IAG results presentation

Full Year 2017

23rd February 2018

INTERNATIONAL AIRLINES GROUP

2017 highlights

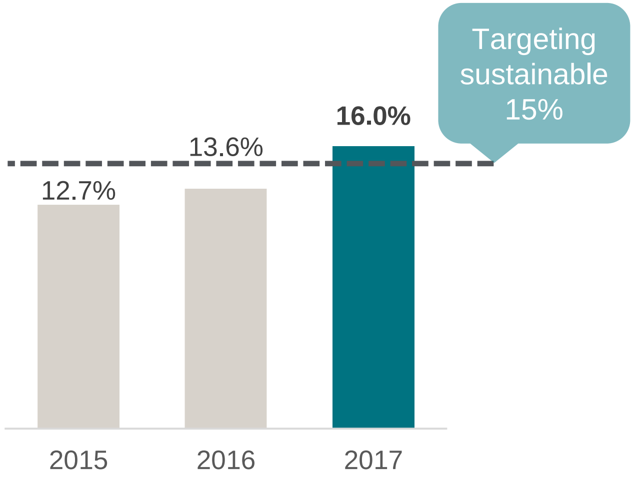
Willie Walsh, Chief Executive Officer

INTERNATIONAL AIRLINES GROUP

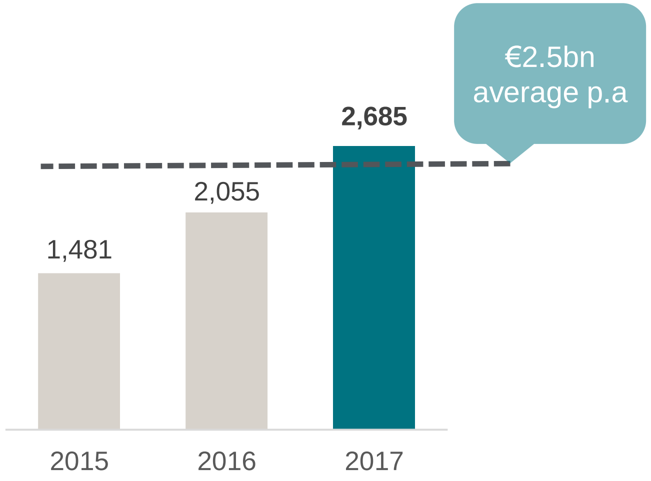
Overall financial targets exceeded

FY2017 financial highlights

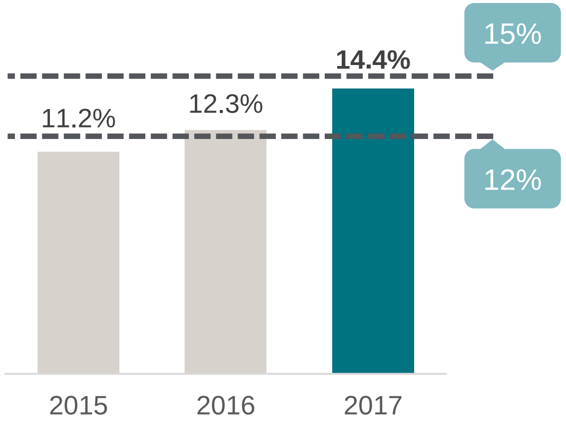
RoIC
(%)



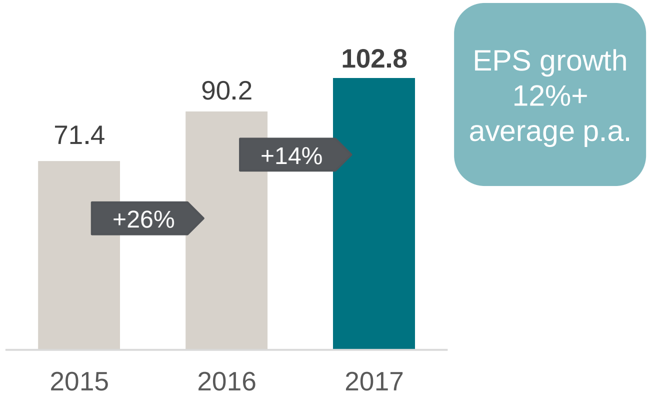
Equity free cash flow
(€m)



Lease adjusted margin
(%)

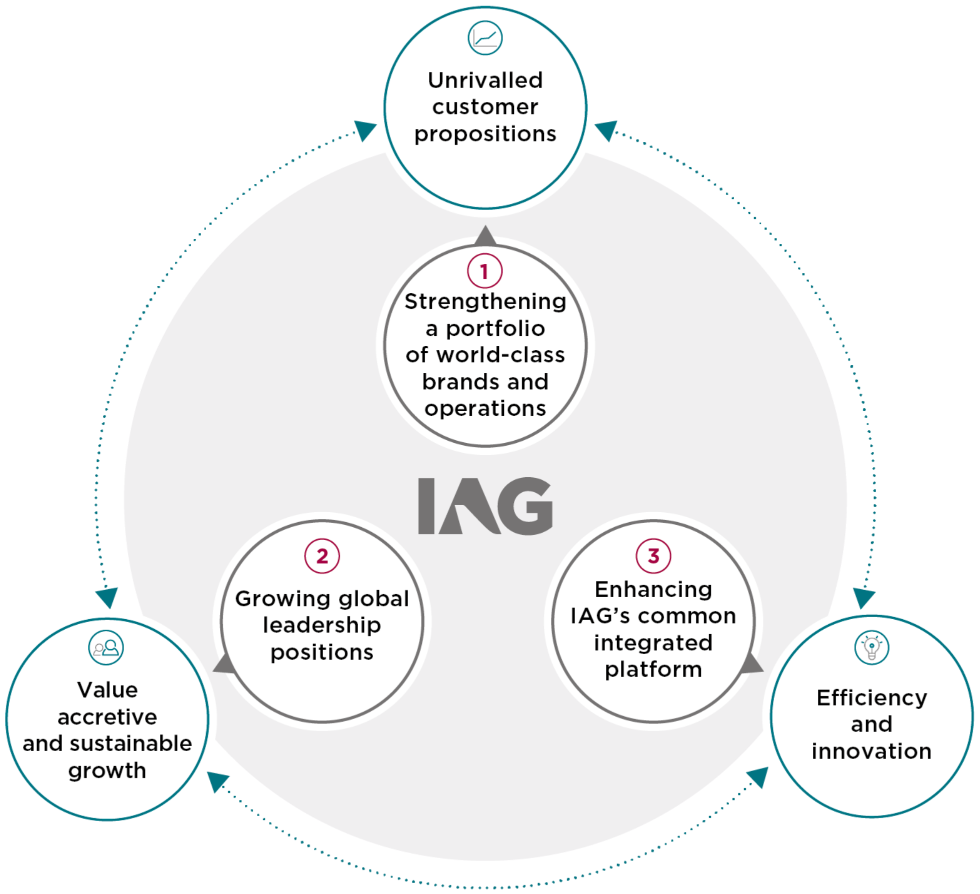


Adjusted EPS
(€ cents)



Good progress against strategic objectives

FY2017 strategic highlights



- Strengthen portfolio of world-class brands and operations
  - Created LEVEL
  - Improved customer propositions at British Airways and Iberia
  - Announced £4.5bn pipeline of product investments at British Airways
  - Aer Lingus launched Saver fares
  - Strong punctuality at all airlines
- Grow global leadership positions
  - Strengthened positions on North and Latin American routes
  - Additions to slot portfolio at Gatwick
  - Turnaround of Vueling
  - CASK ex-fuel down 10.3% since IAG formation in 2011
- Enhance IAG's common integrated platforms
  - Aer Lingus and Vueling integrated into GBS and Avios
  - New distribution model launched
  - Further digital transformation initiatives (e.g. Hangar 51)

Financial results

Enrique Dupuy, Chief Financial Officer

19% growth in full year operating profit

FY2017 financial summary

OPERATING PROFIT	TOTAL UNIT REVENUE	PAX UNIT REVENUE
€3,015m (reported, pre-exceptional) **+€480m** (reported change)	+1.8% (constant FX) -0.8% (reported) (€1,057m Group FX drag) (€467m OpCo FX tailwind)	**+1.5%** (constant FX) -1.0% (reported)

TRAFFIC/CAPACITY	TOTAL UNIT COST	EX-FUEL UNIT COST
ASKs: +2.6% (reported) RPKs: +3.8% (reported)	-0.2% (constant FX) -2.9% (reported) (€930m Group FX benefit) (€375m OpCo FX headwind)	+2.7% (constant FX) **+2.1%** (constant FX, net of other revenue gain) -1.3% (reported)

‘Group FX’ = drag/benefit from translation of GBP profits into EUR; ‘OpCo FX’ = FX headwind/tailwind at company level

Q4 operating profit slightly down, impacted by employee bonus and FX

Q4 financial summary

OPERATING PROFIT	TOTAL UNIT REVENUE	PAX UNIT REVENUE
€585m (reported, pre-exceptional)	+2.0% (constant FX)	**+2.4%** (constant FX)
-€35m (reported change)	-0.5% (reported) (€83m Group FX drag) (€54m OpCo FX headwind)	+0.4% (reported)

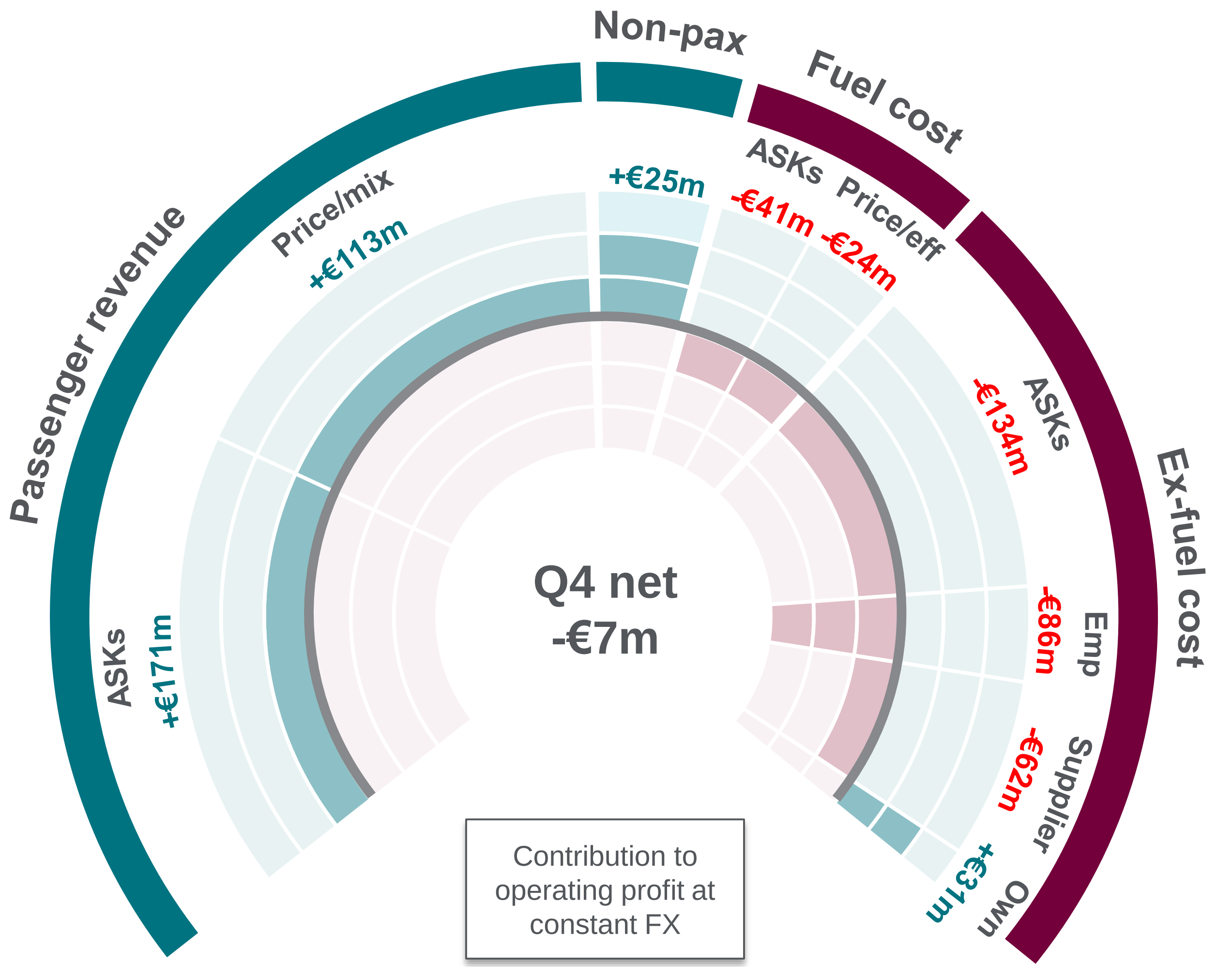
TRAFFIC/CAPACITY	TOTAL UNIT COST	EX-FUEL UNIT COST
ASKs: +3.7% (reported)	+2.9% (constant FX)	+3.2% (constant FX) **+3.7%** (constant FX, net of other revenue gain)
RPKs: +5.8% (reported)	+0.7% (reported) (€71m Group FX benefit) (€38m OpCo FX tailwind)	+0.5% (reported)

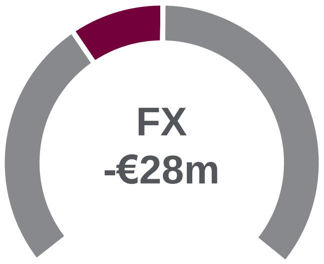
‘Group FX’ = drag/benefit from translation of GBP profits into EUR; ‘OpCo FX’ = FX headwind/tailwind at company level

Positive revenue performance offset by cost headwinds

Q4 operating profit drivers

OPERATING PROFIT
€585m (reported, pre-exceptional)
-€35m (reported change)

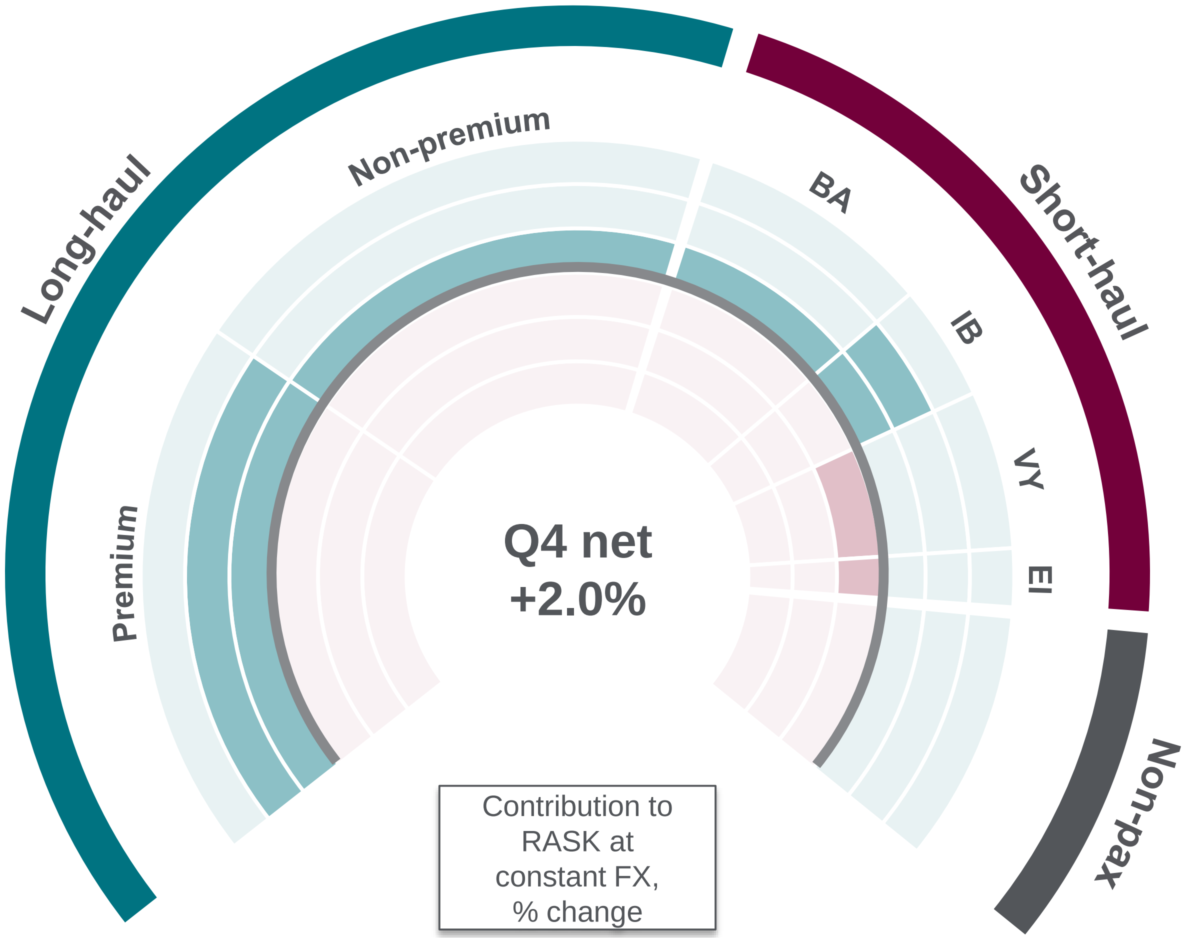


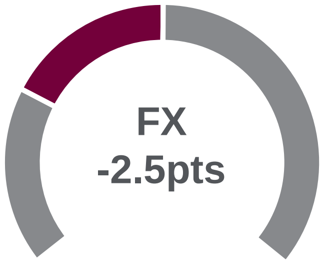


Strong long-haul performance

Q4 total unit revenue performance by product

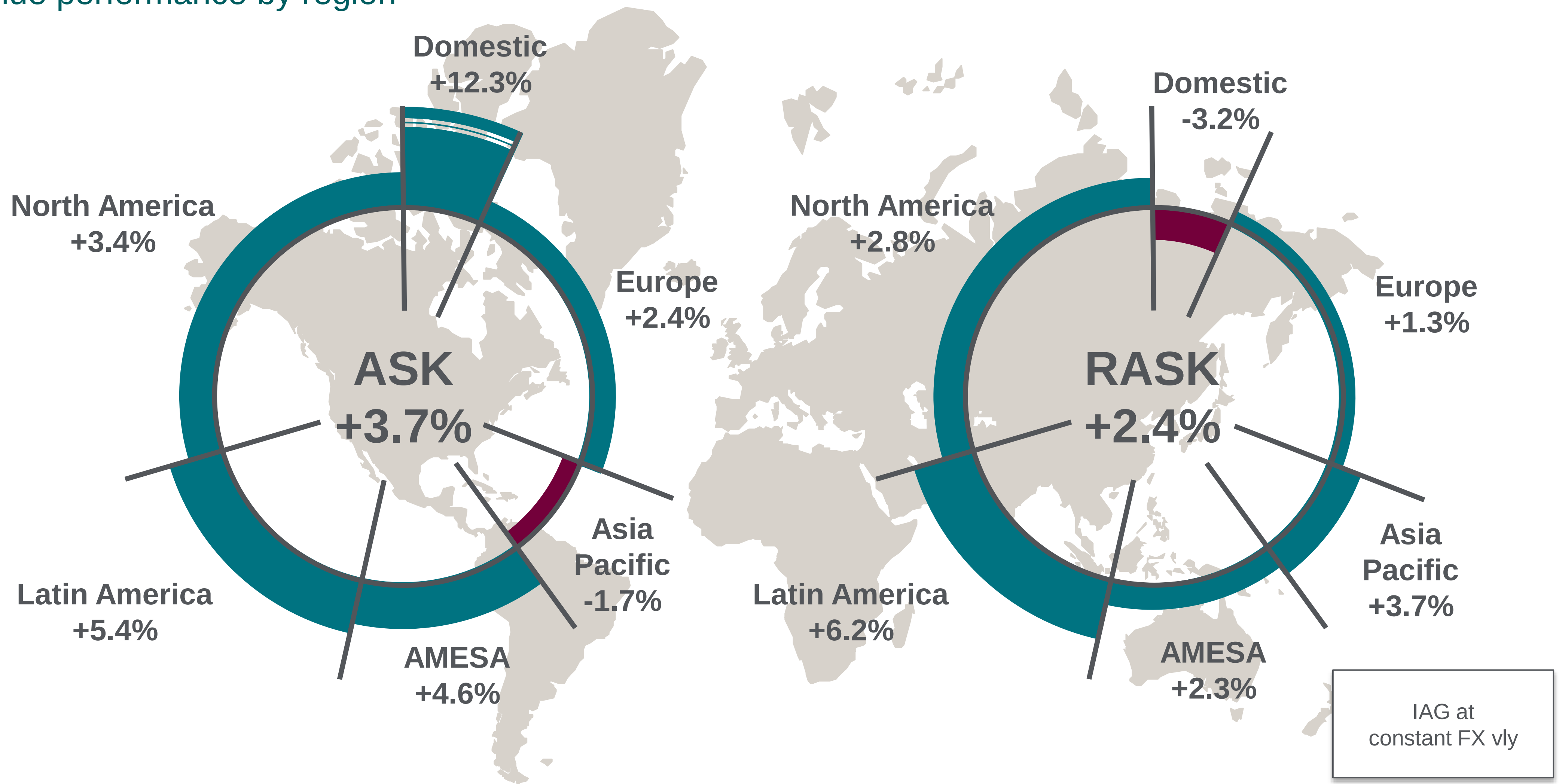
TOTAL UNIT REVENUE
+2.0% (constant FX)
-0.5% (reported) (€83m Group FX drag) (€54m OpCo FX headwind)





Strong performance in all regions, especially North and Latin America

Q4 revenue performance by region

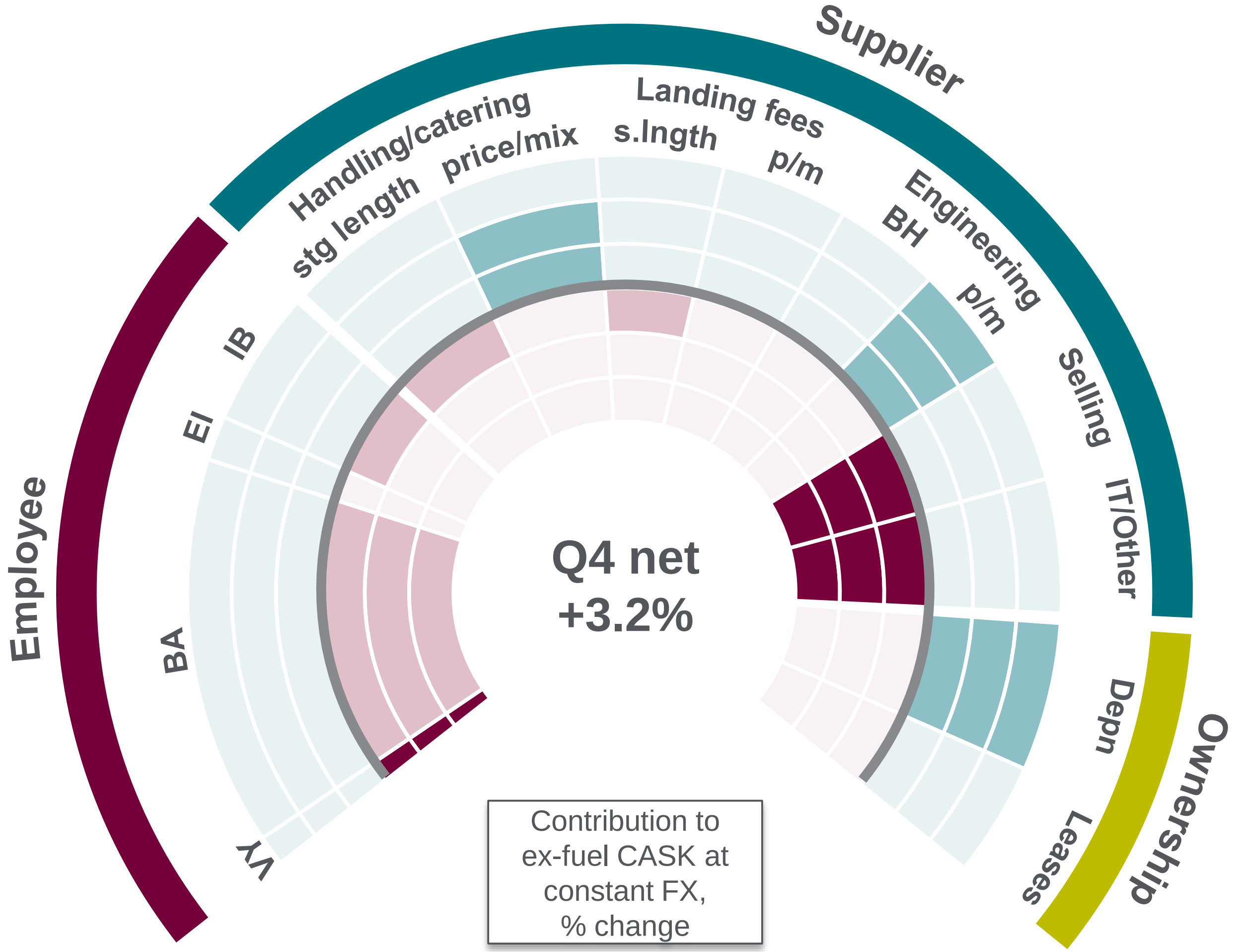


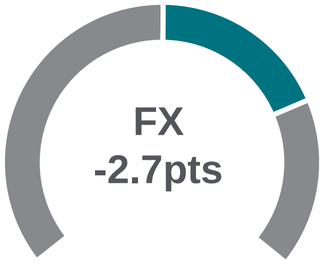
Data in the chart represents flown passenger revenue before transfer payments, Avios redemption and ancillaries

Employee and selling cost drag

Q4 ex-fuel unit cost performance

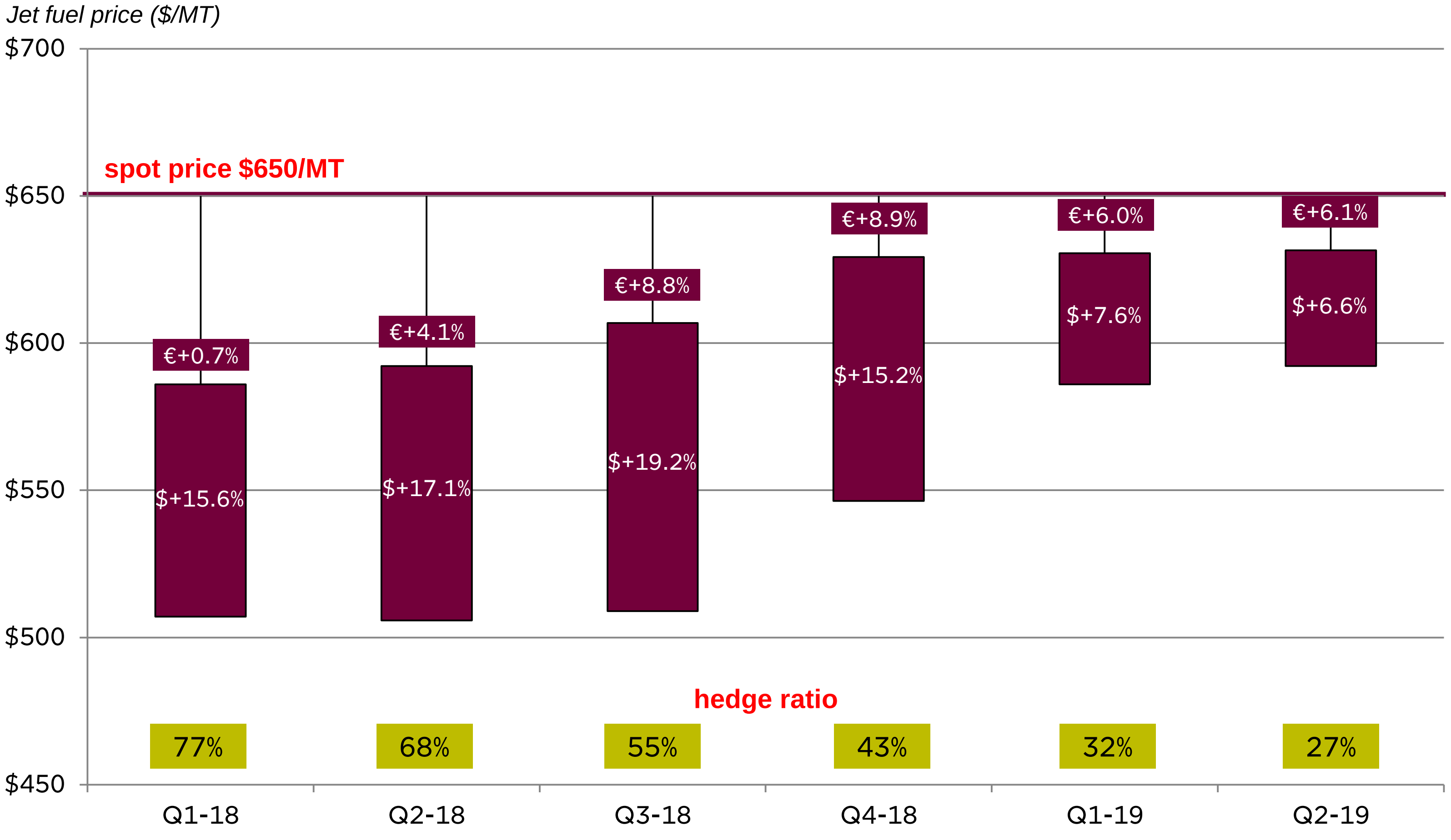
EX-FUEL UNIT COST
+3.2% (constant FX)
+3.7% (constant FX, net of other revenue gain)
+0.5% (reported)

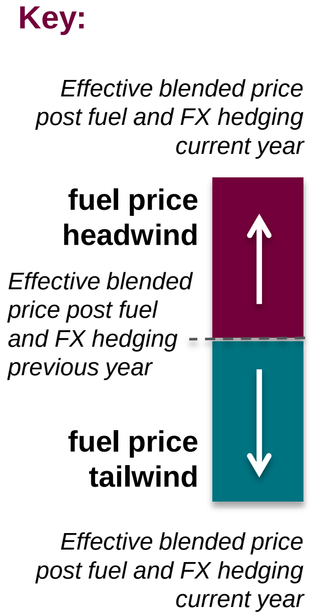




Fuel headwind for 2018

Fuel scenario: detailed modelling in appendix





FX sensitivity in 2018 fuel bill: EURUSD ±10% = ±5% fuel cost at current hedging

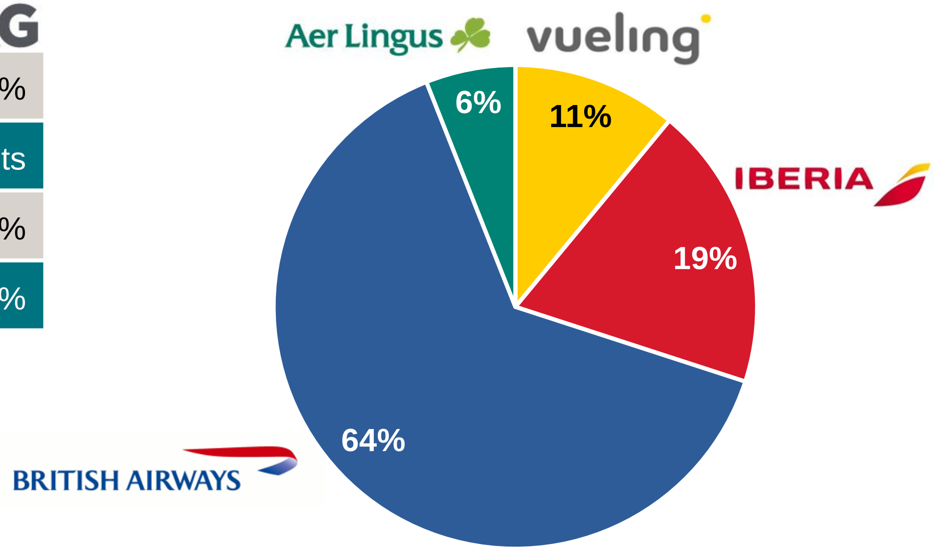
2018 fuel bill scenario - €5.1bn (at $650/MT and 1.22$/€)

Higher RoIC at all airlines

Financial target tracker: profitability trend by airline

IAG

Op. margin: Q4 2017	12.0%
Op. margin trend vly	-1.1pts
Nml. margin: last 4Qs	14.0%
RoIC: last 4Qs	16.0%



IAG capital allocation
Q4 2017

BRITISH AIRWAYS

Op. margin: Q4 2017	14.2%
Op. margin trend vly	-0.4pts
Nml. margin: last 4Qs	14.2%
RoIC: last 4Qs	16.0%

IBERIA

Op. margin: Q4 2017	5.8%
Op. margin trend vly	-4.2pts
Nml. margin: last 4Qs	9.5%
RoIC: last 4Qs	12.2%

Aer Lingus

Op. margin: Q4 2017	9.6%
Op. margin trend vly	+3.6pts
Nml. margin: last 4Qs	15.6%
RoIC: last 4Qs	23.1%

vueling

Op. margin: Q4 2017	2.9%
Op. margin trend vly	-1.2pts
Nml. margin: last 4Qs	13.3%
RoIC: last 4Qs	13.4%

Notes:

Op. margin	Reported margin, lease adjusted
Nml. margin	As above, adjusted for inflation, for comparability with Invested Capital
Invested Capital	Tangible fixed assets NBV, fleet inflation and lease adjusted

Note: Iberia excludes LEVEL

Operating profits and margins improved at all airlines

Financial performance at airline level

	Aer Lingus FY 2017 (€m)	Aer Lingus vly	British Airways FY 2017 (£m)	British Airways vly	Iberia FY 2017 (€m)	Iberia vly	Vueling FY 2017 (€m)	Vueling vly
Revenue	1,859	+5.3%	12,269	+7.2%	4,851	+5.8%	2,125	+2.9%
Cost	1,590	+3.7%	10,515	+5.5%	4,475	+3.7%	1,937	-3.4%
Operating result	269	+36	1,754	+281	376	+105	188	+128
Operating margin	14.5%	+1.3pts	14.3%	+1.4pts	7.7%	+1.8pts	8.9%	+6.0pts
Lease adjusted margin	15.7%	+1.4pts	14.9%	+1.4pts	9.6%	+1.7pts	12.7%	+6.0pts
ASK (m)	26,386	+12.1%	180,070	+0.7%	63,660	+2.2%	34,378	+1.5%
RPK (m)	21,412	+11.6%	147,341	+1.5%	53,514	+4.8%	29,125	+3.8%
Sector length (km)	1,898	+7.6%	3,137	+1.4%	2,837	+2.5%	973	-3.1%
RASK	7.05	-6.1%	6.81	+6.4%	7.62	+3.5%	6.18	+1.5%
CASK	6.03	-7.6%	5.84	+4.7%	7.03	+1.4%	5.63	-4.8%
CASK ex-fuel	4.83	-6.4%	4.42	+5.4%	5.57	+4.8%	4.39	-0.9%
Employee cost per ASK	1.31	-6.1%	1.43	+4.5%	1.65	-0.3%	0.68	+7.4%

Aer Lingus lease adjusted margin includes an adjustment for the ownership element of wet leases. Iberia excludes LEVEL

14% growth in underlying EPS and 15% growth in DPS

Below the line

€m	FY 2016	FY 2017
Operating profit (pre-exceptional)	2,535	3,015
Net finance income/expense	-246	-180
Other	124	-54
Profit before tax (pre-exceptional)	2,413	2,781
Tax	-423	-538
Profit after tax (pre-exceptional)	1,990	2,243
Fully diluted EPS (pre-exceptional) (€ cents)	90.2	102.8
Full year DPS (€ cents)	23.5	27.0

2017 includes a proposed final dividend of 14.5 € cents per share, subject to approval at the Annual General Meeting

Continued deleveraging

Balance sheet

€m	Dec 2016	Dec 2017
Gross debt	8,515	7,331
Cash, cash equivalents & interest bearing deposits	6,428	6,676
On balance sheet net debt	2,087	655
Aircraft lease capitalisation (x8)	6,072	7,104
Adjusted net debt	8,159	7,759
Adjusted net debt / EBITDAR	1.8x	1.5x

€1bn cash returned to shareholders in 2017

Cash flow returns and generation

€m	FY 2016	FY 2017
Interim, final and proposed dividends relating to financial year	495	554*
Share buyback	500	500**

€m	FY 2016	FY 2017
Operating profit before exceptional items	2,535	3,015
Depreciation, amortisation and impairment	1,287	1,184
EBITDA	3,822	4,199
Net interest	-148	-93
Cash tax paid	-318	-237
On balance sheet capex	-1,301	-1,184
Equity free cash flow	2,055	2,685

*2017 proposed final dividend of 14.5 € cents per share, subject to approval at the Annual General Meeting; based on current number of ordinary shares excluding treasury shares
**Intended share buyback in 2018

British Airways pension update

- Review of pension provision and risk undertaken in 2017, including consultation with trade unions and employees
- British Airways will launch a new flexible benefits scheme, incorporating a new defined contribution pension scheme:
  - Scheme to open 1st April 2018
  - Replaces New Airways Pension Scheme (NAPS) and British Airways Retirement Plan (BARP) – the main UK defined benefit and defined contribution schemes
  - Choice of transition arrangements available to active NAPS members (cash lump sum, additional pension contributions or additional pension benefits in NAPS prior to its closure)
- The overall financial impact (reduction of pension liabilities, cost of transition arrangements and reduction in future service costs) will depend on the transition arrangements members select – this will not be known until late March 2018
- Positive outcome of consultative union ballots with BALPA and Unite members in January and February 2018
- The changes are subject to NAPS Trustee approval to amend the scheme's rules to enable closure to future accrual
- Next full triennial actuarial valuations will be based on the position as at 31st March 2018

Outlook

Willie Walsh, Chief Executive Officer

INTERNATIONAL AIRLINES GROUP

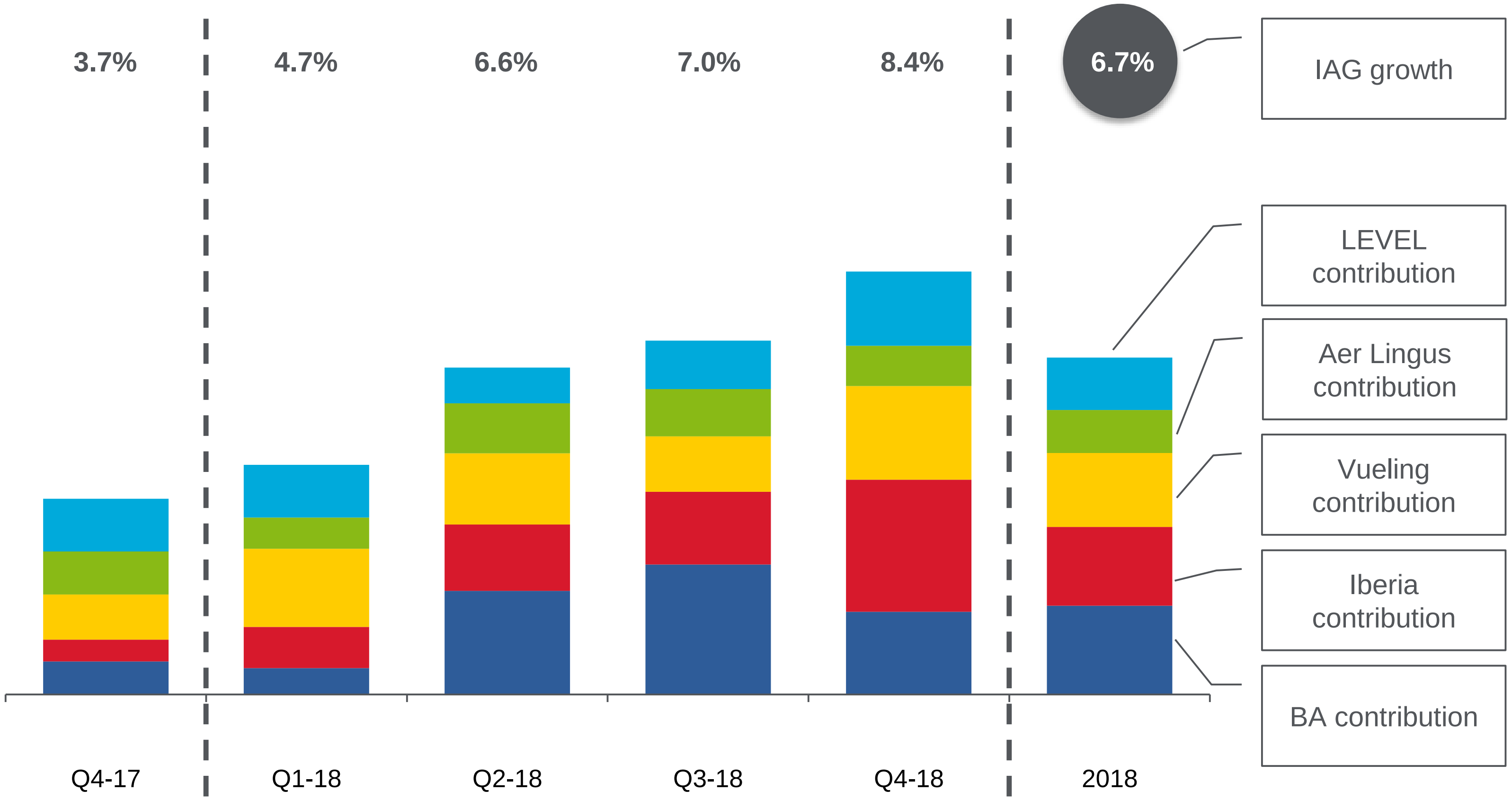
Guidance for FY2018

At current fuel prices and exchange rates, IAG expects its operating profit for 2018 to show an increase year-on-year. Both passenger unit revenue and ex-fuel unit costs are expected to improve at constant currency

Accretive growth justified by high returns

2018 capacity growth and contributions

- **Aer Lingus:** Q1-18 and FY2018 capacity planned to be +8.6% and +9.7% respectively
- **BA:** Q1-18 and FY2018 capacity planned to be +0.8% and +3.0% respectively
- **Iberia:** Q1-18 and FY2018 capacity planned to be +3.8% and +7.5% respectively
- **LEVEL:** 3 additional aircraft in 2018 to 5 in summer
- **Vueling:** Q1-18 and FY2018 capacity planned to be +16.6% and +12.9% respectively

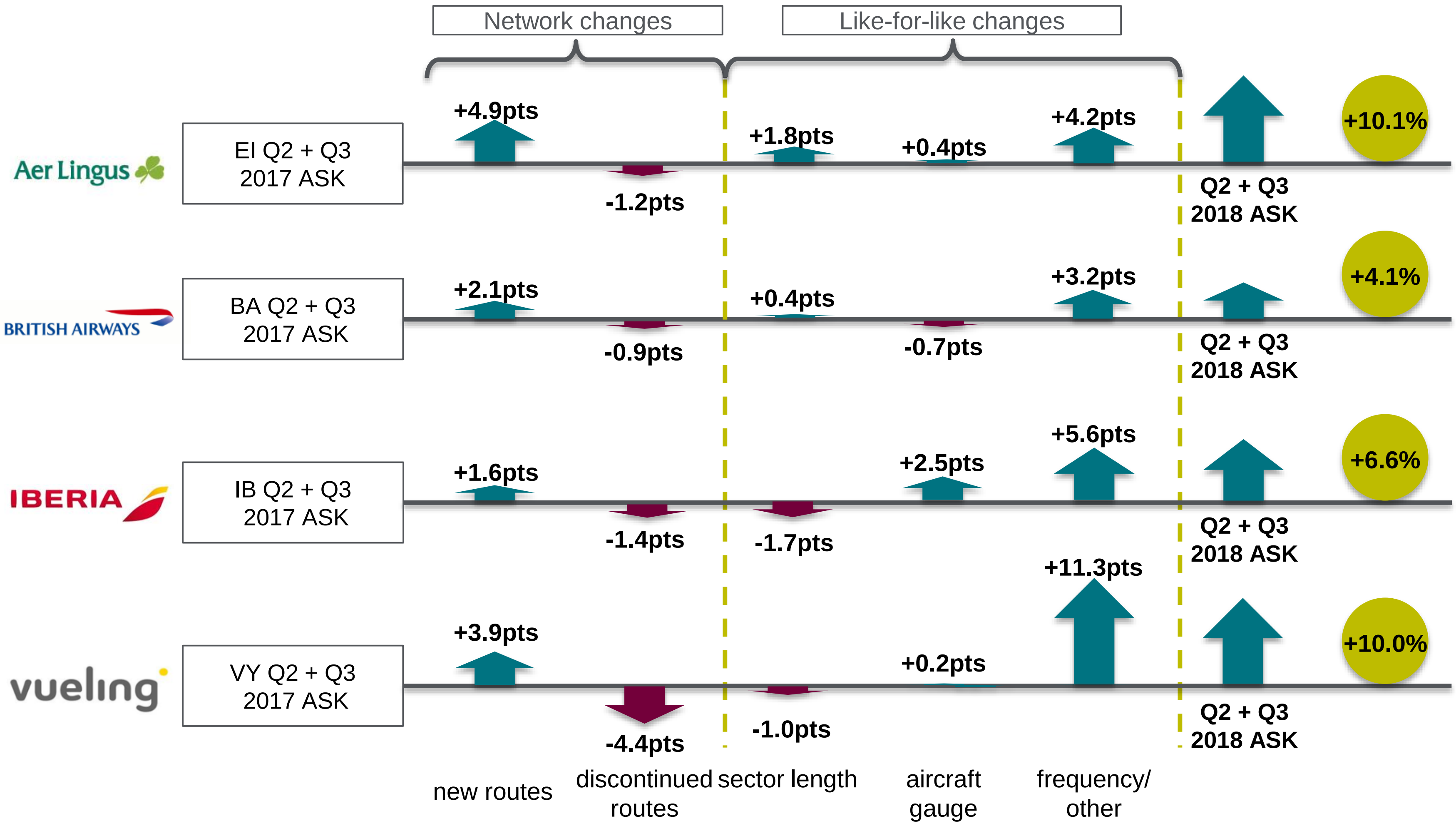


Note: Iberia figures do not include LEVEL in 2017 or 2018

Summer growth driven mainly by frequency increases

Summer 2018 capacity growth and contributions

- Aer Lingus new routes: Miami, Philadelphia and Seattle
- Aer Lingus frequency increase driven by Chicago, Los Angeles and Toronto
- BA new routes: Nashville/ Seychelles (LHR), Fort Lauderdale/Las Vegas/Toronto (LGW)
- BA frequency increase driven by Los Angeles, Philadelphia and Phoenix
- Iberia new route: SFO
- Iberia frequency increase driven by Los Angele, Mexico and Santiago de Chile
- LEVEL: 4 new routes ex-Paris, Barcelona-Boston
- Vueling frequency increase driven mainly by Barcelona



Note: New routes are routes that were not operated for the whole period last year. Iberia figures do not include LEVEL in 2017 or 2018

Investment case and topics

Willie Walsh, Chief Executive Officer

The IAG investment case

A unique structure that drives growth and innovation to generate superior shareholder returns

- Unique structure
- Portfolio of world-class brands
- Global leadership positions
- Cost efficiency
- Innovation

Sustainable profitability
- RoIC
- Margin

Accretive growth
- Organic
- Inorganic

Total shareholder returns
- EPS growth
- Regular dividend
- Share buyback

The IAG investment case

A unique structure that drives growth and innovation to generate superior shareholder returns

Unique structure

- Disciplined capital allocation
- Active portfolio management approach
- Flexibility and rapid decision making
- Platform with centralised functions to enable scale and plug & play

Portfolio of world-class brands

- Operationally focused companies
- Distinct brands
- Diversified customer base
- Complimentary networks

Global leadership positions

- Leading the consolidation of the airline sector
- Barcelona, Dublin, London, Madrid
- North Atlantic, South Atlantic, and intra-Europe

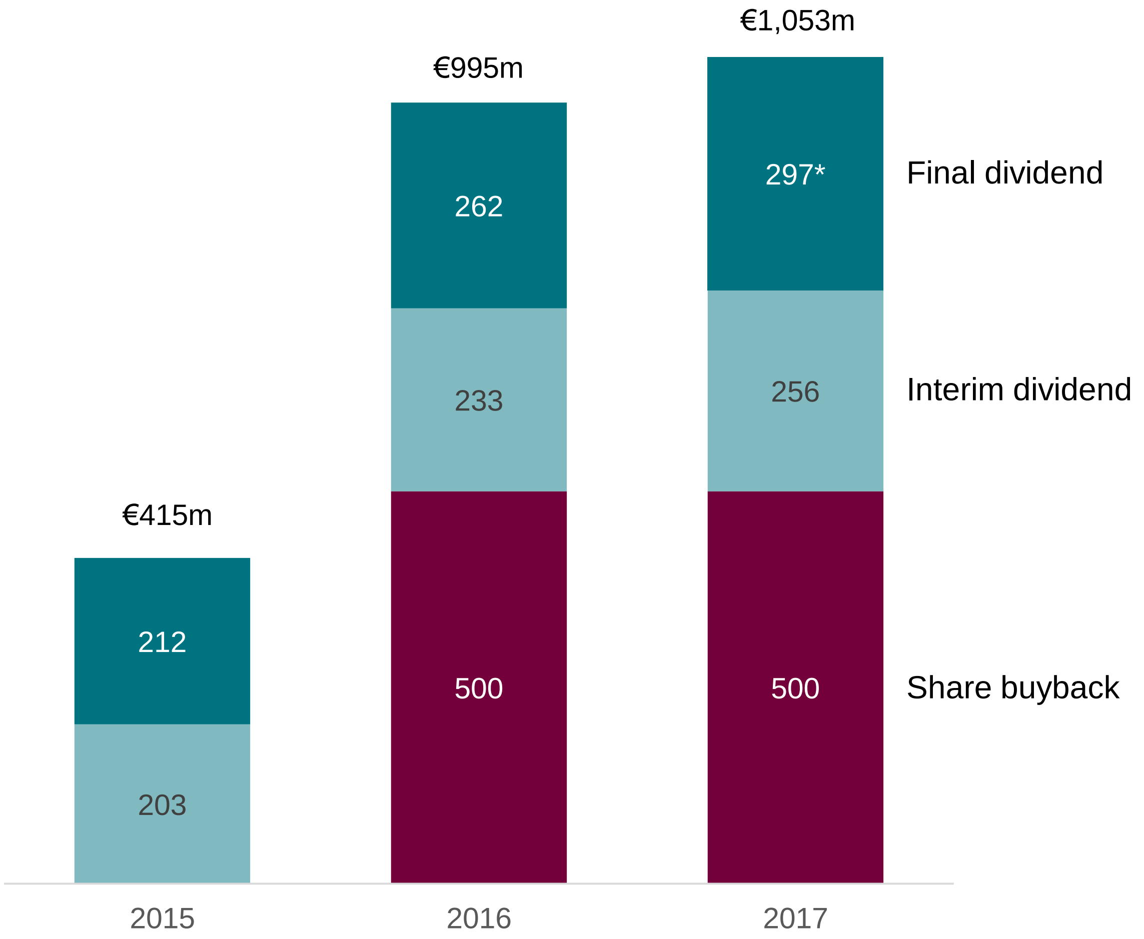
Cost efficiency

- 10.3% reduction in CASK ex-fuel at constant currency since IAG's founding in 2011
- 5% further reduction targeted by 2022

Innovation

- Dynamic and creative culture
- At the forefront of digital innovation in the airline industry
- Digital platform to grow revenues streams, enhance customer loyalty and drive cost efficiencies

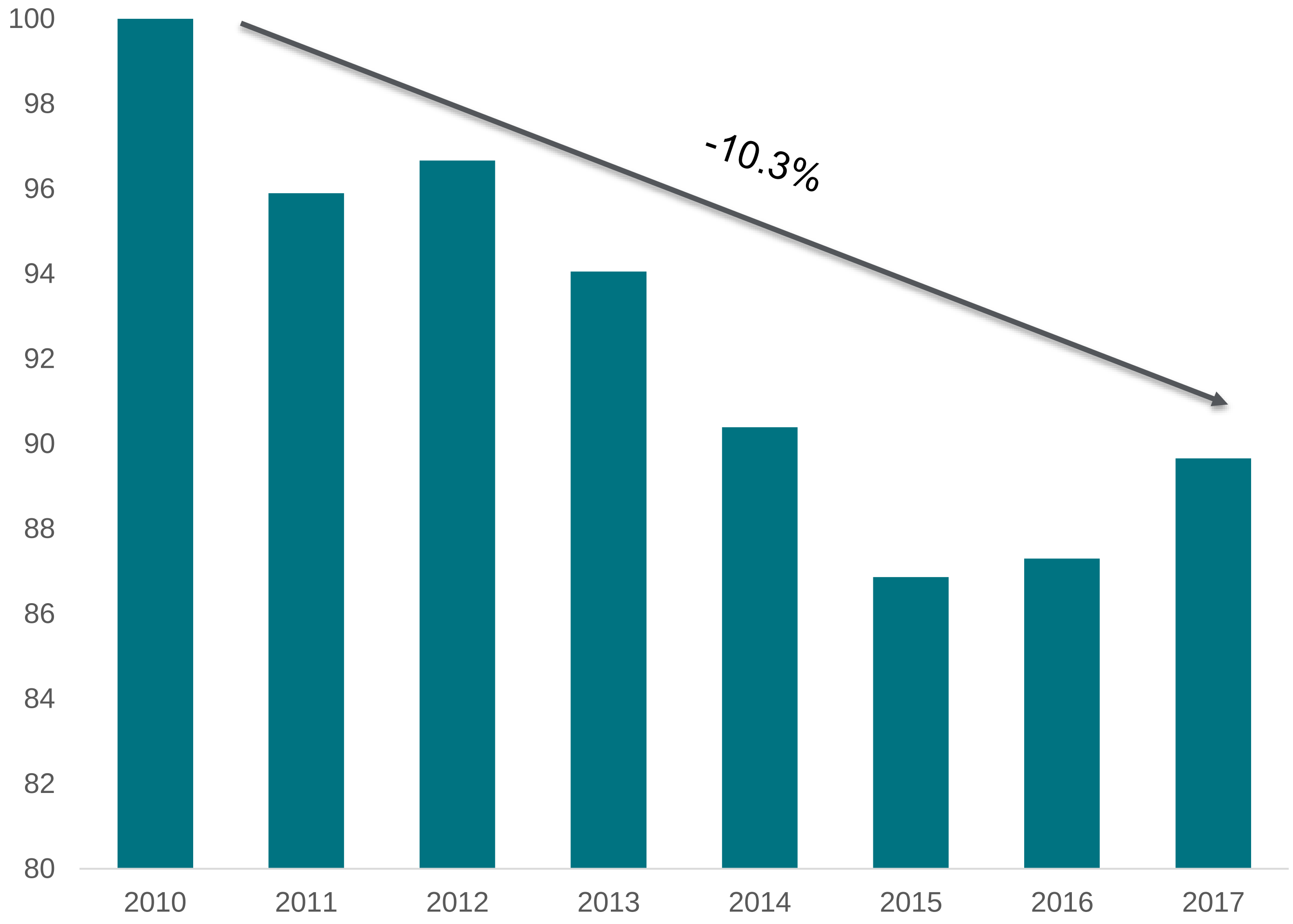
€2bn returned to shareholders since 2015; more to come in 2018



- Cash priorities
  - Reinvest in the business through accretive organic growth
  - Commitment to a sustainable dividend
  - Surplus cash returned to shareholders if no inorganic opportunities exist
- Full year 2017
  - More than €1bn returned to shareholders
  - First share buyback completed (3.5% of shares outstanding)
  - Ordinary pay-out ratio maintained at 25%
- Full year 2018
  - New €500m intended share buyback announced

Note: 2017 proposed final dividend of 14.5 € cents per share, subject to approval at the Annual General Meeting; *based on current number of ordinary shares excluding treasury shares

10.3% ex-fuel unit cost reduction delivered; 5% more to come by 2022

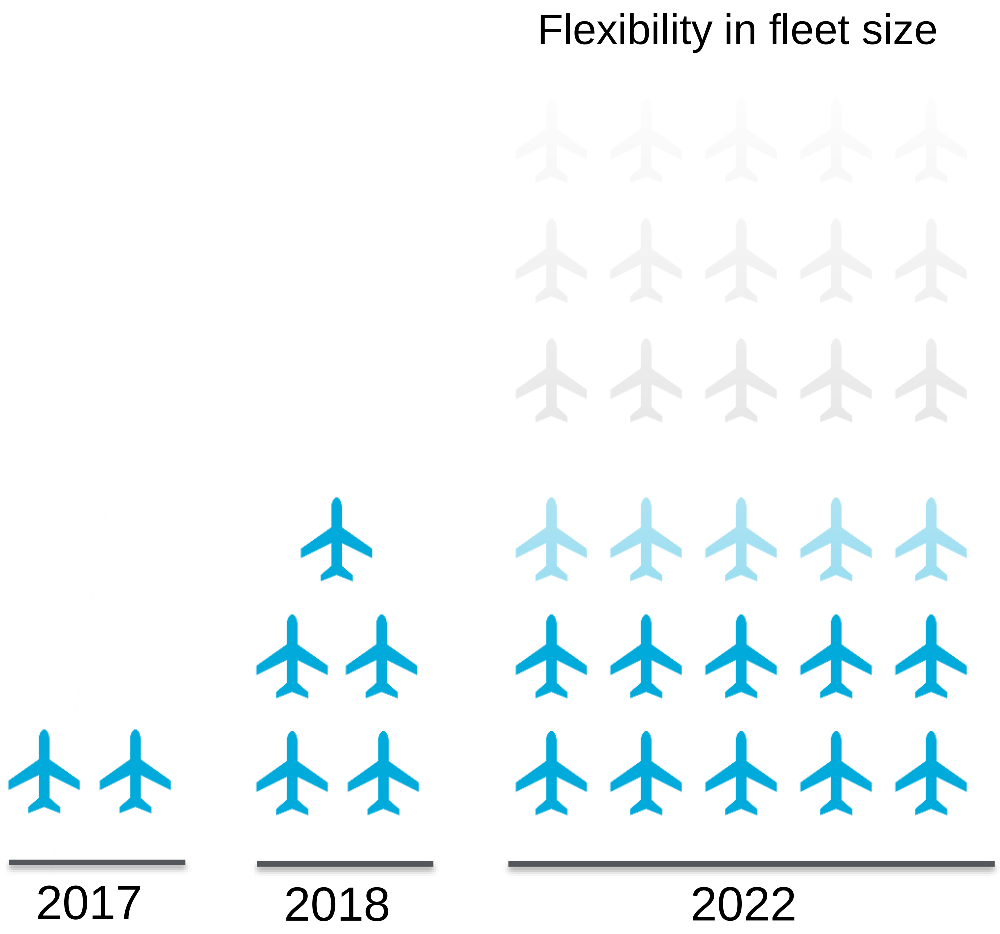


Ex-fuel unit cost indexed to 2010 at constant currency

Delivered through:
- Group synergies
- Iberia – Plan de Futuro I
- Vueling – Darwin
- GBS roll-out

Still to come:
- British Airways – Plan4
- Iberia – Plan de Futuro II
- Vueling – NEXT
- Aer Lingus – value model

LEVEL – fantastic response, exceeding expectations, further growth



LEVEL – fantastic response, exceeding expectations, further growth

Highlights

- LEVEL is a great example of IAG's creativity, flexibility and rapid decision-making
- Fantastic response in all markets with sales ahead of expectations, stimulating new demand
- More than 155,000 passengers carried in first 7 months
- Non-fuel unit costs better than target, enabling positive underlying contribution
- Expected to grow to at least 15 aircraft by 2022 from 2 in 2017 and 5 in 2018
- Projected to attain IAG´s sustainable RoIC target of 15% by maturity

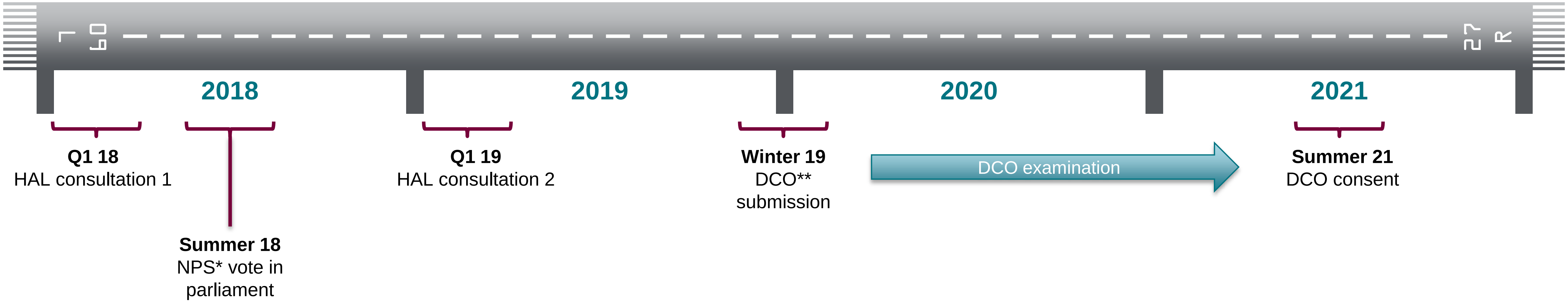
Facts

- Announced in March 2017 and opened in Barcelona within 3 months, one year ahead of plan
- Currently flies from Barcelona to Buenos Aires, Oakland and Punta Cana, with a summer service to Los Angeles
- New route from Barcelona to Boston from March 2018
- Operates 2 new A330s, with 293 economy and 21 PE seats, and a third A330 will be added later in the summer
- Paris Orly base to open in July 2018 with flights to Guadeloupe and Montreal; New York (Newark) and Martinique to follow in September
- It will operate two additional A330-200 aircraft from the Paris Orly base

Competitive advantages

- Leverages the IAG operating model
- Best-in-class costs
- Commercial levers – leverages Avios, code-sharing where appropriate (e.g. with American Airlines)
- Connectivity options – Vueling and other partner airlines

Heathrow expansion only at an affordable price



- Runway expected to be operational by 2026/27 on current timelines
- Expansion will bring an increase in air traffic movements from 480k today to 740k
- Heathrow Airport Ltd. has currently stated costs related to expansion will be £14bn

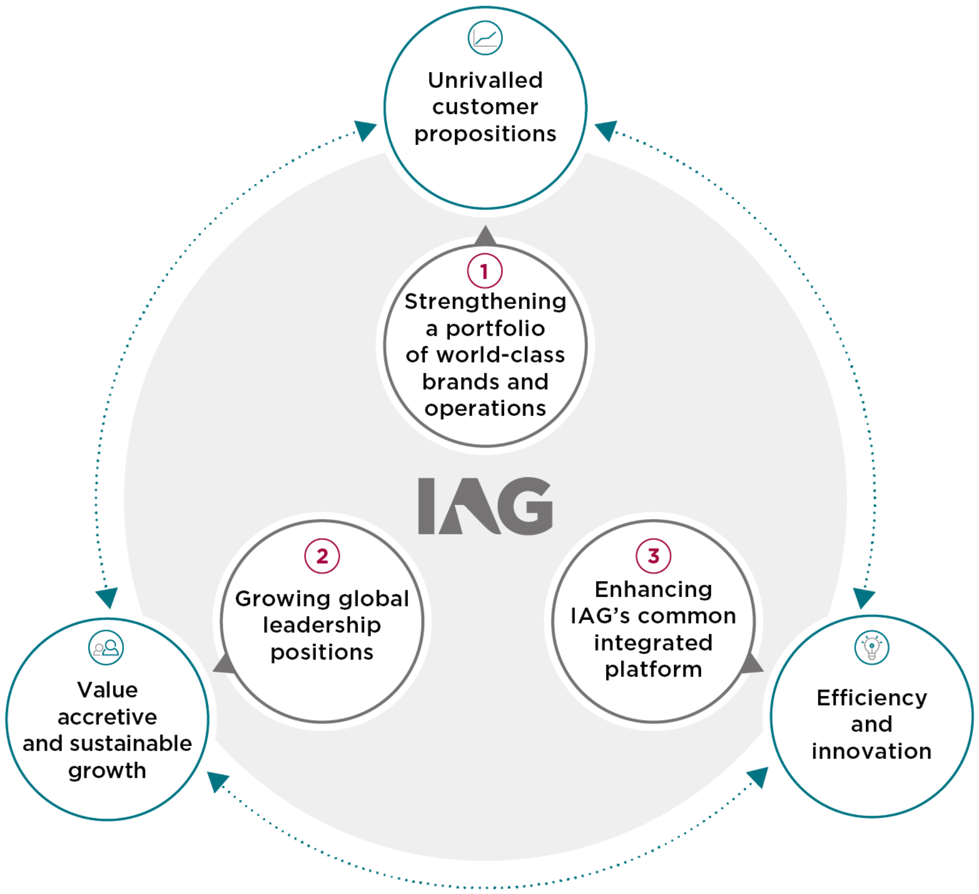
- Expansion at Heathrow must be efficient
  - Costs must be below or at current charges in real terms
  - Introduction of a price guarantee
- Government should confirm CAA powers to introduce competition by allowing third parties to design, build and operate terminals

Note: *NPS = National Policy Statement, **DCO = Development Consent Order

Brexit plans – actively engaged with key decision makers

- IAG continues to evaluate potential changes to ensure that all airlines within the Group are able to operate effectively during any transition
- We are confident that a comprehensive air transport agreement between the EU and the UK will be reached
- We have had extensive engagement with all relevant regulators and governments
- We are confident that we will comply with the EU and the UK ownership and control rules post-Brexit
- IAG is a Spanish company. Its airlines have long-established AOCs and substantive businesses in Ireland, France, Spain and the UK employing around 63,000 people and operating 546 aircraft
- IAG has other structures and protections in its by-laws in place since it was set up in 2011

2018: Continued progress towards strategic objectives



- Strengthen portfolio of world-class brands and operations
  - British Airways: roll-out of product investments
  - Iberia: full deployment of premium economy
  - LEVEL: re-positioning OpenSkies in Paris with more appropriate value proposition
- Grow global leadership positions
  - New routes on North Atlantic (Aer Lingus, British Airways, Iberia, LEVEL)
  - Continued growth by Iberia (Latin America, Tokyo)
  - Resumption of growth by Vueling
  - Growth at Gatwick (BA), Rome (Vueling) and Paris (LEVEL, Vueling)
- Enhance IAG's common integrated platforms
  - Fleet: entry into service of new generation A350s and A320neos
  - Avios transformation
  - Digital roll-out
  - Hybrid cloud

Conclusions

- IAG has a unique structure that drives growth and innovation to generate superior returns to shareholders
- Strong portfolio of world-class brands with global leadership positions supported by common integrated platforms
- More than 10% ex-fuel unit cost reduction since 2011 with 5% further reduction targeted over the next 5 years
- Overall financial targets exceeded in 2017 with higher returns and margins at all airlines compared to 2016
- Deleveraging balance sheet while returning €1 billion to shareholders in 2017 with more to come in 2018
- We are confident in the outlook for 2018

Appendices

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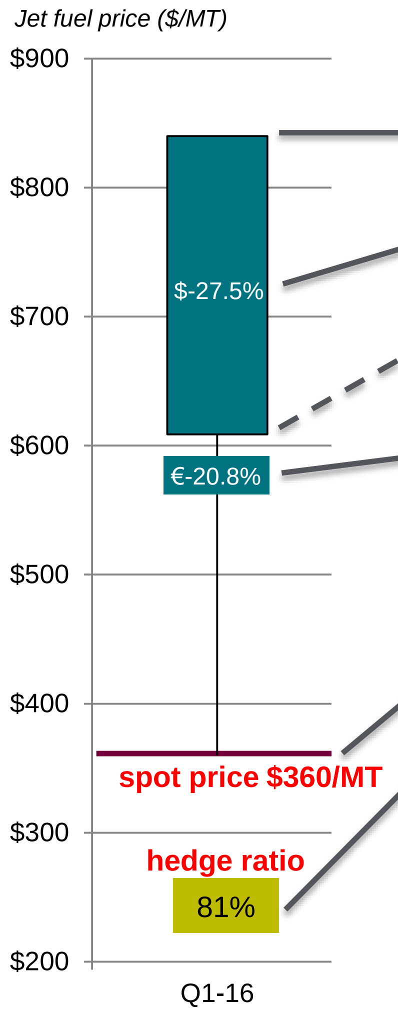
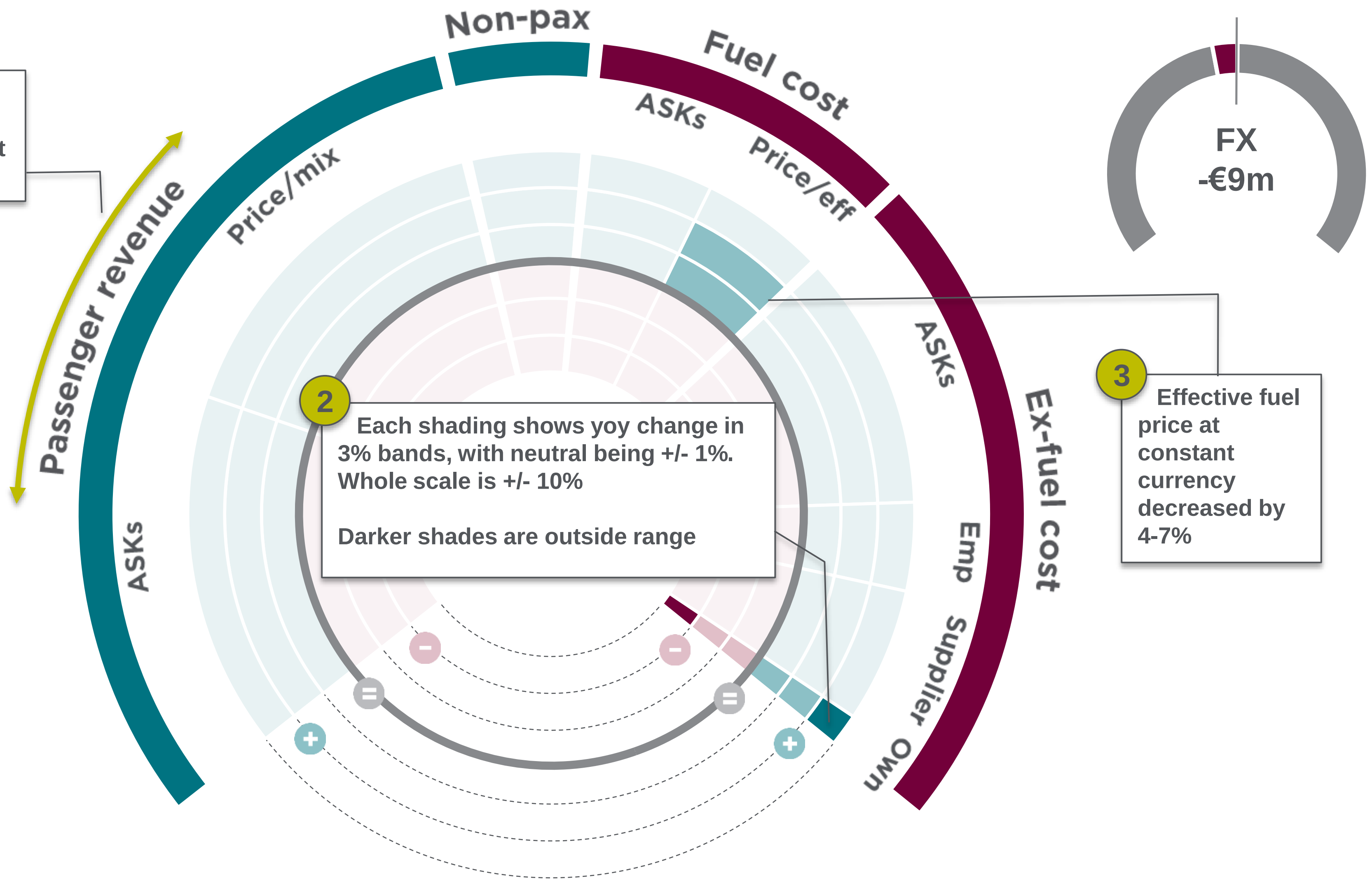
Fuel modelling



$ 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 $360/MT and 1.10$/€)

Contribution heat map – how it works



1 Weighting of item in current P&L at constant FX

2 Each shading shows yoy change in 3% bands, with neutral being +/- 1%. Whole scale is +/- 10%

Darker shades are outside range

3 Effective fuel price at constant currency decreased by 4-7%

Disclaimer

Certain statements included in this report are forward-looking and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements can typically be identified by the use of forward-looking terminology, such as “expects”, “may”, “will”, “could”, “should”, “intends”, “plans”, “predicts”, “envisages” or “anticipates” and include, without limitation, any projections relating to 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 expenditures and divestments relating to the Group and discussions of the Group’s Business plan. All forward-looking statements in this report are based upon information known to the Group on the date of this report. The Group undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the forward-looking statements in this report 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 risk management process of the Group is given in the Annual Report and Accounts 2016; these documents are available on www.iagshares.com.