Air Europa transaction

Analyst and investor presentation

4 November 2019

IAG INTERNATIONAL AIRLINES GROUP

Transaction overview

- IB OPCO Holding S.L., parent company of Iberia, to acquire 100% of Air Division of Globalia, parent company of Air Europa
- Purchase price of €1 billion
- Bolt-on acquisition initially with Air Europa brand retained
- Increases Iberia's size by 50% and IAG's by 10% in terms of traffic revenue
- Cost and revenue synergies in line with previous IAG transactions
- EPS accretive from year one
- Accretive to IAG's return on invested capital by year four
- Funding of the acquisition with external debt
- Closing expected by H2 2020 subject to regulatory clearance

About Air Europa – third largest Spanish airline

Annual Passengers	11.8 million
Capacity (ASKs)	33.8 billion
Aircraft	66 aircraft
Annual Revenue	€2.1 billion
EBITDAR	€392 million
Operating Profit	€100 million
Earnings Before Tax	€67 million

~ Value carrier operating model

~ Full member of SkyTeam since 2010

Note: All statistics relate to the financial year ending December 2018. Financial figures were prepared under Spanish GAAP and not adjusted for IFRS 16. Financial performance relates to entities included in the transaction perimeter and may not reconcile directly to the local registry figures.

Transitioning to a modern Boeing fleet

Current Air Europa Aircraft Fleet Plan

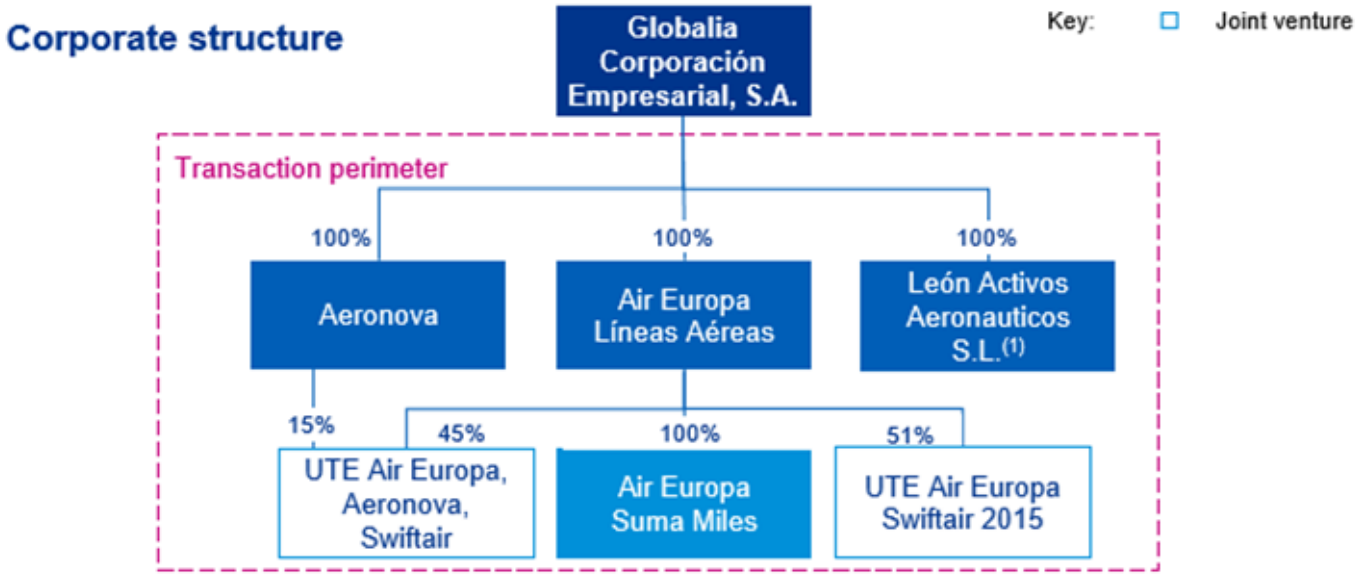
	Fleet type	2017	2018	2019	2020	2021	2022	2023	2024	2025
Wide body	A330-200	10	10	10	3	2	-	-	-	-
	A330-300	2	2	2	-	-	-	-	-	-
	B787-8	8	8	8	8	8	8	8	8	8
	B787-9	-	2	6	16	18	21	21	21	21
Narrow body	B737-800	21	21	20	19	16	16	16	13	9
	B737MAX	-	-	-	3	11	15	19	21	25
	E195	11	11	11	11	7	3	-	-	-
	ATR 72	8	12	11	7	7	7	7	7	7
	TOTALS	**60**	**66**	**68**	**67**	**69**	**70**	**71**	**70**	**70**

Note: 58 aircraft as of end 2018 are on operating lease, 1 finance lease (737-800) and 7 wet leases (ATR 72s).

About Globalia – a leading leisure and tourism group in Spain

- Founded in 1971 by Mr Juan José Hidalgo, the Chairman of the Group
- Leading leisure and tourism group in Spain with annual turnover of €3.9 billion
- Six business units spanning hotels, handling companies and high street travel agencies
- Air Europa was Spain's first privately owned company to operate domestic scheduled flights in Spain – Globalia acquired a majority stake in Air Europa in 1991

Transaction Perimeter



Source: Globalia website and FY2018 Annual Report

Note: Both UTEs are active but have no revenues. Aeronova is the Air Operator Certificate (AOC) acquired to create Air Europa Express. Leon is a financial vehicle with 1 x737. Globalia Air Division contains other entities that are not included in the Transaction perimeter (e.g. Globalia Mantenimiento, S.L.U and Globalia Broker Services, S.A.U.).

Great for Spain and positive for customers

Strengthens Madrid hub

Sustainable investment

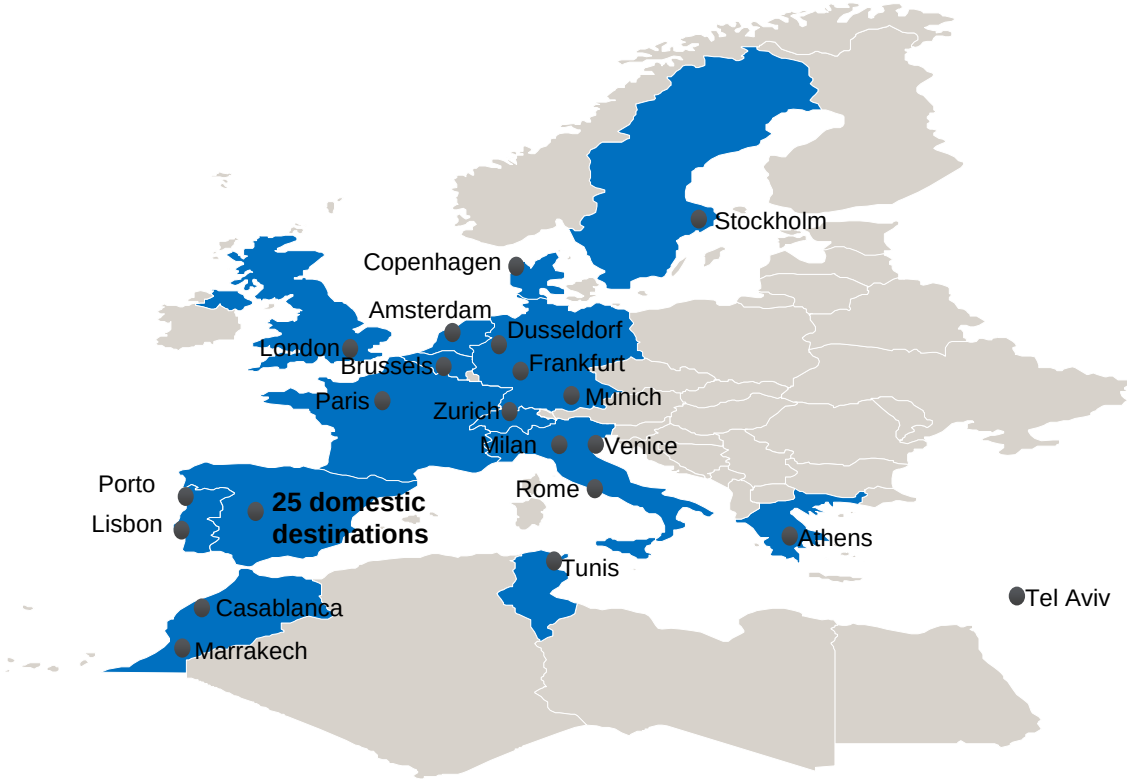
Broaden network choice and schedule flexibility for customers

Job security and creation

Complementary network to Iberia

AIR EUROPA PRESENCE IN THE AMERICAS

AIR EUROPA PRESENCE IN EMEA

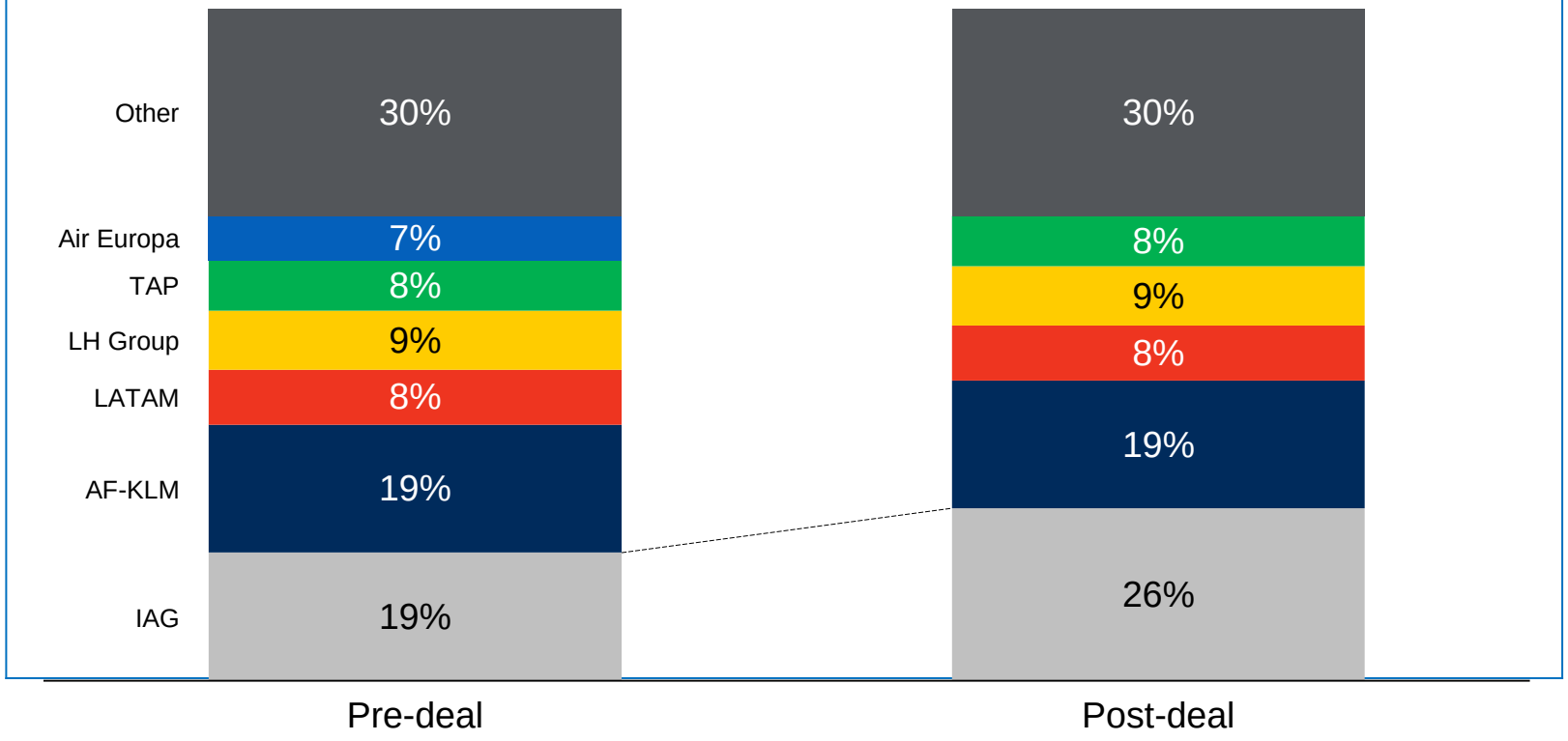


Note: Total 69 destinations – 24 in the Americas, 16 in Europe, 25 domestic Spain and 4 Middle East North Africa.

Improved IAG position in the Europe to Latin America market

Europe to Latin America Market Share

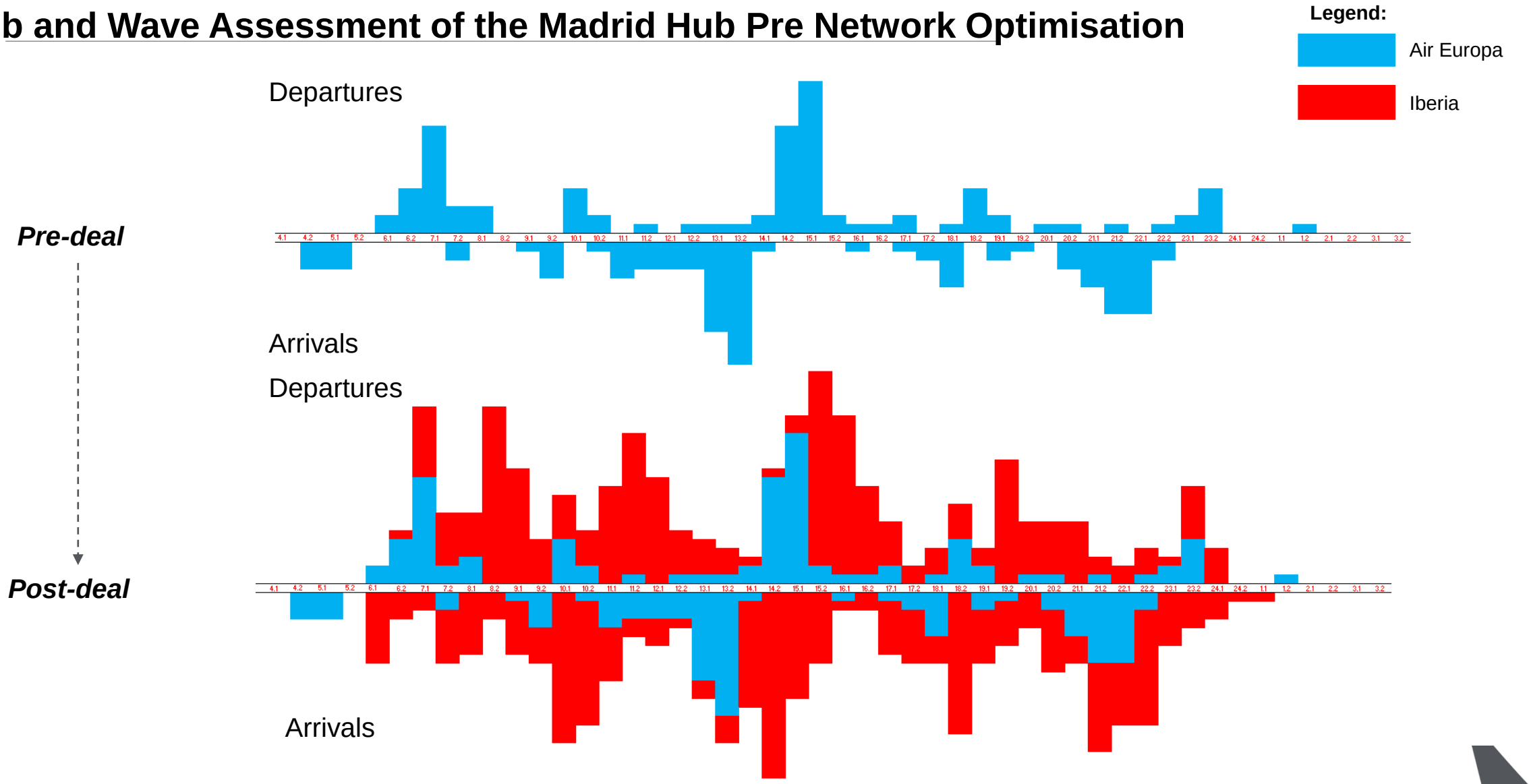
Europe to Latin America Market Share
Passengers TTM August 2019



Note: Europe including Russia and Turkey. Latin America includes South and Central America excluding the Caribbean.
Source: DDS

Enhanced effectiveness of the Madrid hub

Hub and Wave Assessment of the Madrid Hub Pre Network Optimisation



Source: OAG, assuming a peak day of arrivals and departures into Madrid Barajas. Excludes codeshares. Flights are shown in 30 minute slots starting at 04:00.

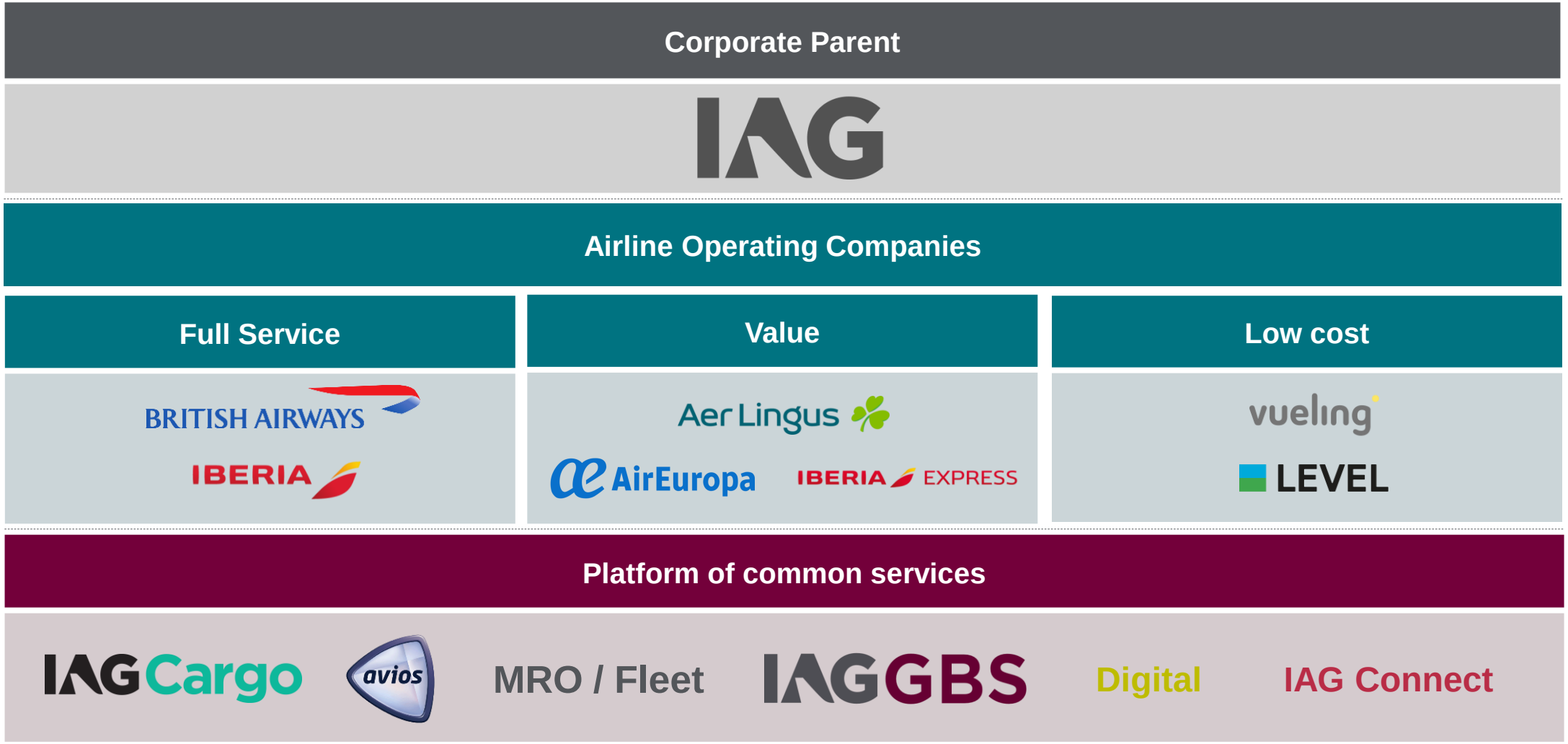
Targeting significant synergies within 5 years

Type of synergy	Annual pre-tax steady state synergies	Sources of synergies
Cost synergies	Comparable to precedent IAG acquisitions	▪ Sales & distribution ▪ Procurement ▪ Handling ▪ S,G&A
Revenue synergies	Comparable to other airline consolidations as a proportion of combined revenue	▪ Increased connectivity ▪ Network growth ▪ Loyalty
Implementation costs phased over 5 years		

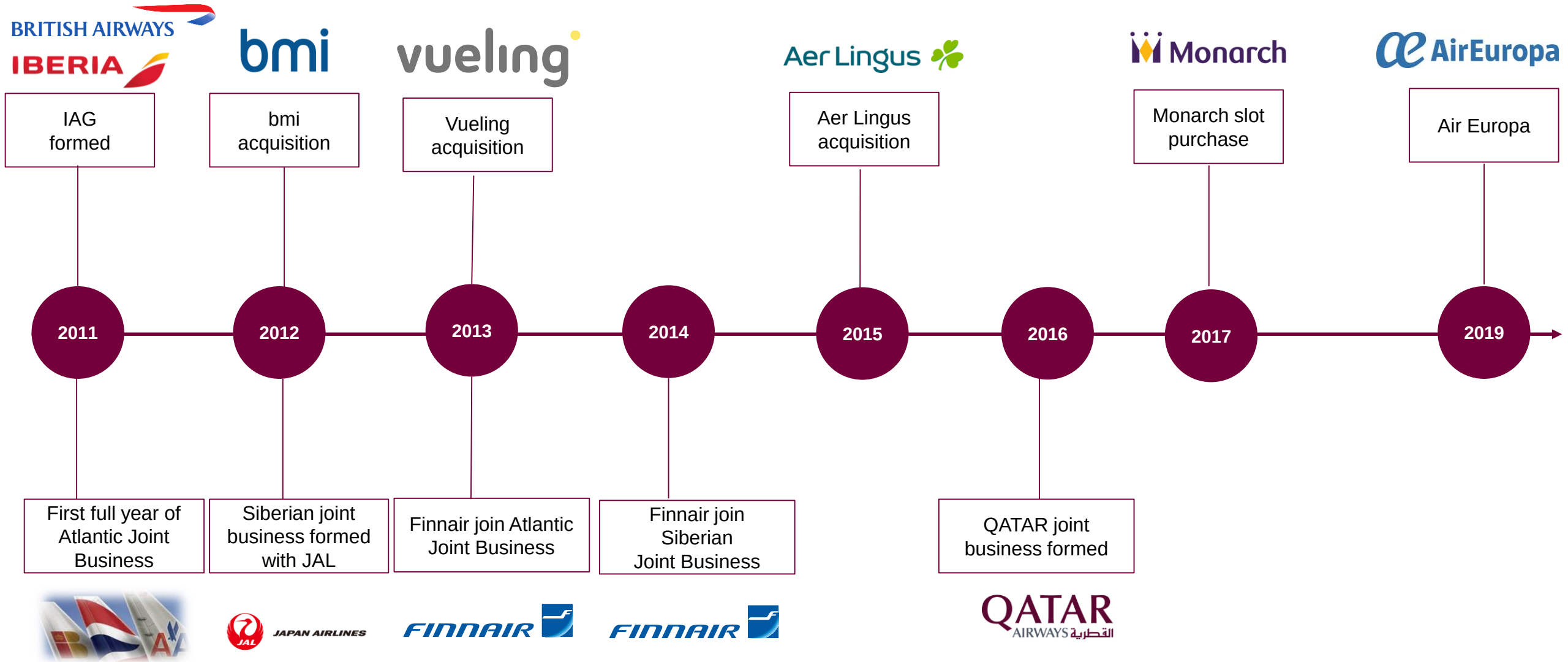
Earnings enhancing with modest temporary increase in leverage

- EPS accretive from the first year after completion
- Additional cost and revenue synergies
- Transaction is expected to be accretive to IAG's return on invested capital within four years
- Net debt/EBITDA to increase by 0.3x temporarily compared to 1.2x for IAG last reported at end Q3 2019
- Post completion of the acquisition, IAG expects to retain its investment grade credit rating
- Funding of the acquisition with external debt

Good fit with IAG's platform and portfolio



Strong track record of generating synergies from acquisitions and joint businesses



Integration plan

Integration Plans

- Bolt-on acquisition within Iberia corporate structure
- Retention initially of the Air Europa brand
- Integration to be managed by Iberia and IAG
- Air Europa to leave SkyTeam

Core Value Levers

#1	**Integrating Air Europa onto the IAG platform of common services**
#2	**Creating commercial links between Air Europa and other IAG operating companies in addition to inclusion into the IAG joint businesses**
#3	**Integrating Air Europa flying into the existing Iberia hub structure at Madrid Barajas**

Expected timing and next steps

- Transaction does not require IAG shareholder approval
- Subject to relevant competition approvals
- Closure expected in H2 2020

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 can typically be identified by the use of 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.

It is not reasonably possible to itemise all of the many factors and specific events that could the forward-looking statements in this announcement to be incorrect or could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. 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 2018; these documents are available on www.iairgroup.com. All forward-looking statements made on or after the date of this document and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section.