IAG results presentation

Quarter Three 2019

31 October 2019

INTERNATIONAL AIRLINES GROUP

Highlights

Willie Walsh, Chief Executive Officer

Good underlying results

Financial highlights and FY 2019 guidance

- Quarter performance negatively affected by BALPA pilot strikes at BA and disruption
  - Operating profit of €1,425m (19.5% margin, -1.9pts) vs. €1,530m last year
  - Impact of strikes and disruption of €155m in 3Q
- 9 month pre-exceptional net income decline of 6% compared to a year ago in part due to €635m fuel cost headwind
- Strong RoIC performance (last 4 quarters) of 14.8%
- Generous cash returns of €1.36bn to shareholders in 2019
  - Final and special dividend payment of €1,074m (51.5 € cents per share) paid in July
  - Interim dividend of €288m (14.5 € cents per share) approved by the Board payable in Dec
- Guidance for FY 2019 unchanged from the 26 September update:
  - At current fuel prices and exchange rates, IAG expects its operating profit before exceptional items for 2019 to be €215m lower than 2018 pro forma (€3,485m). Passenger unit revenue is expected to be slightly down at constant currency and non-fuel unit costs are expected to improve at constant currency
  - 4Q 2019 planned capacity growth of 1.9% and FY 2019 capacity growth of 4.0%

Financial results

Steve Gunning, Chief Financial Officer

Very profitable quarter despite challenges (operating margin 19.5%)

3Q 2019 financial summary

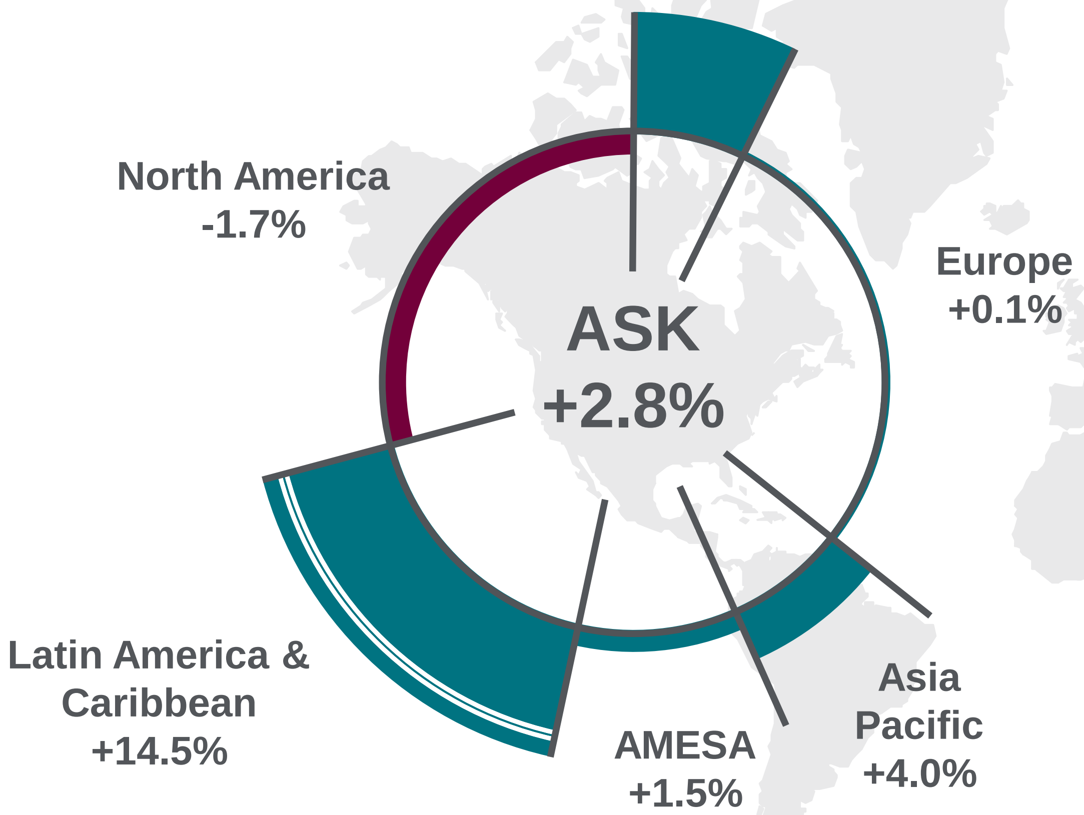
OPERATING PROFIT	TOTAL UNIT REVENUE	PAX UNIT REVENUE
€1,425m (reported before exceptional) **-€146m** (constant currency change) -€105m (change vs. 2018 pro forma)	-1.1% (constant currency) -0.4% (reported) (€56m translation drag) (€105m transaction tailwind)	**-1.1%** (constant currency) -0.5% (reported)

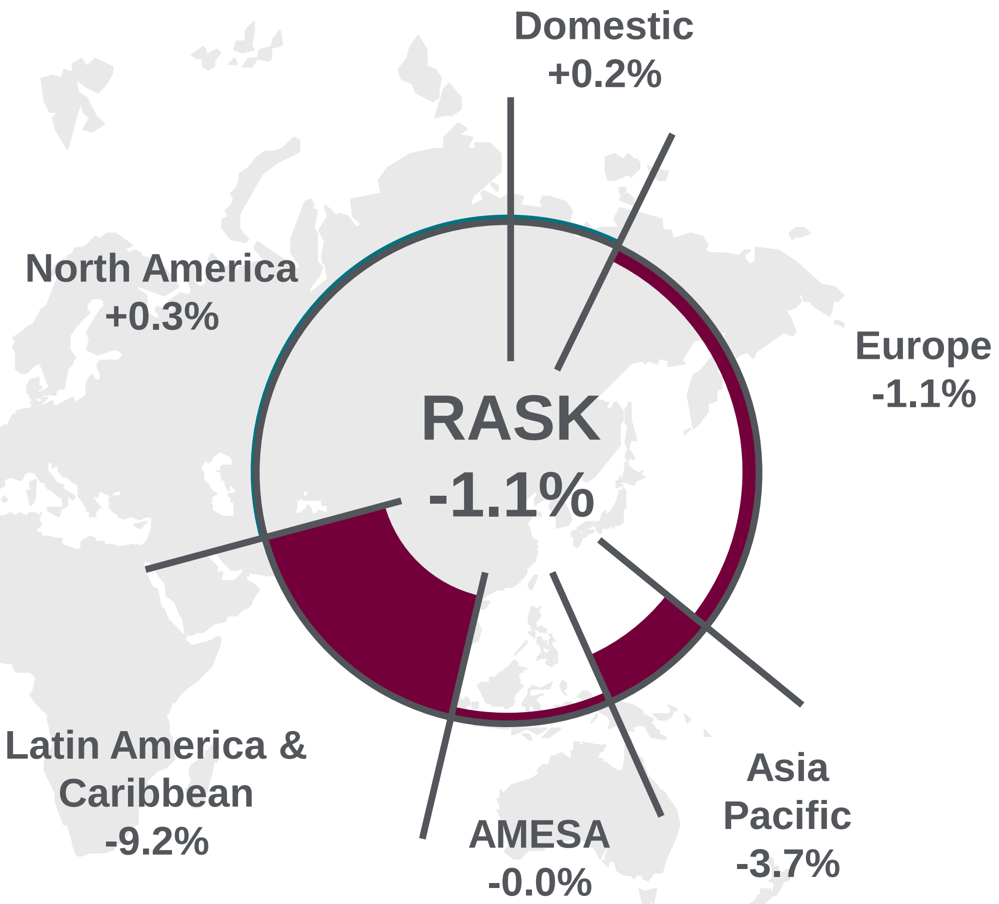
TRAFFIC/CAPACITY	TOTAL UNIT COST	NON-FUEL UNIT COST
ASKs: +2.8% (reported) RPKs: +4.2% (reported)	+1.9% (constant currency pro forma) +2.0% (change vs. 2018 pro forma) (€45m translation benefit) (€53m transaction headwind)	+1.1% (constant currency pro forma) **+0.2%** (constant FX, adjusted* pro forma) +0.5% (change vs. 2018 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
Pro forma financial information is based on the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 'Leases' from 1 January 2018.
*Adjusted for non-airline businesses such as Iberia MRO, Iberia handling and BA Holidays

Mixed revenue performance

3Q 2019 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

Relatively flat underlying non-fuel unit cost

3Q 2019 non-fuel unit cost performance

	3Q 2018 pro forma unit cost (€ cents)	3Q 2019 reported unit cost (€ cents)	% vly	% vly constant currency
Employee	1.35	1.32	-2.4%	-1.9%
Supplier	2.67	2.72	+1.9%	+2.4%
Ownership	0.56	0.56	+0.9%	+1.5%
Non-fuel	**4.58**	**4.61**	**+0.5%**	**+1.1%**
Fuel	**1.67**	**1.77**	**+6.1%**	**+4.2%**
TOTAL	**6.25**	**6.37**	**+2.0%**	**+1.9%**

+0.2% adjusted*

Pro forma financial information is based on the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 ‘Leases’ from 1 January 2018.
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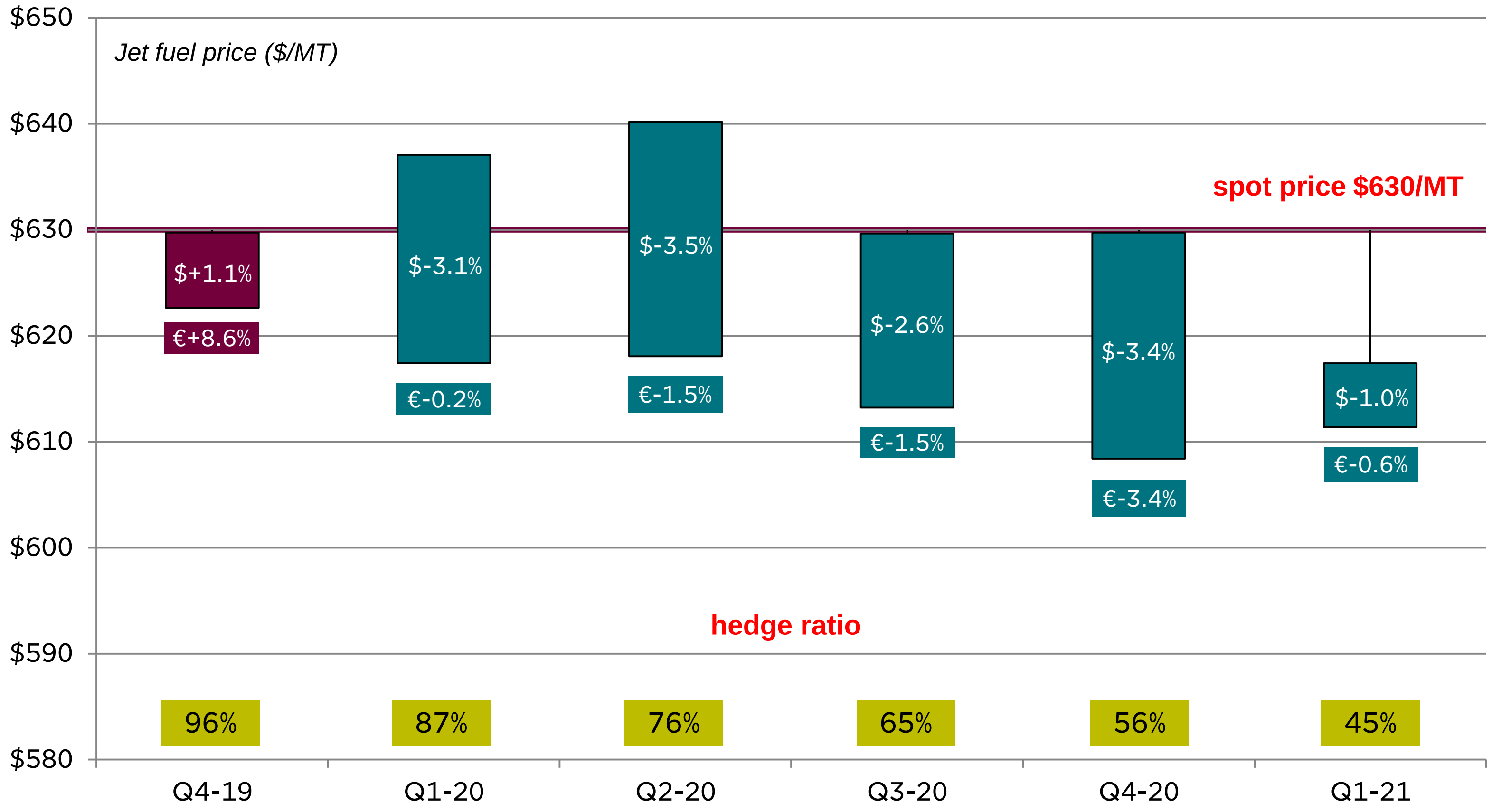
Fuel headwind in 2019, tailwind in 2020

Fuel scenario: detailed modelling in appendix



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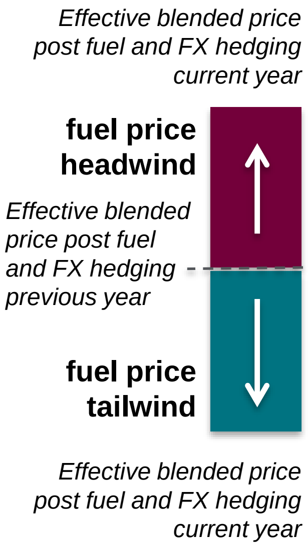
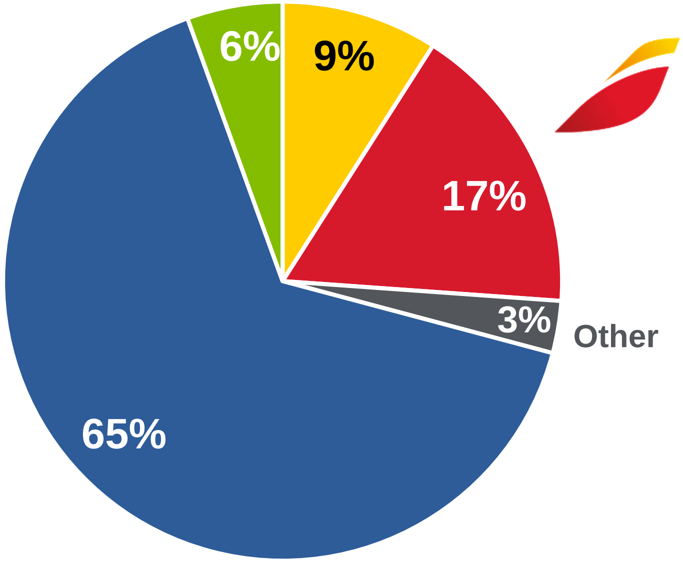


FX sensitivity in 2019 fuel bill: EURUSD ±10% = ±0% fuel cost at current hedging

2019 fuel bill scenario - €6.0bn (at $630/MT and 1.10$/€)

RoIC resilient

Financial target tracker: profitability trend by airline



IAG capital allocation 3Q 2019

IAG

Op. margin: 3Q 2019	19.5%
Op. margin trend vly	-1.9pts
Nml. margin: last 4Qs	11.4%
RoIC: last 4Qs	14.8%

Aer Lingus

Op. margin: 3Q 2019	24.5%
Op. margin trend vly	-2.9pts
Nml. margin: last 4Qs	11.6%
RoIC: last 4Qs	22.6%

IBERIA

Op. margin: 3Q 2019	17.2%
Op. margin trend vly	-1.4pts
Nml. margin: last 4Qs	8.0%
RoIC: last 4Qs	13.9%

BRITISH AIRWAYS

Op. margin: 3Q 2019	17.6%
Op. margin trend vly	-2.5pts
Nml. margin: last 4Qs	12.7%
RoIC: last 4Qs	14.7%

vueling

Op. margin: 3Q 2019	25.6%
Op. margin trend vly	+0.1pts
Nml. margin: last 4Qs	9.3%
RoIC: last 4Qs	14.4%

Pro forma financial information is based on the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 ‘Leases’ from 1 January 2018.

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.

Leverage stable and strong cash position

Leverage

€m	September 2019	December 2018
Gross debt	14,017	12,704
Cash, cash equivalents & interest-bearing deposits	7,838	6,274
On balance sheet net debt / (cash)	6,179	6,430
Net debt / EBITDA	1.2x	1.2x

The prior year comparative is December 31, 2018 pro forma.
Pro forma financial information is based on the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 ‘Leases’ from 1 January 2018.

Beneficial new pension agreements

British Airways pension schemes

- New Airways Pension Scheme (NAPS) regular triennial valuation
  - Technical deficit of £2.4 billion, compared to £2.8 billion at 31 March 2015
  - The valuation is based on the scheme's funding position as at 31 March 2018
  - The valuation reflects the closure of the scheme to future accrual on 31 March 2018

  Recovery plan:
  - British Airways will make fixed deficit contributions of £450 million per year until March 2023
  - Previous plan included £300 million fixed deficit contributions and up to £150 million variable contributions ('cash sweep') based on British Airways' cash position per year until March 2027
  - British Airways will pay a one-off payment of £250 million in 2019, as previously agreed in 2010 and detailed in IAG's 2018 Annual report and accounts

  Benefits:
  1) Payment period ends 4 years earlier
  2) New agreement includes an overpayment protection mechanism, that suspends contributions should the technical deficit be removed
  3) British Airways can make dividend payments to IAG up to 50% of pre-exceptional profit after tax without conditions, compared to 35% of post-exceptional profit after tax previously
  4) British Airways can pay a higher dividend than 50% of pre-exceptional profit after tax in return for an agreed mechanism to either accelerate contributions or provide a guarantee.

- Airways Pension Scheme (APS) current situation
  - British Airways reached a settlement in April 2019, which is going for court approval in 4Q 2019.
  - Contributions have been suspended since 1 January 2019, pending the court approval as the settlement requires no further contributions from British Airways based on the funding status of the scheme.

Outlook

Willie Walsh, Chief Executive Officer

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Decelerating capacity growth throughout 2019

2019 capacity growth and contributions

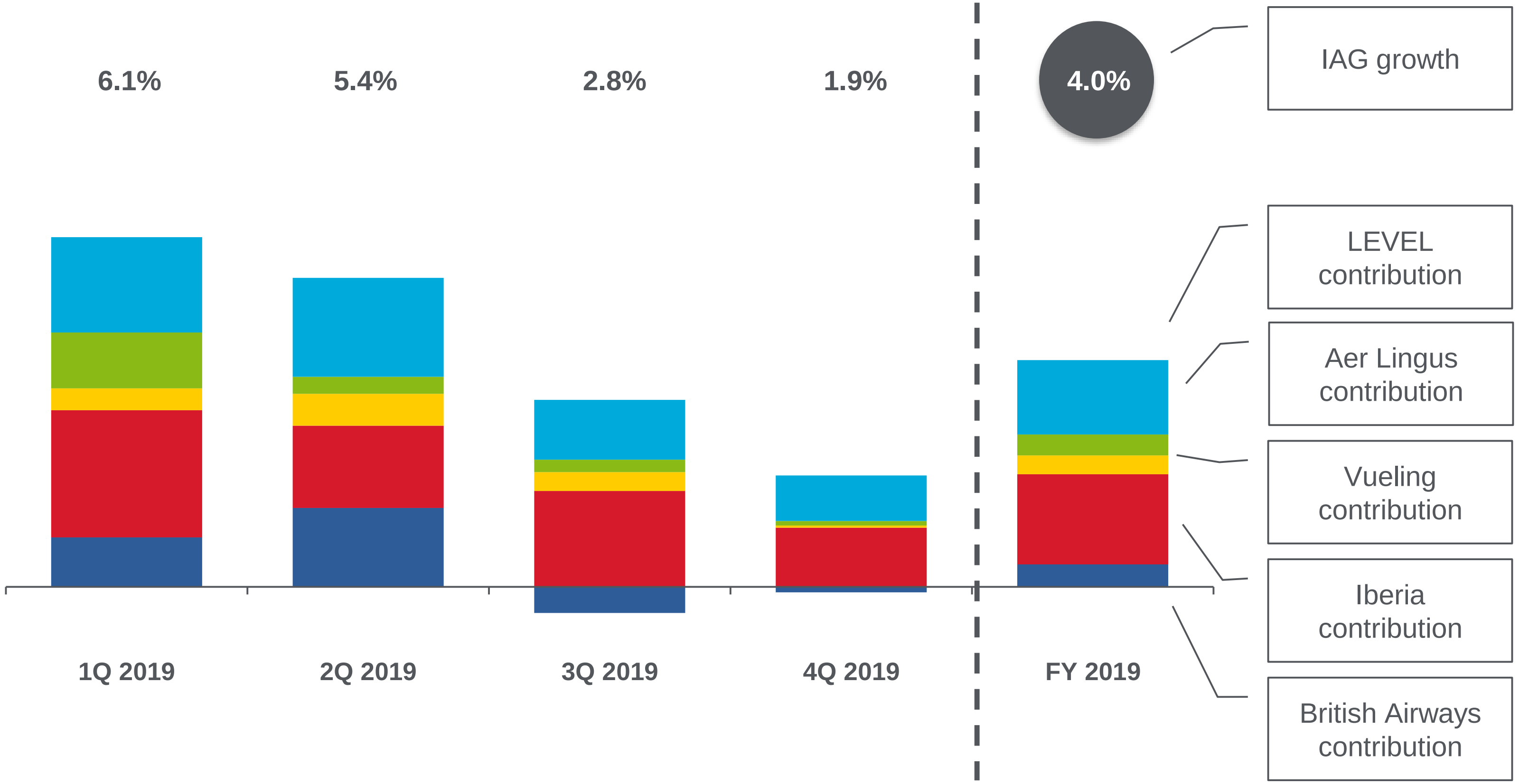
Aer Lingus: 4Q 2019 and FY 2019 capacity planned to be +1.0% and +4.3% respectively

British Airways: 4Q 2019 and FY 2019 capacity planned to be -0.2% and +0.7% respectively

Iberia: 4Q 2019 and FY 2019 capacity planned to be +5.0% and +7.8% respectively

LEVEL: 4Q 2019 and FY 2019 capacity planned to be +32.1% and +85.0% respectively

Vueling: 4Q 2019 and FY 2019 capacity planned to be +0.3% and +3.0% respectively



Guidance unchanged for FY2019 from the 26 September update

At current fuel prices and exchange rates, IAG expects its 2019 operating profit before exceptional items to be €215 million lower than 2018 pro forma (€3,485 million). Passenger unit revenue is expected to be slightly down at constant currency and non-fuel unit costs are expected to improve at constant currency.

Appendices

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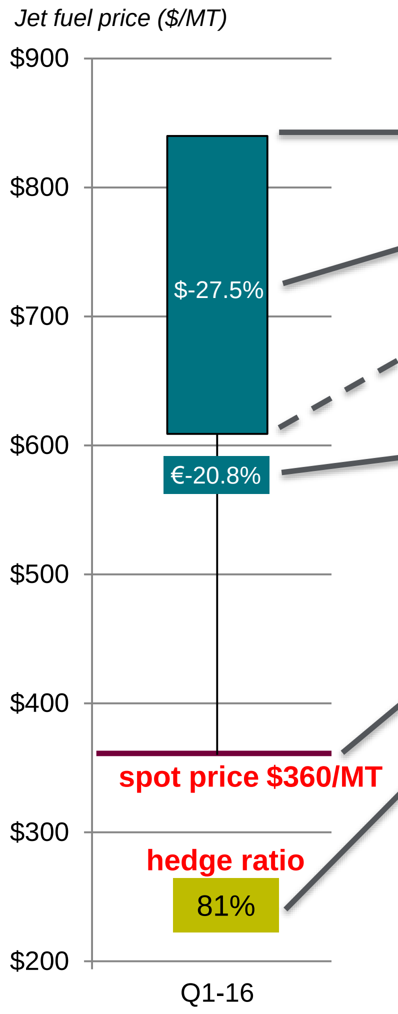
Fuel modelling



$ 50	A	intoplane costs
$ 840	B	Last year blended USD jet fuel price
(27.5%)	C	Latest guidance, current year USD jet fuel price benefit
$ 609	D	calc: D = B x (1 + C) [curr yr blended USD jet fuel price]
$ 1.10	E	Latest guidance EUR/USD scenario
€ 599	F	calc: F = (D + A) / E [curr yr blended EUR jet fuel price]
(20.8%)	G	Previous EUR jet fuel price benefit
€756	H	calc: H = F / (1 + G) [last yr implied EUR jet fuel price]
$ 360	I	Latest guidance jet fuel spot price scenario
81%	J	Current year % hedged
$ 667	K	calc: K = (D - (1 - J) x I) / J [implied hedge price]
$ 400	L	Your chosen modelling assumption for jet fuel spot
$ 617	M	calc: M = K x J + L x (1 - J) [modelled blended USD jet fuel price]
$ 1.15	N	Your chosen modelling assumption for EUR/USD
€ 580	O	calc: O = (M + A) / N [modelled all-in EUR fuel price]
(23.4%)	P	calc: P = O / H - 1 [modelled all-in EUR fuel price change vly]

2016 fuel bill scenario - €4.8bn (at $360/MT and 1.10$/€)

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 cause the forward-looking statements in this announcement to be incorrect or that 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.iagshares.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.