 - Persuade governments to adopt reliable and affordable pre-departure testing with the option of post-flight testing to release people from quarantine

Appendices

3Q 2020 and YTD 2020 traffic and capacity statistics

Group performance	Quarter			Year to date		
	Q3 2020	Q3 2019	vLY	2020	2019	vLY
Passengers carried ('000s)	6,592	34,562	-80.9%	26,977	90,448	-70.2%
Domestic (UK & Spain)	3,344	8,067	-58.5%	8,621	21,442	-59.8%
Europe	2,810	18,997	-85.2%	12,539	48,309	-74.0%
North America	159	3,567	-95.5%	2,282	9,536	-76.1%
Latin America & Caribbean	154	1,690	-90.9%	1,606	4,704	-65.9%
Africa & Middle East	90	1,585	-94.3%	1,439	4,586	-68.6%
Asia & Pacific	35	656	-94.7%	490	1,871	-73.8%
Revenue passenger km (m)	9,673	80,923	-88.0%	62,445	216,607	-71.2%
Domestic (UK & Spain)	2,808	5,989	-53.1%	6,932	15,691	-55.8%
Europe	3,789	23,067	-83.6%	14,363	56,535	-74.6%
North America	981	23,447	-95.8%	15,041	62,945	-76.1%
Latin America & Caribbean	1,271	14,120	-91.0%	13,252	39,040	-66.1%
Africa & Middle East	483	8,026	-94.0%	8,197	24,466	-66.5%
Asia & Pacific	341	6,274	-94.6%	4,660	17,930	-74.0%
Available seat km (m)	19,769	92,318	-78.6%	91,394	255,749	-64.3%
Domestic (UK & Spain)	4,113	6,611	-37.8%	9,375	17,878	-47.6%
Europe	6,863	26,320	-73.9%	21,280	67,476	-68.5%
North America	4,356	26,896	-83.8%	25,955	74,923	-65.4%
Latin America & Caribbean	2,276	15,960	-85.7%	16,641	45,097	-63.1%
Africa & Middle East	1,234	9,439	-86.9%	11,082	29,433	-62.3%
Asia & Pacific	927	7,092	-86.9%	7,061	20,942	-66.3%
Passenger load factor (%)	48.9	87.7	-38.8 pts	68.3	84.7	-16.4 pts
Domestic (UK & Spain)	68.3	90.6	-22.3 pts	73.9	87.8	-13.8 pts
Europe	55.2	87.6	-32.4 pts	67.5	83.8	-16.3 pts
North America	22.5	87.2	-64.7 pts	58.0	84.0	-26.1 pts
Latin America & Caribbean	55.8	88.5	-32.7 pts	79.6	86.6	-6.9 pts
Africa & Middle East	39.1	85.0	-45.9 pts	74.0	83.1	-9.2 pts
Asia & Pacific	36.8	88.5	-51.7 pts	66.0	85.6	-19.6 pts
Cargo tonne km (m)	720	1,346	-46.5%	2,471	4,148	-40.4%

3Q 2020 and YTD 2020 traffic and capacity statistics

Performance by airline	Quarter			Year to date		
	Q3 2020	Q3 2019	vLY	2020	2019	vLY
AerLingus 						
Passengers carried ('000s)	238	3,590	-93.4%	1,967	9,041	-78.2%
Revenue passenger km (m)	412	7,782	-94.7%	3,827	19,033	-79.9%
Available seat km (m)	1,531	8,925	-82.8%	7,644	23,123	-66.9%
Passenger load factor (%)	26.9	87.2	-60.3 pts	50.1	82.3	-32.2 pts
Cargo tonne km (m)	13	42	-69.0%	107	124	-13.7%
BRITISH AIRWAYS 						
Passengers carried ('000s)	1,927	13,042	-85.2%	10,655	36,157	-70.5%
Revenue passenger km (m)	4,029	41,791	-90.4%	33,813	117,434	-71.2%
Available seat km (m)	9,390	48,444	-80.6%	51,045	140,614	-63.7%
Passenger load factor (%)	42.9	86.3	-43.4 pts	66.2	83.5	-17.3 pts
Cargo tonne km (m)	630	1,010	-37.6%	2,001	3,155	-36.6%
IBERIA 						
Passengers carried ('000s)	1,412	6,259	-77.4%	5,682	16,902	-66.4%
Revenue passenger km (m)	2,532	18,377	-86.2%	14,924	48,400	-69.2%
Available seat km (m)	4,308	20,553	-79.0%	19,722	55,357	-64.4%
Passenger load factor (%)	58.8	89.4	-30.6 pts	75.7	87.4	-11.8 pts
Cargo tonne km (m)	77	294	-73.8%	359	868	-58.6%
LEVEL 						
Passengers carried ('000s)	1	574	-99.8%	441	1,347	-67.3%
Revenue passenger km (m)	13	2,286	-99.4%	2,100	5,685	-63.1%
Available seat km (m)	30	2,631	-98.9%	2,359	6,806	-65.3%
Passenger load factor (%)	43.3	86.9	-43.6 pts	89.0	83.5	+5.5 pts
Cargo tonne km (m)	-	-		4	1	+300.0%
vueling 						
Passengers carried ('000s)	3,014	11,097	-72.8%	8,232	27,001	-69.5%
Revenue passenger km (m)	2,687	10,687	-74.9%	7,781	26,055	-70.1%
Available seat km (m)	4,510	11,765	-61.7%	10,624	29,849	-64.4%
Passenger load factor (%)	59.6	90.8	-31.3 pts	73.2	87.3	-14.0 pts
Cargo tonne km (m)	n/a	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 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.