

Capital Markets Day

2nd November 2018

Agenda

08.30	<i>Registration and Breakfast</i>		
09.00	Opening remarks	Antonio Vázquez	IAG Chairman
09.10	Investment case	Willie Walsh Robert Boyle	IAG CEO IAG Director of Strategy
10.00	LEVEL	Vincent Hodder	LEVEL CEO
10.30	Vueling	Javier Sánchez-Prieto	Vueling Chairman & CEO
10.50	Aer Lingus	Stephen Kavanagh	Aer Lingus CEO
11.10	<i>Coffee Break</i>		
11.40	Iberia	Luis Gallego	Iberia Chairman & CEO
12.00	British Airways	Alex Cruz	BA Chairman & CEO
12.30	IAG Digital	Robert Boyle Lynne Embleton	IAG Director of Strategy IAG Cargo CEO
13.00	<i>Lunch</i>		
13.50	Financial investment case	Enrique Dupuy	IAG CFO
14.30	Conclusion and Q&A	Willie Walsh	IAG CEO
15.30	<i>Drinks Reception</i>		

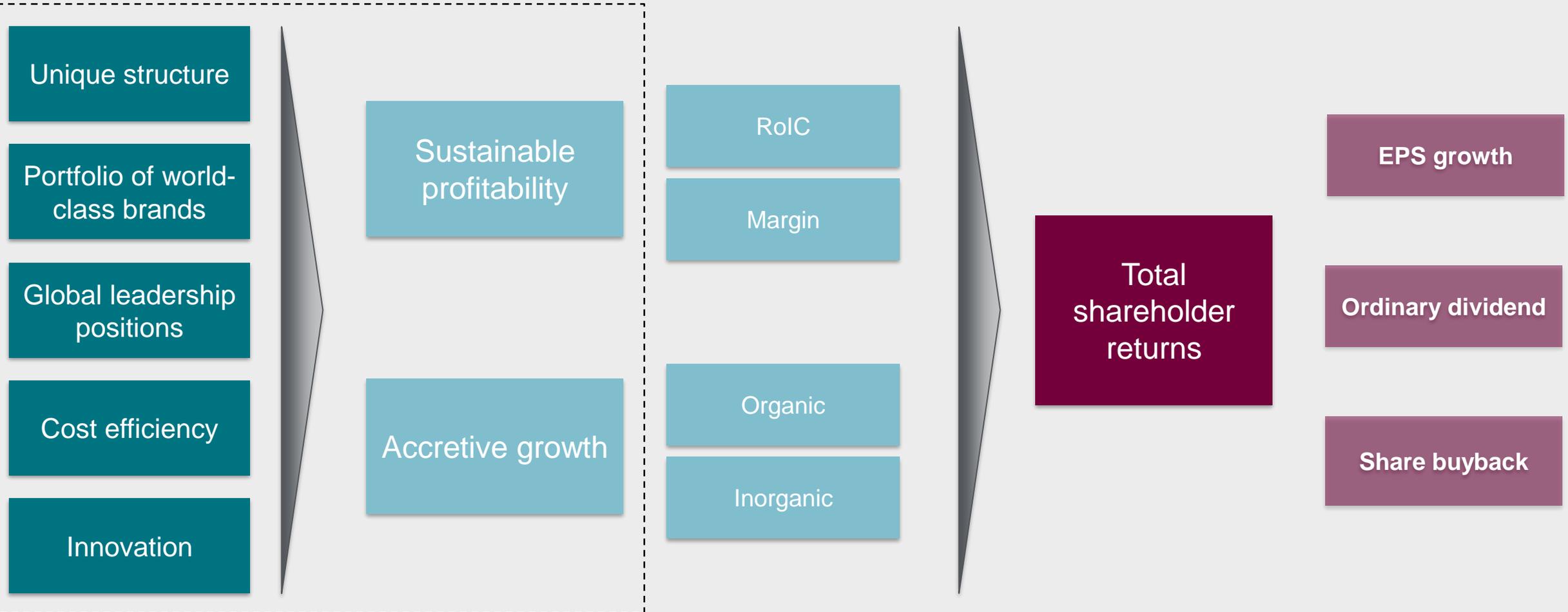
Investment case

Willie Walsh – IAG CEO

Robert Boyle – IAG Director of Strategy

The IAG investment case

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



The IAG investment case

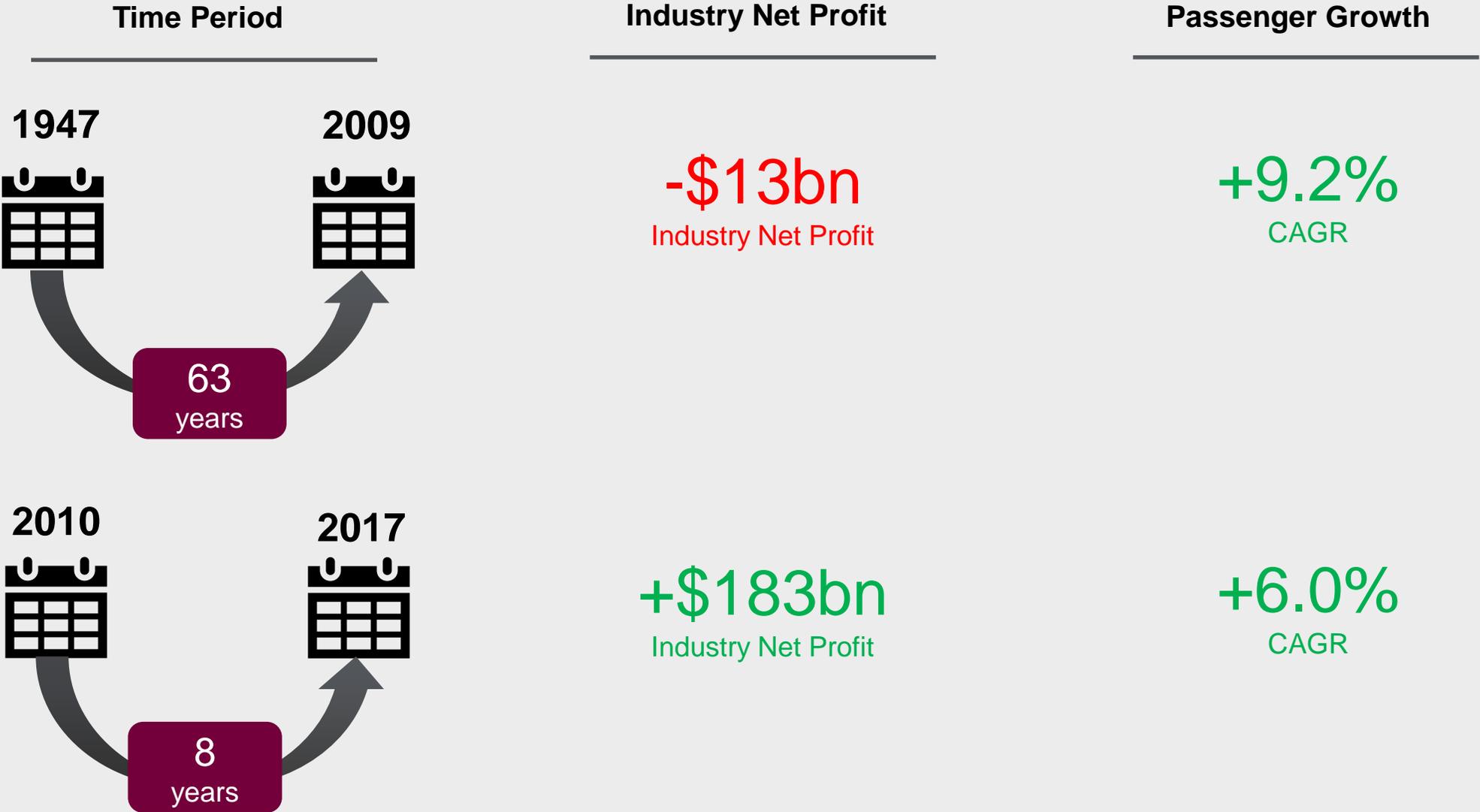
A unique structure that drives growth and innovation to generate superior shareholder returns

Unique structure	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Operationally focused companies• Distinct brands• Diversified customer base• Complementary networks
Global leadership positions	<ul style="list-style-type: none">• Leading the consolidation of the airline sector• Barcelona, Dublin, London, Madrid• North Atlantic, South Atlantic, and intra-Europe
Cost efficiency	<ul style="list-style-type: none">• 11.7% reduction in CASK ex-fuel at constant currency since IAG's founding in 2011• c.4% further reduction targeted by 2022
Innovation	<ul style="list-style-type: none">• 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

Setting the scene – IAG a strong player in a growth business

Willie Walsh – IAG CEO

Reasons to be optimistic about the industry potential



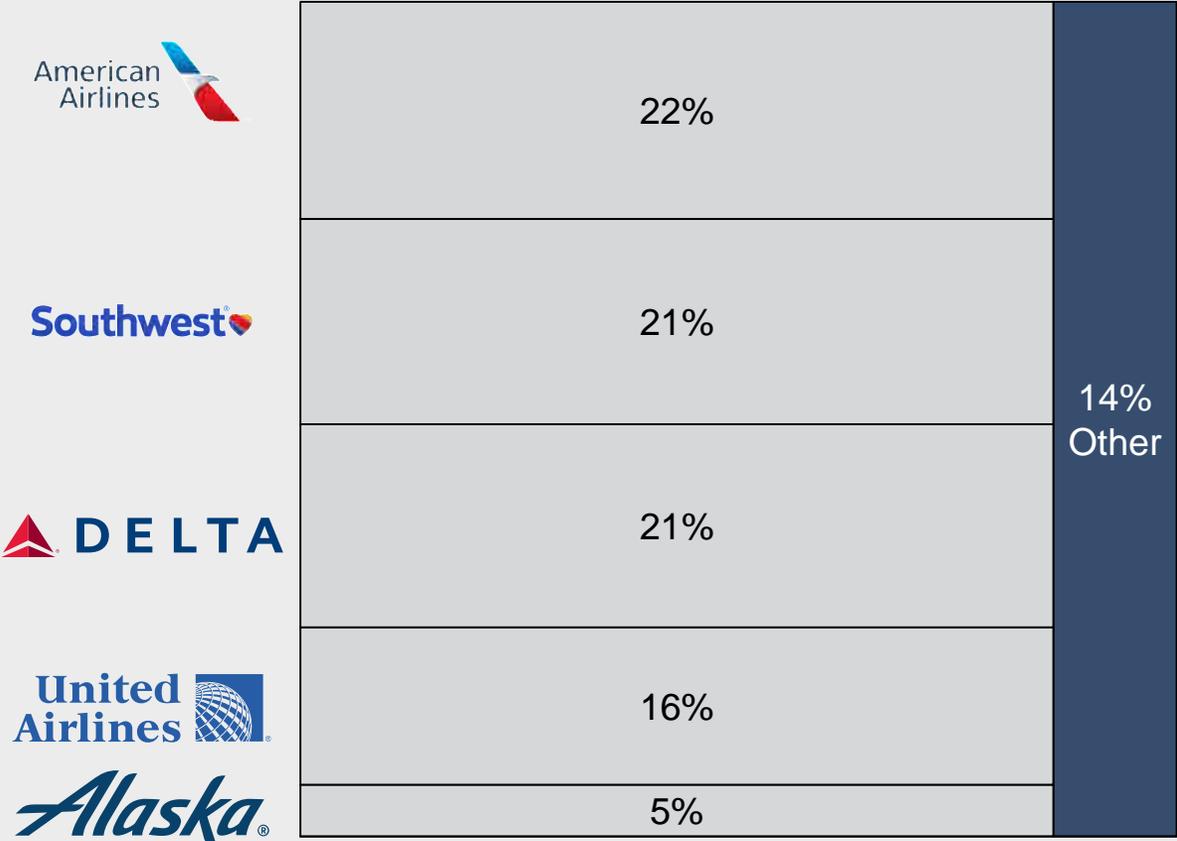
Structural changes driving the optimism

- Gradual erosion of protectionism in more developed markets
- Restructured labour agreements
- Improvements in technology e.g. direct distribution
- Industry finding inventive ways to capture value
 - Different business models
 - Ancillary products
- Airlines executives focused on managing for value
- Industry consolidation

Domestic US has seen significant consolidation in recent times...

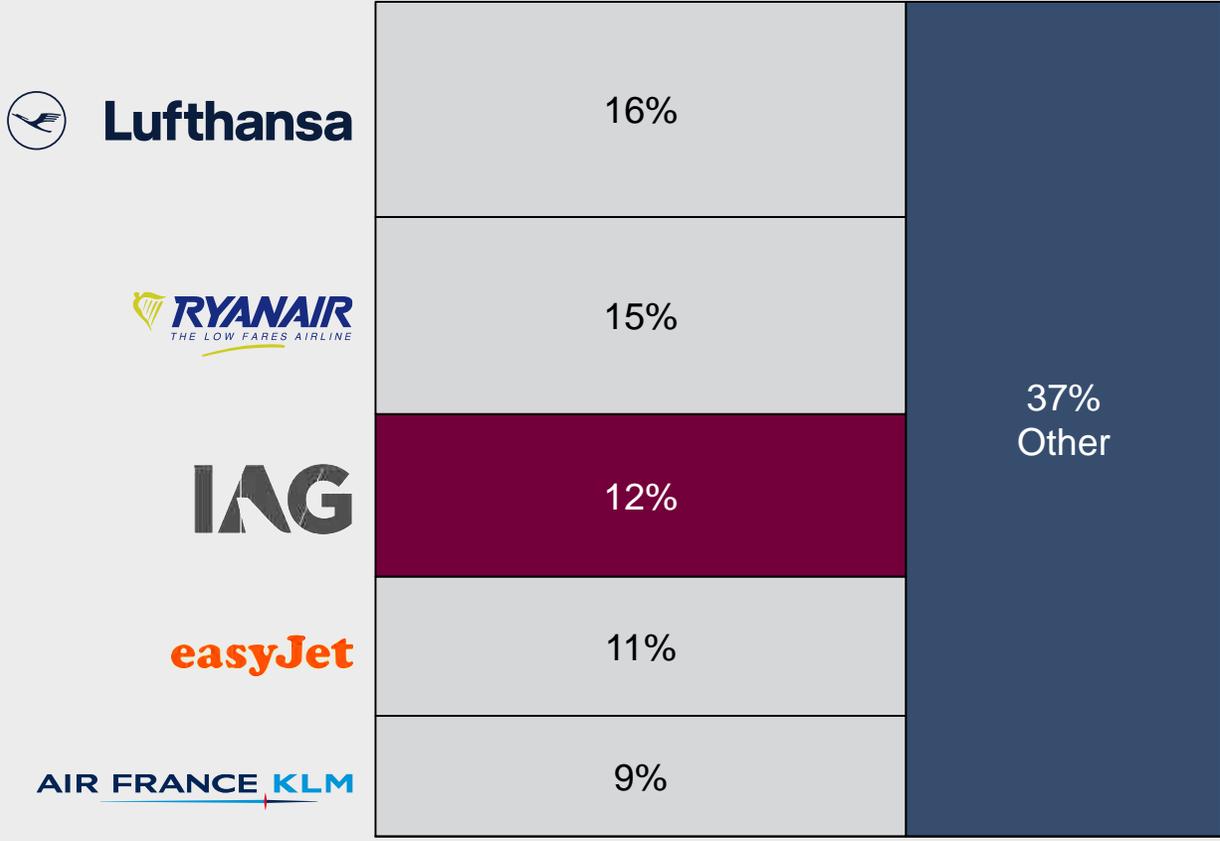
Domestic United States

Top 5 Carriers by capacity seat share in 2018
86% of total market of 957 million seats



Intra Europe

Top 5 Carriers by capacity seat share in 2018
63% of total market of 929 million seats



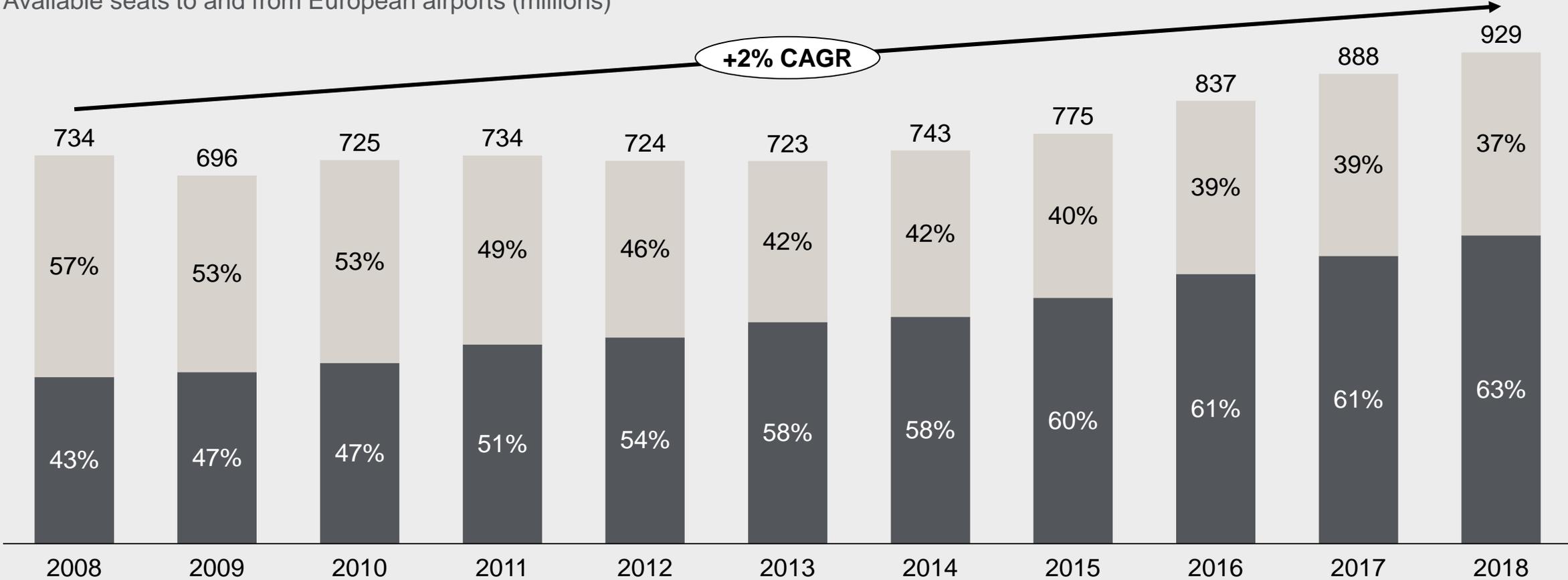
...with the European short haul market also consolidating

63% of the European short-haul market is represented by 5 airline groups - a c.20ppt increase since 2008

Intra Europe capacity, today's 5 largest airline groups

Available seats to and from European airports (millions)

Other
Lufthansa, Ryanair, IAG, easyJet, AF/KLM

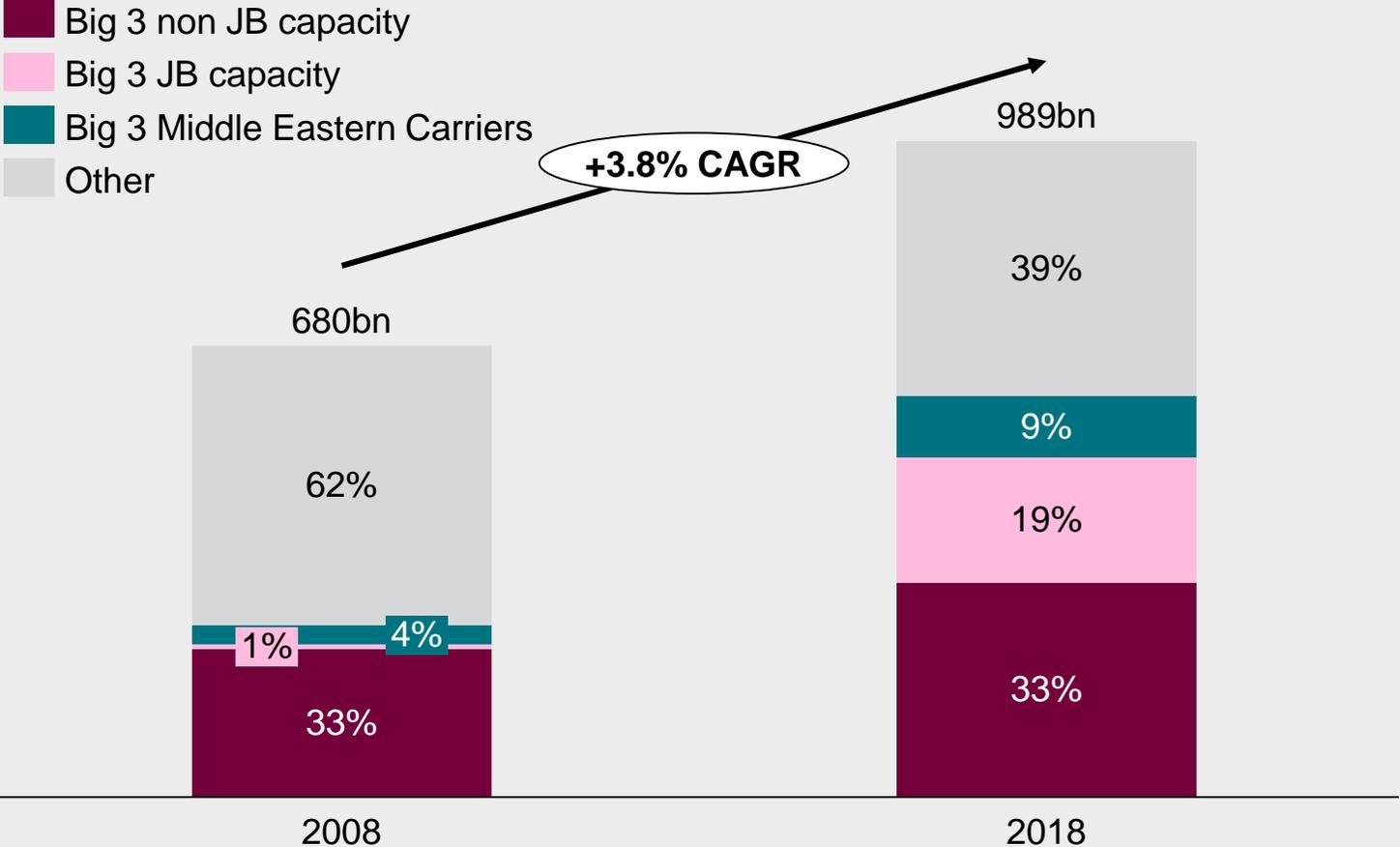


Source: OAG. Europe excluding Russia and Turkey. Note: IB is not included in the group of 5 until the creation of IAG. Date and airline acquired: 2009 Austrian, 2011 IAG creation, 2013 Vueling, 2015 Aer Lingus, 2016 Brussels Airlines

Long-haul consolidation driven mainly by joint ventures

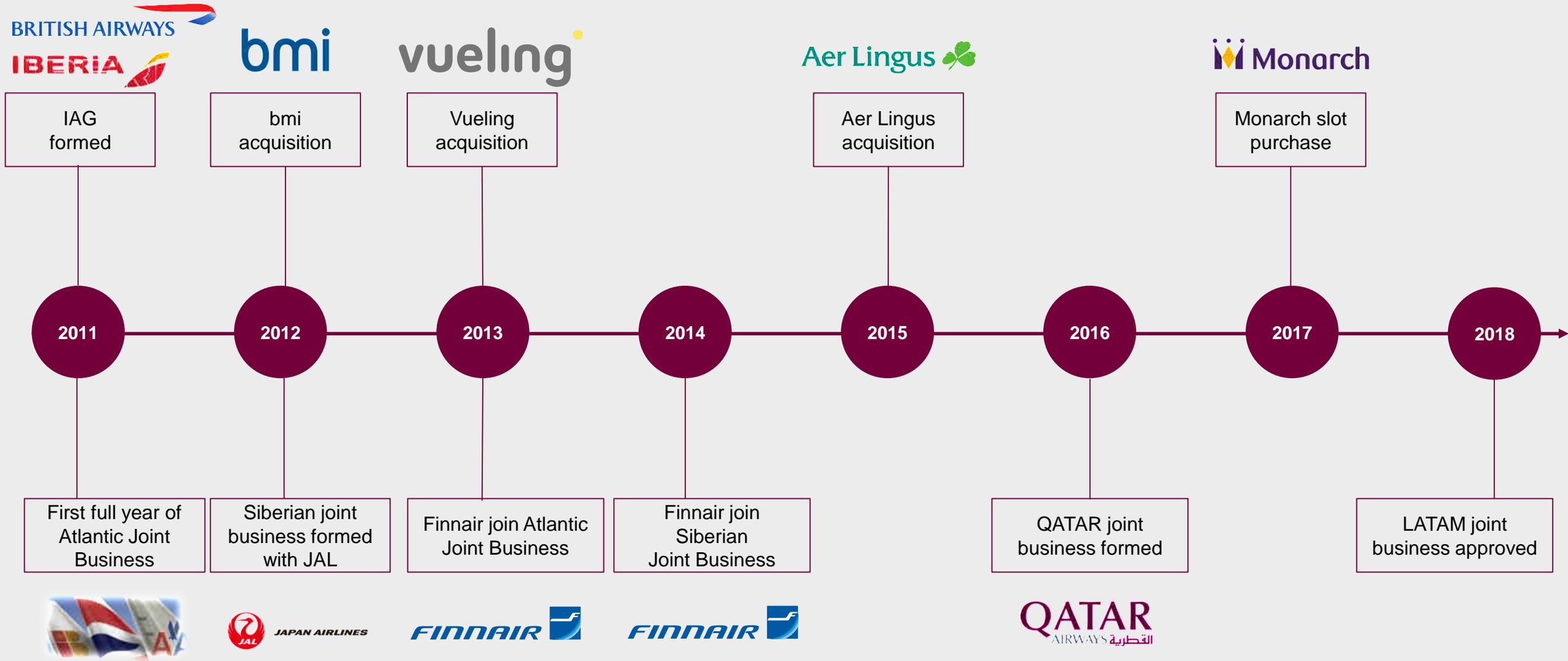
Capacity share for long haul flights departing Europe

(One-way Available Seat Kilometres)



More liberalised markets have experienced deeper co-operation through the form of commercial joint ventures where co-operation extends beyond normal alliance activity

Track record of successful and consistent inorganic growth



IAG Note: Year represents the year the deal was completed

Unique structure

Willie Walsh – IAG CEO

IAG's unique operating model



Clear areas of focus

Corporate Parent

Sets the long term vision for the Group

Defines portfolio attractiveness and makes capital allocation decisions

Exerts vertical and horizontal influence across the Group

VS

Airline Operating Company

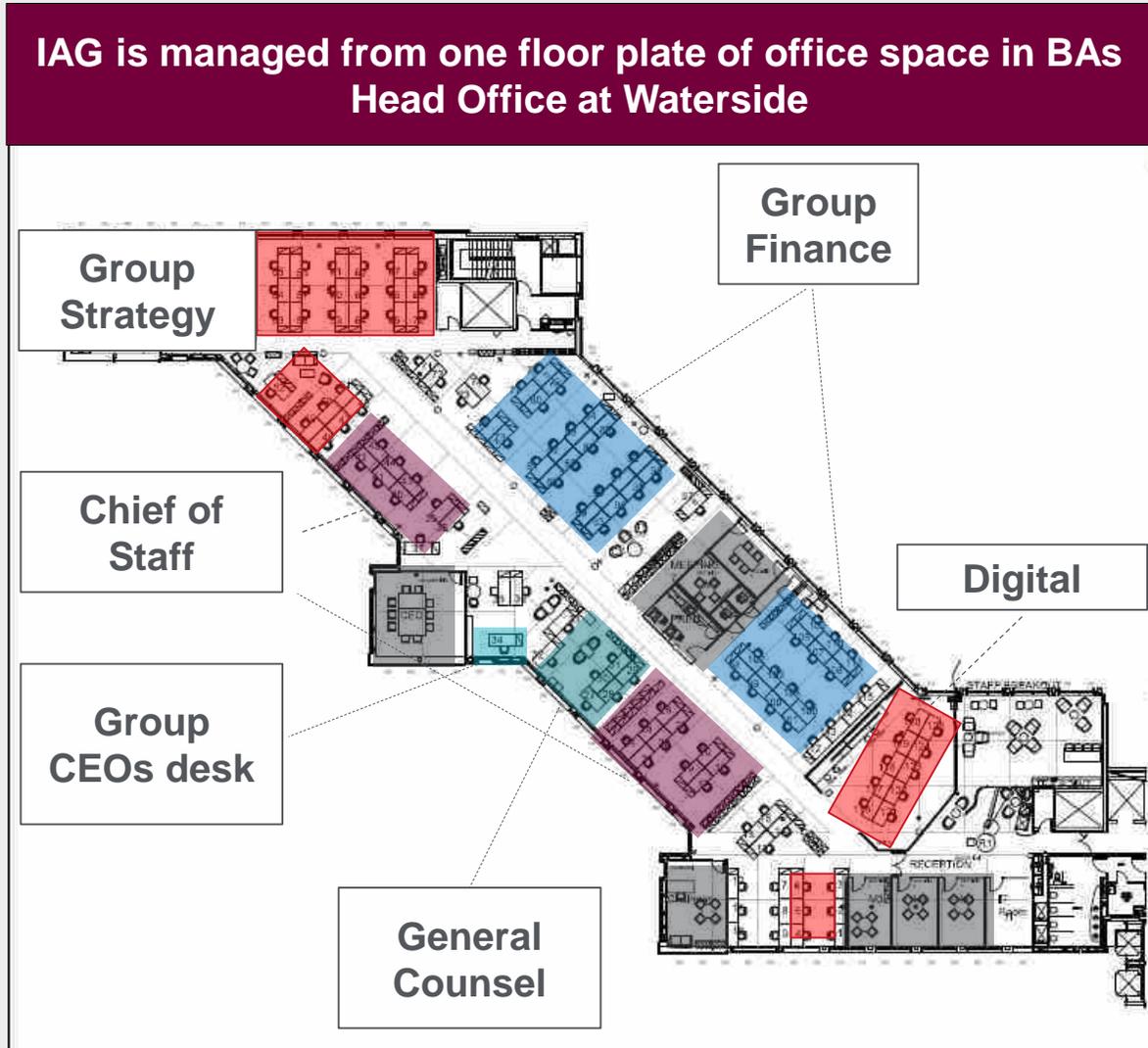
Define product strategy for target customer segments

Deep and real-time understanding of competitive environment

Standalone profit centres and independent credit identities

Individual brand, cultural identity and management teams

Fit for purpose corporate parent



Four core corporate parent activities

1. Group Strategy, including digital
2. Group Finance
3. General Counsel
4. Chief of Staff

Open floor plan for all corporate parent staff

IAG Management Committee includes CEOs of largest operating companies

IAG's Management Committee



Unique set of competitive advantages

PARENT NEUTRALITY

Independence of corporate parent from operating companies enables flexible, rapid and dispassionate decision making

A PORTFOLIO MANAGER WITH A 'FEEL FOR THE BUSINESS'

IAG understands the critical success factors in the airline business – able to judge suitable targets and performance levels and react sensitively to issues that arise

ROBUST STRUCTURAL POSITIONING

Balance sheet strength combined with competitive cost base, provide platform to deliver value throughout the cycle

ATTRACTIVE PORTFOLIO OF BUSINESSES

Good combination of profitable businesses each with attractive and distinct market positioning. Diversified exposure to mature and fast growing segments of the industry

GEOGRAPHICALLY COMPLEMENTARY HUBS

Each hub has a clearly defined role in the total IAG system, underpinned by a large local market

'PLUG AND PLAY MODEL'

Model allows value to be created quickly from inorganic plays. Alternatively, ideas can be developed at the centre and leveraged at scale across the wider group

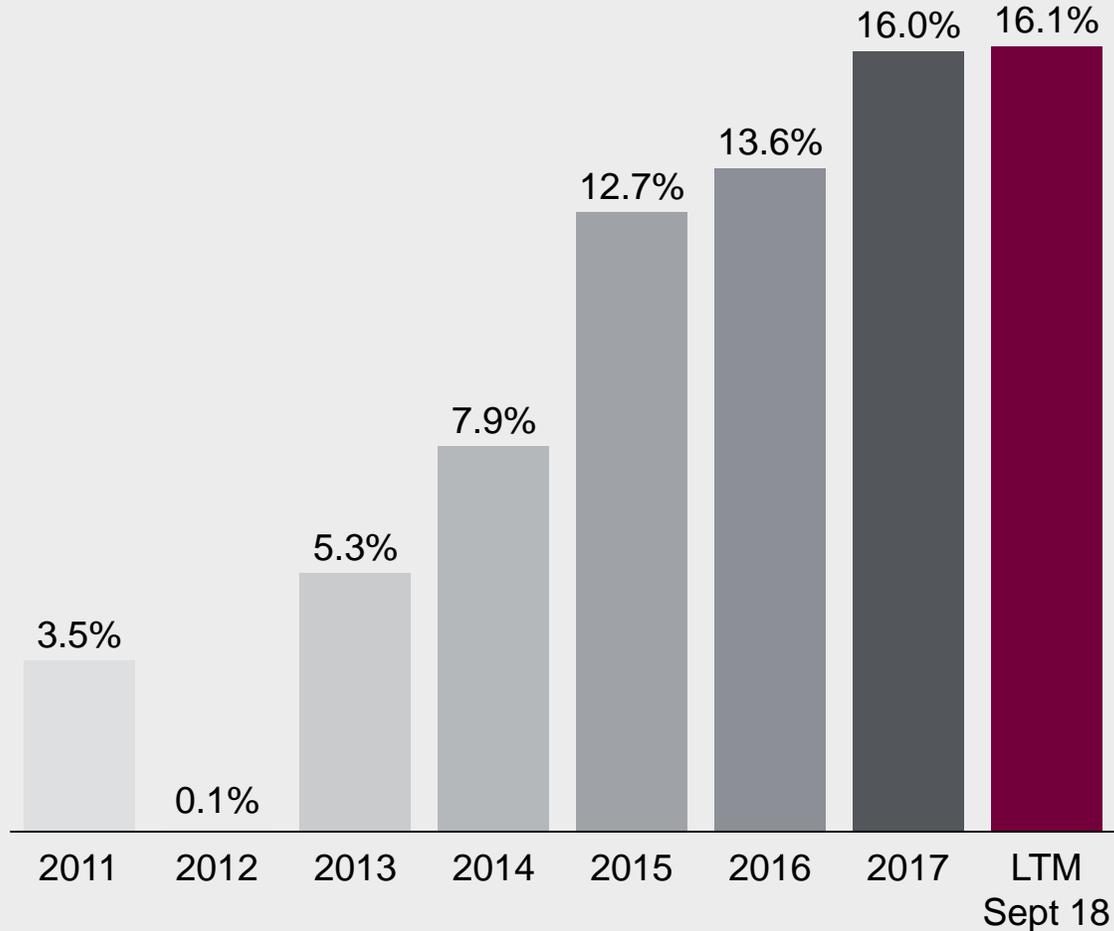
IAG in Action

A series of case studies

- Track record of value creation
- Rapid decision making
- 'Plug and Play' platform
- Integrated business planning process

Track record of value creation

IAG's Return on Invested Capital



Synergy delivery

€856m

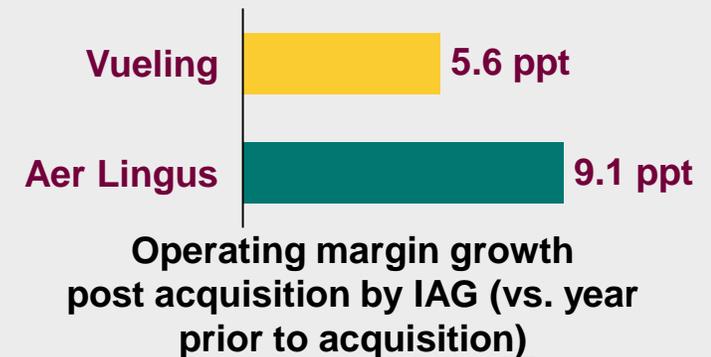
Total annual reported synergies as of 2015 achieved from the BA and IB merger

Commitment to make tough choices

c.21%

Reduction in Iberia's average headcount since 2012

Margin expansion post acquisition



Rapid decision making

The launch of LEVEL



Plug and Play platform

	IAG Cargo		MRO / Fleet	IAG GBS	Digital	IAG Connect
Established	2011	2011	2011	2013	2014	2016
The Group service provider for:	Retailing IAG's cargo capacity	Reward currency used to underpin OpCo FFPs	Improving the competitiveness of IAG's maintenance activities	<ul style="list-style-type: none"> • IT • Procurement • Finance Ops 	Setting the digital strategy for IAG	In-flight connectivity strategy and roll-out

Synergies can be quickly realised by removing duplication of activities from acquired carriers in addition to the scale effects of added volume

Disciplined capital allocation and proactive portfolio management

IAG business planning process

Corporate Parent

IAG sets the areas of focus and the assumptions for the next business plan

IAG provides feedback and reviews the plans from a Group perspective

IAG Management Committee agree OpCo plans



IAG Board ratify plan, during annual 2-day Board Strategy Meeting

Operating Company

OpCo's present the proposed size and shape of their plan, focusing on network & fleet

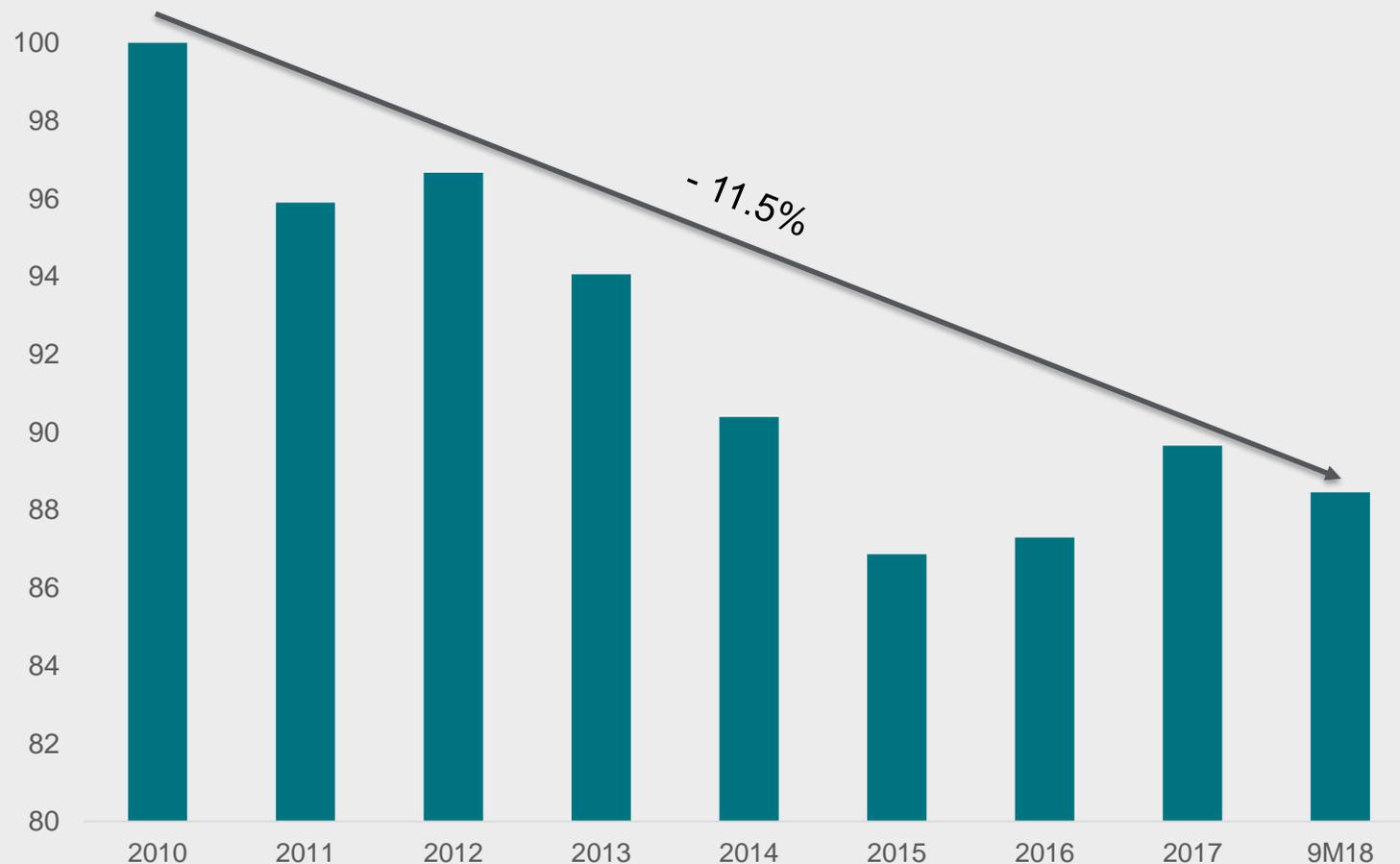
OpCo's refine their plans focusing on financial targets

Cost efficiency and leadership

Willie Walsh – IAG CEO

Cost efficiency and leadership

11.5% ex-fuel unit cost reduction delivered; c.5% more to come by 2023



Ex-fuel unit cost indexed to 2010 at constant currency

DELIVERED THROUGH >

- ✓ Group synergies
- ✓ Iberia – Plan de Futuro I
- ✓ Vueling – Darwin
- ✓ GBS roll-out

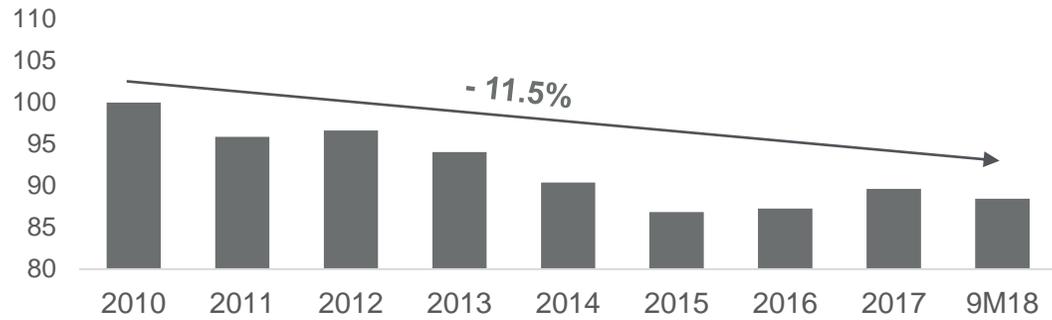
STILL TO COME >

- ➡ British Airways – Plan4
- ➡ Iberia – Plan de Futuro II
- ➡ Vueling – NEXT
- ➡ Aer Lingus – value model
- ➡ LEVEL expansion

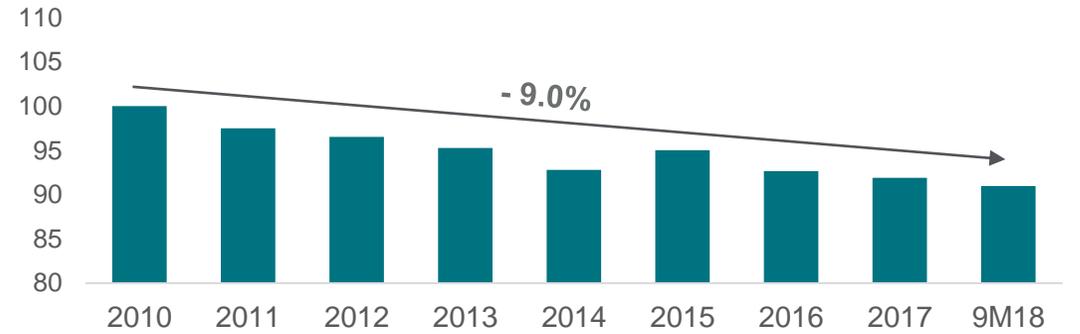
Cost efficiency and leadership

Peer cost performance 2010-YTD

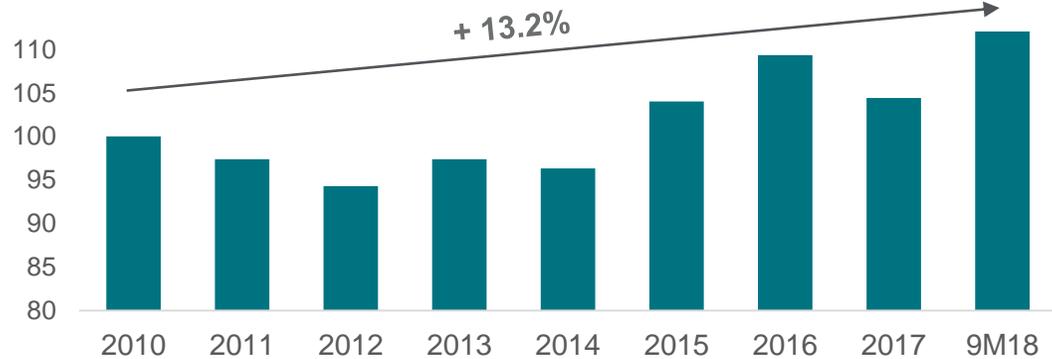
IAG



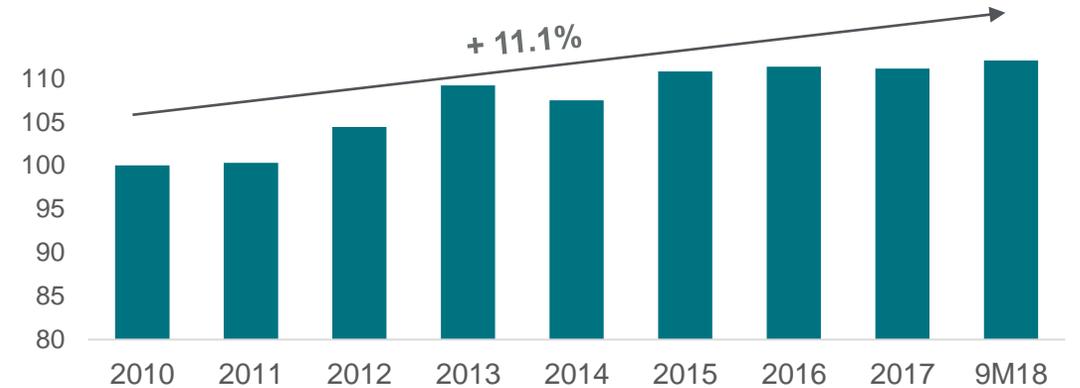
COMPETITOR 1



COMPETITOR 2

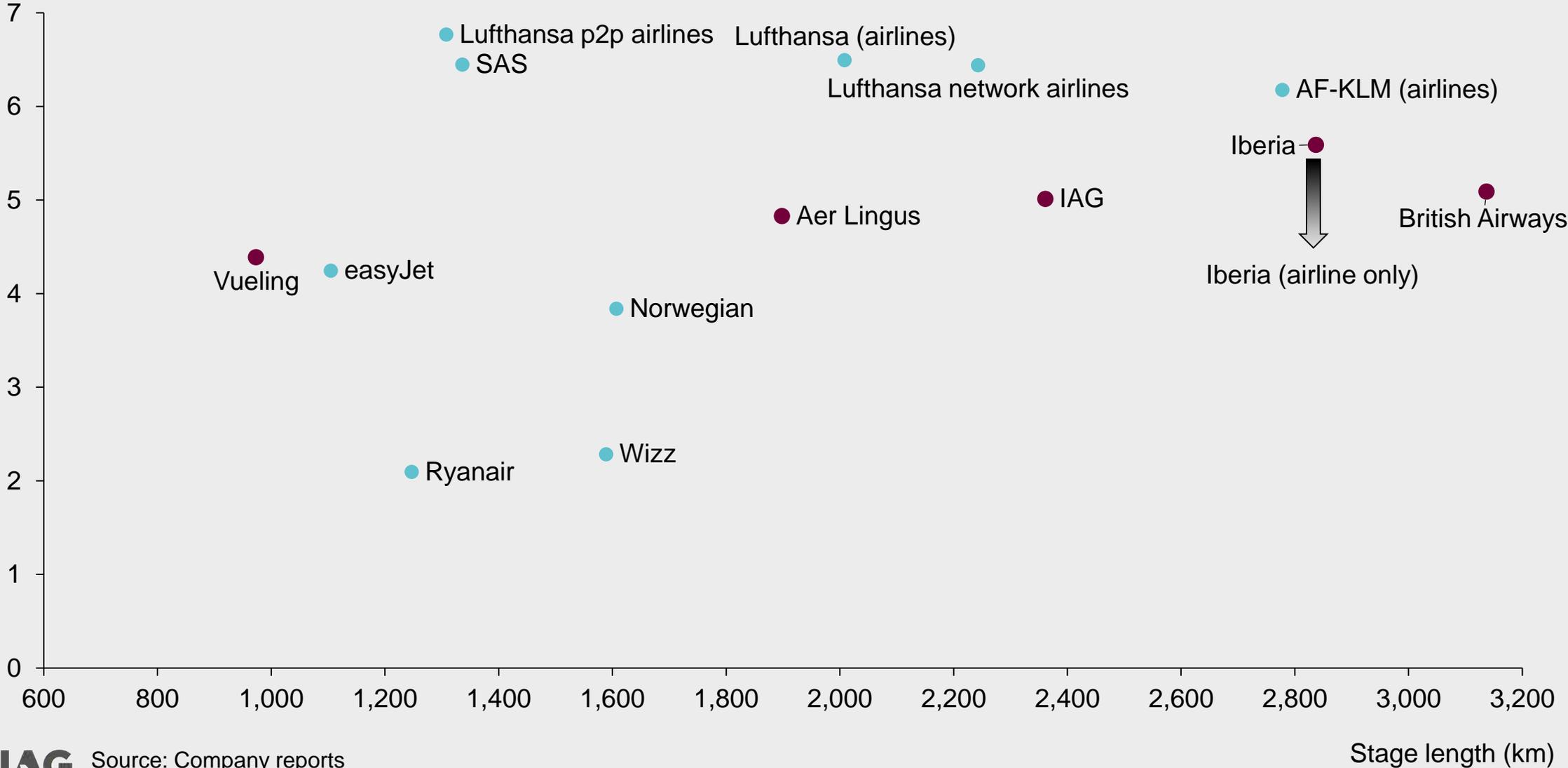


COMPETITOR 3



IAG airlines are cost competitive against their European counterparts

2017 non-fuel CASK €cents / ASK

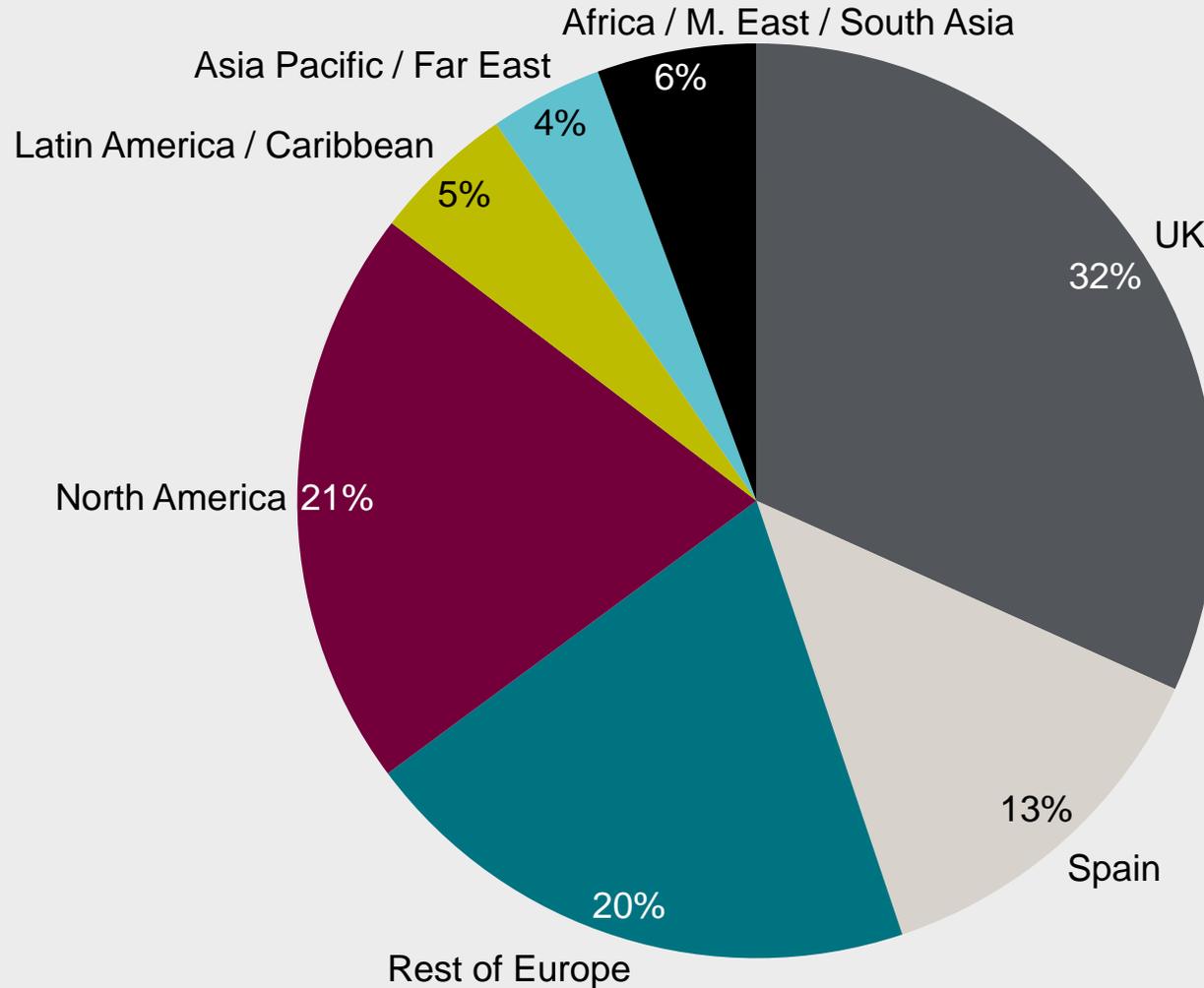


Portfolio of world-class brands

Robert Boyle – IAG Director of Strategy

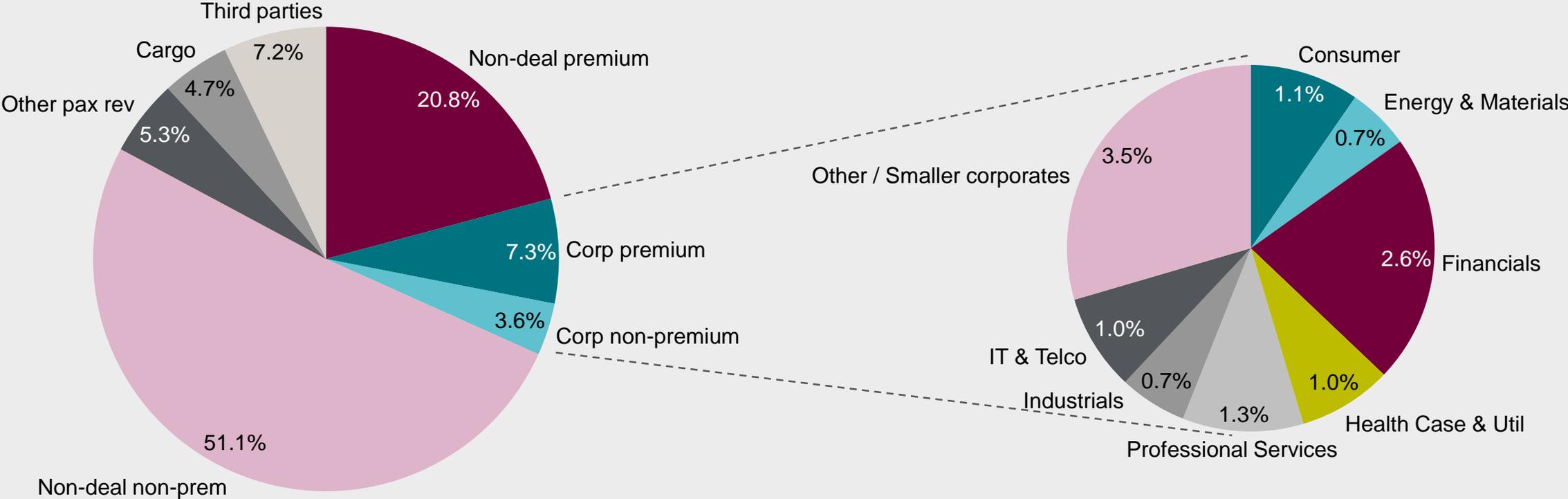
IAG's customer base is diversified geographically...

IAG passenger revenue by point-of-sale (12 months to Sept 2018)



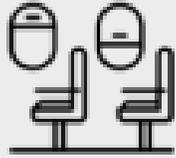
... and also diversified by industry sector

IAG revenue by product and industry 2017



Customer needs vary by travel occasion

Tested 100+ variables; consistent across all home markets



Trip Cabin

e.g. premium, non-premium



Trip Flight Length

e.g. short haul, long haul



Attitude

e.g. Value mindset - trading up vs trading down



Trip Purpose

e.g. business, leisure



Travel party

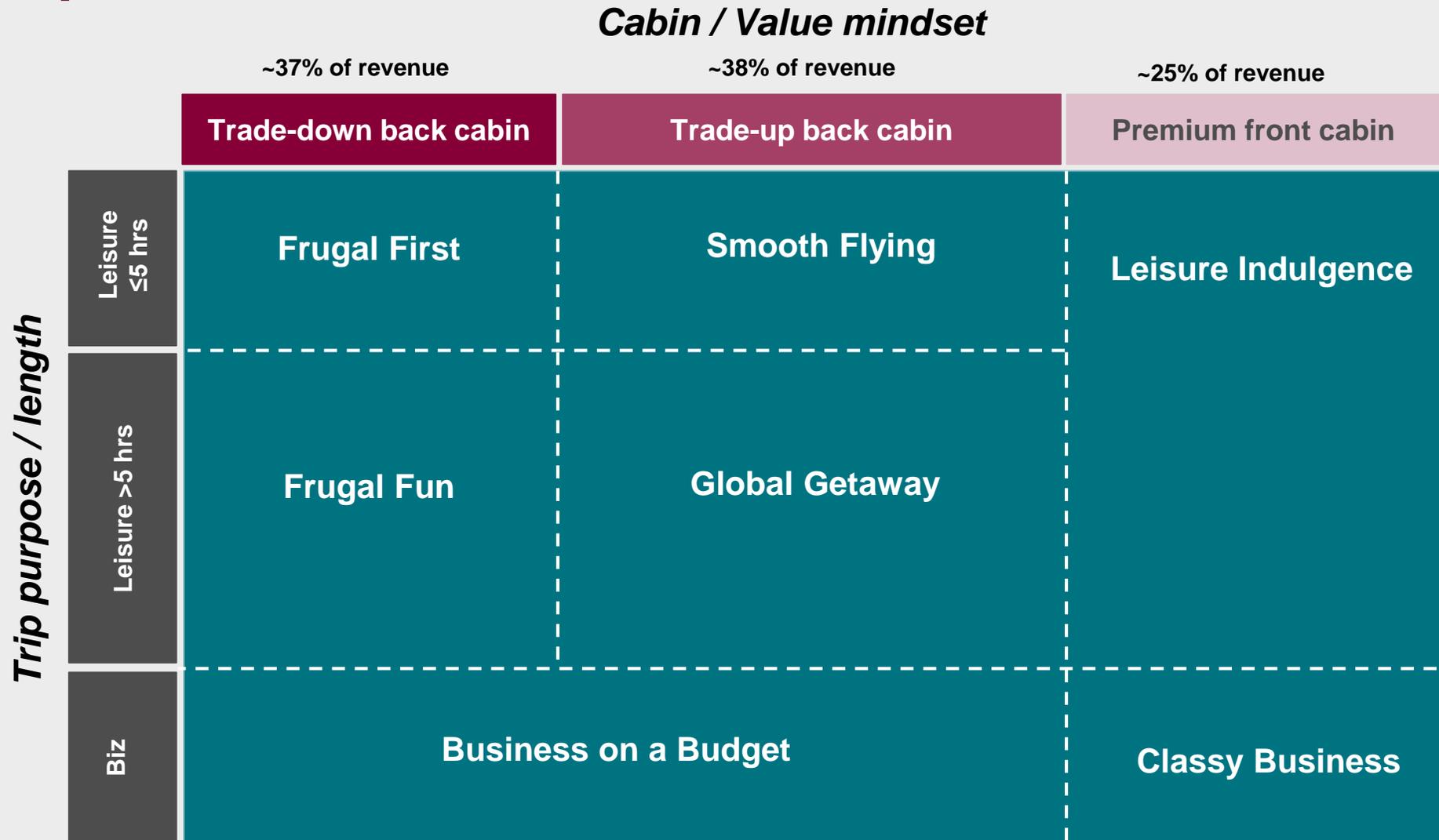
e.g. solo traveller, family, couples



Demographic

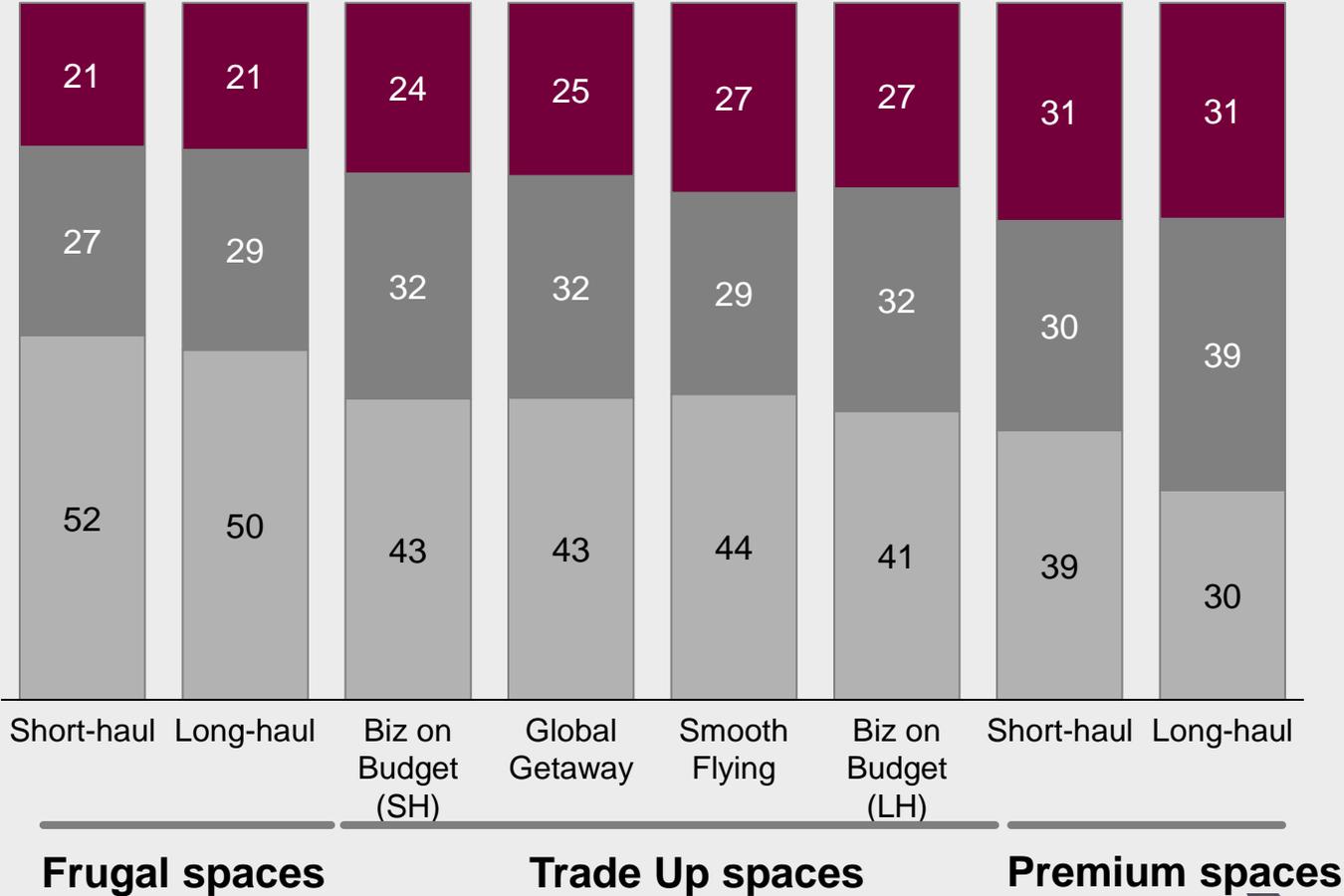
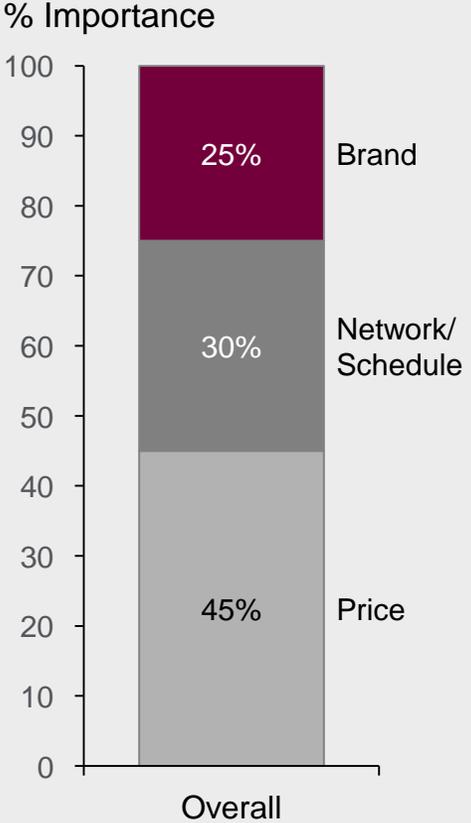
e.g. age

These differing customer needs translate into 7 key customer demand spaces



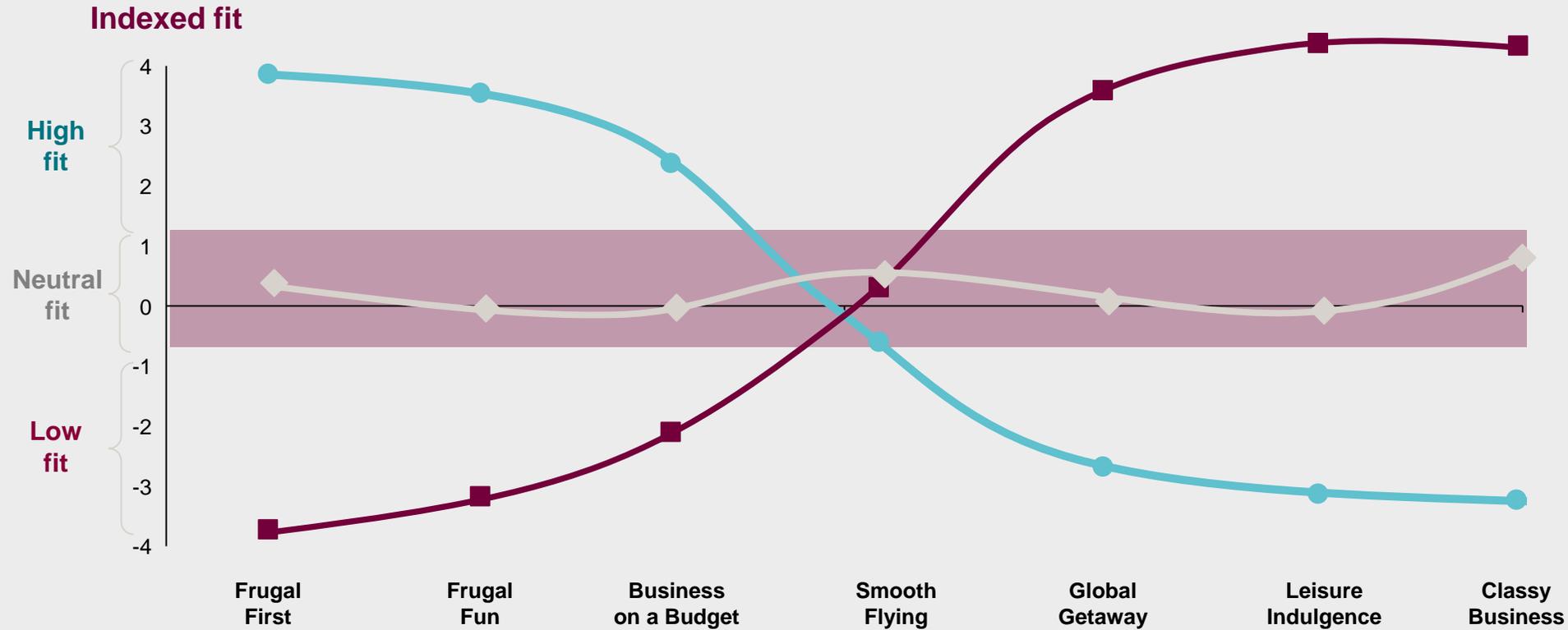
Brand is a significant driver of consumer choice in air travel

All three levers, brand, network / schedule and price, need to be optimised



Challenge for brands seeking to be “everything to everyone”

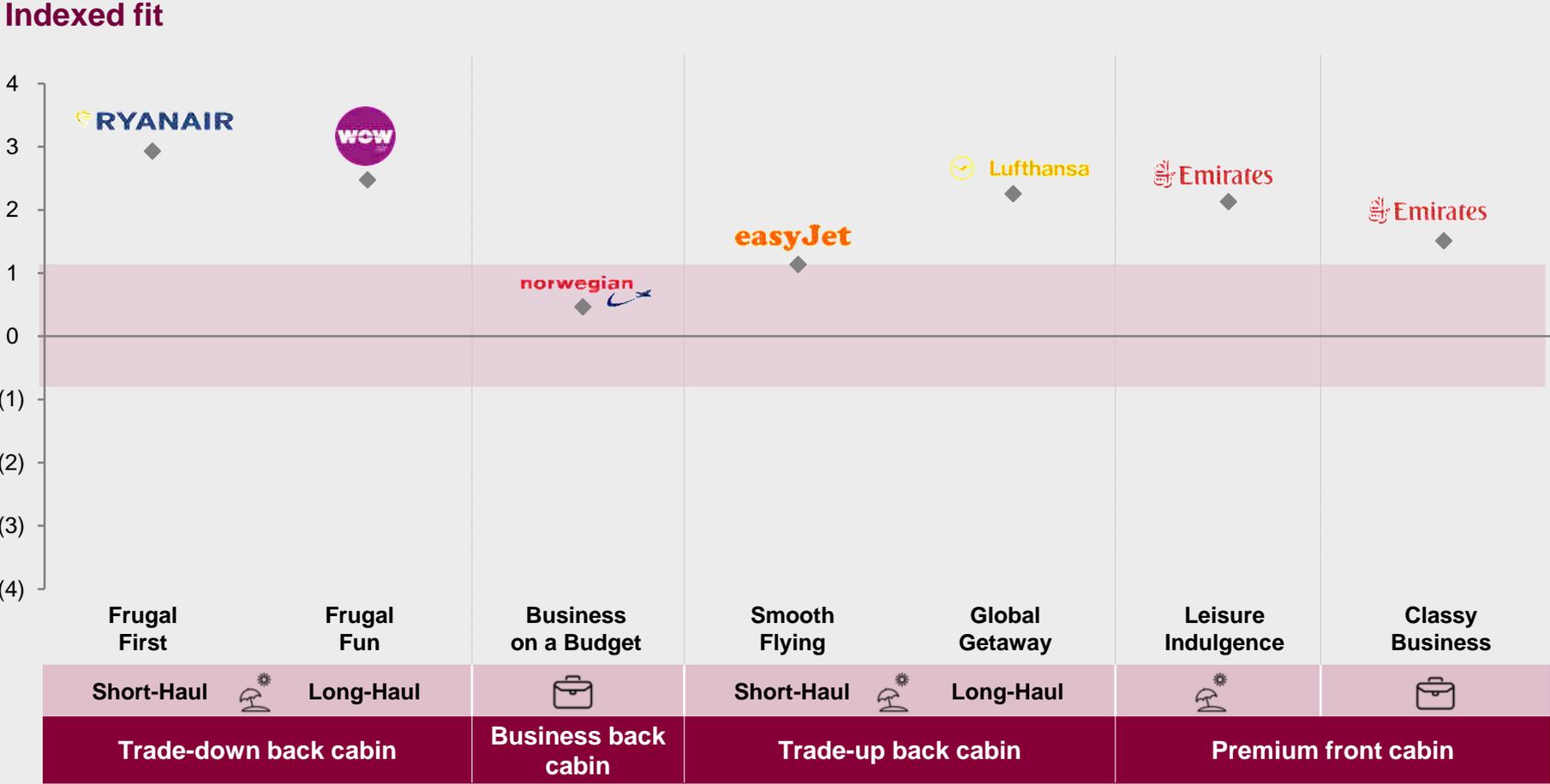
Inherently conflicting needs make it impossible to resonate with the full spectrum of demand



- Trade down needs and premium needs inherently conflict
- Brands trying to appeal to both ends become neutrally perceived

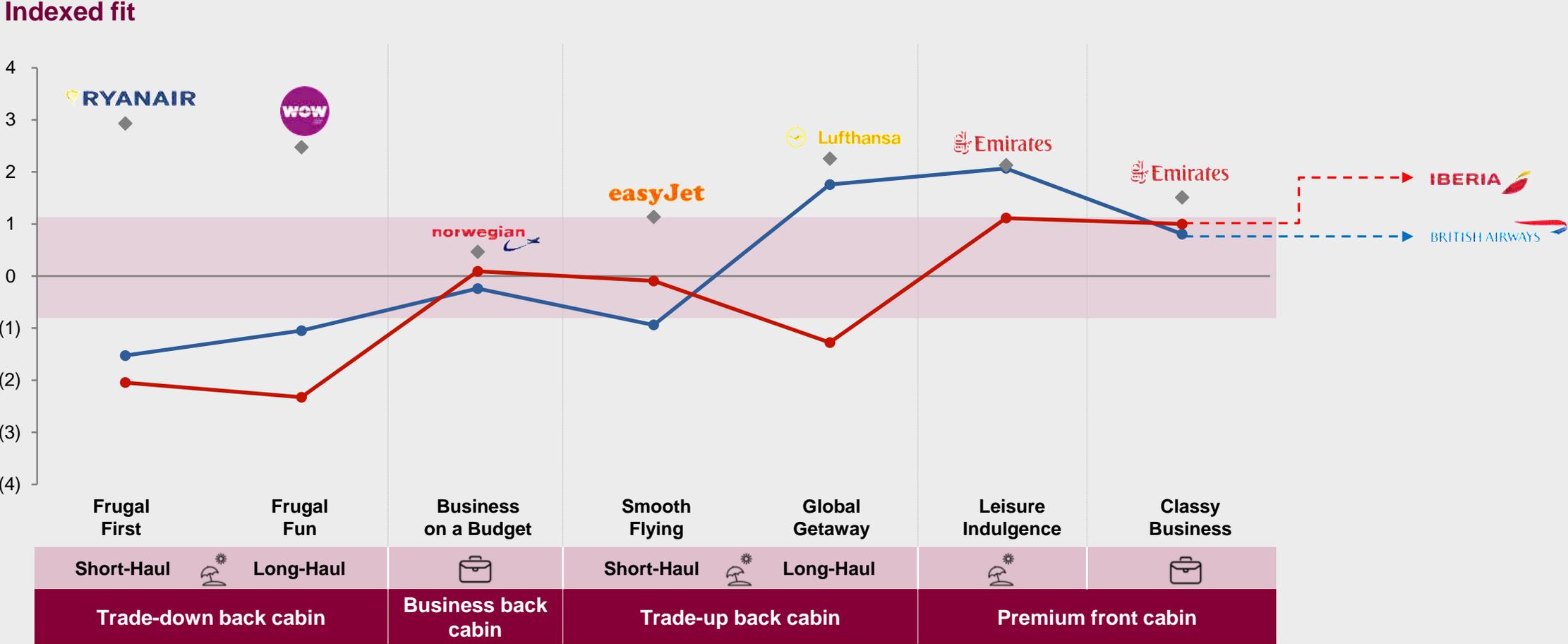
Different brands fit well with needs of different demand spaces

Leading competitor brands by demand space



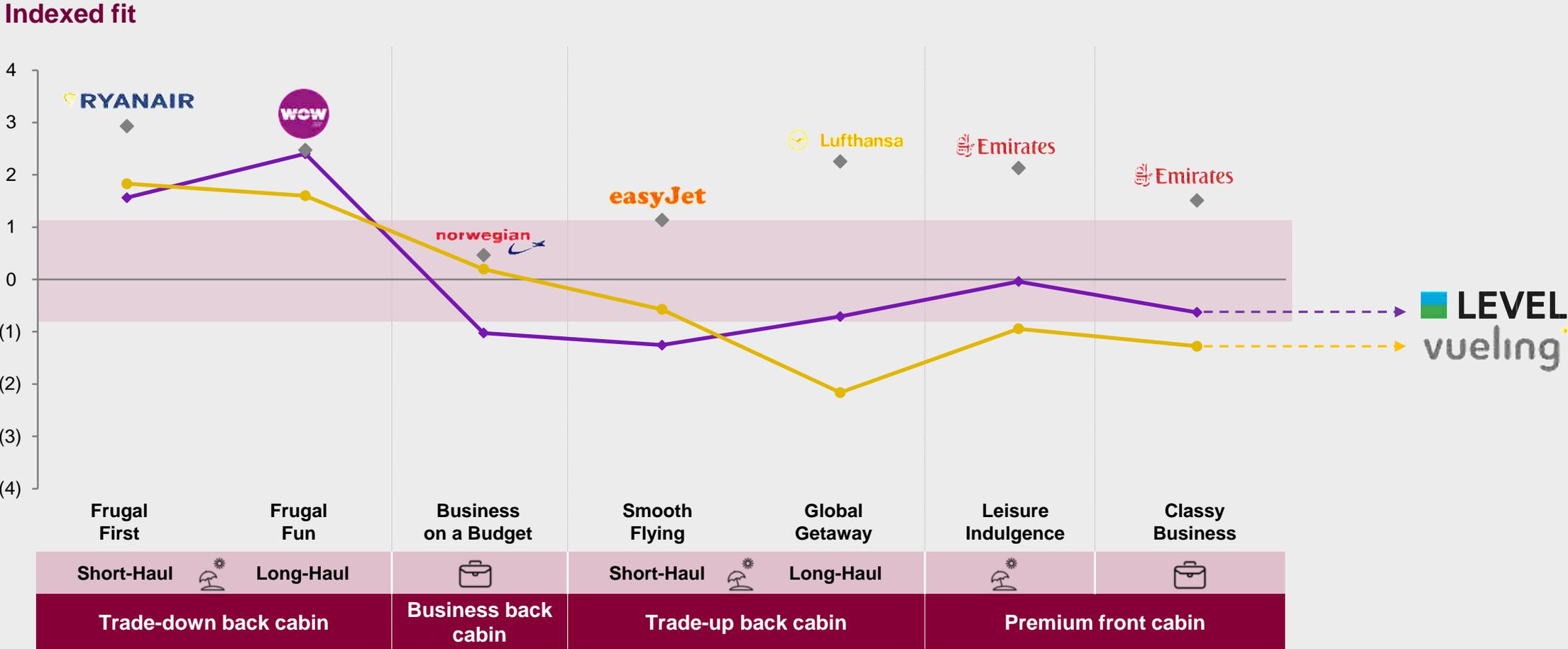
Different brands fit well with needs of different demand spaces

The British Airways and Iberia brands perform strongly in premium spaces



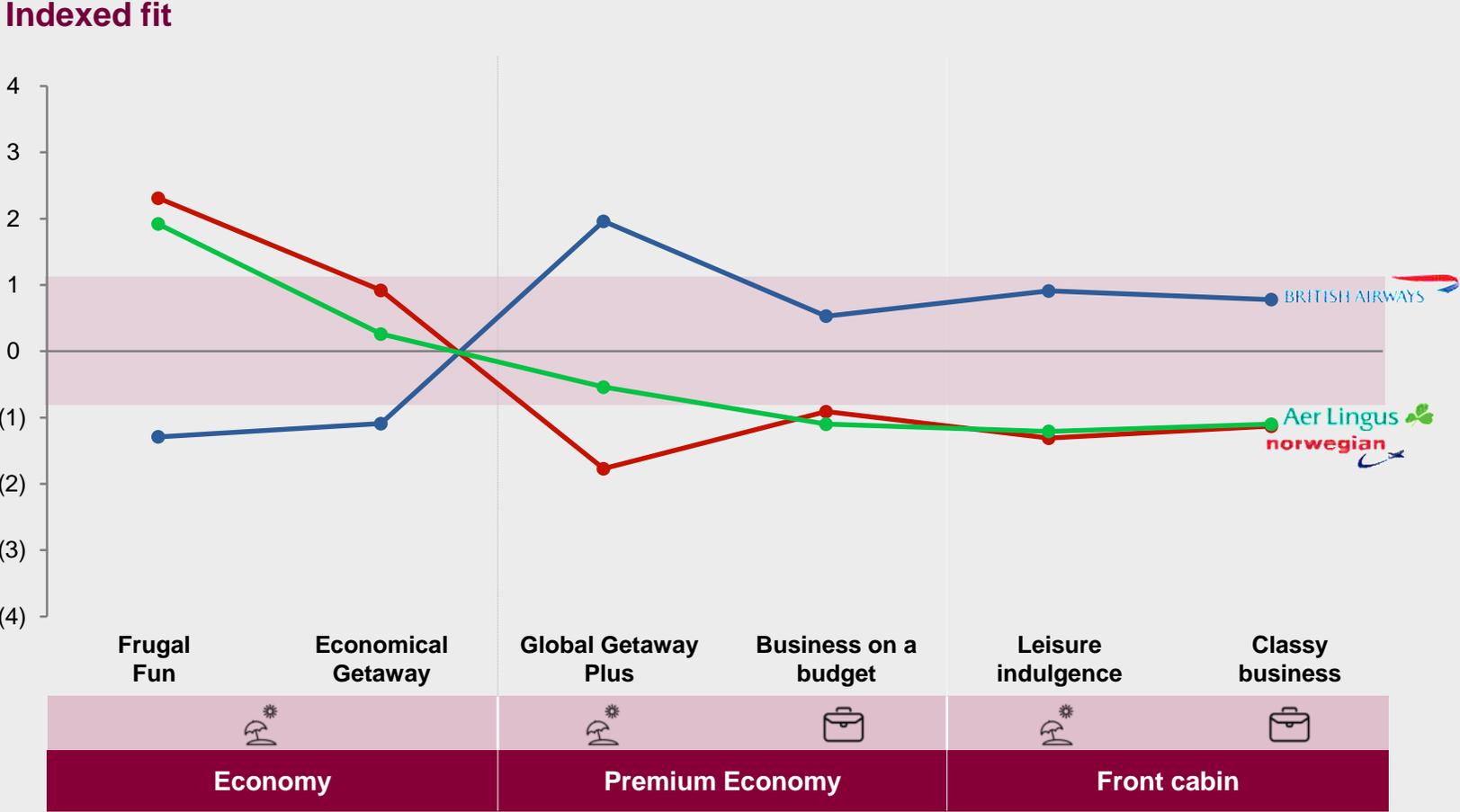
Different brands fit well with needs of different demand spaces

The Vueling and LEVEL brands have strong fit with frugal spaces

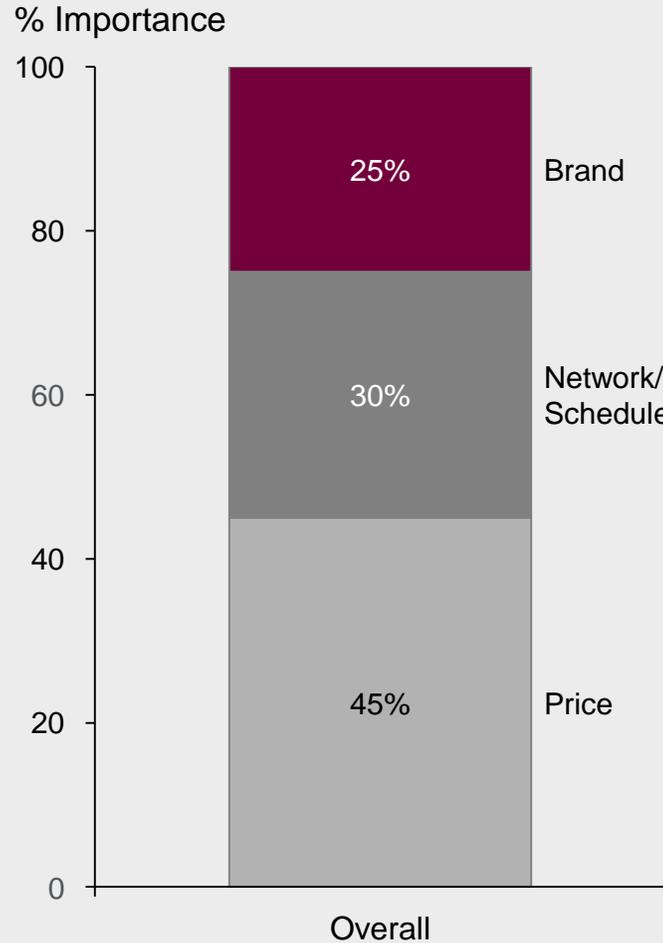


Different brands fit well with needs of different demand spaces

The Aer Lingus brand has strong fit with needs of frugal space in the US



We believe there is significant additional value to be captured in improving our brand positioning



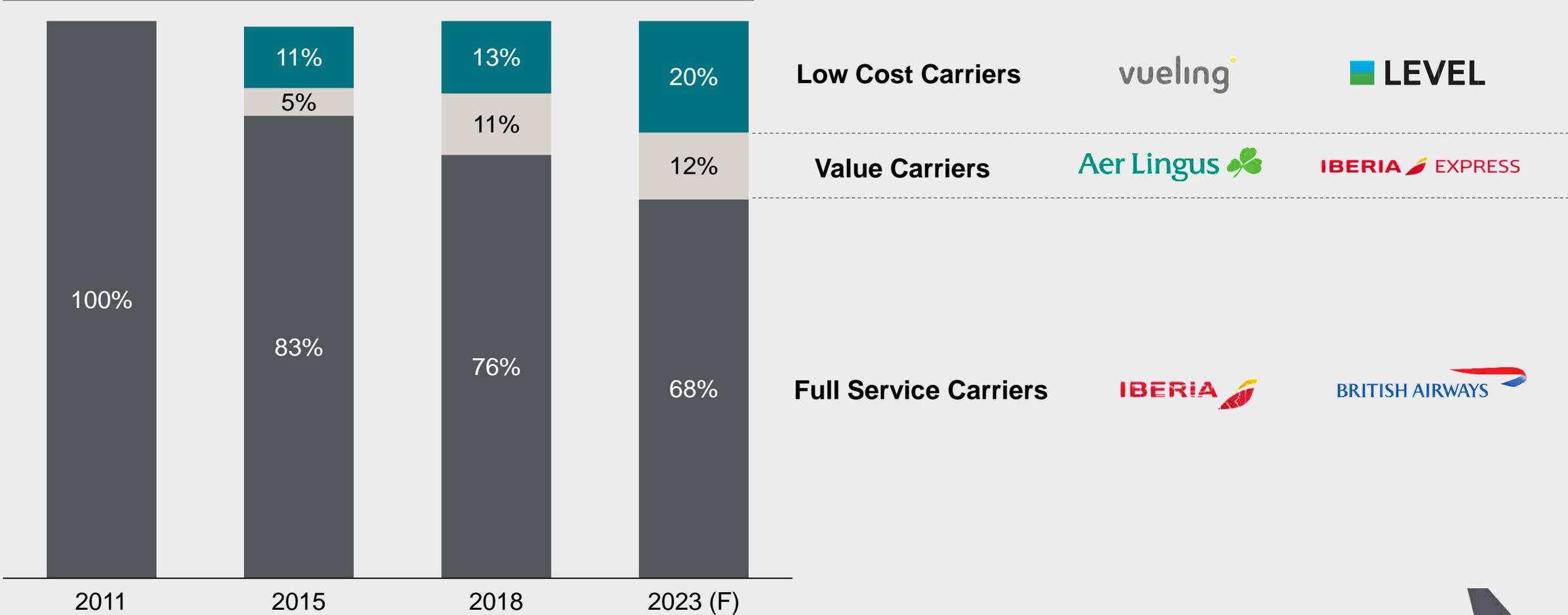
- Importance of brand should not be underestimated
- Brands should focus on resonating strongly with target demand segments - avoid trying to be everything to everyone
- Current fit for IAG brands suggests more value can be captured
- Business plans for individual Airline Operating Companies reflect more focused investment in target demand spaces
- IAG Operating Companies already well positioned on price and network - the major purchase drivers of customers

Global leadership positions

Robert Boyle – IAG Director of Strategy

IAG is building a portfolio of brands to better compete for value across all segments of the market

Distribution of IAG ASKs by business model type



Each hub is complementary and has its own unique strengths

IAG long-haul routes from our key hubs

DUB

Geographically advantageous for North Atlantic

97 long-haul routes

70 non-overlap routes

MAD

Geographically advantageous for South Atlantic

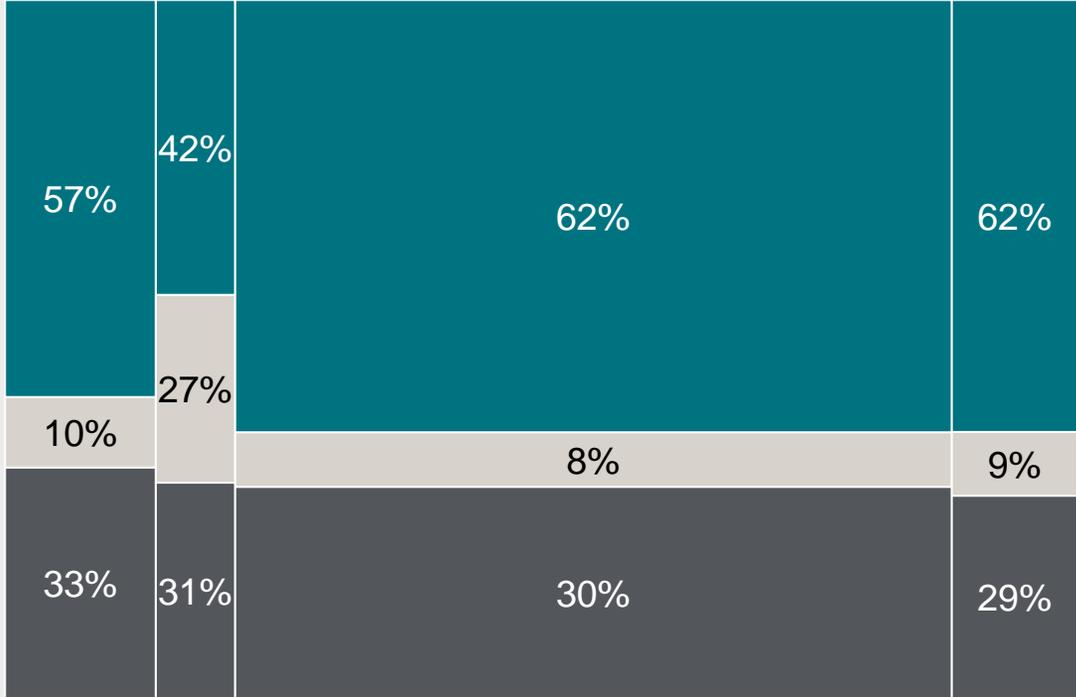
LON

Largest air transport market in the world

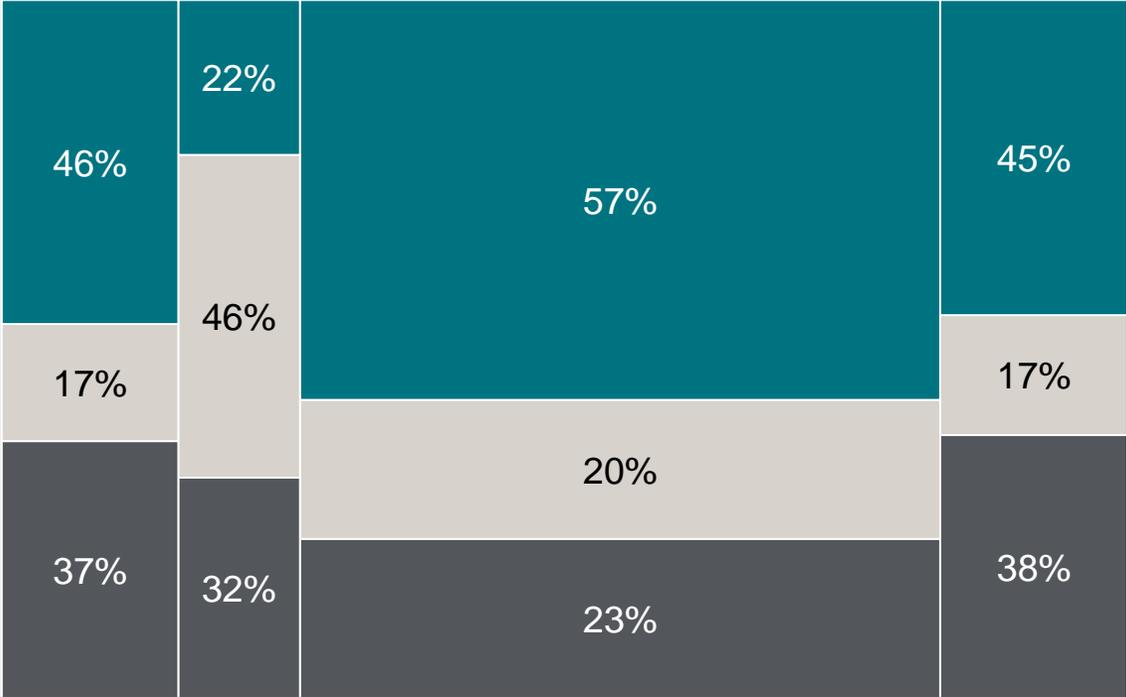


IAG is the revenue share leader in each of its home cities

Revenue share
(TTM August 2018)



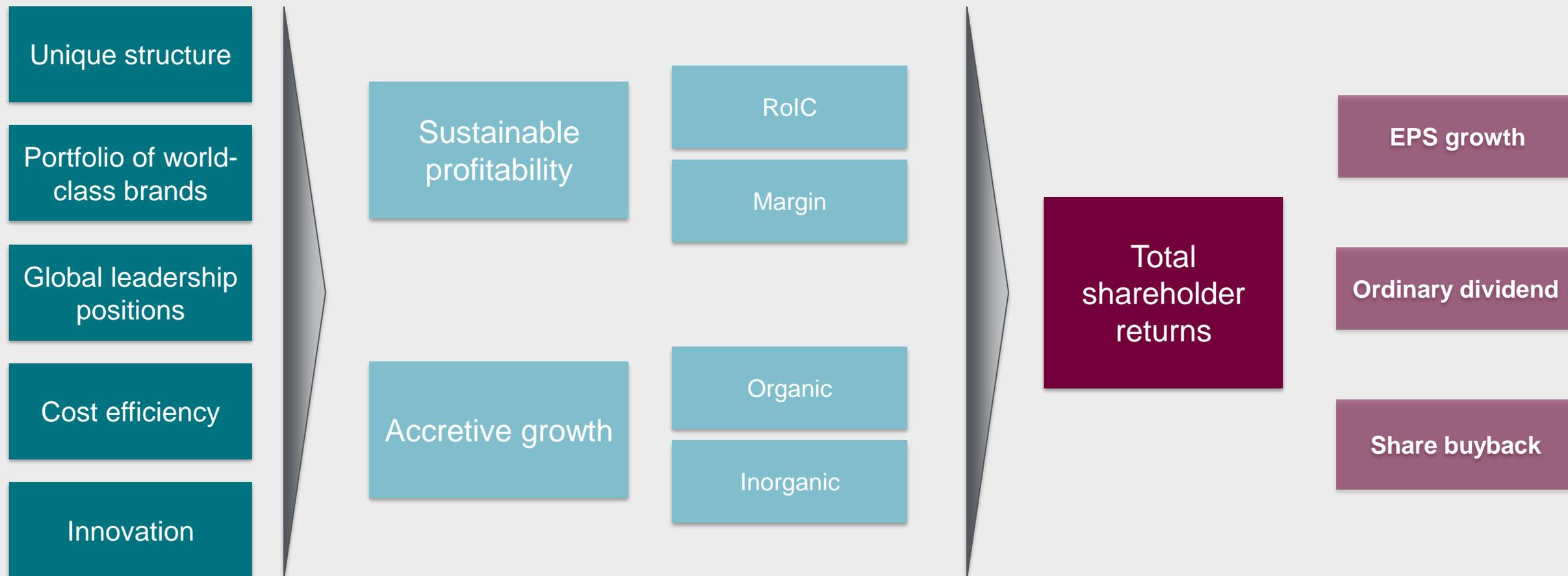
Passenger share
(TTM August 2018)



■ IAG ■ Next largest competitor ■ Others

The IAG investment case

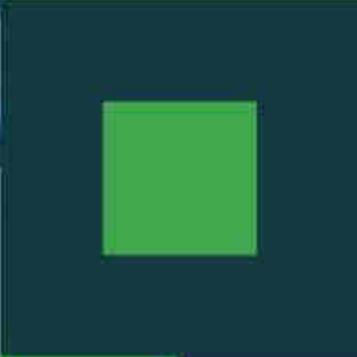
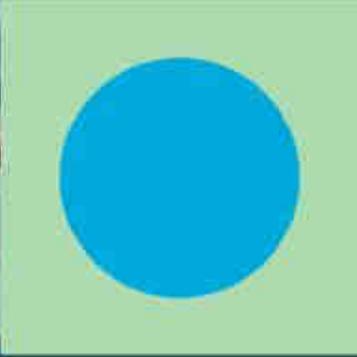
A unique structure that drives growth and innovation to generate superior shareholder returns

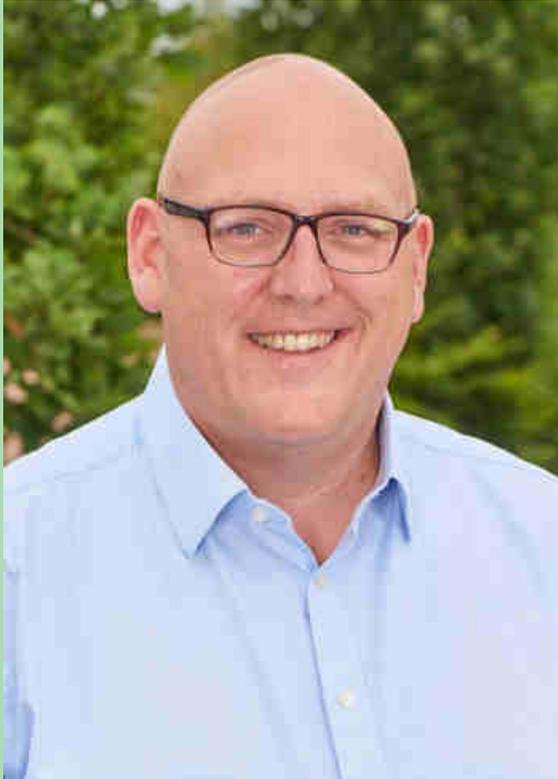




LEVEL

Building the airline
business model of
the future





Vincent Hodder
CEO LEVEL

20 years of airline experience in strategy, commercial and operational roles, 14 years at executive level

Lived and worked globally including Australia, Central America, Mexico, Japan, Korea, South Africa, Chile, UK, USA

Experience in

- European regional aviation (Flybe 2015-2018)
- ultra low cost airlines (VivaAerobus (Mexico) 2013-2015)
- low cost carrier start-up (Jetstar Japan 2011-2013)
- low cost long haul and short haul (Jetstar 2007-2011)
- dual brand operation in large airline group (Qantas/Jetstar)
- multi AOC operation under common brand (TACA 2002-2007)
- full service long haul airlines (as consultant with Bain & Co 1999-2002)



LEVEL

We are building the customer centric, technologically enabled, airline business model of the future



LEVEL by the numbers

Long haul network



3 bases
9 aircraft
22 routes
+700,000 passengers
90% Load factor

Short haul network





Strategic rationale

Allow IAG to target growing price sensitive leisure markets

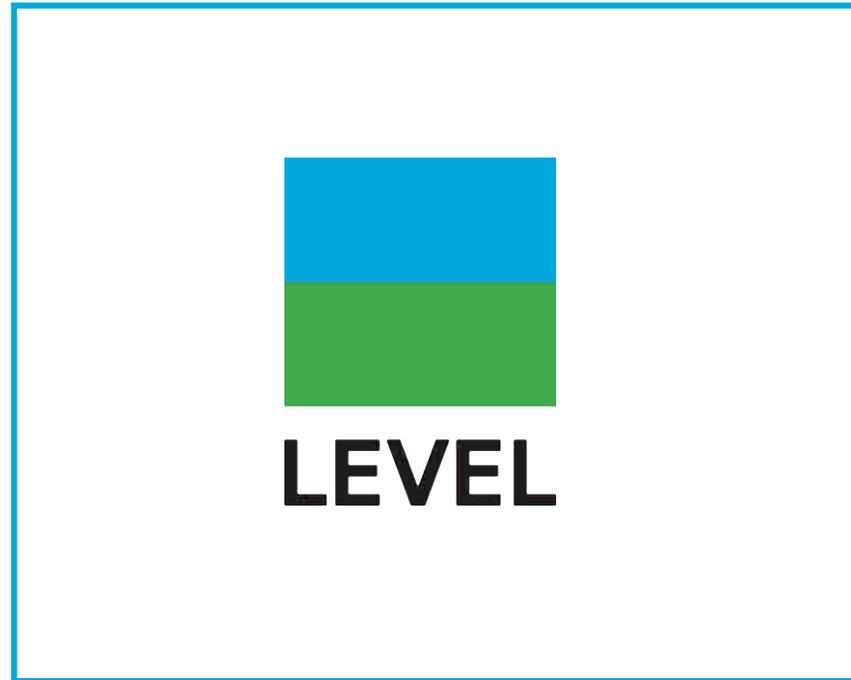
- Full service brands target customer segments who value the full service experience
- LEVEL focuses on keeping prices low and the experience simple
- Specific focus increases chances of winning target customer segments
- Open access to new network opportunities leveraging cost base
- Brand has cross border appeal
- Demonstrate lower cost operations and pilot new technology
- Develop centre of excellence in ancillary / digital led customer centric model



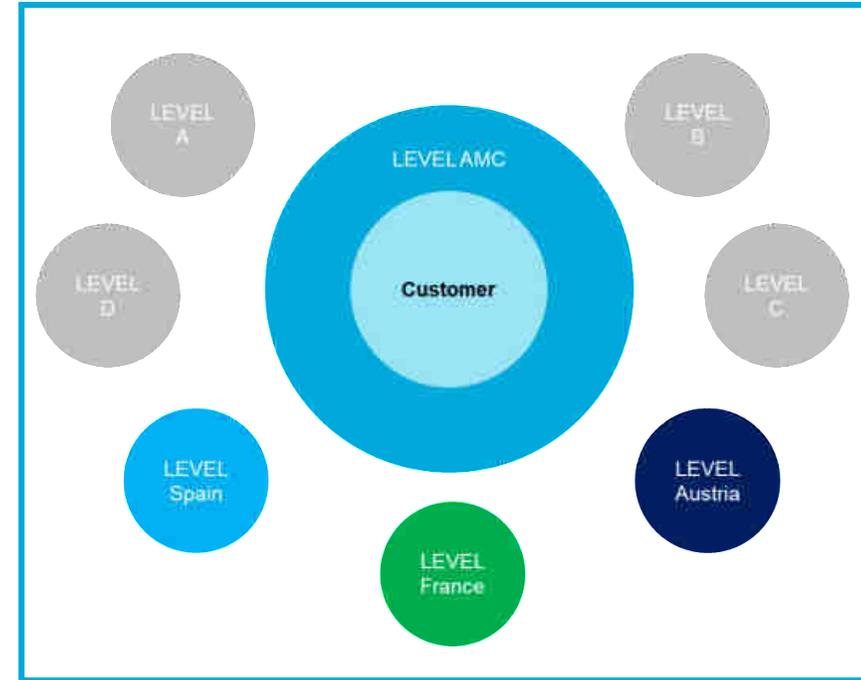


LEVEL is both a brand and a new approach to what an airline is...

LEVEL Brand



LEVEL Business Model

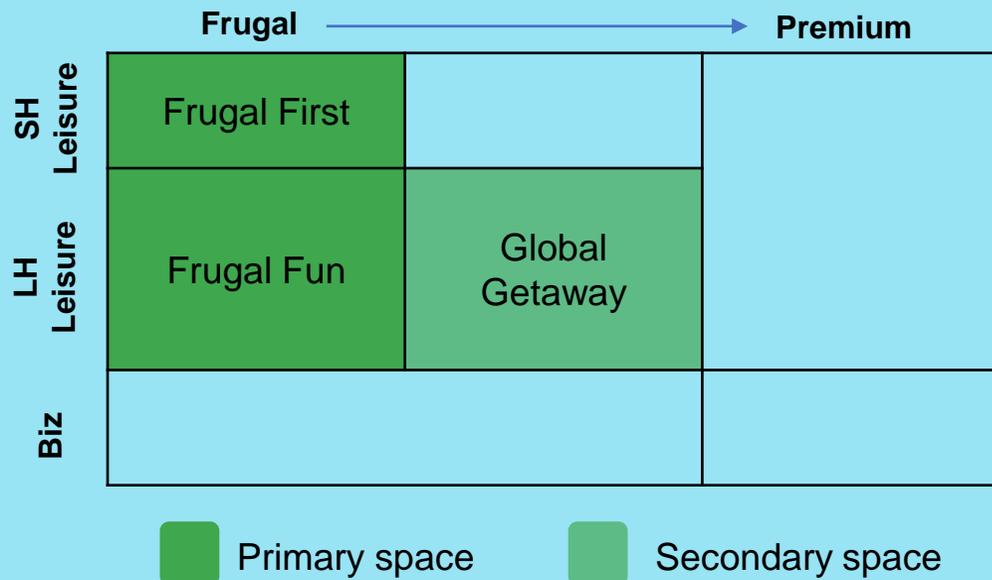


LEVEL designed for Low Cost Long Haul but brand and model are flexible enough to apply equally to Short Haul operation

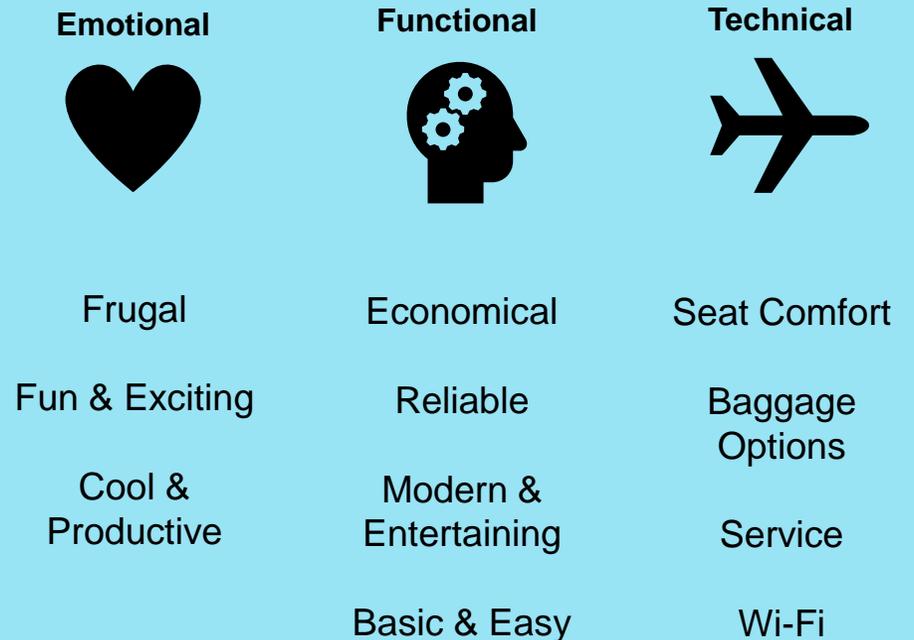


Brand is targeting the Frugal demand spaces

LEVEL to centre brand on Frugal demand spaces...



...meeting emotional and functional associations



Brand Inspiration – a modern definition of value

Affordable brands shouldn't feel 'cheap'

Global consumer macro trends



Squeezed Middle

Value -v- Cheap/Expensive

Experiences over Possessions

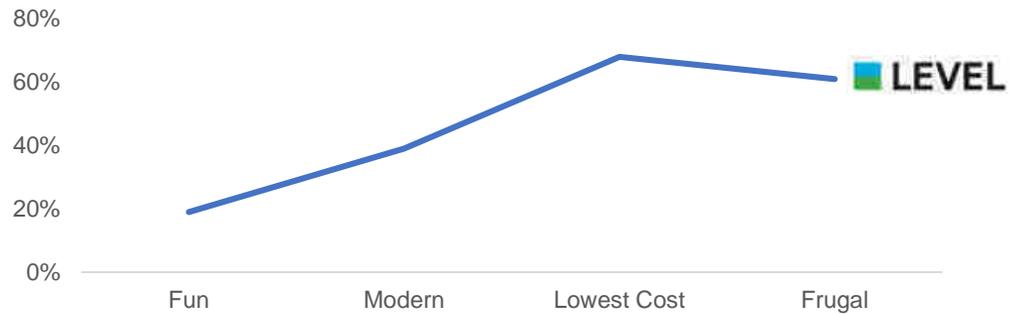
LEVEL Brand & Purpose



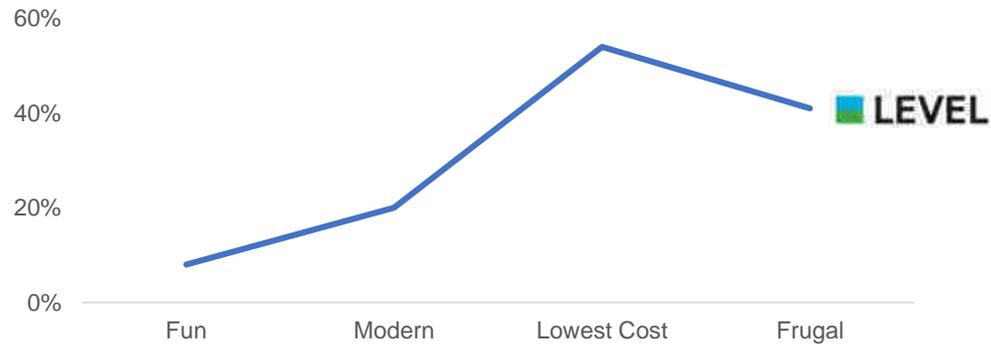
Standing up for your right to Fly, opening up access to experience the world

Initial brand work has positioned LEVEL well on cost

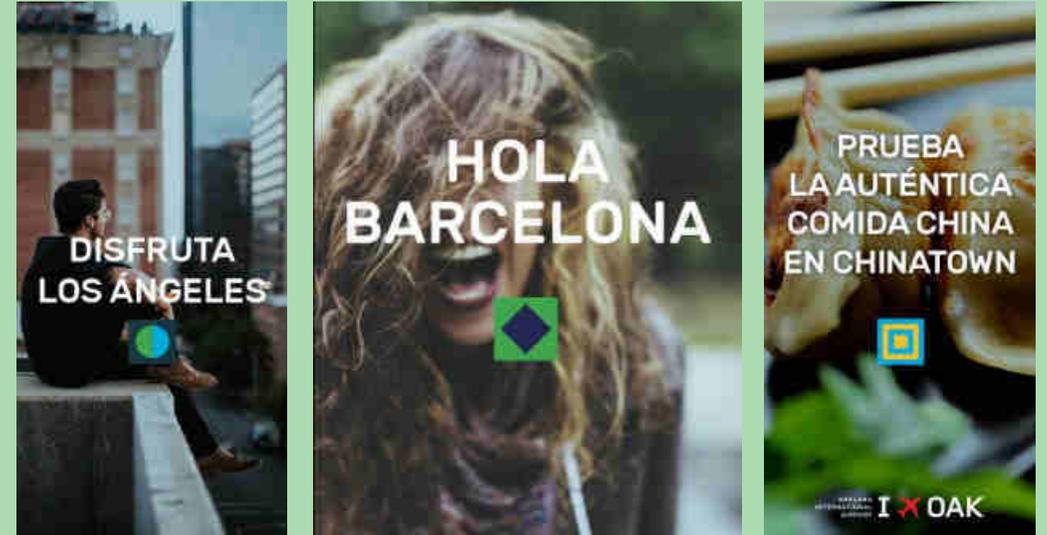
Brand positioning very strong in **Paris**, significant differentiation in **Lowest Cost and Frugal**



Brand perception strong in **Barcelona** with further room for differentiation



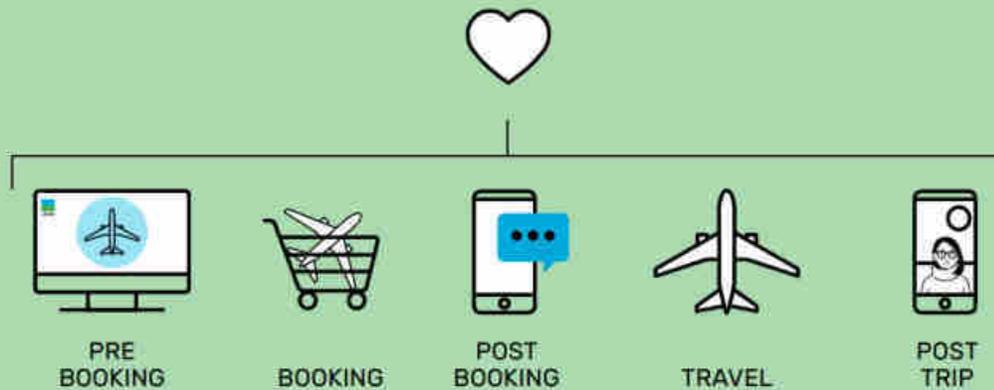
Sample of 1000 flyers in Paris Metro region and 1000 flyers in NE Spain Region. Survey run in June 2018.
Question (to those aware of LEVEL brand) "Which airlines come to mind when you think about the descriptions... 'Fun' 'Modern' 'Lowest Cost' 'Frugal'"



Customer experience differentiators & priorities

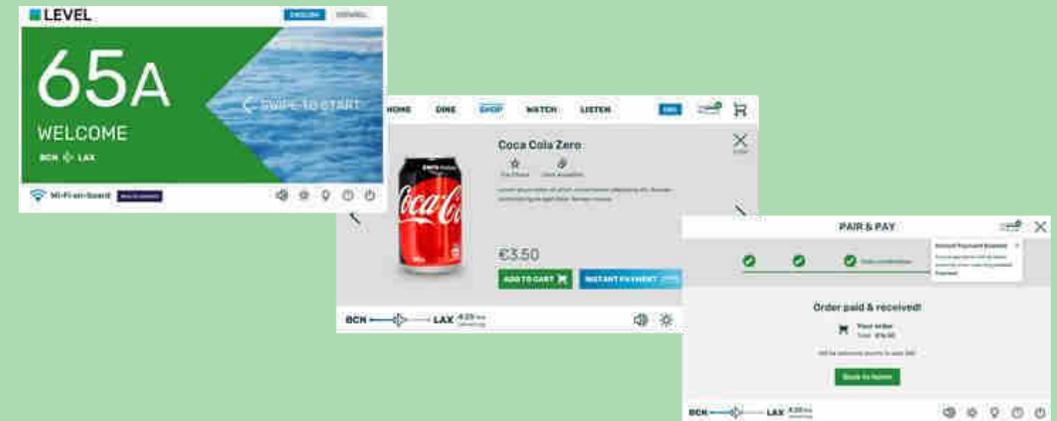
Easy & Economical

Focus on **digital channels** in the customer experience is key to creating an easy, seamless, joined-up journey & control cost



Entertaining & Cool

Focus on offering something **unique and different** by referencing brands that consumers love outside the airline experience



Modern & Unique



Focus on **our people** living the LEVEL brand by bringing their unique and authentic personality to work

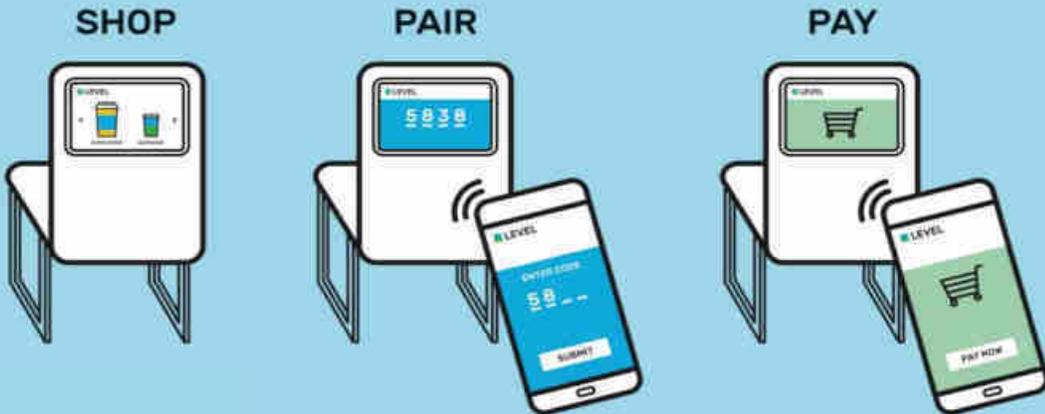
- Less formal uniform & fewer uniform guidelines
- Less scripts, focus on authentic communication
- More empowerment for team to make decisions in the moment

.air retail portal is a key enabler to deliver LEVEL product

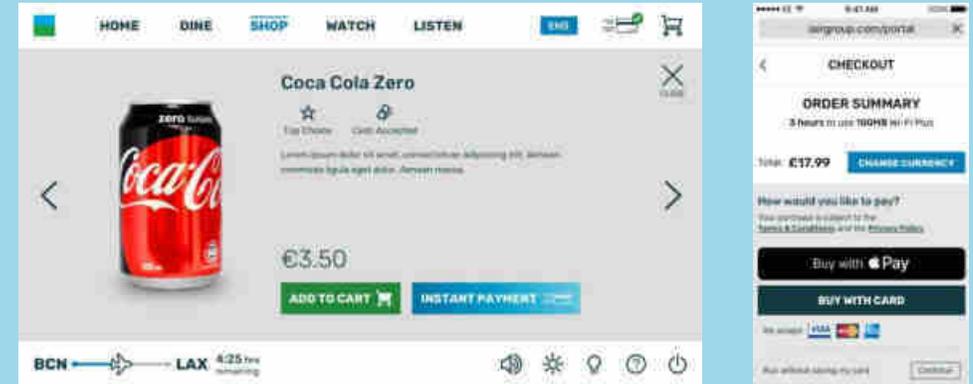
Giving control to customers



Pair & Pay technology brings the simplicity of online retail on-board



Recent and planned enhancements



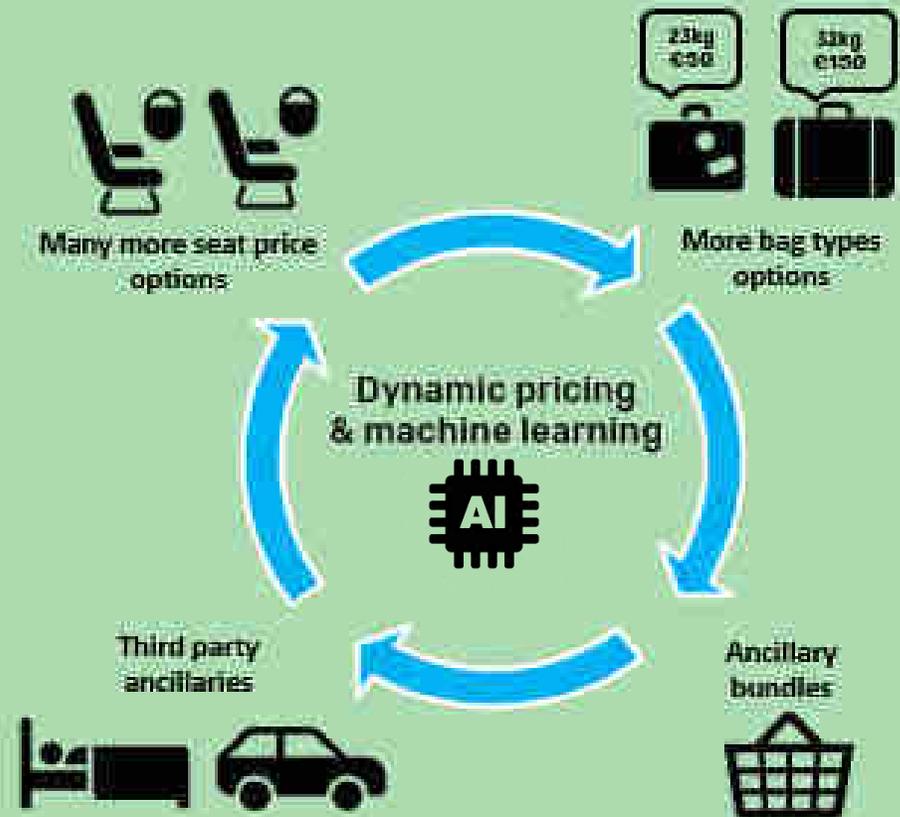
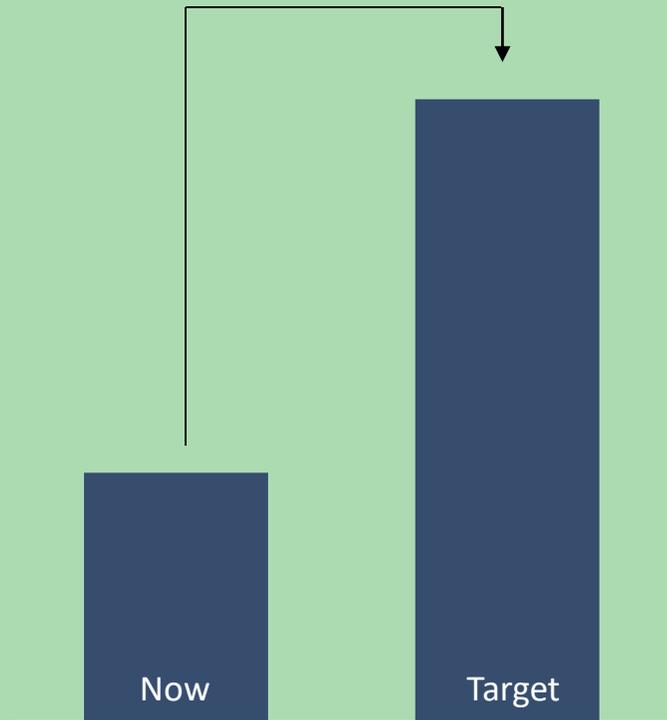
Instant payment & integration of ApplePay allows customers to make purchases quickly and easily

.air portal will bring significant customer & commercial benefits:

- > Retailing of entertainment on-board
- > Content sponsorships & partnership

Ancillary revenue is key opportunity to outperform

Average ancillary revenue per passenger



LEVEL ethos - improving product proposition at lower cost

1. New Catering Proposition



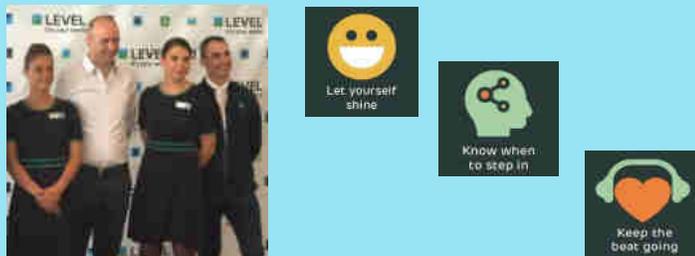
New packaging - 50% reduction in single use plastic
Move to fresh food at **same price** as frozen

2. New On-Board Product



New premium blankets, pillows and amenity kit - used in economy
retail offer **8% reduction cost**

3. New Uniform & Service Style



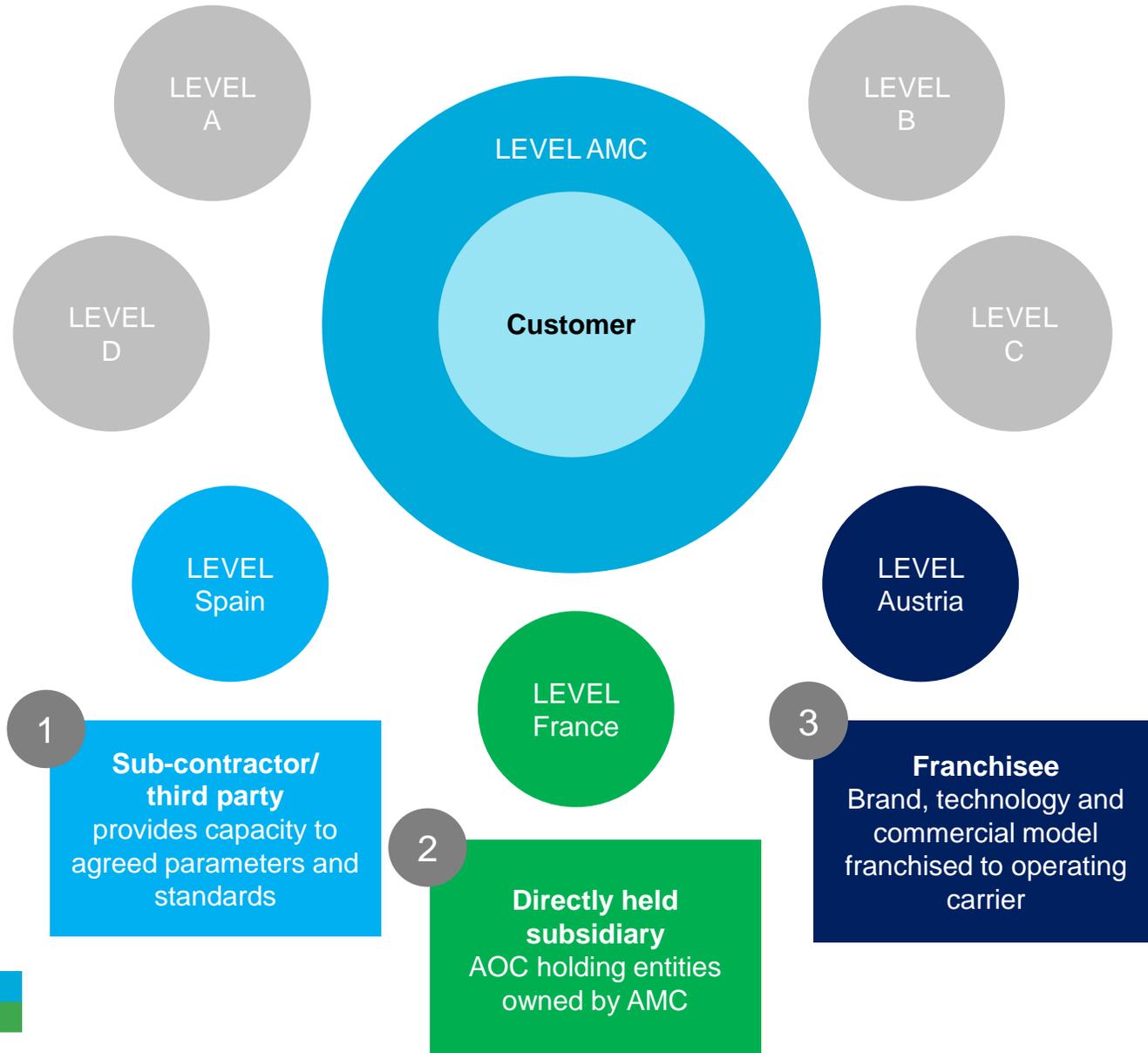
Service style pillars introduced
New uniform in Paris **15% cheaper than BCN**

4. Improved Portal Pair & Pay



New **single click** purchase and easier check-out process

Customer at centre of LEVEL organisation



- Unique organisational structure
- LEVEL sits between production units and customer
- Breaks traditional 'vertically integrated' model
- Highly scalable, multi national structure
- Production units 'compete' for growth opportunity
- LEVEL agnostic to production unit structure
- AMC is centre of excellence in ancillary / digital led customer centric model

Three distinct production models under one umbrella brand

LEVEL Spain	Sub contract/Third party operation IBERIA	<ul style="list-style-type: none">• Barcelona is large underserved market with a number of attractive expansion opportunities for LEVEL and extensive Vueling network• LEVEL flights operated by Iberia under Iberia code with Iberia crews• Iberia operation allowed rapid startup with low cost base for LEVEL and efficiency improvements for Iberia with pilot union support
LEVEL France	Directly held subsidiary LEVEL France	<ul style="list-style-type: none">• Paris is most important travel market in Europe after London• OpenSkies transitioned to operate LEVEL flights as subsidiary of LEVEL AMC• Transition to LEVEL supported faster ramp up of Paris operations while making effective use of existing IAG assets
LEVEL Austria	Franchisee ANISEC	<ul style="list-style-type: none">• Lack of true low cost presence created opportunity for IAG to establish short haul LCC operation in Austria• ANISEC established to leverage Group infrastructure and capability at lower cost of operation focused in Vienna• Opportunistic extension of LEVEL brand into short haul as part of pan-European low cost vision leveraging existing IAG brand assets

Understanding the key success factors for long haul low cost

- 1 Maintain maniacal focus on core customer segment and on cost base
- 2 Deliver on the promise - great value, not 'cheap'
- 3 Invest in technology to lower costs and deliver the customer experience
- 4 Access traditional as well as digital distribution
- 5 Build partnerships to provide short haul feed
- 6 Leverage scale and capability of sister OpCo's, but avoid legacy contagion
- 7 Maintain maniacal focus on core customer segment and on cost base

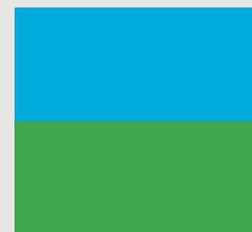
LEVEL expansion into short haul from Vienna

Pan-European network with focus on **Mediterranean destinations, Paris and London**



- Summer 2018: 14 destinations and 168 weekly flights
- Winter 2018: 8/10 destinations and 84/98 weekly flights

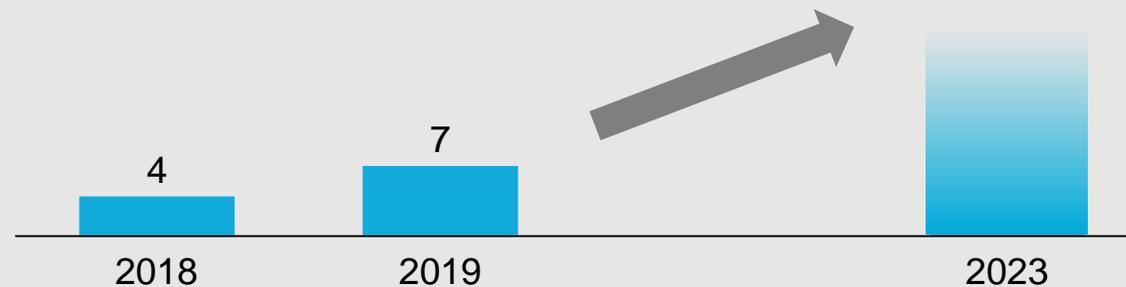
Targeting **frugal first** & consistently **good customer feedback**



LEVEL

- ✓ Brand perceived to provide good price-quality relationship
- ✓ Value experience localised to the DACH market
- ✓ Catering for purchase with local products and brands
- ✓ Refresh programmes in W18 to fully align cabin interior to LEVEL brand

Fast growth plans with three deliveries in 2019





LEVEL is 'designed for success'

Strong brand positioning,
customer focus and operations



Brand awareness

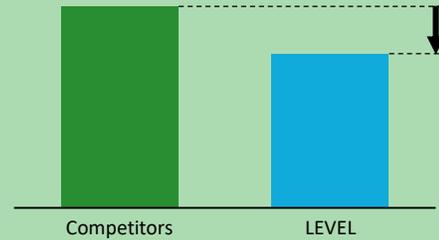


Functional Products



Unique Service Style

Optimising cost savings and
leveraging IAG strengths



Best in class costs

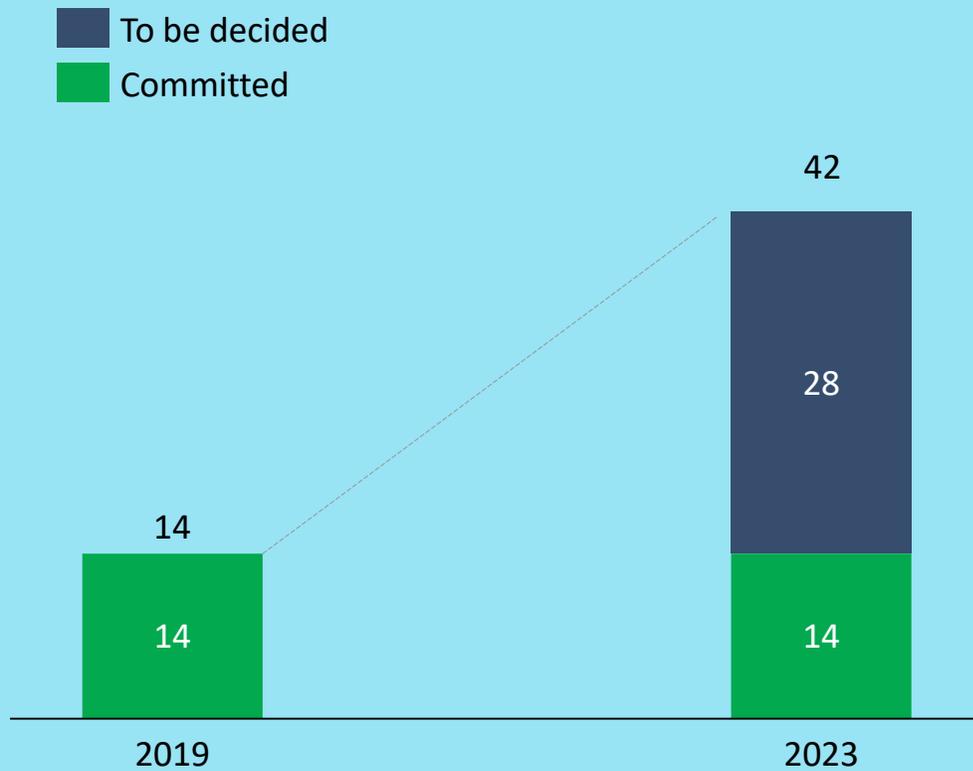


Efficient Technology

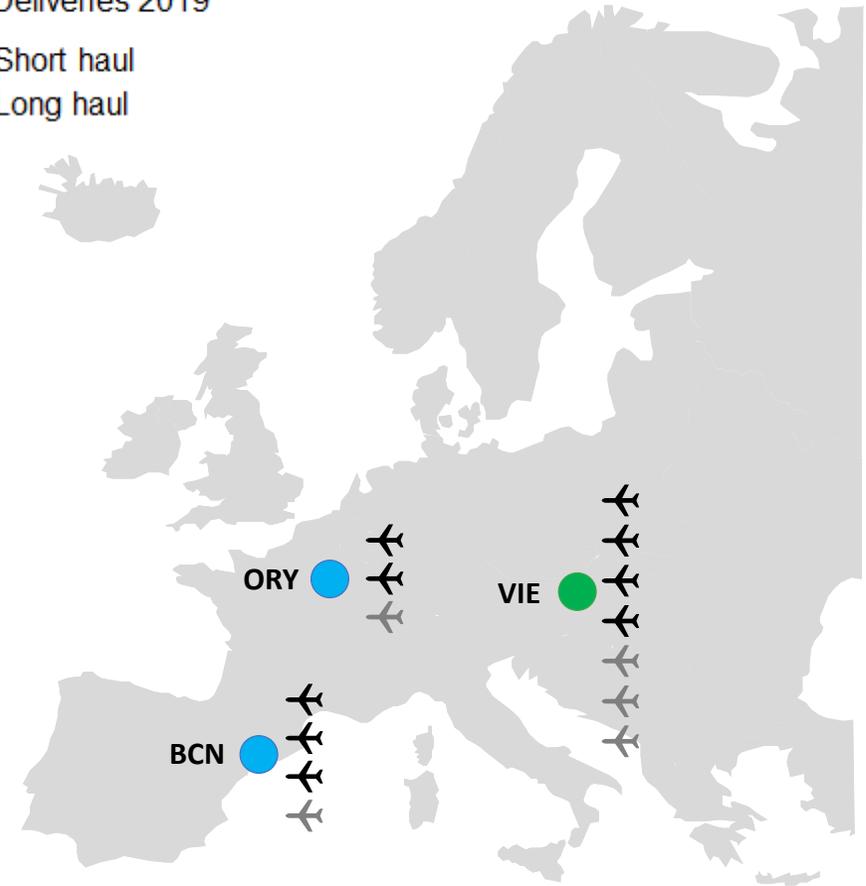


Leveraging IAG

Aggressive growth aspirations across both long haul and short haul

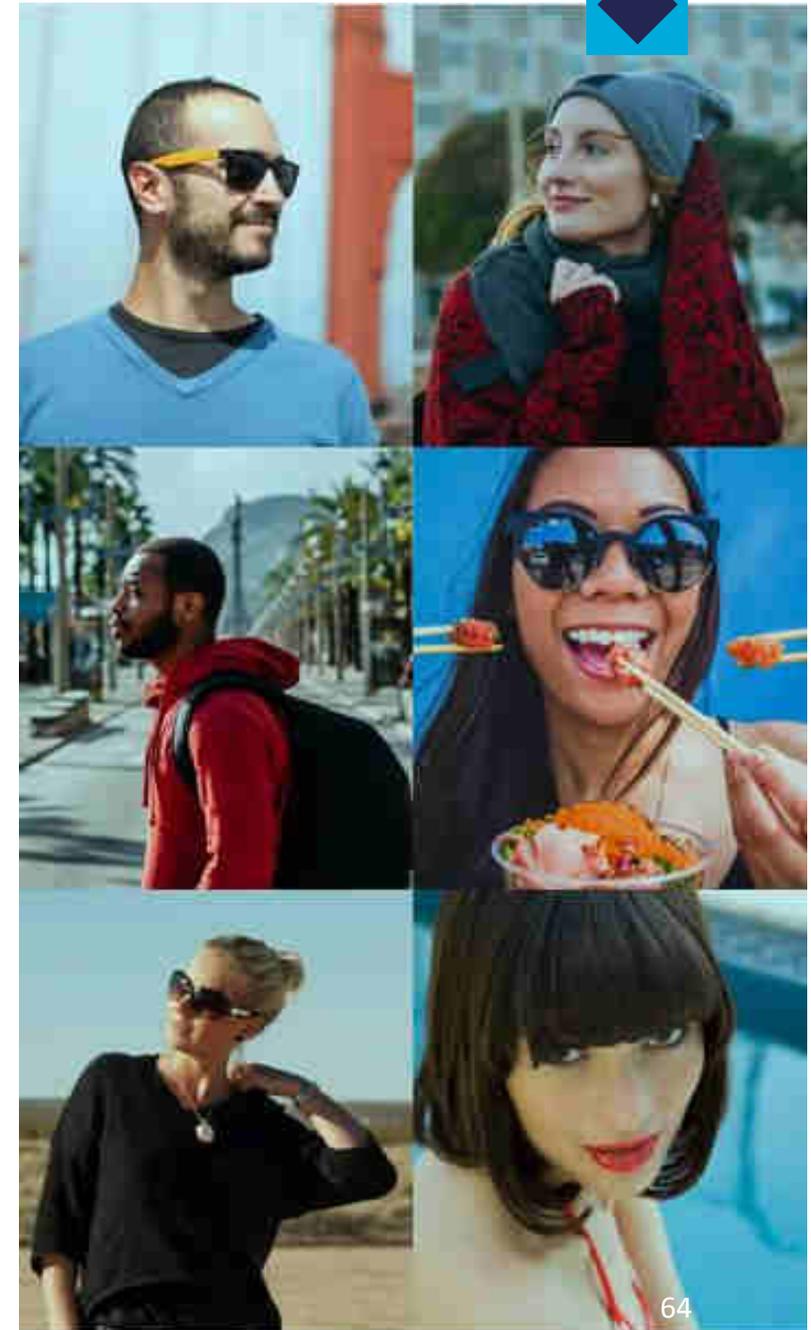


- ✈ Current fleet
- ✈ Deliveries 2019
- Short haul
- Long haul



Key priorities

- Move from project mode to ongoing operation
- Build out foundations to support rapid growth to scale
- Standardise customer experience across existing production units
- Develop case for network and footprint expansion
- Begin build of differentiating technology platform



Vueling

Javier Sánchez-Prieto - Chairman and CEO

Adapting & delivering

1



We continue to **grow & transform...**

- Strategy & NEXT programme remain unchanged
- **Market expansion continues to deliver**
- **Adapting to European headwinds**



2



...by delivering on what matters to our **Customers & People...**

- **Significant ongoing investments in Operations to answer unstable ATC situation**
- **Building a leading European LCC Customer Experience**



3



...and creating **profits & flexibility** for IAG

- Supporting agile IAG European expansion
- **Delivering profitable and capital-efficient growth**

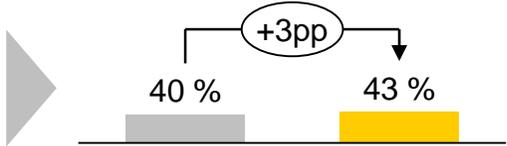


Market expansion continues with Spain & BCN further strengthened

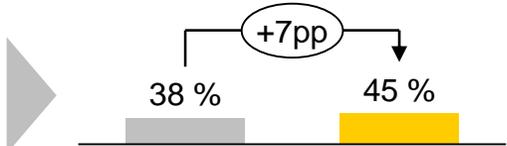
Continued to strengthen our core markets



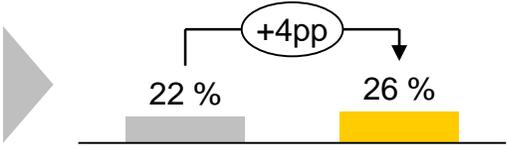
Barcelona*



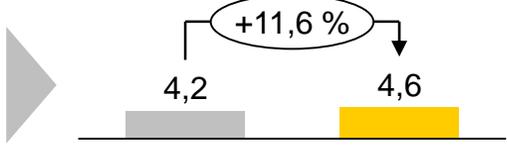
Spain - Balearics



Spain - Canarys



Spain - France



Spain - Italy



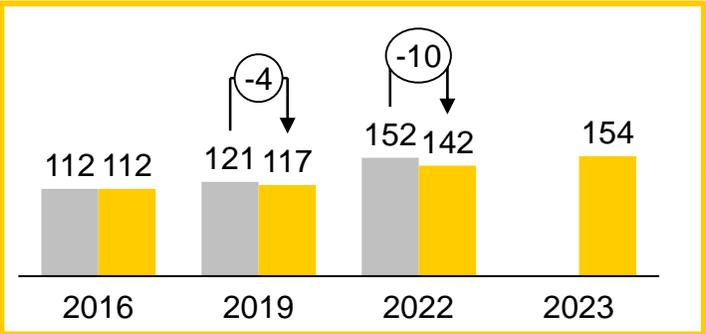
*Short & Medium Haul Market (<4.500km)
 **Source: SRS. 2018 seats

Capacity discipline & 'smart' growth at the core of our network strategy

Growth approach results in stronger commercial and operational network

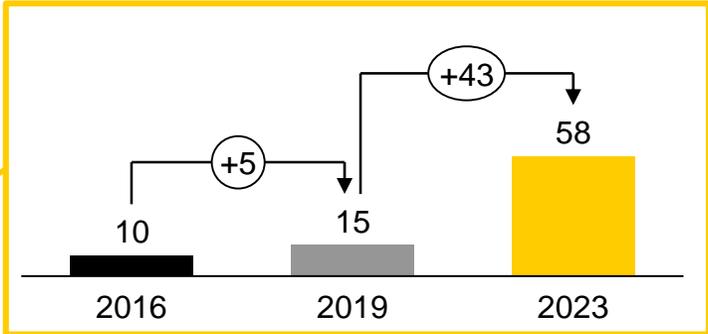
Fleet plan flexibility

(Total peak fleet at beginning of 3Q)



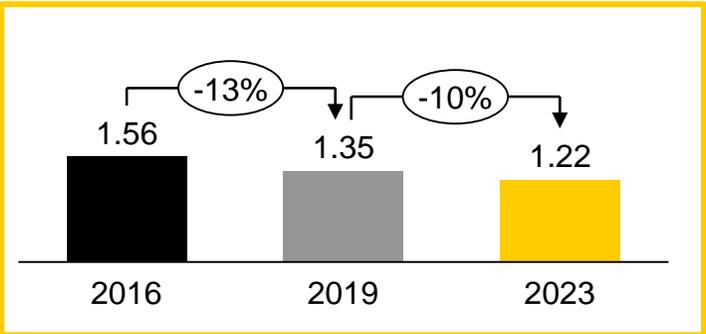
Increasing gauge of new deliveries

(Larger short-haul aircraft)



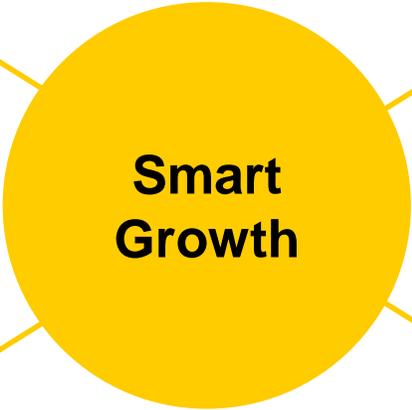
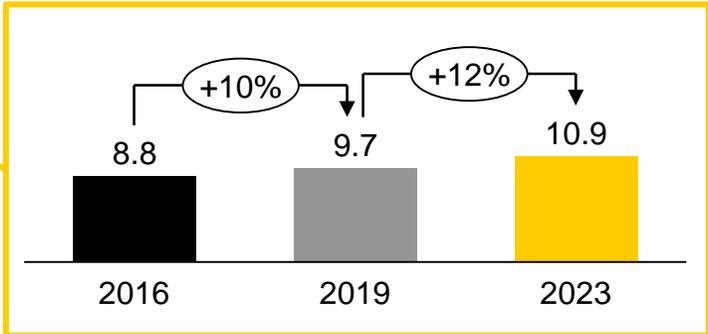
Decreasing seasonality

Seats (Q2+Q3)/(Q1+Q4)



Increasing utilisation

(BH/AC/DAY)



Last Plan
 Current Plan

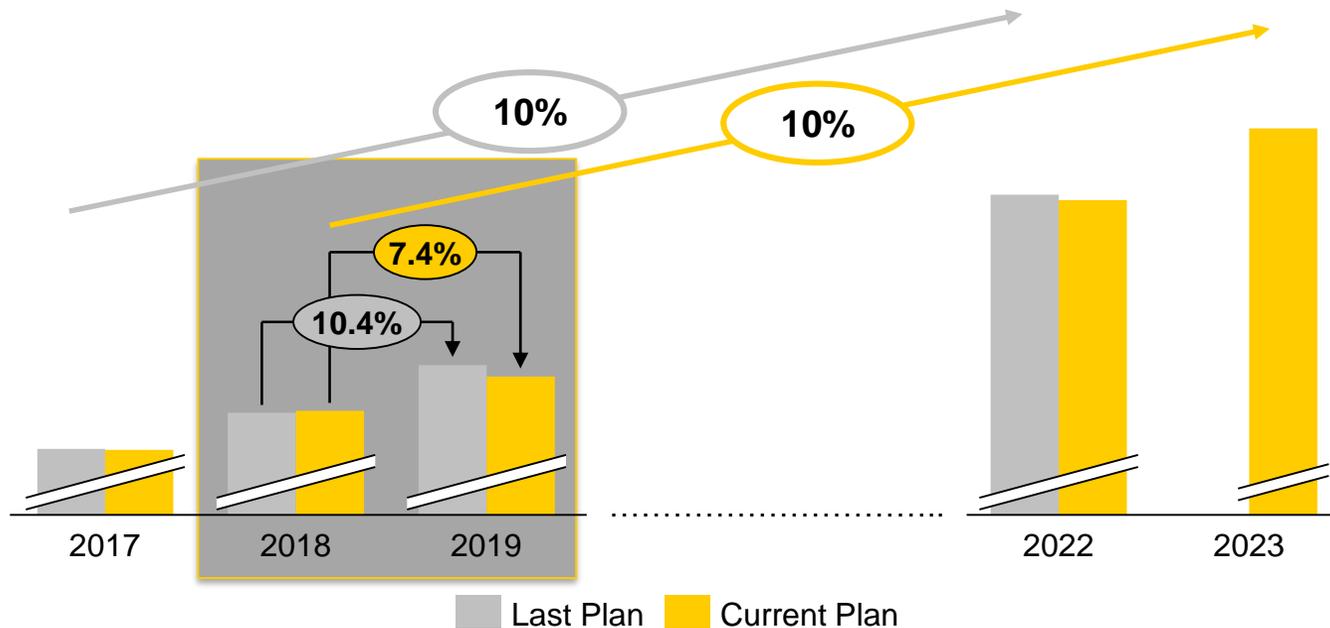


Expansion powered by 'smart' growth aligned to new market conditions: higher fuel prices and ATC

Planned capacity for 2019 adjusted from 10.4 % to 7.4% to best position for current headwinds

Business Plan Growth Profile

(bASK)

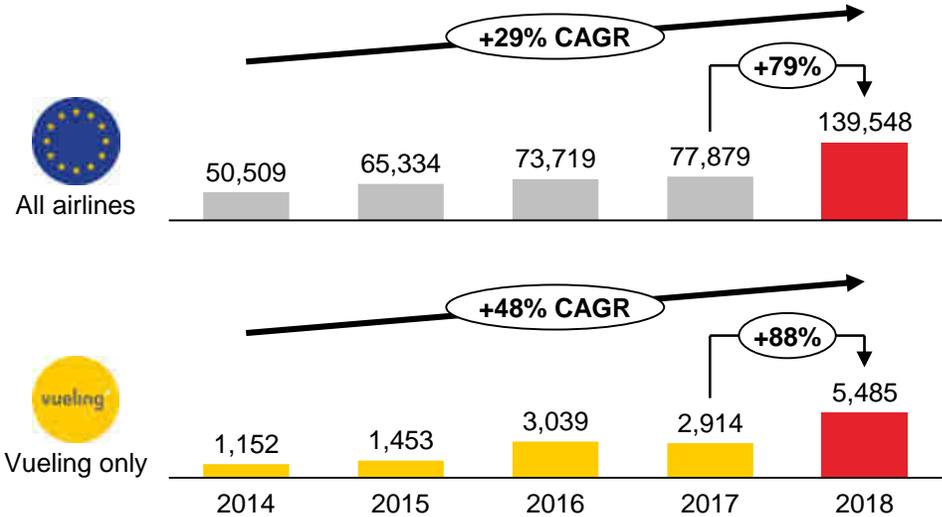


- Overall growth of 10% CAGR remains consistent between plans
- However, seat growth CAGR has been reduced -1pp versus Last Plan: 10%
- Reduced capacity increase for 2019 compared to previous plan
 - Net of 4 less additional aircraft for 2019

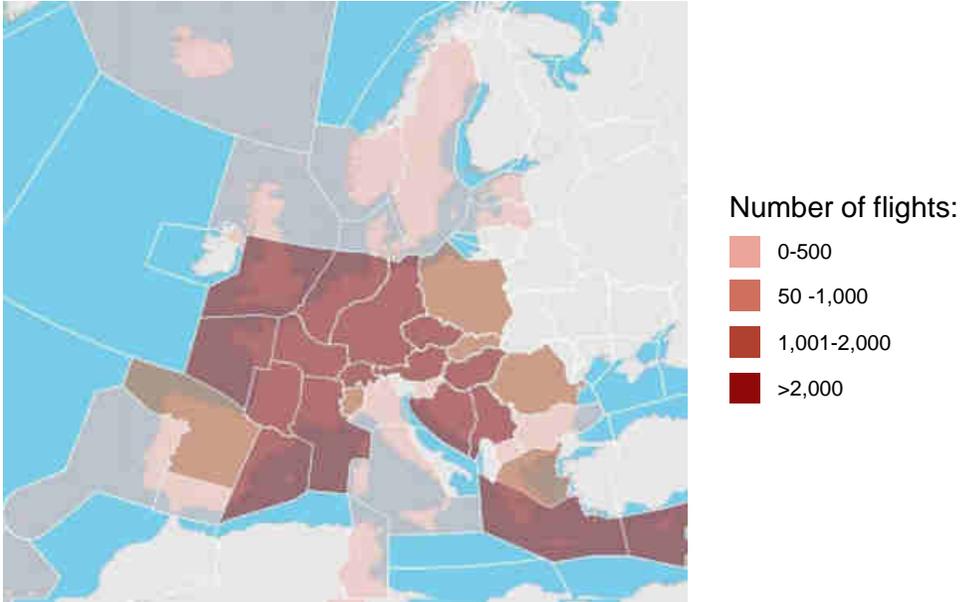
Expansion complicated by ATC situation (1/2)

European short haul carriers collectively endured the worst summer operating environment in recent history

Summer Eurocontrol delays (June–August average daily delays in minutes)



Flights delayed per day due to ATC en-route delays (July 2018)



Crossing French airspace:

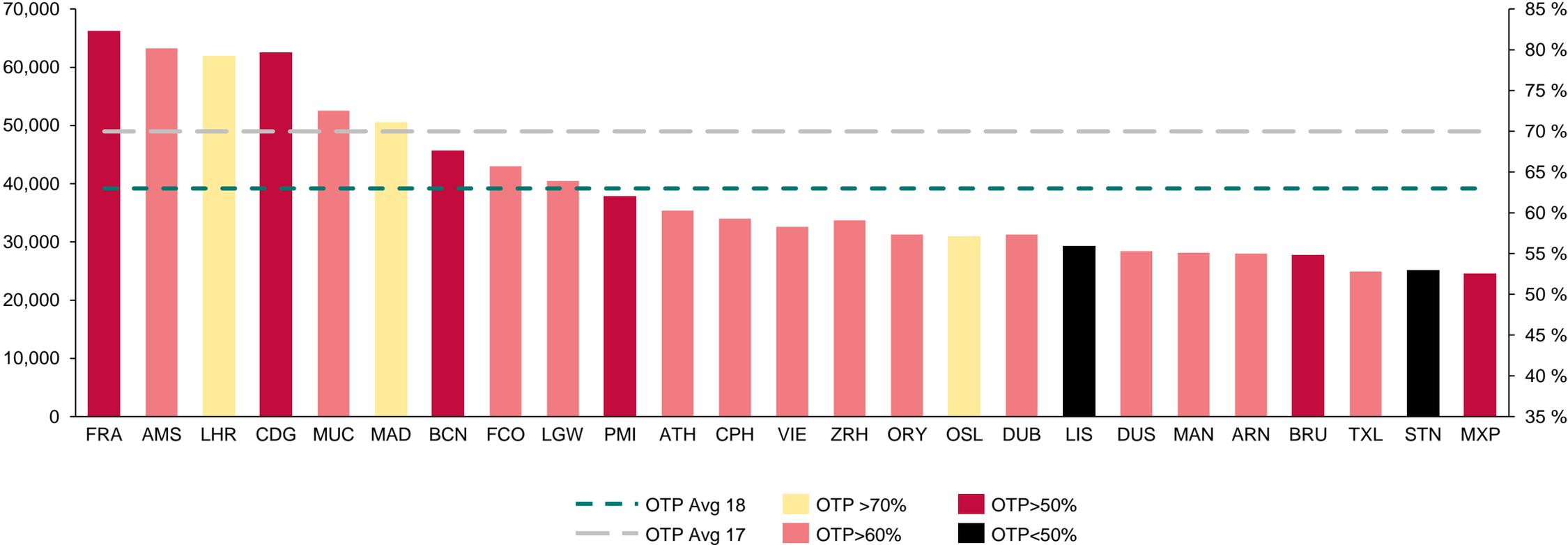
- 52% of Vueling flights
- 85% of Vueling rotations



Source: Eurocontrol

Expansion complicated by ATC situation (2/2)

All major European airports were significantly affected



Airports classified by total number of departures - % OTP by airport (June – Aug 2018)



Source: Flightstats & SRS

Adapting & delivering



Continue transforming and modernising our operations & customer experience

Network

- Market depth 
- Minimise route complexity 
- Base redefinition 
- Isolation from problematic ATC regions 

Airport

- New boarding groups 
- Minimise queues 
- Streamlined check-in 
- Consistent processes 
- Self check-in kiosks and bag drop in key airports 

In-Flight

- Enhance retail offering 
- Refreshed cabins 
- In-seat power 
- Wi-Fi 
- Best-in-class cabin crew 

Disruption and Customer Care

- Best-in-class call centre & customer relations 
- Self-management disruption tools 
- Voice recognition 
- Consistent and reliable communication 



COMPLETED



IN PROCESS

In Q3, we delivered new products to better meet the needs of our price-sensitive customers

NEW FARES

TIMEFLEX	FAMILY	OPTIMA	BASIC
Hand luggage 10kg	Hand luggage 10kg	Hand luggage 10kg	Hand luggage 10kg
Seats selection	Seats together	Seats selection	
Flexibility	1 Checked luggage (23 kg)	1 Checked luggage (23 kg)	
Fast track	Priority Boarding (If children -2 years old)	Hold on GDS +24h	
Priority Boarding	Dedicated check-in counter in Barcelona and Rome		
Priority check-in			
Hold on GDS +48h			

- Targeted new fares & products off to strong start with immediate 3% share of new sales
- Clearer and unbundled ‘Space flex’ products driving early increase of 1% in ancillaries

SPACE ONE	SPACE PLUS	SPACE
Row 1	Rows 2 - 4	Rows 12 - 14
Extra legroom (+20%) Priority Boarding	Extra legroom (+10%) Priority Boarding	Extra legroom (+20%)



* TIMEFLEX: Changes are allowed on the same day for free. Other changes of date or time are allowed by paying the difference in case it is to a higher class

Digital investment underpins the transformation in every business area

1st Customer Experience in LCC

- Biometric boarding
- EVA chatbot
- WhatsApp
- Voice: use it to help handling calls in CC centre

Marketplace

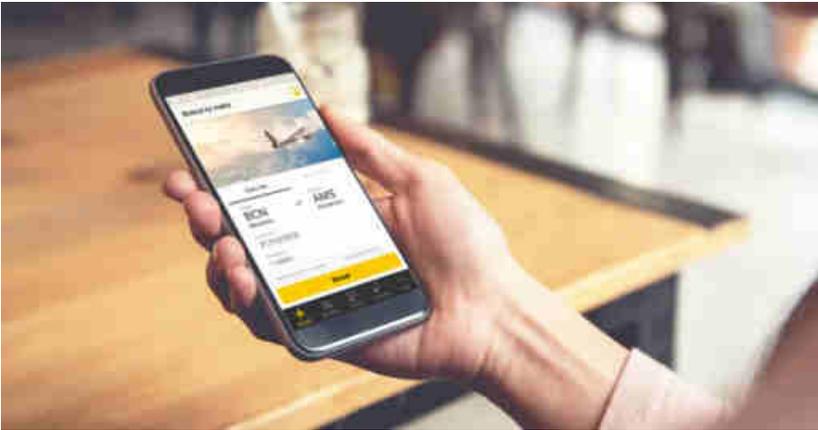
- Ancillaries dynamic pricing for bags
- Demand forecast models
- Sales anomaly detection models

Operational efficiency

- ATC forecast models
- Fleet analytics
- Check-in counters optimiser
- Customer self service

Digital mindset

- Crew connectivity
- Digital signature for crew
- Predictive analysis for interviewing crews



Adapting & delivering



Vueling plan remains aligned with IAG targets & sustainable growth

	Rolling 12m	2019-2023
Lease adjusted operating margin (%)	11.6%	11%-15%
Sustainable through the cycle RoIC (real terms)	13.4%	15%
ASK growth per annum	8.8%	9%-10%
Fleet**	113	135



*Rolling 12m as of Q3 2018

**Rolling 12m fleet is at the end of the period. 2019-2023 average fleet during the period.

Aer Lingus

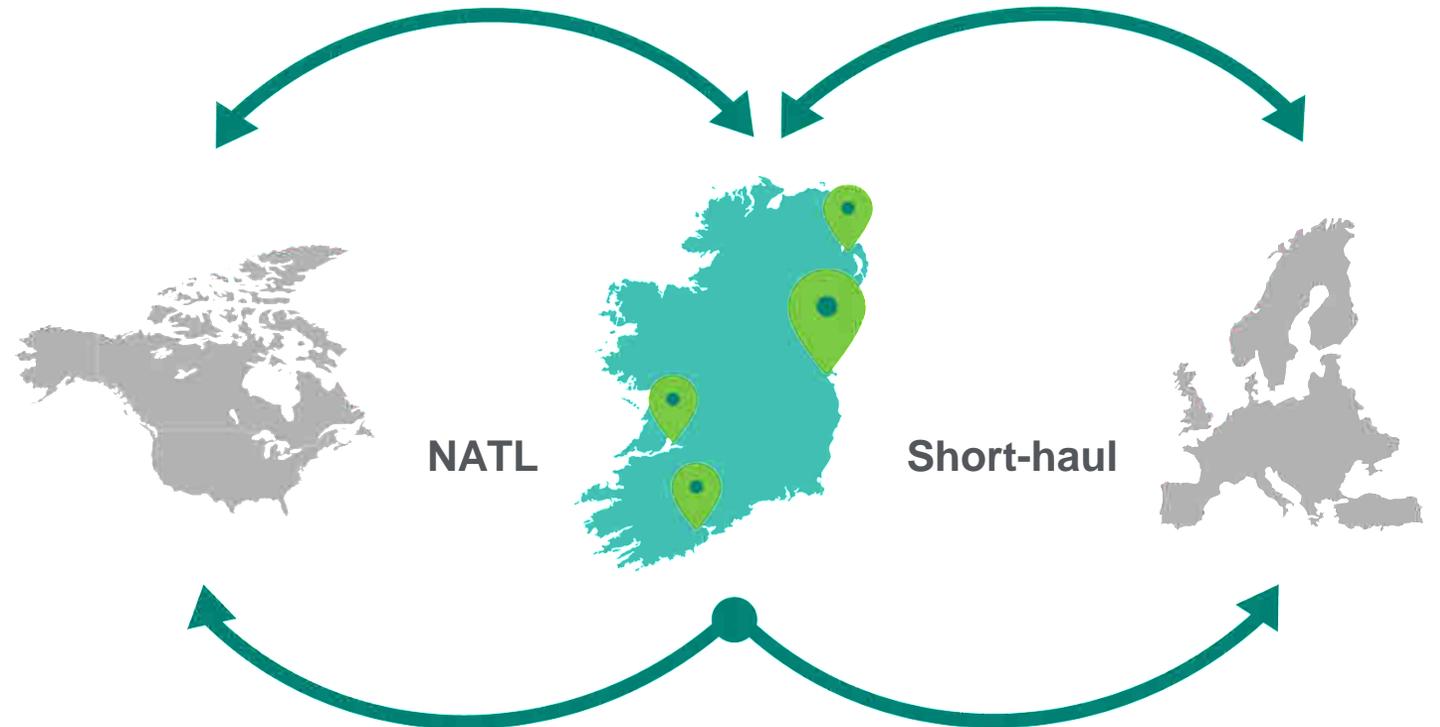
Stephen Kavanagh - CEO

Vision and strategy

Our mission is to be the **leading value carrier** across the North Atlantic...

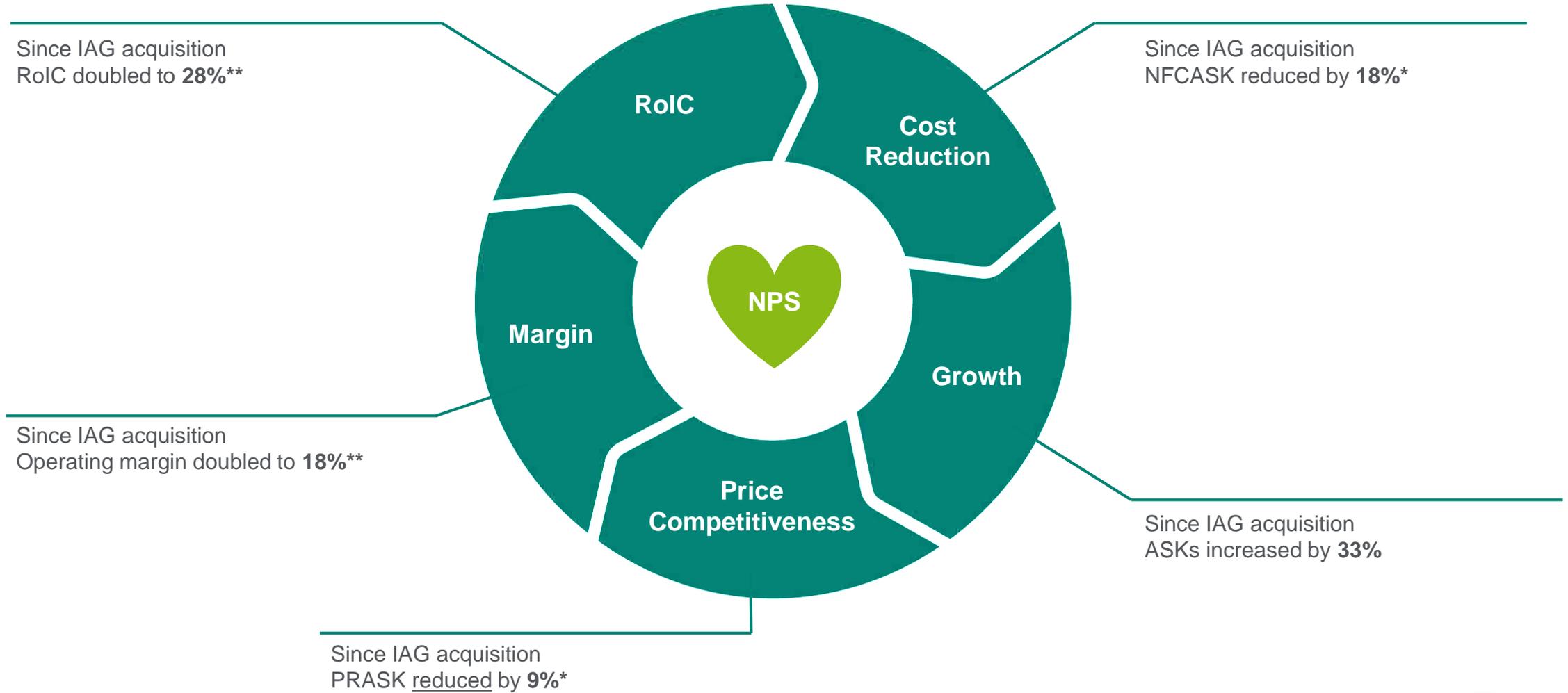
Enabled by a **profitable and sustainable short-haul network**...Supported by a guest focused, brand and digitally enabled value proposition...Delivering above average returns on invested capital for our IAG shareholders.

A **Demand Led Value** proposition centred on **COST**, **PRODUCT** and **SERVICE** with an Operating Model that is simple by design



A virtuous value model circle

Aer Lingus has built a compelling competitive position



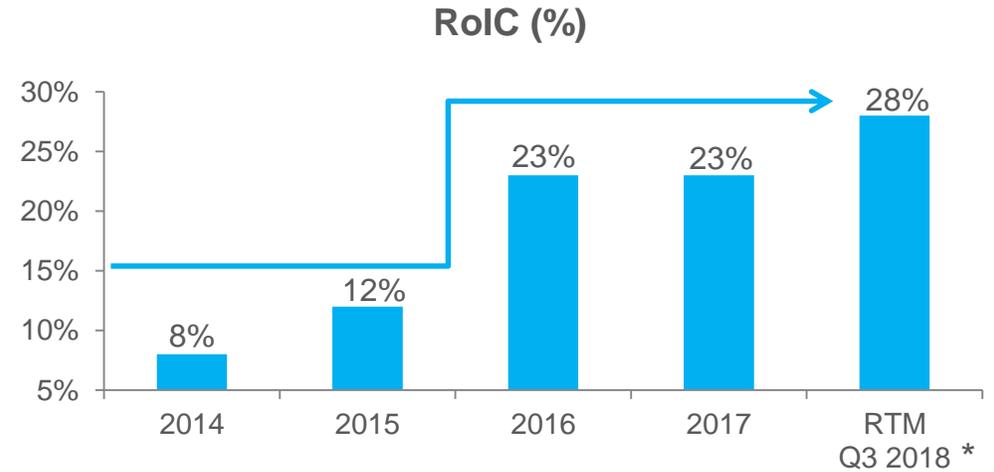
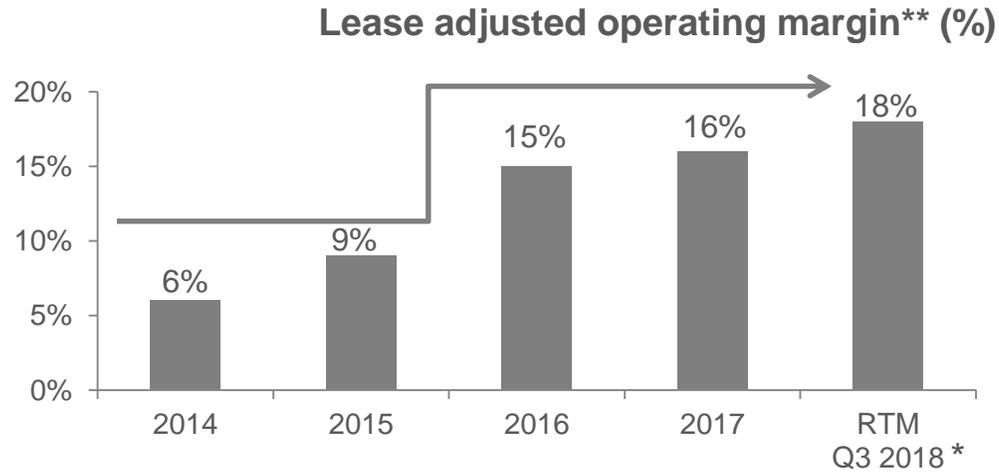
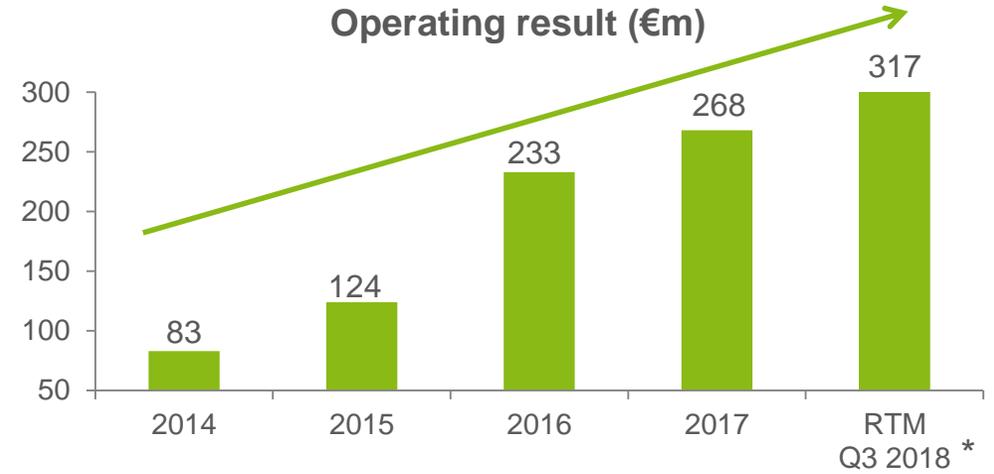
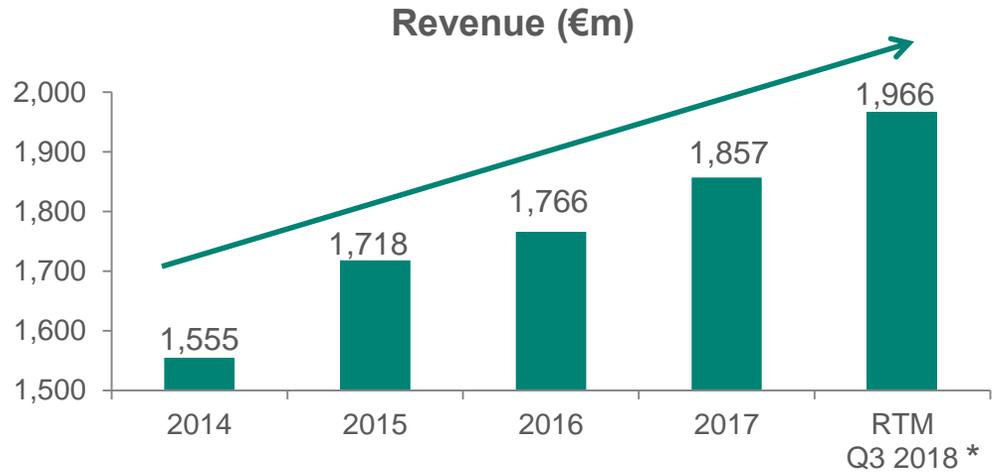
Since IAG acquisition = from Q3 2015 to Q3 2018 RTM

* At constant currency

** Operating margin is lease-adjusted

Delivering leading financial performance

Sustained performance delivered by the successful execution of our value model



* RTM: Rolling Twelve Months
Note: pre-2017 figures have not been restated for IFRS 15 & 9



Competition

Value carrier competitive advantage

	Aer Lingus 	 norwegian	 WOW air	ICELANDAIR 
 Financial strength	✓	✗	✗	✗
 Balanced Cabin Contribution	✓	✗	✗	✗
 Feed and partners	✓	✗	~	~
 Established North American Presence	✓	~	✗	✓
 Primary airports	✓	✗	✓	✓



Prioritising our guest investments

Targeted investments are led by NPS and heat maps



Detraction Priority Matrix

		Detraction Priority Matrix	
Section Evaluation Satisfaction (% Excellent / Good)	Highest Rating	Maintain	Vital Retain/Improve Areas
	Above average T2B Score	Above average satisfaction score and low impact on NPS, means we just need to keep an eye that these remain high	Above average satisfaction means we do these things quite well, but the big impact means its vital we keep doing them well or even better, because when we don't do them well, they have a major impact on NPS.
	Average Rating	100	
	Below average T2B Score	Below average satisfaction means we don't perform that well on these aspects, however as they don't impact significantly on NPS, they can be targeted for improvement or not.	Below average satisfaction means we DON'T do these things that well, PLUS the big impact they have on NPS, means these are priority for improvement
Lowest Rating	Tertiary Investment Areas	Critical Improvement Areas	
		Smallest GAP/ Impact	Largest GAP/ Impact
		← (Small Gap between those giving 9-10 and not)	→ (Large Gap between those giving 9-10 and not)



NPS and brand

NPS driven investments are delivering brand preference

Guest performance



Rolling 12 months: 81%*
* Arrival OTP <15mins



Strong operational NPS

Supports targeted investments across major guest and brand touch points



New brand identity



New uniform



North America halo investments



NATL bundled alcohol



New WiFi and social media package



New guest centric long haul service



Mobile web



Fully deliver AerClub



AerSpace



Baggage tracking and repatriations service

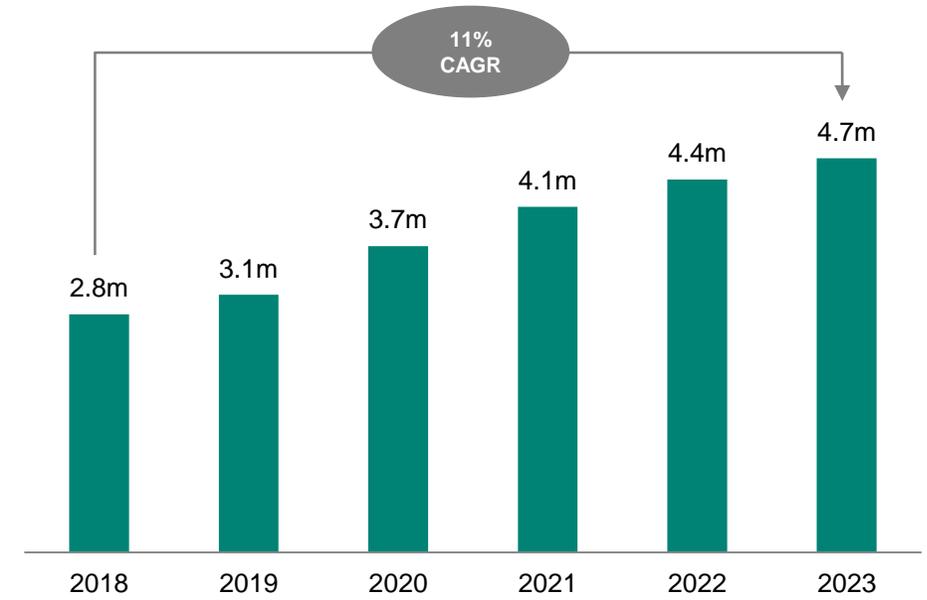


Hub network expansion

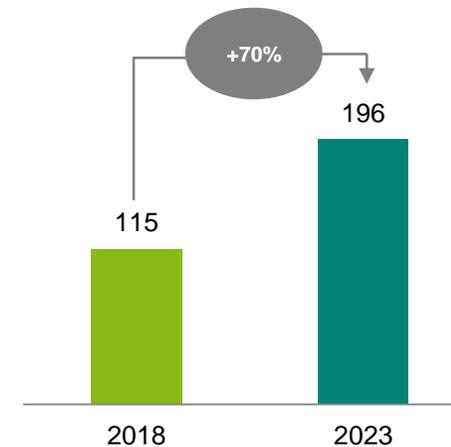
North Atlantic ASK 11% CAGR 2018-23

- Growth delivering increased network connectivity
- 63% of ASK growth in established markets (schedule depth)
 - Seat capacity via frequency and/or gauge increases
- 37% of ASK growth in new markets (schedule breadth)
 - Substantial demand led opportunities
 - A321LR unlocks new city pairs
- Improved RASK management capability
 - i. New point of sale revenue management tools
 - ii. Increased relative business cabin capacity
 - iii. Load factor opportunity
 - iv. Leverage ancillary retail

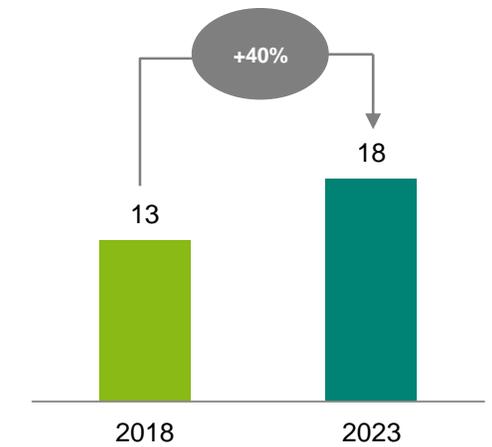
NATL seat capacity



NATL weekly frequencies



NATL destinations

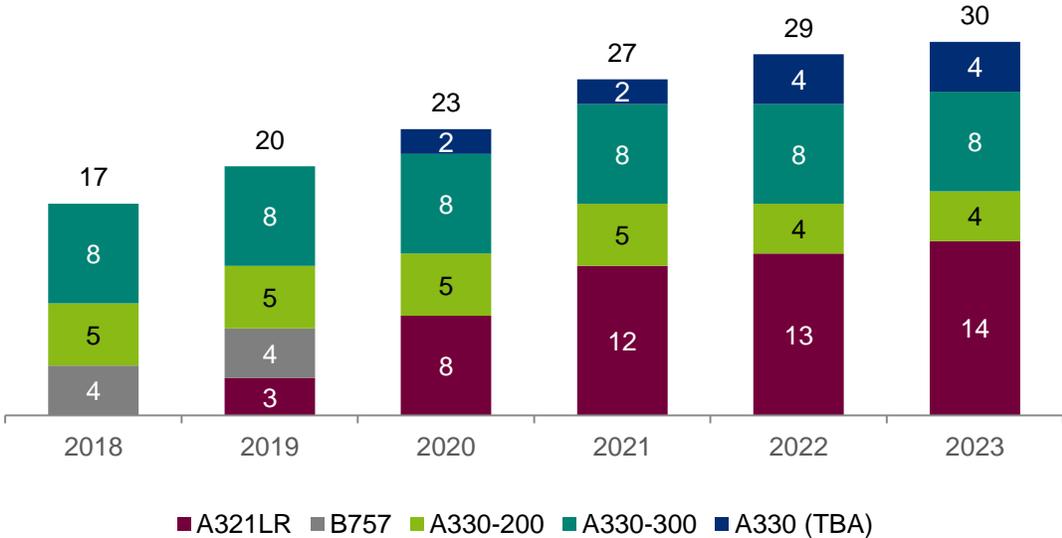


Fleet investment plan

Accelerated North Atlantic fleet growth opportunity

- Three incremental wide-bodies bringing total to 16
 - A330 platform
- Ten incremental narrow-bodies bringing total to 14
 - A321LR and potential XLR platform
- CASK efficient fleet growth
 - i. Increased average gauge
 - ii. New engine technology
 - iii. Increased block-hour utilisation

Longhaul Fleet Plan (peak summer)*



Variance vs 2017 CMD

WB	+1	+1	+3	+3	+4
NB	-	-1	-3	-	+1



*Fleet plan as of end of August in each year

Dublin Airport infrastructure

daa plans are addressing capacity challenges

- New Northern runway on track
- Further c.€1.7bn infrastructure development through 2020-24
- User charges expected to remain broadly flat
- Enables continued Aer Lingus growth
- Constructive engagement with Dublin Airport Authority
- EY estimated benefit of €18.6bn in GDP to Irish economy associated with Hub infrastructure development by 2033*

New infrastructure at Dublin Airport



* EY Report: Economic Impact of the development of Dublin Airport as a Hub – September 2018

Aer Lingus plan aligned with IAG targets

	Rolling 12m*	2019-2023
Lease adjusted operating margin (%)	17.8%	15%+
Sustainable through the cycle RoIC (real terms)	27.9%	15%+
ASK growth per annum (CAGR)	9.3%	7%-8%
Fleet**	55	66



*Rolling 12m as of Q3 2018

**Rolling 12m fleet is at the end of the period. 2019-2023 average fleet during the period. Fleet numbers include wet leases.

Iberia

Luis Gallego - Chairman and CEO

Over the last five years, IB has undergone a radical transformation structured through Plan de Futuro ...

Solid revenues



RASK improvement and launch of new **disruptive commercial initiatives**:

- RevMan and ancillaries best-practice
- Re-branding and product enhancement
- New Distribution Model
- Digitalisation and personalisation
- Sales transformation

Simple and flexible CASK



Labour restructuring, cost awareness and **process simplification**:

- Labour agreements & ERE
- GBS contract negotiation
- Fuel efficiency programme
- Flight & Ground process optimisation

Competitive fleet and network



Fleet renewal and network optimisation and redesign:

- A330, A350 acquisition
- Fleet densification and simplification
- Partnerships strengthening
- Focus in core markets and cancellation of un-profitable non-strategic routes
- Utilisation and productivity

Profitable, sustainable business



Sustainable **profitability** of **non airline** businesses:

- Handling strategic plan (improve productivity and digitalisation)
- MRO transformation programme towards IMS target

People & Digital transformation



Empowered employees and **digital mindset** focused on the customer to drive the **IB cultural transformation**:

- Customer experience transformation (NPS & personalisation), Digital Transformation programme and Plan person@



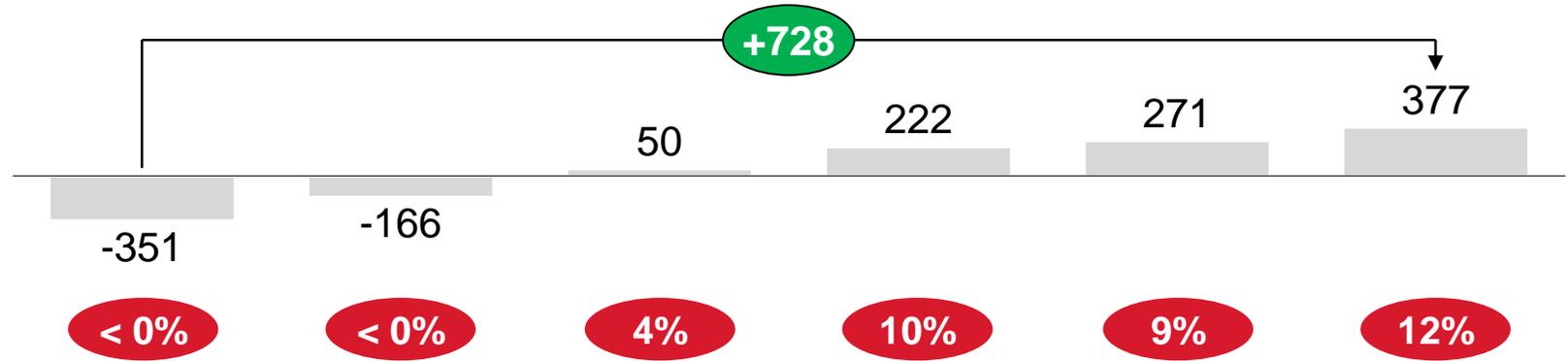
... with outstanding results across all dimensions

Finance

EBIT¹ €m



RoIC %



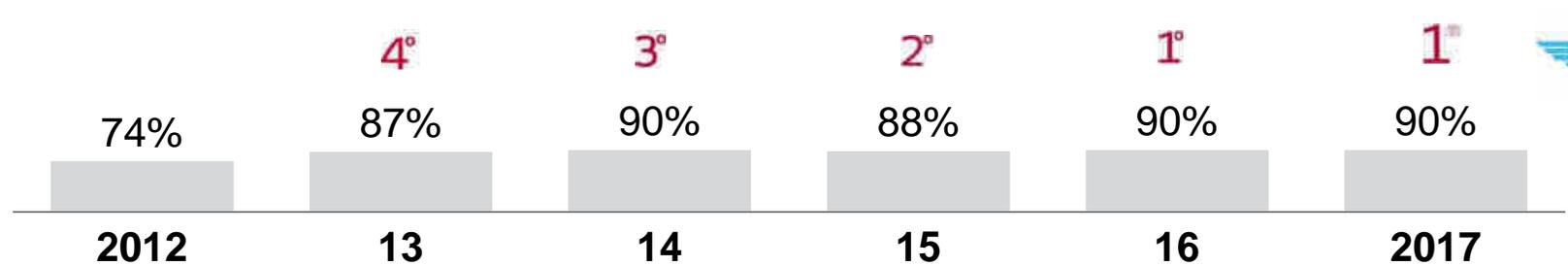
Customer

NPS



Operations

OTP² %



¹ EBIT numbers prior to 2017 have not been restated for IFRS 15 and 9

² On time performance, measured through FlightGlobal's FlightStats

NOTE: Figures do not include LEVEL

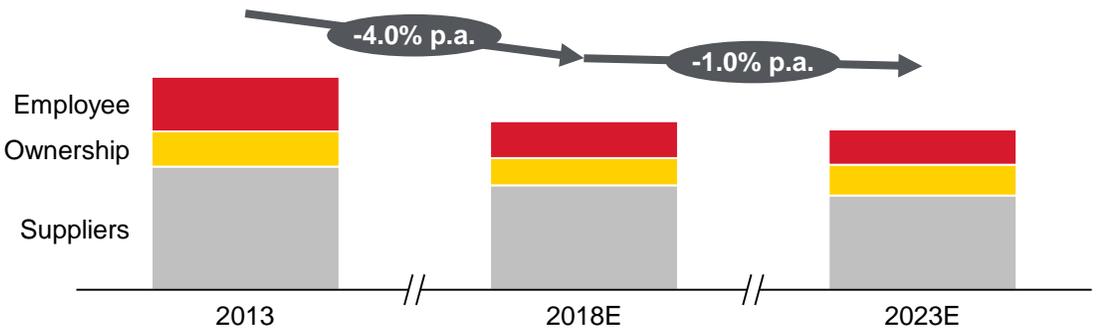


In a high fuel price environment, IB is in an optimal position to reap the benefits of its transformation

1 Leverage our best-in-class cost base ...

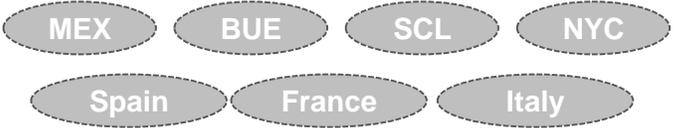
- Compete effectively with other airlines with our best-in-class cost base

Airline non-fuel CASK evolution (€ cts)



2 ... to consolidate our competitive position ...

- Enhance and improve position in core markets



- Achieve efficient flying in markets that can support growth and invest in selected markets



3 ... while strengthening our investment in brand, customer, digitalisation and operational excellence



Strengthening of our commercial positioning in Latam and selected European markets



Customer Plan to improve customer engagement, fit and satisfaction



Goal to boost customer experience and company processes through Digital



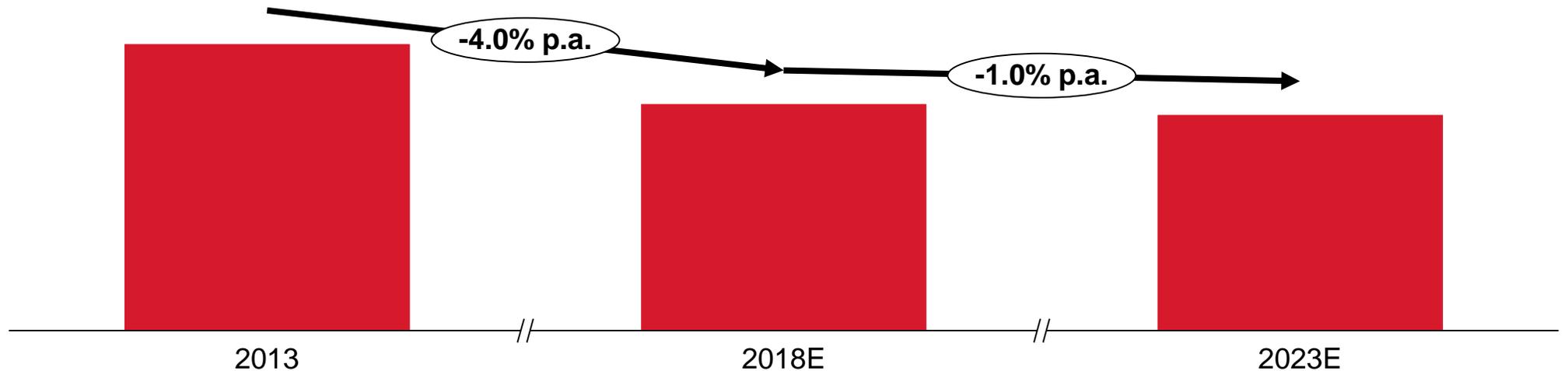
Best-in class network operations and punctuality



NOTE: Figures do not include LEVEL

1 Our plan factors in even further improvement of our best-in-class cost base

Airline non-fuel CASK. € cts



Key cost initiative buckets

- Workforce reduction and productivity improvements
- Focus on G&A costs
- Transformation of flight and ground processes
- Network and fleet optimisation
- Transformation of non-airline businesses towards sustained profitability

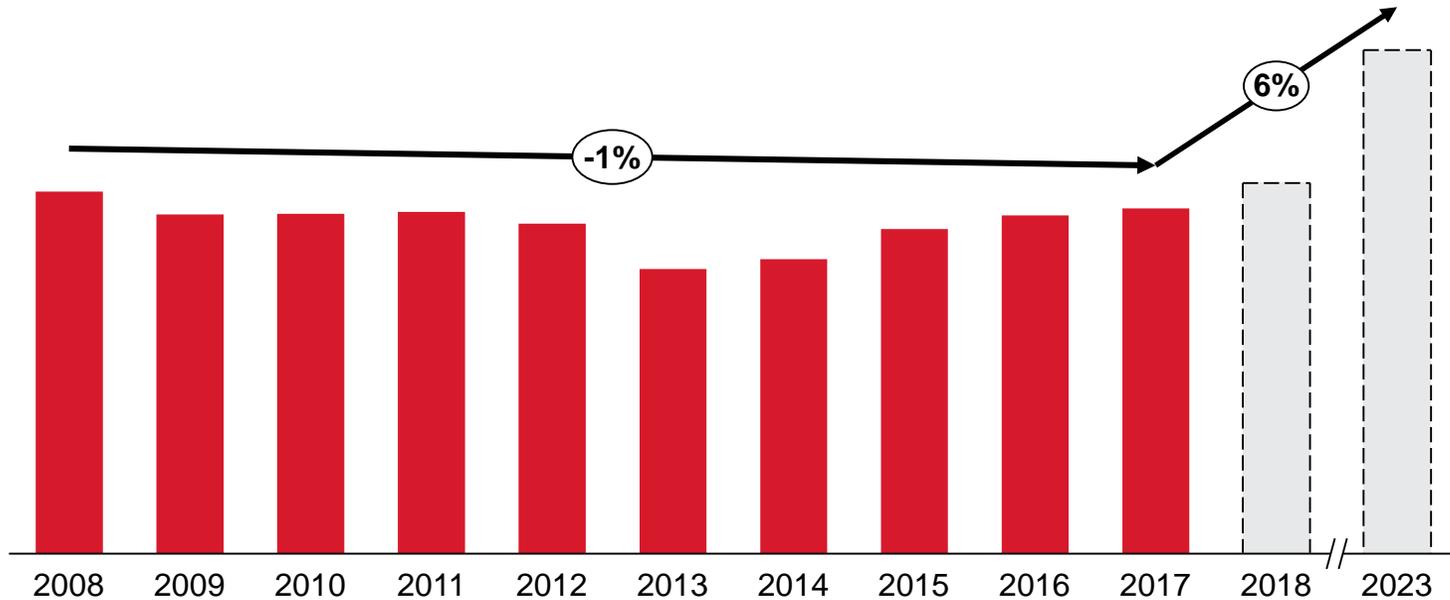
- Further workforce optimisation (mainly headquarters) and productivity improvements
- Focus on supplier costs: procurement optimisation and contract renegotiations
- Process automatism and simplification, leveraging digital
- Fleet consumption and weight optimisation



NOTE: Figures do not include LEVEL

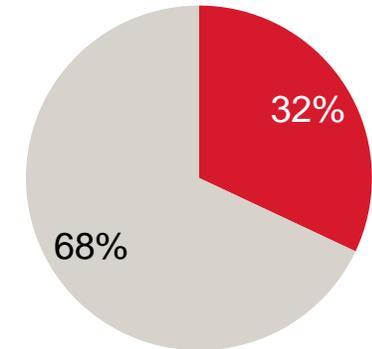
2 We plan to continue with the growth plan announced in last year's CMD

IB capacity growth (bn ASKs) 2008-2023



2018-2023 growth

Short-Medium-haul
Long-haul



Plan subject to achieving successful labour agreements



NOTE: Figures do not include LEVEL

2 Iberia Express is a key lever for our network



Overview of Iberia Express

- **Low-cost platform** (CASK ex-fuel well below 4 c€) to operate effectively in competitive LCC routes, while:
 - Offering low prices
 - Meeting group profitability target
- **Strategic alignment of product and brand with IB**, delivering:
 - Efficient connection for IB's long-haul network
 - High customer satisfaction
- **Efficient** organizational **structure**, focused on **innovation** and operational and management **talent**

Key figures

-  22 aircraft A320 & 321
-  > 40 destinations
-  > 5,5m annual pax
-  ~ 700 staff

Key results

- Finance**

 - **EBIT 2017: €46m**
 - **EBIT % 2017: 14%**
- Customer**

 - **NPS 2017: 32%**
- Operations**

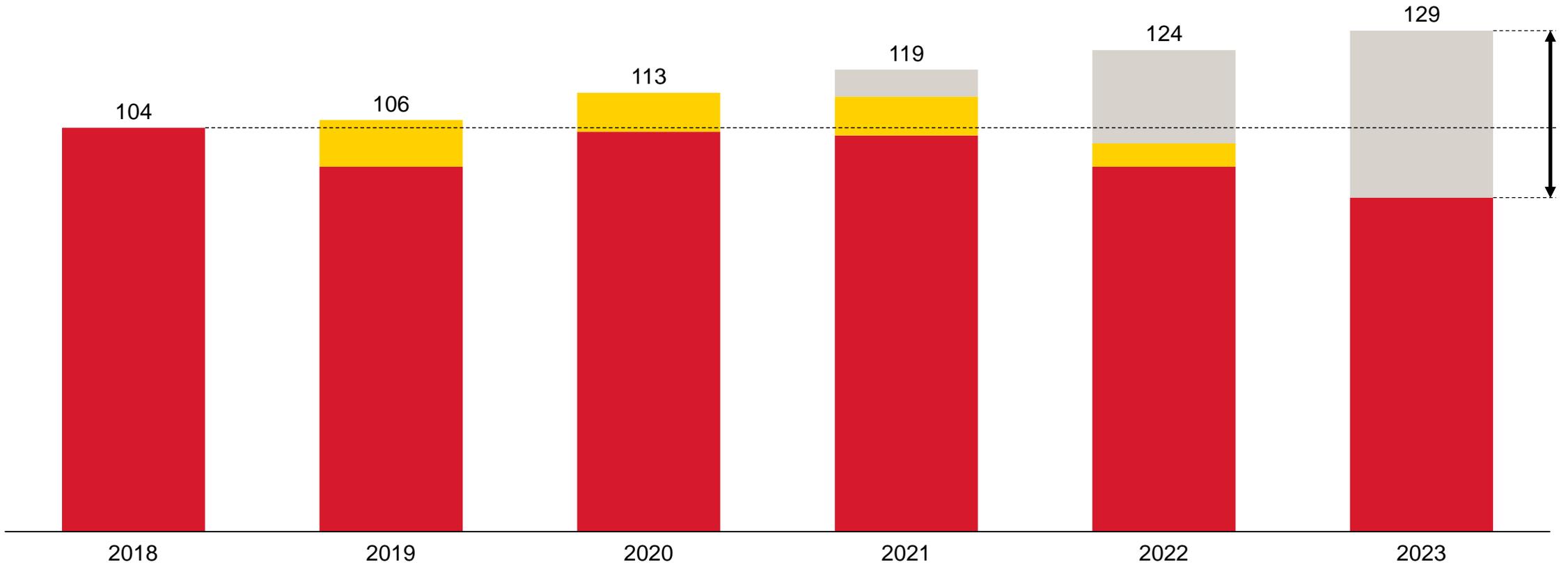
 - **OTP 2017: 94%**
 - **World's most on-time LCC 2014, 2015, 2016 and 2017**



2 We have the flexibility to adapt our growth plan if needed

■ To be decided
■ Flexibility
■ Committed

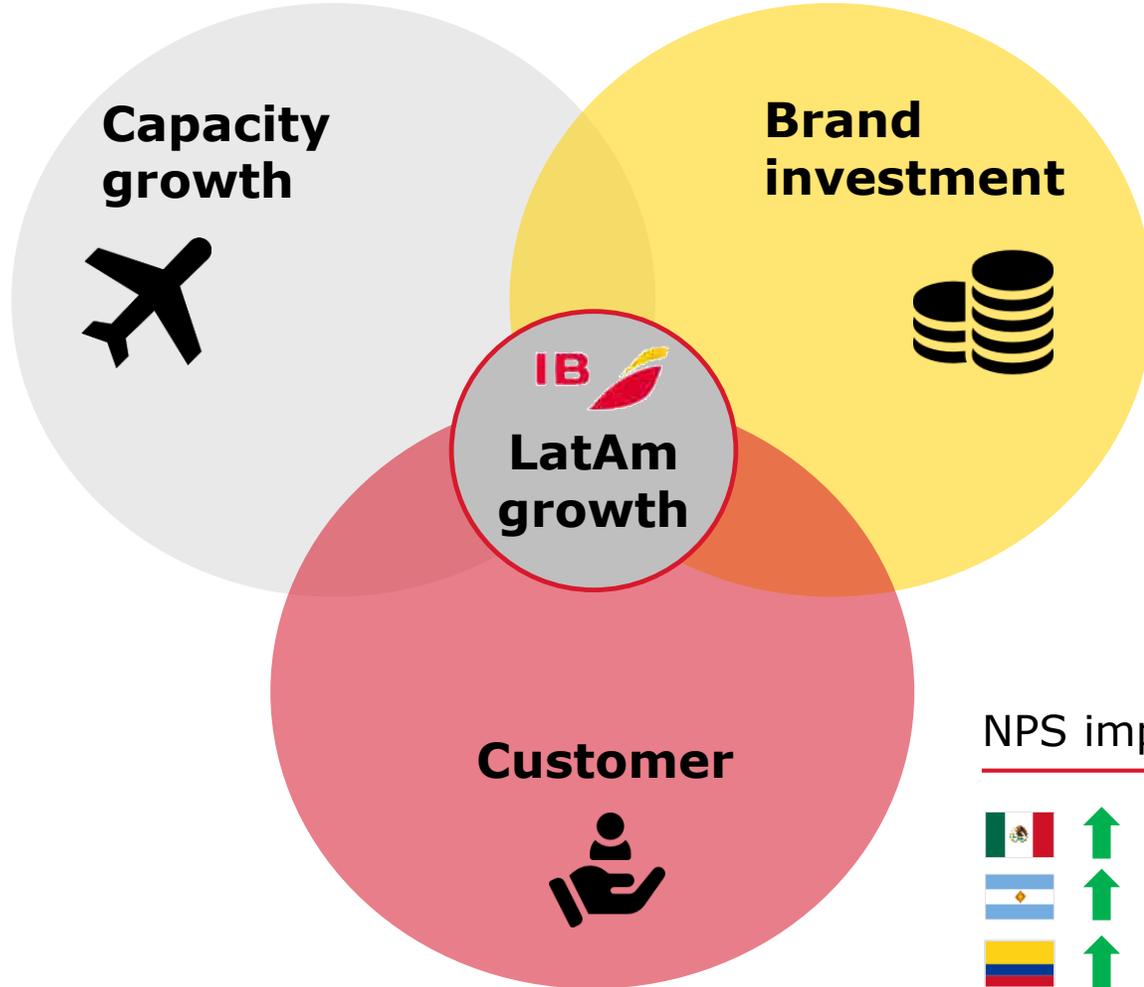
A/C EOY 2018-2023



NOTE: Figures do not include LEVEL

3 We plan to invest in our strategic markets, such as LatAm, addressing the needs of our target segments – Premium and Trade-up

Capacity growth



LatAm brand positioning development



NPS improvement



3 We are investing in our customer at every stage of its journey

Fleet and Wi-Fi

- Improve **Connectivity** (Free messaging via Wi-Fi)
- **Improve comfort** (Premium Economy, A350, A320 Neos, Extra-large bins, Airspace, luxury bedding and amenities, extra legroom)
- Boost **entertainment** (Virtual Reality, IAG Connect portal)

Ground transformation, disruptions, Connections and baggage

- MAD to become the preferred HUB (Catering plan, Hola Madrid)
- Uplift the **Business and Premium experience** (VIP lounges, new Business checking)
- Ensure **seamless operations** (baggage, connections & disruptions)

Inflight Transformation and Cabin Crew

- Enhance **Crew environment** (new digital training framework, new service design)
- Boost **food quality** (new catering product)
- **Improve Customer Experience through Digital** (new Pursers App, digital press)

Customer Engagement

- Leverage **customer analytics** to improve IB interaction on every single touch point
- Deliver **Personalized Marketing and Servicing** (new CRM live, new Customer HUB)
- New **Claims portal**

Digital Customer Journey and Voice

- Become the first **Digital Connected** airline
- Improve **Customer Operations** through Digital (Implement Digital Touch points along the whole Customer Journey)
- **Voice** to be the number one interaction platform

Aircraft



Ground



In-flight



Cross Services / Experience



3 Case study: Premium Economy is proving a successful model

Improved
Passenger
Experience



Space

More space for our passengers with **bigger seat** (49 vs 46cm), **better pitch** (94 vs 79-81 cm) and **more recline** (18 vs 15 cm)

Product

Entertainment with **bigger tactile screen** (12" vs 9"), selected **gastronomy** and wi-fi **connectivity**

Growing
Network &
Supply



Cabin

Premium Eco. can be found in all **A350, A340** and **A330-200** with **21** to **23 seats** per flight

Routes

13 routes with Premium Economy cabin:

- **N. America:** CHI, NYC, MIA, BOS, MEX
- **S. America:** BOG, LIM, UIO, SCL, PTY, SAO, BUE, CCS

Good
Performance



Profitability

+13% more revenues¹ on routes with Premium Eco. & Business configuration vs only Business cabin

Passenger

Good Load Factor (~80%) and **good perception** of overall product (NPS ~45), in particular addressing the needs of our Trade-up segment

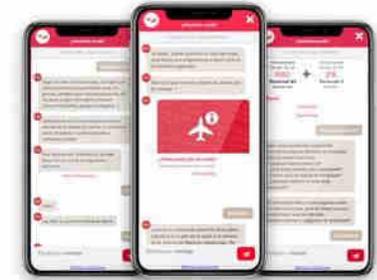


1. Based on real performance of routes with Premium Eco. during Jan –Apr 2018 vs same routes one year before and adjusted by performance of economy cabin during same period

3 Case study: IB Chatbot and Voice. “Hola, Iberia”

Chatbot

- **IB just launched IBot**, our new travel assistant, including:
 - Flight info
 - Check-in, boarding passes
 - Frequent questions
 - Flight subscription



Voice

- **Voice is already the standard, exponential adoption:**
 - Voice searches expected to reach 60% of total searches in two years
 - Over 50 million voice devices annually sold just in the US
- **IB has partnered with Amazon and Movistar in voice**



The future is promising, as personalisation will become a game changer:

- + **customers** (e.g., all customer with access to IBot in 3 months)
- + **channels** (e.g., voice in Google, IBot in App, Voice for IBot, other Social, etc.)
- + **use cases** (e.g., personalisation, manage my booking, IB Plus/Avios, Booking)
- + **languages** (e.g., IBot in English)



IB targets are aligned with IAG targets

	<u>Rolling 12m*</u>	<u>2019-2023</u>
Lease adjusted operating margin (%)	9.9%	9% – 15%
Sustainable through the cycle RoIC (real terms)	12.3%	15%
ASK growth per annum	4.8%	5.5% - 6.5%
Fleet**	105	118



*Rolling 12m as of Q3 2018

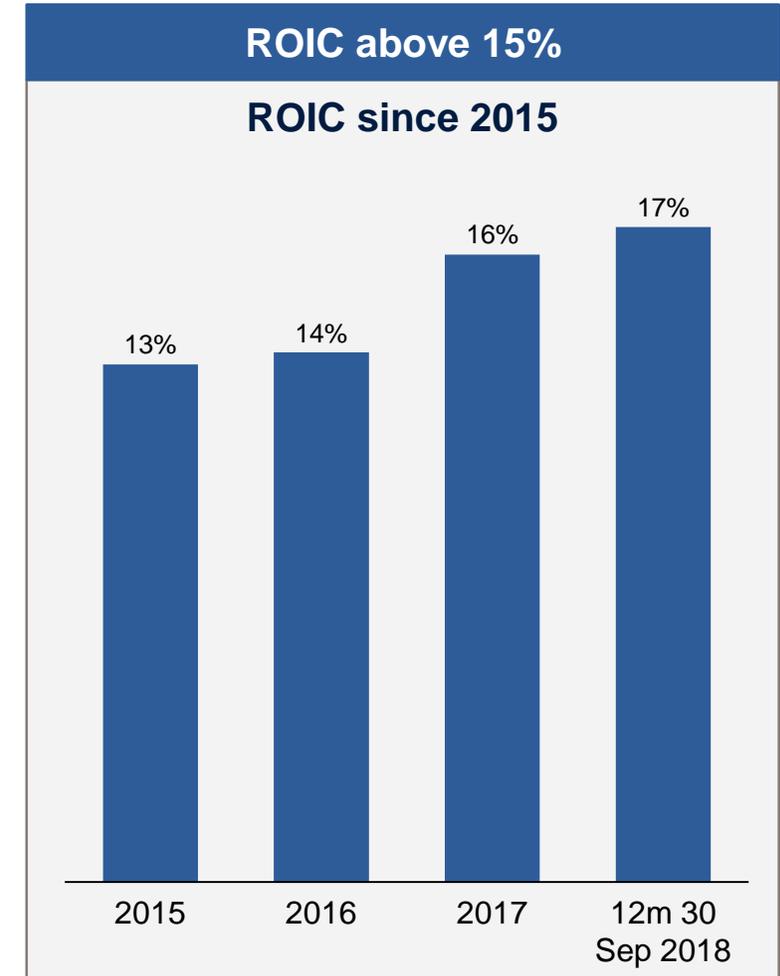
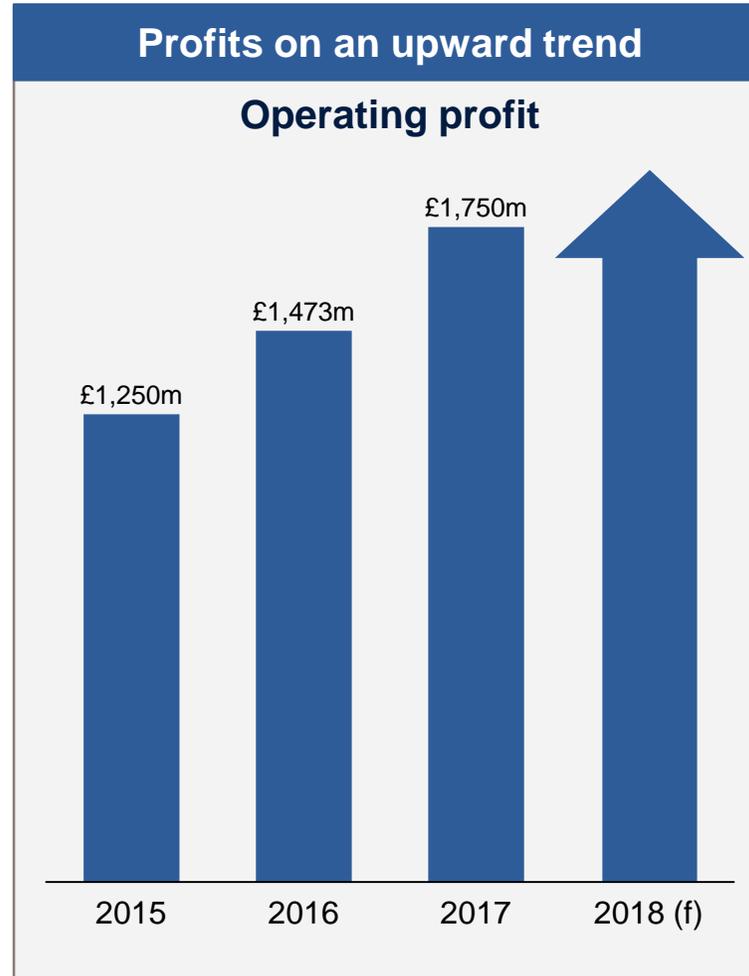
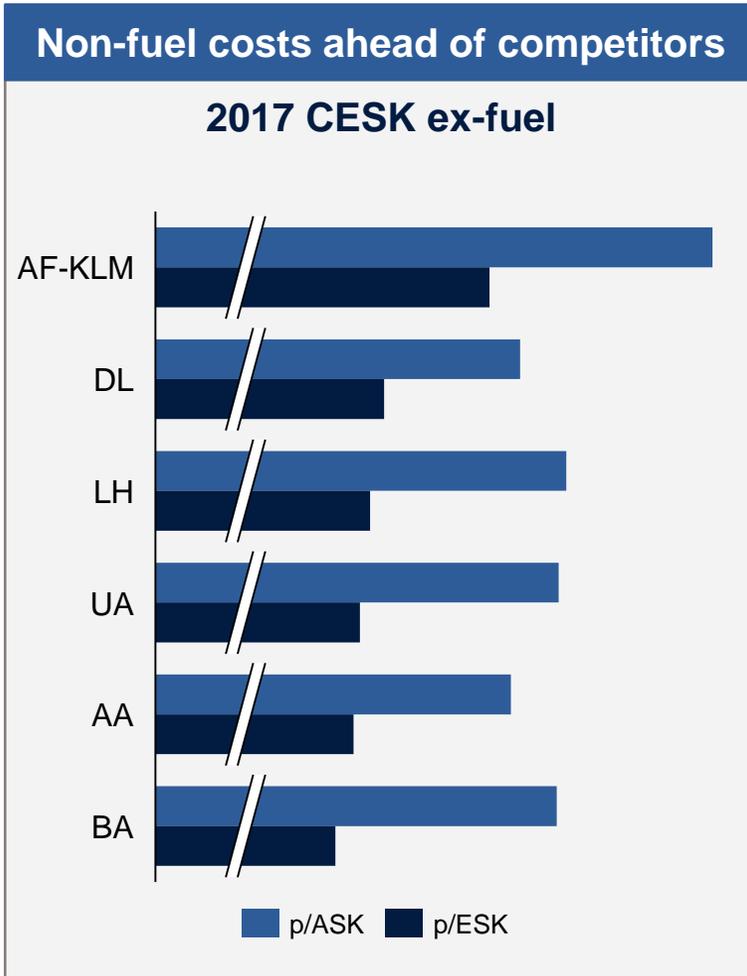
**Rolling 12m fleet is at the end of the period. 2019-2023 average fleet during the period.

NOTE: Figures do not include LEVEL Spain

British Airways

Alex Cruz – Chairman and CEO

The focus has been on getting the financial foundations in place...



Source: Airline financial results, OAG

Note: CESK = non-fuel cost per equivalent seat kilometre. Airline published results for 2017 converted into GBP and adjusted to BA's stage length. LH is airline operations only

Operating profit shown includes OpenSkies, with 2017 restated for IFRS 9 & IFRS 15



Our plan balances three key priorities





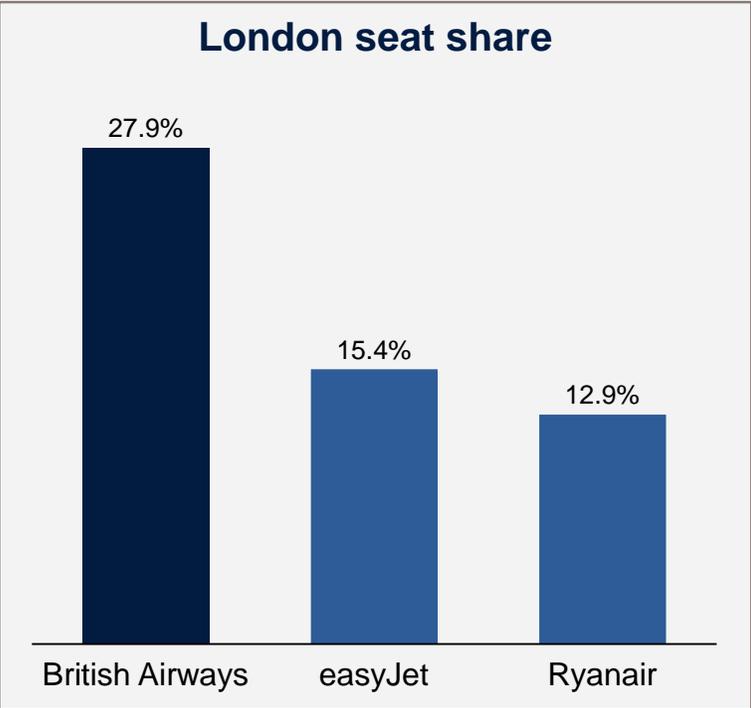
Higher rates of growth



Providing more customer choice than any other UK airline

A leading airline in London

- Largest at Heathrow & London City
- Second at Gatwick



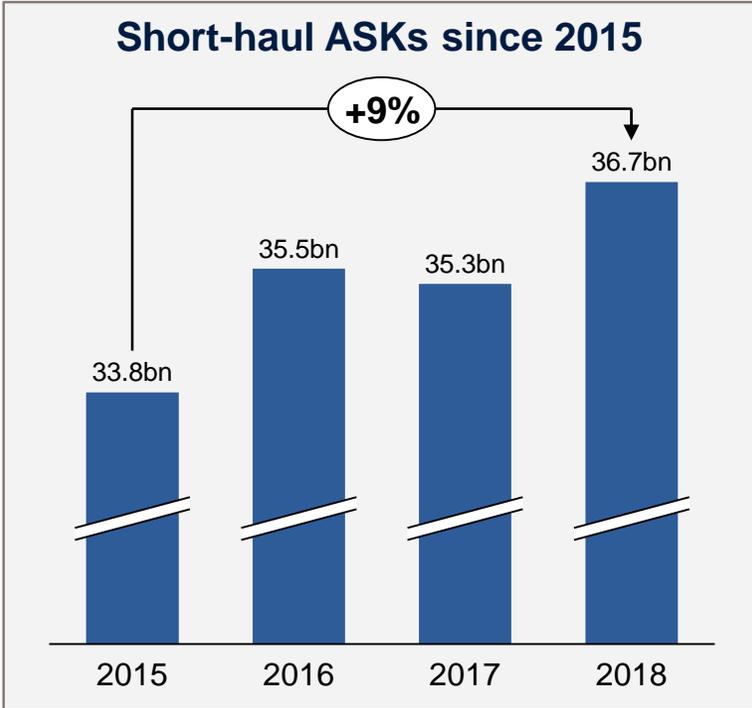
The best transatlantic network

- 34 points served from London
- Largest network of any European carrier



Significant progress on short-haul

- Peak summer seat factor up over 3 pts
- Expansion at Gatwick and London City



Source: OAG



Expanding long-haul network depth and breadth

The best schedule across the North Atlantic

- Adding depth into key markets
- New routes profitable within first year of operation
- High return segment, with large premium capacity
- Largest premium seat capacity on North Atlantic

Growing rest of world presence

- Building network depth and breadth
- New routes announced to Durban and Osaka
- Further Asia-Pacific, Africa and LACAR opportunities in scope
- Ongoing additions to B787 fleet enables new market growth

23 long-haul routes launched since 2014



• Routes from LHR • Routes from LGW



Long-haul growth facilitated by optimised fleet deployment

Positioning in key cities

- Lead on schedule quality and depth on key city pairs
- A380s deployed successfully to Boston, Washington and Chicago
- High premium configured aircraft delivering ahead of expectations



Existing markets

- Building out existing routes – Nashville to daily, Seattle to double daily
- Optimising joint network with AA – recent schedule changes on Miami, Dallas & Phoenix
- A350 – efficient replacement of B747 capacity with enhanced product offering



Developing new markets

- New generation aircraft provide range & capacity to open new markets
- Newly launched Durban, Osaka, Pittsburgh & Charleston
- B787 fleet maintain breadth by improving the performance of several existing routes

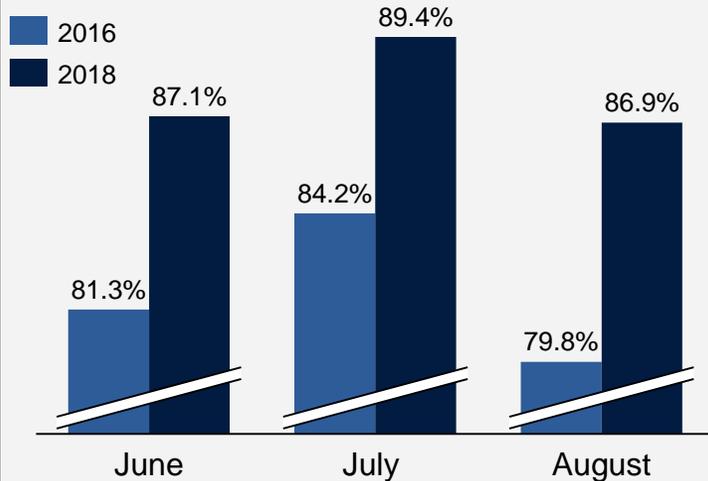


Short-haul network optimised across three bases

Growing Heathrow profitability

- Continue to build depth into high demand leisure markets
- Significant seat factor improvement delivered – further room for uplift
- Peak Summer profits up 60% vs 2016

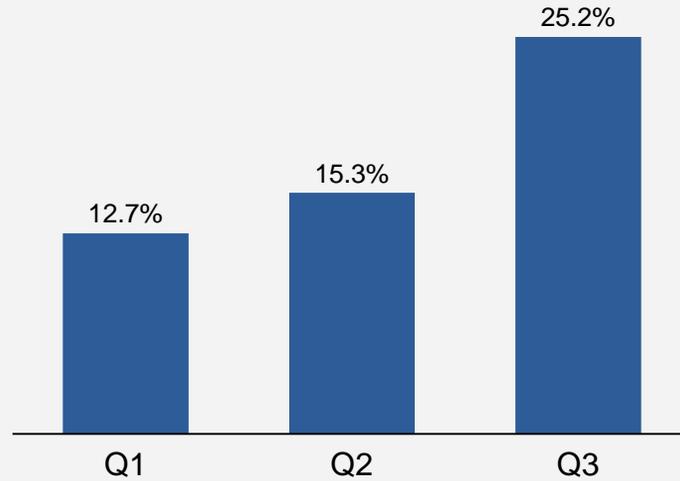
LHR peak Summer seat factor



Gatwick expansion

- Catchment overlap enables some Heathrow routes to move to Gatwick
- Optimise Monarch slots for 2019
- A320 deployment and schedule growth drive competitive unit costs at LGW

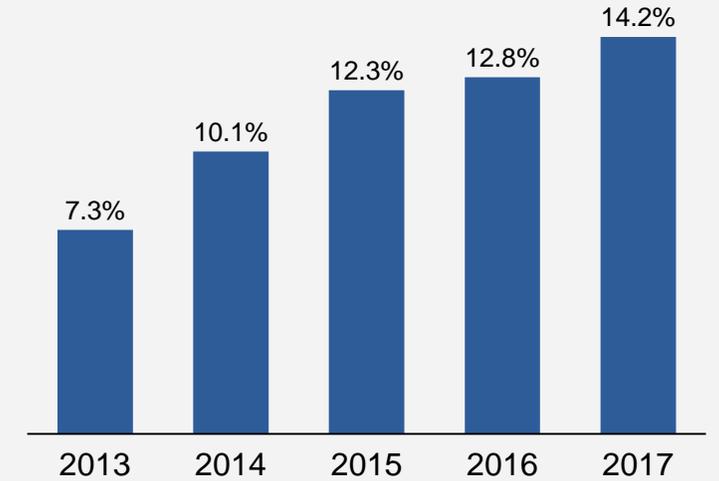
2018 LGW short-haul capacity growth



London City expansion

- Strong growth in leisure and business demand
- 4 additional aircraft at LCY from 2019
- Track record of profitable growth - margin doubling, ASKs +c.65% vs 2013

CityFlyer margin evolution



Note: CityFlyer margin lease adjusted



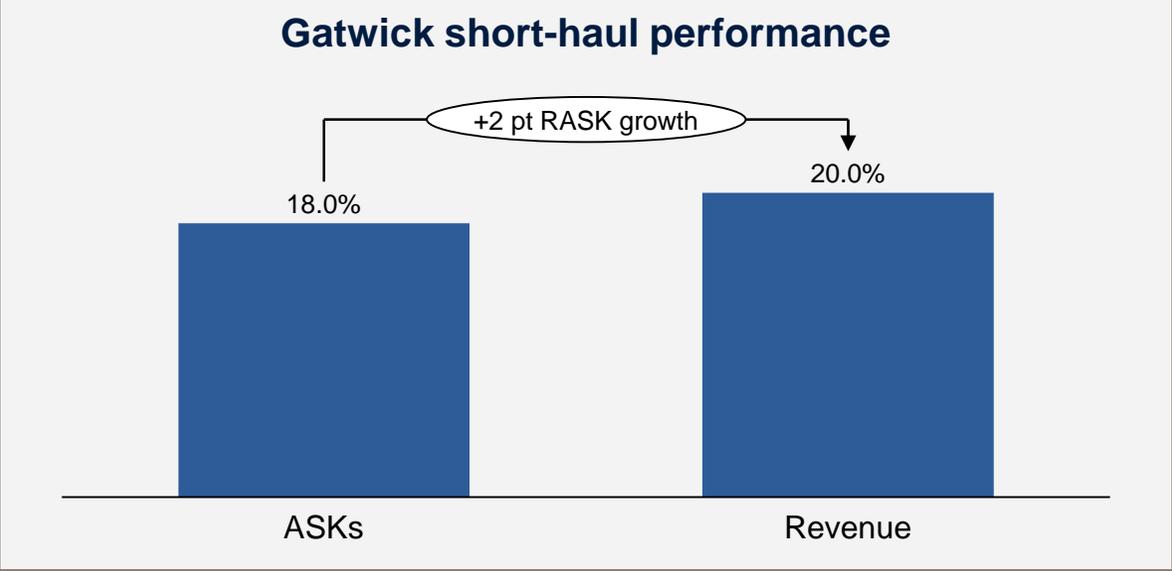
Gatwick performance shows strategy is working

289 weekly slots acquired for Summer 2018 onwards

- Monarch slot flying started in February 2018
- Operating on longer, short-haul routes
- Incremental capacity has been filled with no drop in yield
- Schedule continues to be optimised from 2019 onwards

Reconfiguration of B777s underway

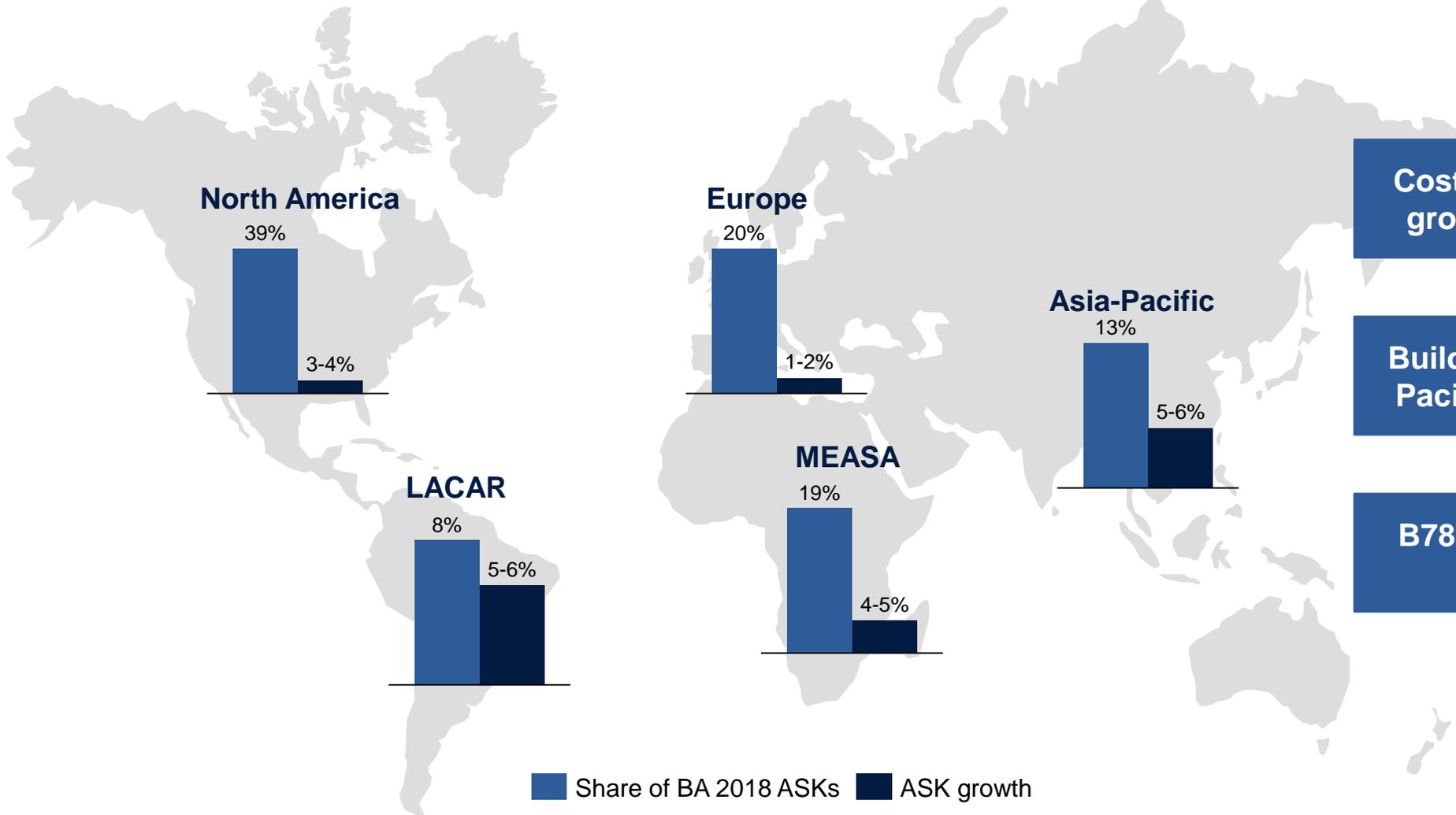
- Cabin size optimised for Gatwick market
- Significant improvement in customer satisfaction achieved
- Five Gatwick B777s reconfigured to date
- Remaining aircraft to be completed by end of 2019



Note: Short-haul performance on ex-Monarch slots for the period February 2018 to August 2018. B777 performance in August 2018 vs August 2017 for four refurbished aircraft across the same routes



Planned growth upgraded to 3-4% per year



Cost structures in place support growth, aided by weak sterling

Building depth & breadth in Asia-Pacific, targeting larger markets

B787 fleet enables efficient new market development

■ Share of BA 2018 ASKs ■ ASK growth

Note: (1) ASK growth is CAGR 2018-2023. (2) North America includes Mexico and Puerto Rico. (3) 2018 includes year-to-date and scheduled ASKs





Significant customer & people investment



Extended cabin improvements across all long-haul cabins

New Club World seat arrives on A350

- Larger seat
- All-aisle access
- Gate-to-gate in-flight entertainment
- Increased privacy
- Increased stowage
- First A350 arrives in July 2019
- By end of 2019, new seat on:
 - 4x A350s
 - Retrofitted to 2x B777s
- Roll-out accelerates from 2020 onwards

First



- Optimise - mix of 8/14 seat cabins
- Product upgrade

Club World



- Grow - seat count and floorspace
- New generation seat

New in-flight entertainment and wi-fi across all cabins



- Short-haul complete Q2 2019
- Long-haul over 80% complete by the end of 2019

World Traveller Plus



- Grow - seat count with larger cabins
- New seat and IFE

World Traveller



- Grow - seat count via competitive configuration
- Modern interiors and IFE

Note: wi-fi includes in scope, BA mainline aircraft only.



Further enhancements to catering and lounges

More catering improvements due in 2019

2018	2019
<ul style="list-style-type: none">• Club World rolled out• World Traveller first phase• Club Europe rolled out• Euro Traveller modifications	<ul style="list-style-type: none">• New food, bedding and amenities in First from May• WT Plus catering & soft product upgraded from Q1• Euro Traveller improvements



Lounge investment continuing

- Opened at Rome & Aberdeen (2018), Boston & Gatwick (2017)
- JFK First lounge opened in October
- 11 new third party lounges, extending the customer proposition
- 2019: JFK Club lounge, San Francisco, Johannesburg, Geneva
- Improved food and drink at key lounges



Investing in service & our people across all customer touchpoints

Setting colleagues up for success

Talent



Updated recruitment attributes implemented in Q3 2018

Learning



28,500 colleagues trained in service in the next 18 months

Engagement



Investment in engagement, including recognition & new uniforms

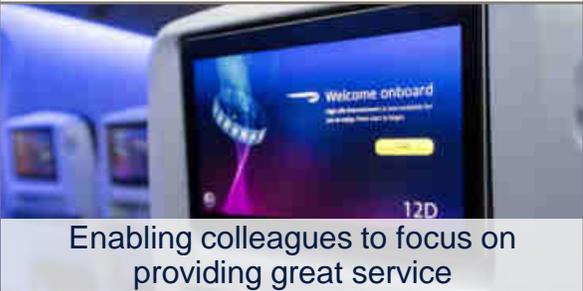
Performance



Colleague clarity on how they are performing

Making it easier for colleagues to do their job well

Product



Enabling colleagues to focus on providing great service

Standards



Simplification in customer procedures for each touchpoint

Tools



Investment in devices and CRM capability

Policies & flexibility



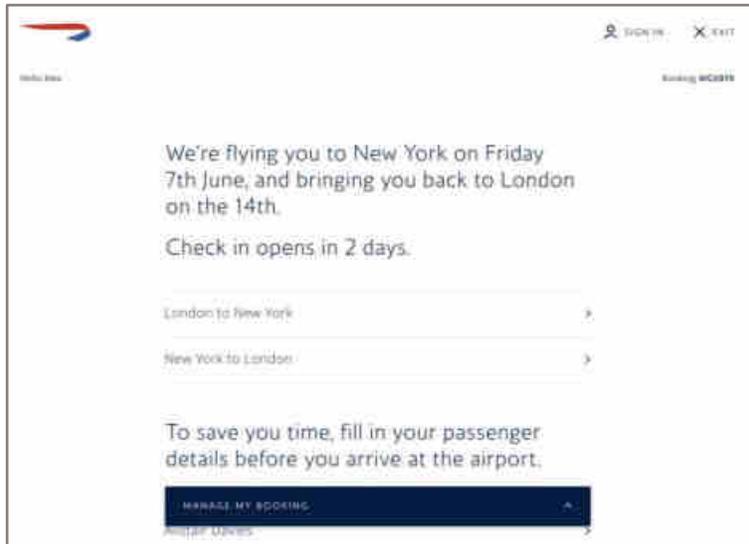
Increased flexibility for top tier customers



Continued investment in technology

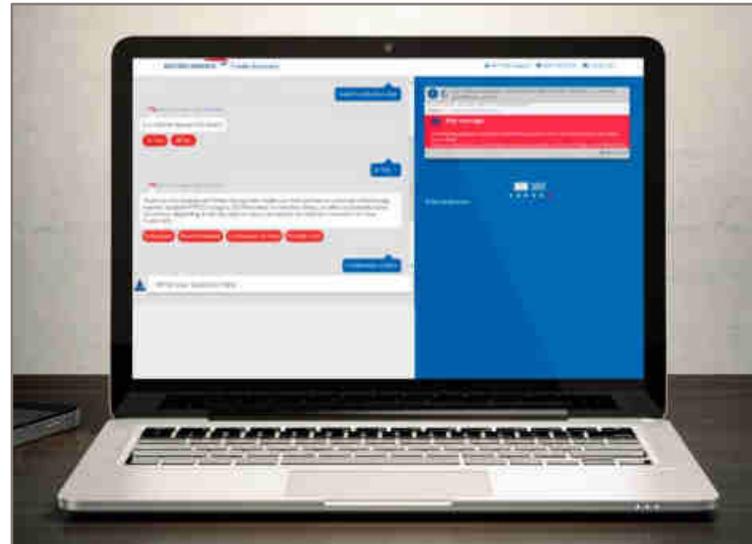
Enhancing ba.com & the app

- Rollout of new homepage and new selling flow to all markets
- One million bookings in January 2018 on ba.com
- Airside upgrade proposition & cancel & rebook functionality in the app



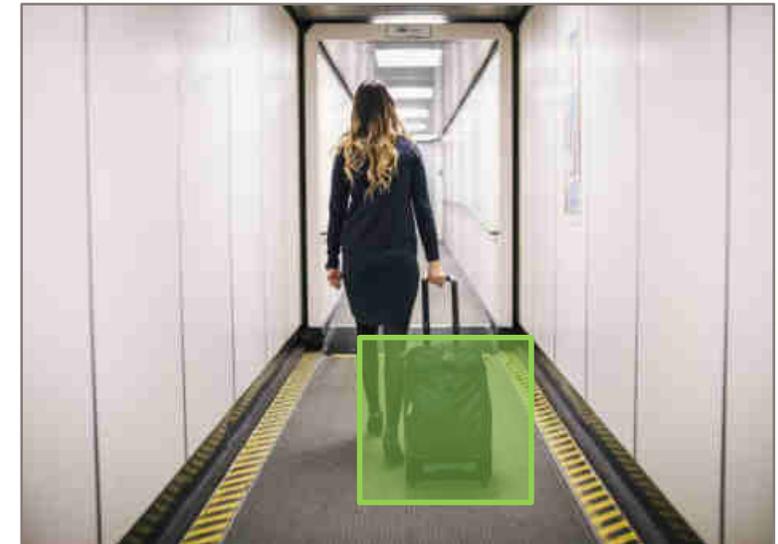
New technology being exploited

- Chatbots trialled with Sales Agents, being rolled out to customers
- Robotic process automation to link e-tickets for customers during disruption
- Automating hotel bookings in disruption



Digital concepts in testing

- Boarding pass as method of payment
- Personalised wireless charging in T5 lounges
- Jetty video recognition
- Future baggage tracking



Upgrading the operation – infrastructure, technology & service

Additional de-icing rigs



Biometric boarding in USA



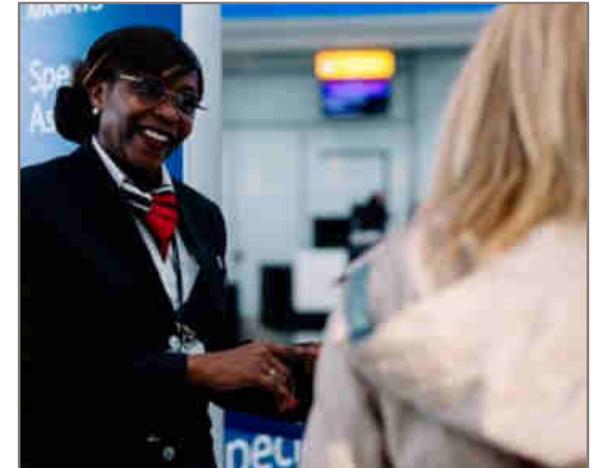
'First Contact Resolution' at Heathrow

- All customer-facing staff to resolve virtually all customer issues at first point-of-contact
- Five-fold increase in rebooking capability during disruption
- Strong employee collaboration
- Training programme will be completed by May 2019

Mototoks for wide-bodies



Paperless T5 departures

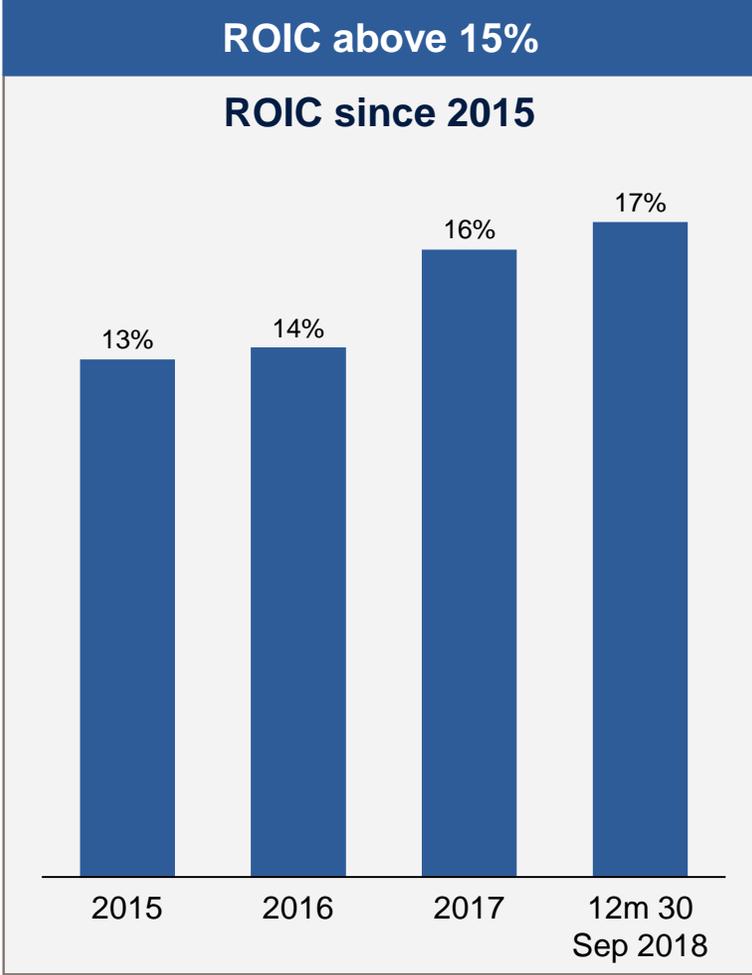
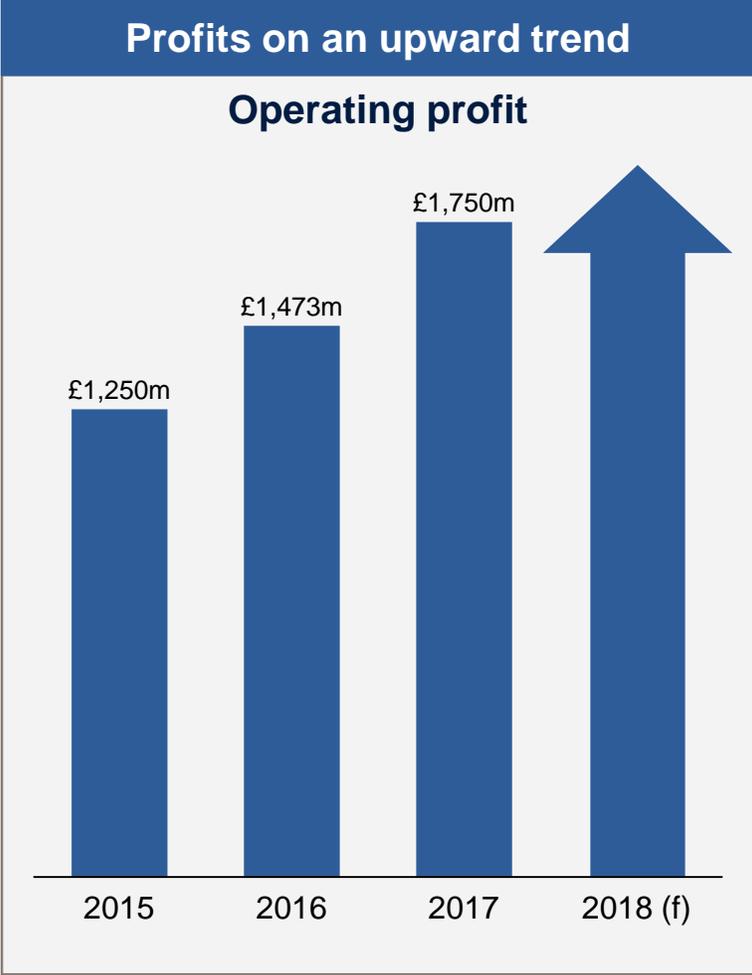
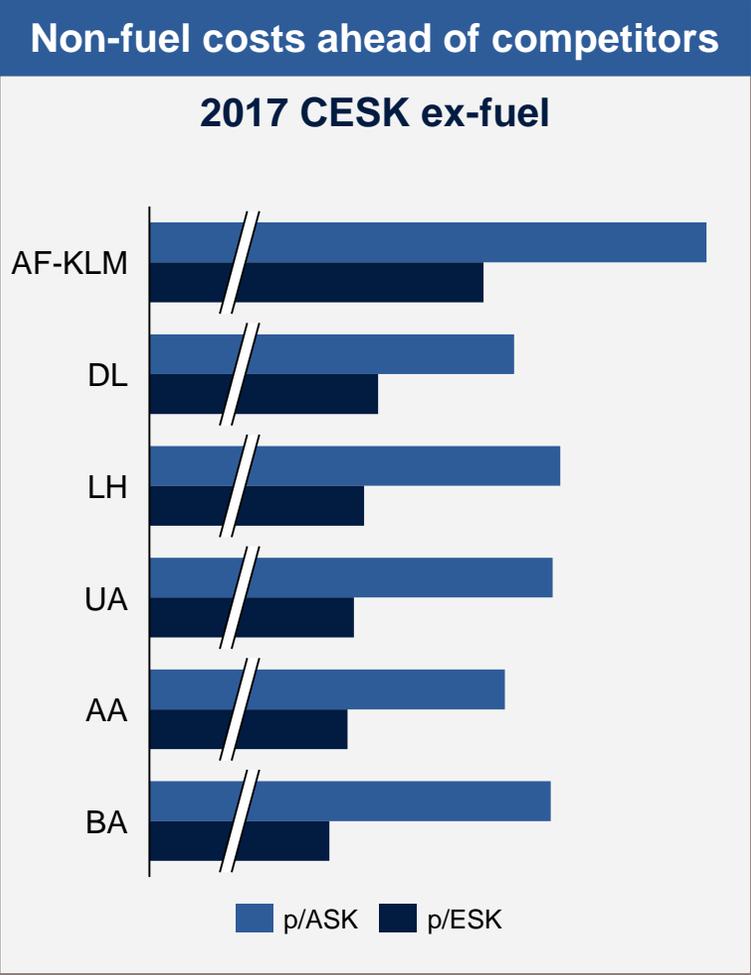




Strong financial performance



Strong financial performance



Source: Airline financial results, OAG
 Note: CESK = non-fuel cost per equivalent seat kilometre. Airline published results for 2017 converted into GBP and adjusted to BA's stage length. LH is airline operations only
 Operating profit shown includes OpenSkies, with 2017 restated for IFRS 9 & IFRS 15



BA aligned to IAG targets

	Rolling 12m*	2019-2023
Lease adjusted operating margin	15.3%	15%+
Sustainable through the cycle RoIC (real terms)	16.7%	15%+
ASK growth per annum	2.2%	3%-4%
Fleet**	296	316



*Rolling 12m as of Q3 2018
**Rolling 12m fleet is at the end of the period. 2019-2023 average fleet during the period.

Celebrating BA's centenary in 2019

Sharing our heritage



Sustainability



The future of air travel



Investment for customers



New uniforms



Future airline careers



Partnerships



Centenary celebrations

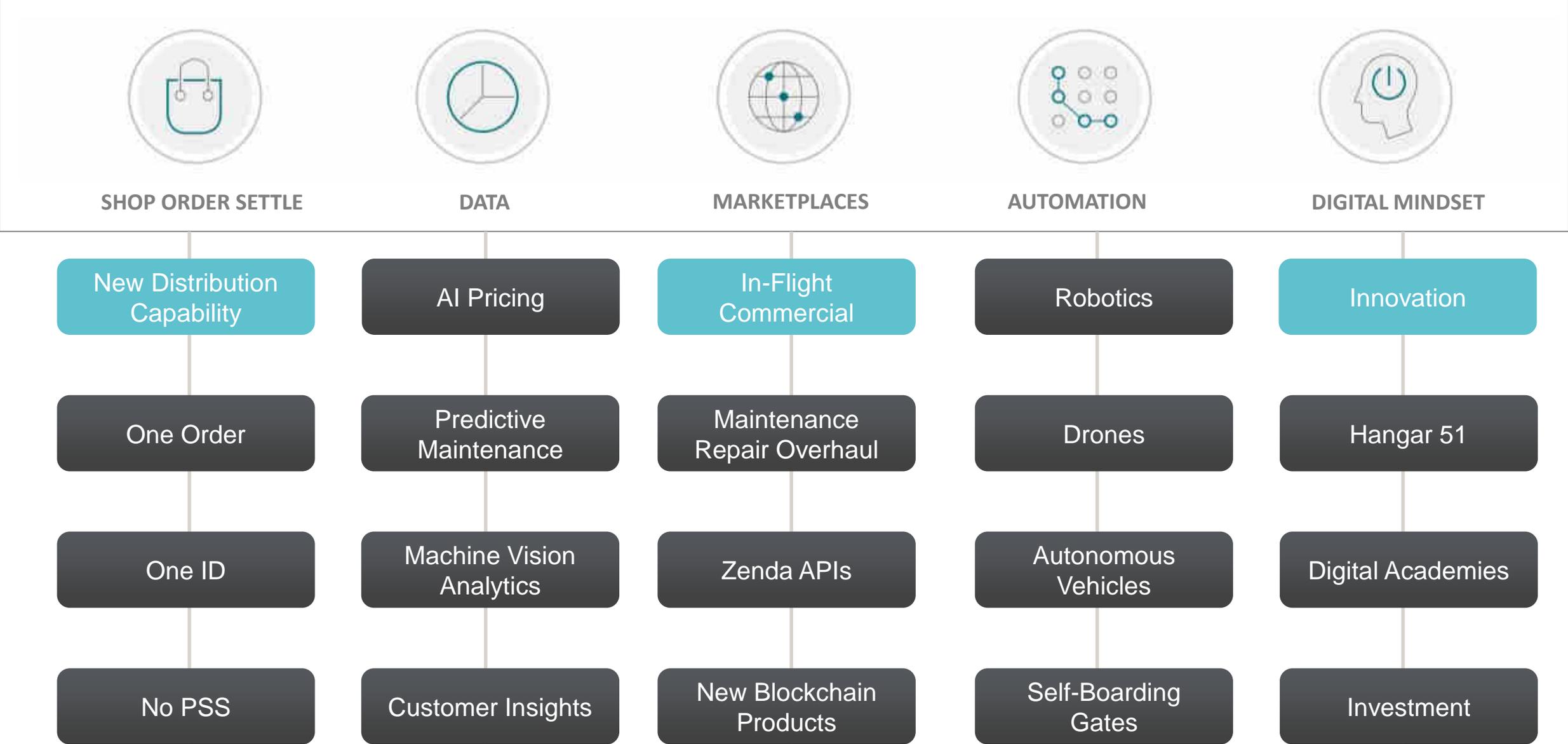


IAG Digital

Robert Boyle – IAG Director of Strategy

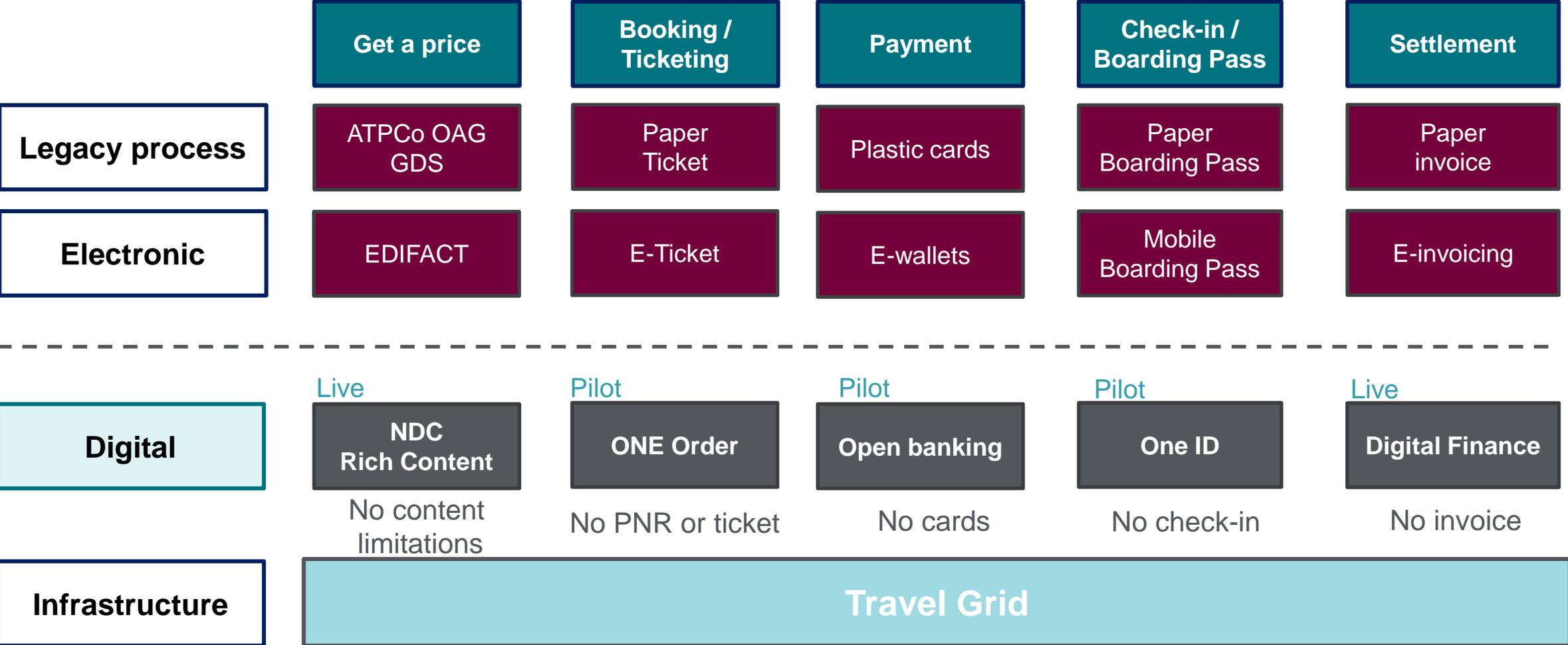
Lynne Embleton – IAG Cargo CEO

DIGITAL TRANSFORMATION

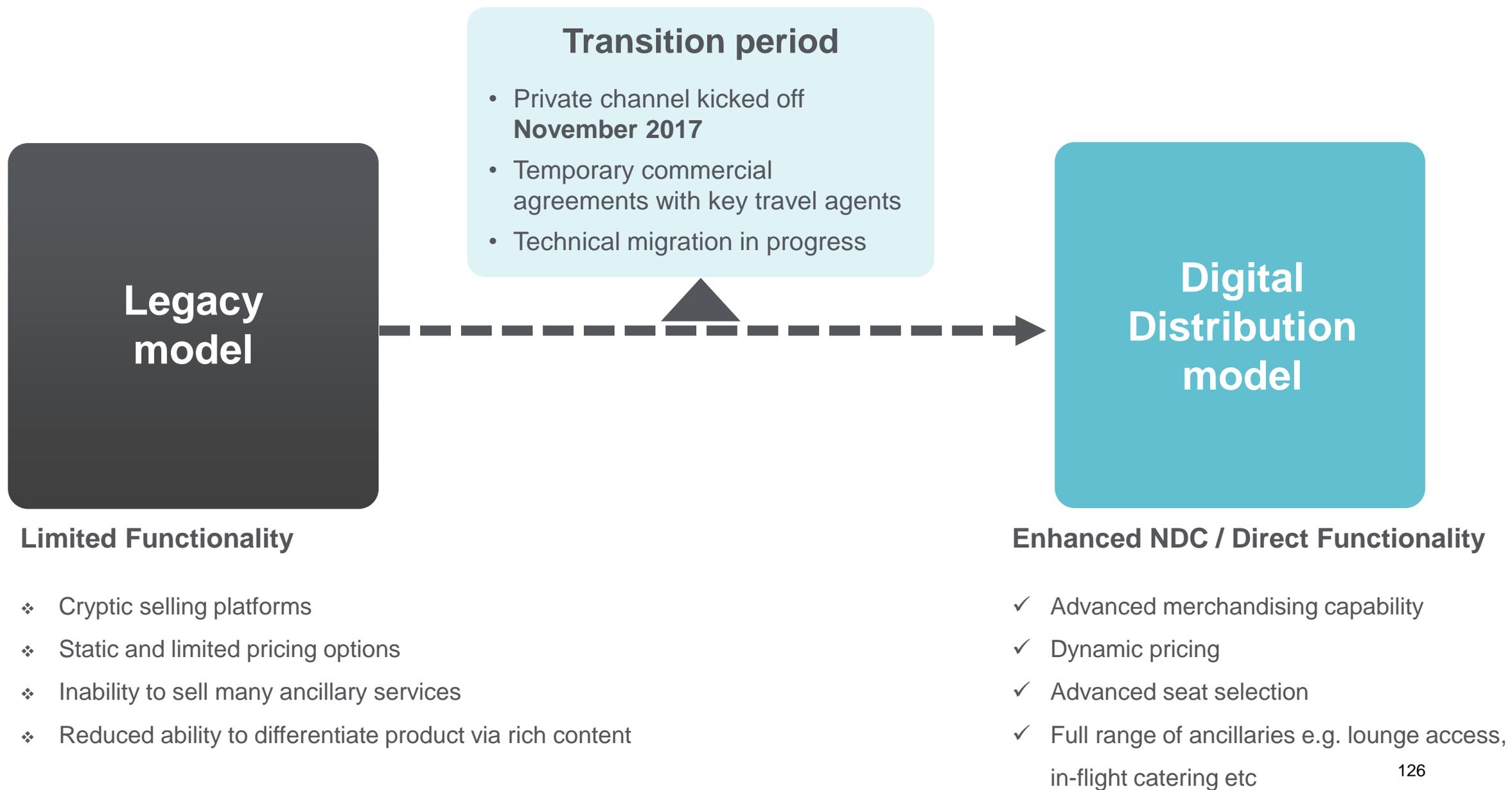


NEW DISTRIBUTION CAPABILITY

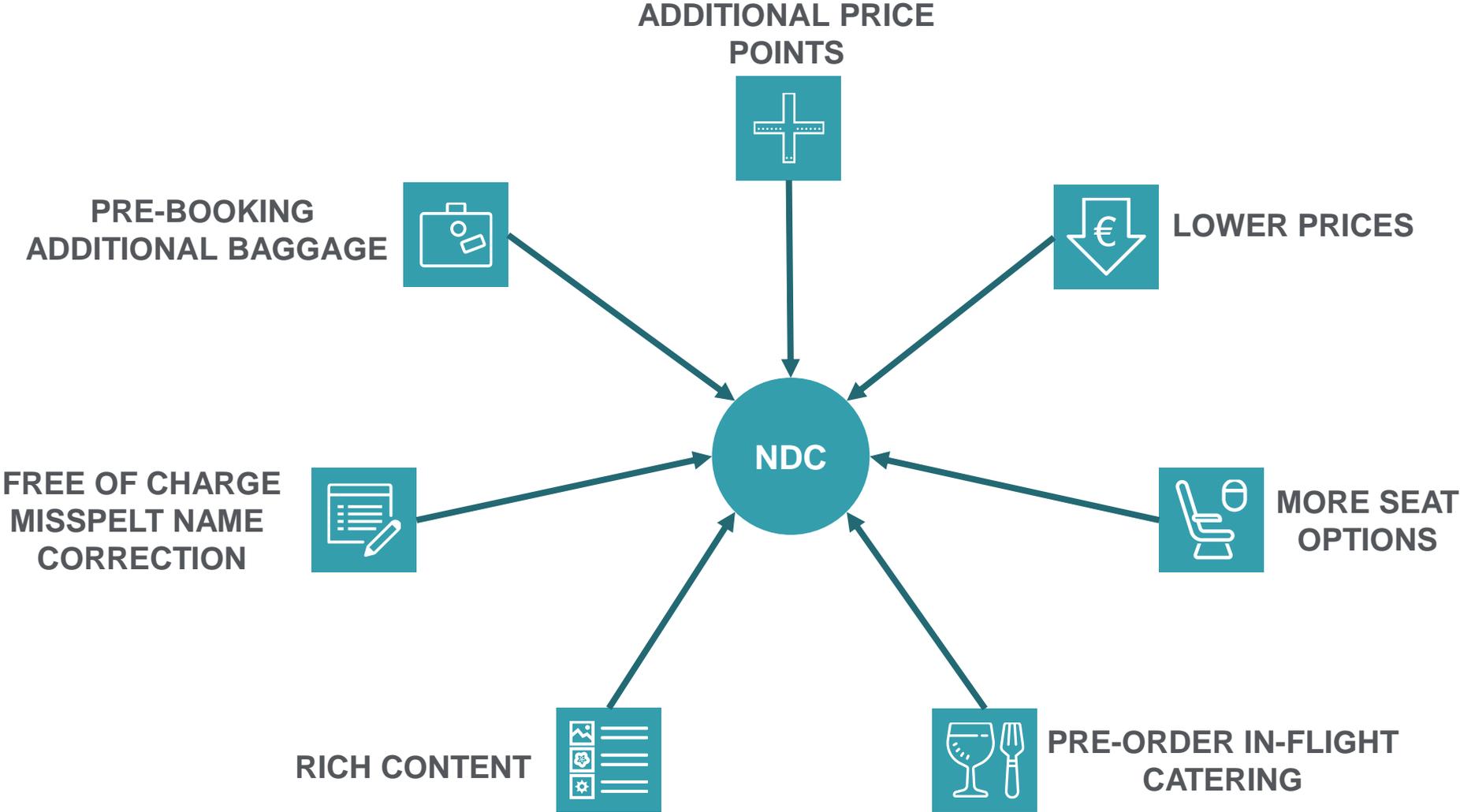
Leading digital transformation in the aviation industry



Helping our partners transition to a digital distribution model



IAG's NDC already offers a growing list of unique content and services

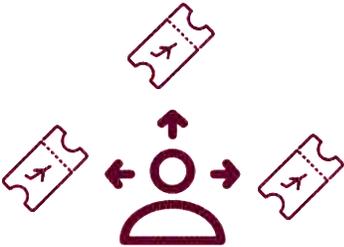


IAG provide a wide choice to agencies seeking NDC content

We have partnered with growing number of next generation tech providers expanding access to IAG NDC/API content:



Digital distribution brings many new benefits



Access to wider range of content



Stronger relationship with airlines

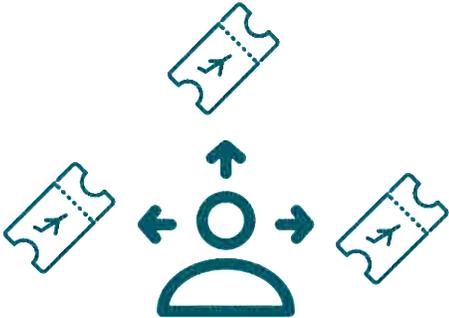
Intermediaries



Competitive advantage



Tailored offers for their customers

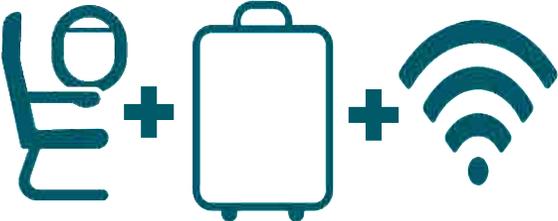


Greater customer choice through access to a wider range of content



Lower consumer prices

Customers

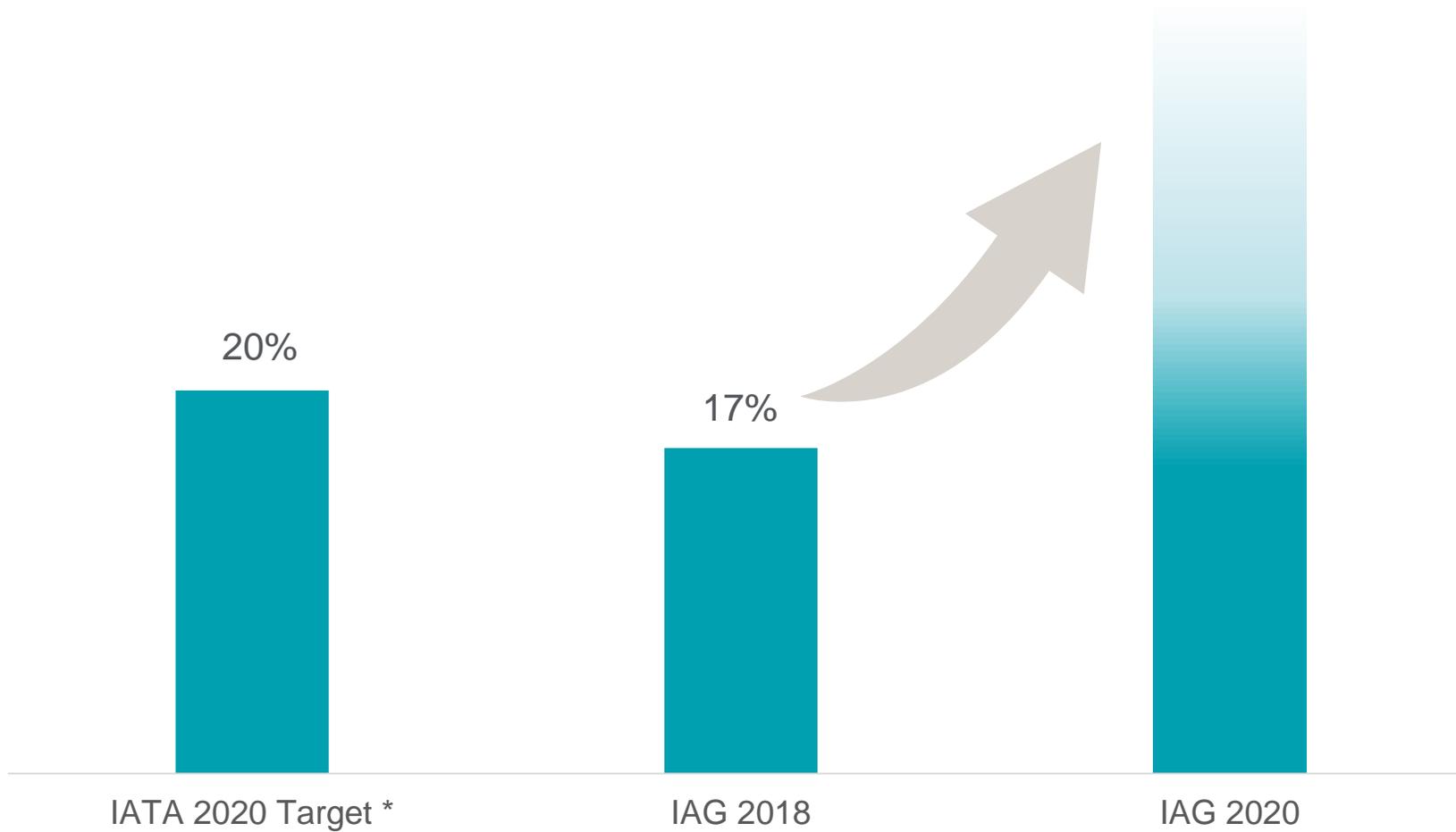


Improved transparency helps customers make informed decisions



Customer recognition and tailored offers

We plan to grow NDC/API bookings significantly above IATA targets



IAG CONNECT

IAG is rolling out connectivity across our fleet

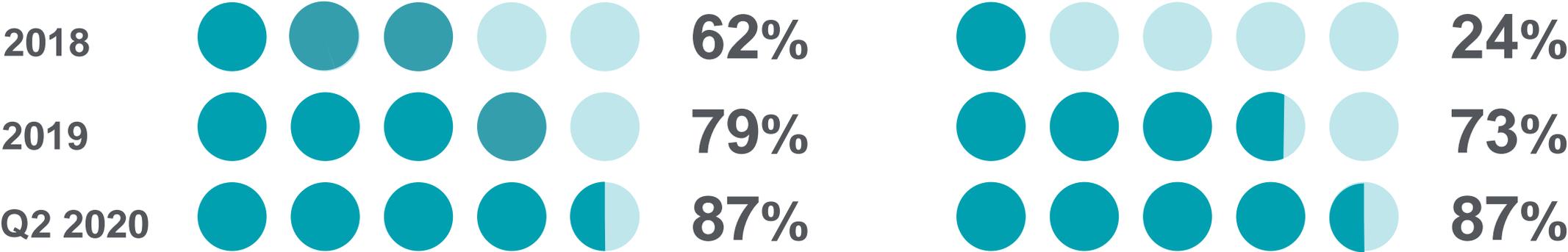


Target from CMD 2015 for proportion of group long haul fleet connected

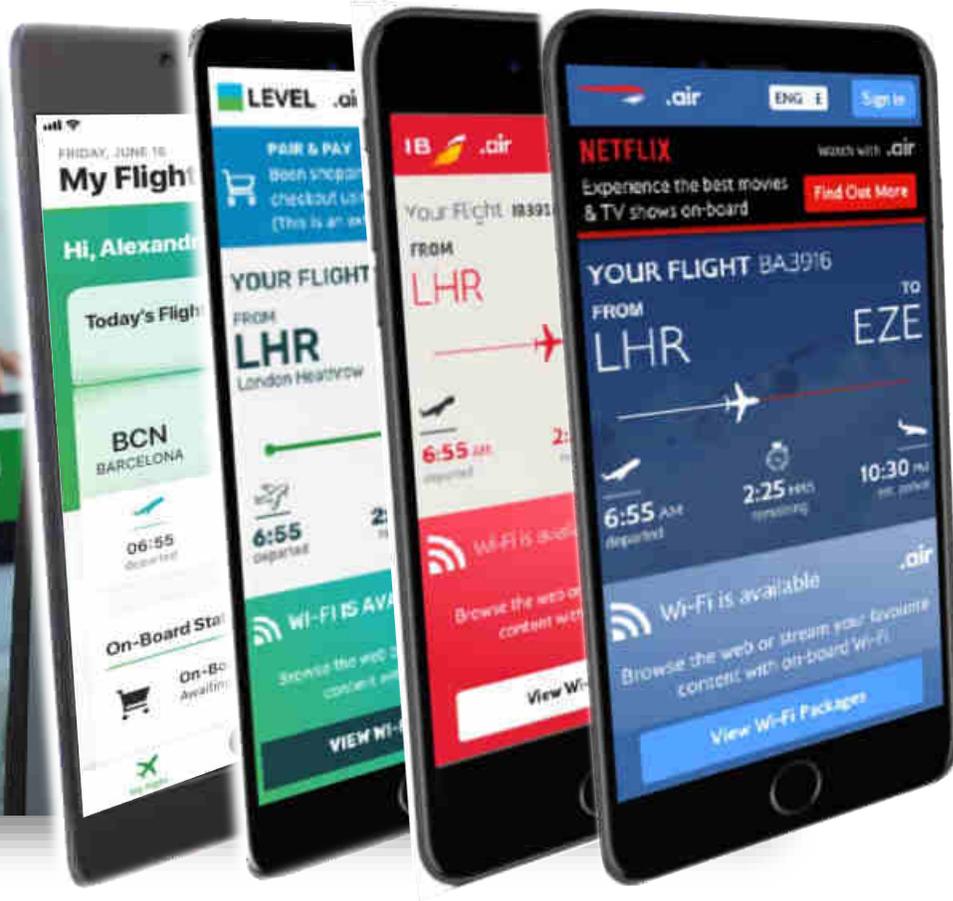
Update:

Long haul

Short haul



IAG introduced .air - the most advanced connectivity service



Consistent customer experience
regardless of aircraft system



Single Sign On
single account creation for customers



Single means of payment
access to stored cards



Single Wi-Fi catalogue
one communications provider



Entitlement
enables differentiation and pre-flight sales



Data
customer, sales, inventory, billing

IAG first to innovate with award-winning “Pair & Pay”



INICIO GASTRO TIENDA VER ESCUCHAR ENG

Item(s) are reserved for: 14:59 mins Total: €16.50 Cancel Order

PAIR & PAY: Complete payment on your own device

- 1 Pick up your device, and activate Wi-Fi
- 2 Go to pair.me and enter the code below
- 3 Complete checkout and save your details for instant payments

5 7 6 3

Don't have a device? [Call attendant](#)

BCN → LAX 4:25 hrs remaining

Browse → Select → Pair & pay

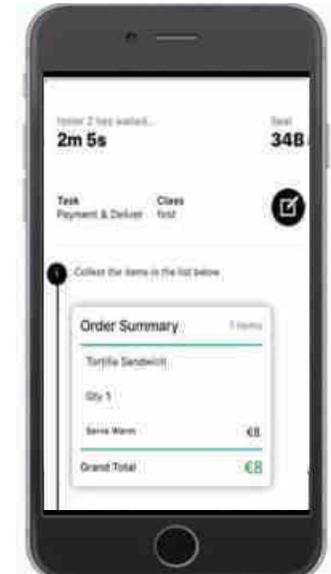


2019 will bring future enhancements to in-flight service



On-demand restaurant style dining

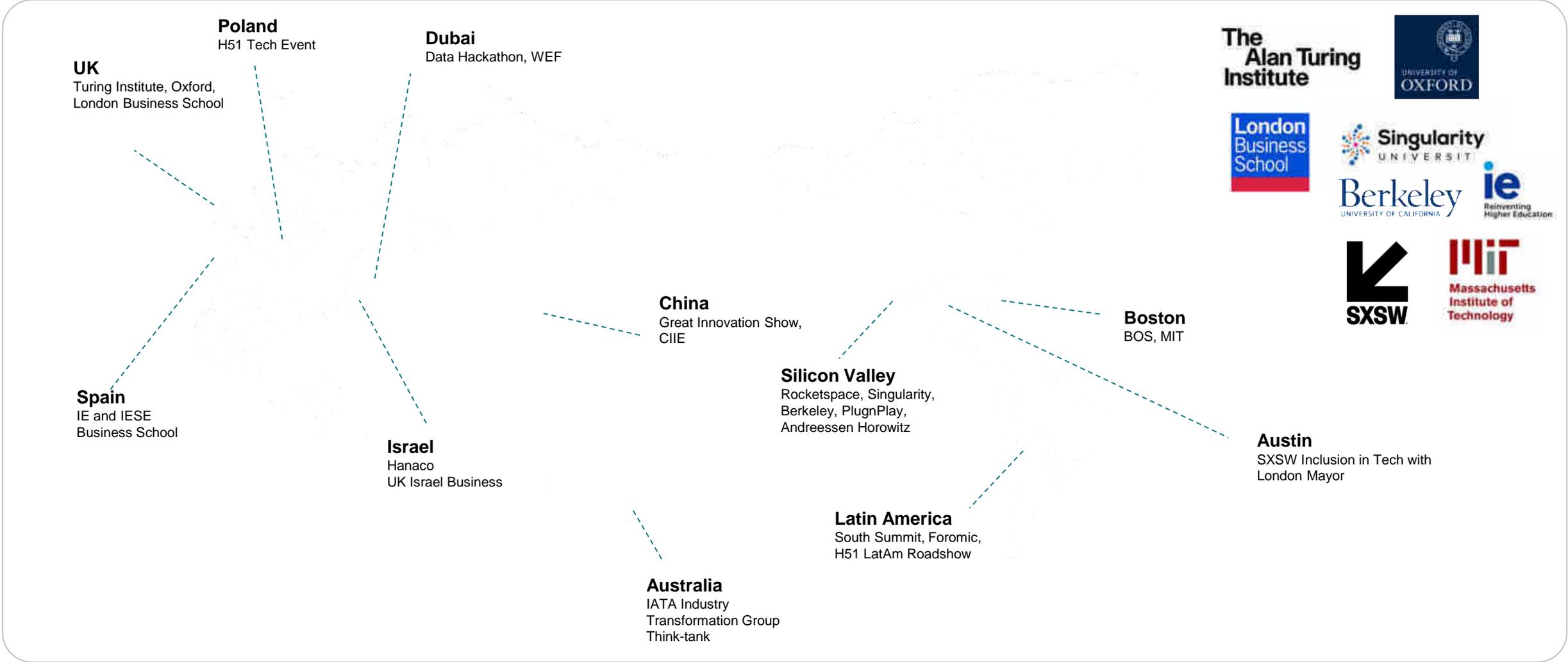
- ✓ Clearer options, tailored to customers
- ✓ Crew focus on customer demand
- ✓ Online payment reduces fraud
- ✓ Enabling **pre-ordering** drives reduction in wastage
- ✓ **Data** helps understand our customers



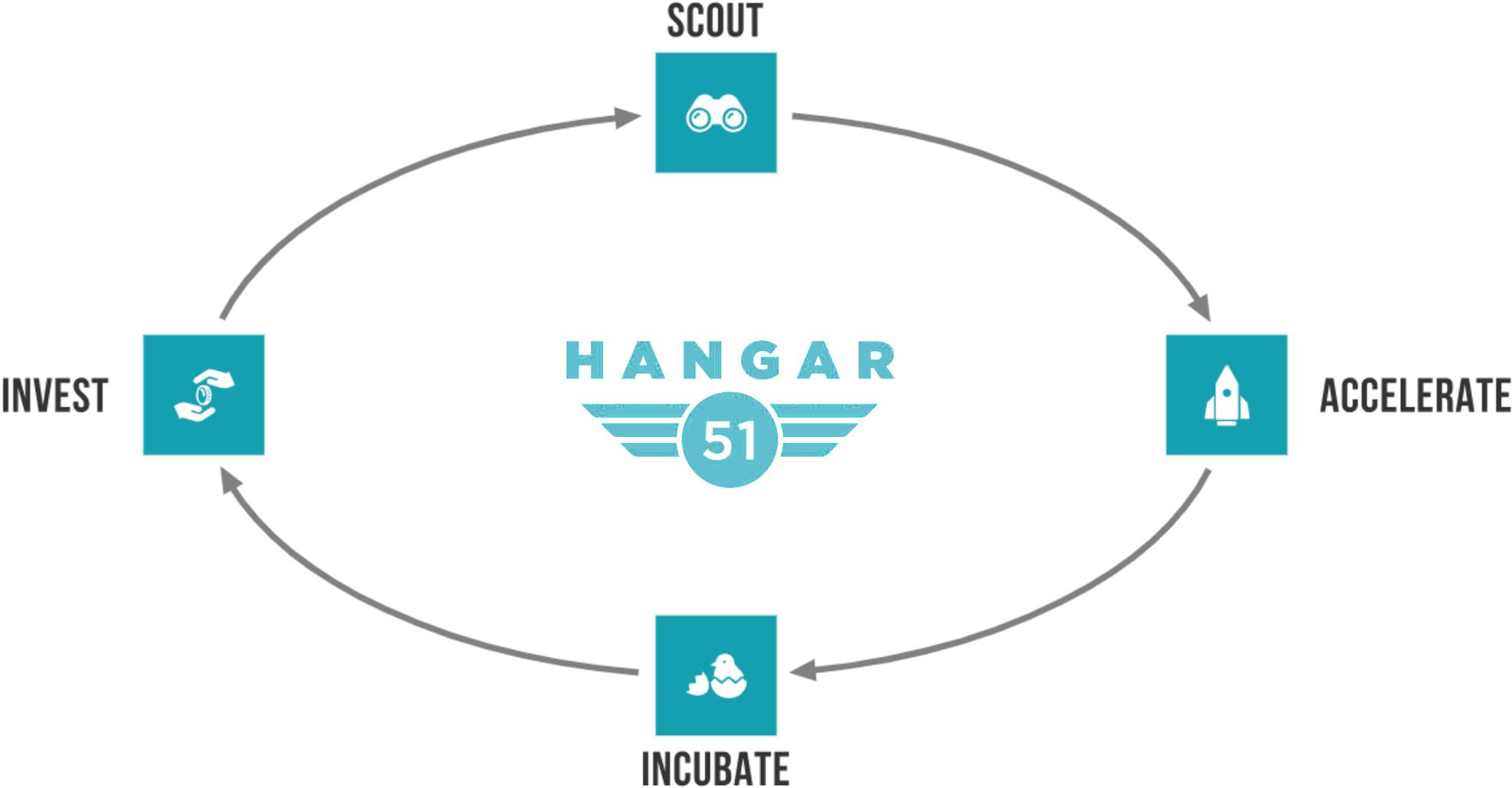
INNOVATION

IAG innovation network | Global reach and capability

The group has an extensive innovation network which includes 300+ start up and tech communities globally.



IAG innovation network extends digital opportunity within the group



Rolling Hangar 51 accelerator programmes attract global talent

- ▶ 1200+ start up applied and technologies screened
- ▶ 24 accelerator participants
- ▶ 40+ countries
- ▶ 100% still trading | 66% High Growth | 8% Exited



IAG presenta en Barcelona los proyectos de su aceleradora

Vueling apoya como mentor a tres 'start-ups' para mejorar la atención al cliente

AINZARÉ GASTÉN
Barcelona

Hangar 51, la aceleradora de start-ups del grupo IAG, presentó ayer en Barcelona los siete proyectos finalistas del programa. En su segunda edición, Hangar 51 ha recibido peticiones de 250 empresas. De estas, 31 entraron en un proceso de selección y finalmente siete fueron elegidas para entrar en el programa, que consiste en desarrollar su producto o plataforma en estrecha colaboración con las aerolíneas del grupo durante diez semanas. Esta ocasión, han trabajado para Iberia Express, Iberia y Vueling.

En presencia del consejero delegado de IAG, Willie Walsh, y los primeros directivos de Vueling, Javier Sánchez Prieto, e Iberia, Luis Gallego, los siete emprendedores seleccionados, entre ellos la plataforma catalana Airtrip, expusieron sus creaciones de su trabajo. En las próximas semanas, el equipo de Hangar 51 decidirá qué proyectos han dado mejores resultados y mantendrá la colaboración vía inversión directa o a través de acuerdos comerciales o contratos.

Vueling ha auspiciado los proyectos de Destripo, Migoone y Sini Asqui Mate, los tres centrados en el desarrollo de utilidades tecnológicas destinadas a mejorar la atención al cliente. Mientras Destripo facilita



Los emprendedores de los siete proyectos junto a Willie Walsh y Glenn Morgan, de IAG

Realidad virtual y 'chatbots' entre los siete proyectos de Hangar 51, entre ellos uno catalán

En la comunicación y gestión a través de chatbots. Migoone utiliza el machine learning para predecir los patrones de conducta de los usuarios, y Sini Asqui Mate permite facturar vía un e-mail ilimitado y optimizar la asignación de asientos, la se-

gunda fuente de ingresos extras para la compañía, según explicó ayer el director comercial de Vueling, David Gatta.

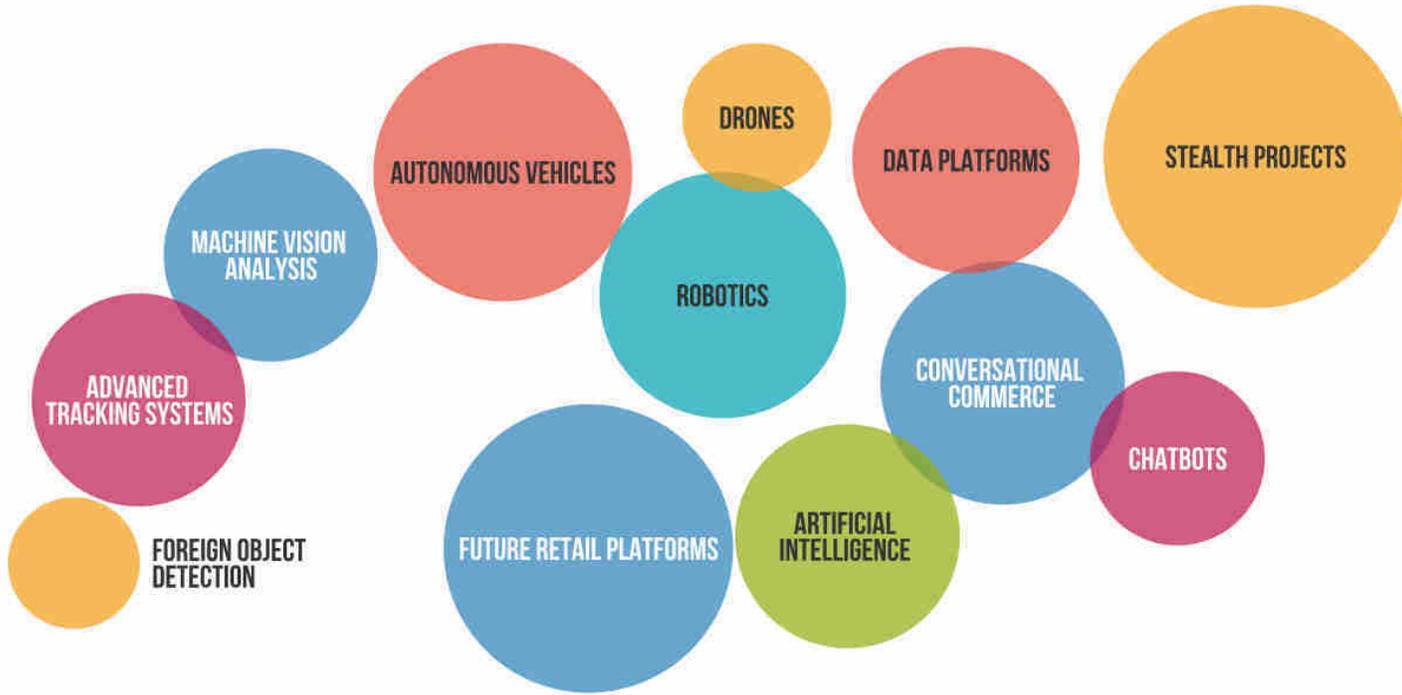
"En Vueling estamos centrados en mejorar la experiencia del cliente según nuestra experiencia, la satisfacción del cliente incide directamente en los ingresos", apuntó Javier Sánchez Prieto, presidente de la compañía. Por su parte, Willie Walsh destacó que "Barcelona es el escenario ideal para presentar nuestro programa para emprendedores".

Los proyectos finalistas se entrarán en las tendencias más innovadoras relacionadas con el sector, desde los chatbot, cada vez más utilizados en el área de atención al cliente, o la realidad virtual como sistema de entrenamiento a bordo. También hay iniciativas financieras, como Apliaare, una plataforma de créditos al consumo para financiar viajes integrada en el proceso de venta, y comercializadora Volantira, para optimizar los asientos o el ocio. Por su parte, la catalana Alestrige es una red social de viajes en la que son los propios viajeros quienes crean y organizan los viajes y contratan a las aerolíneas.

Recent Start up Awards



IAG has a world class platform for incubation

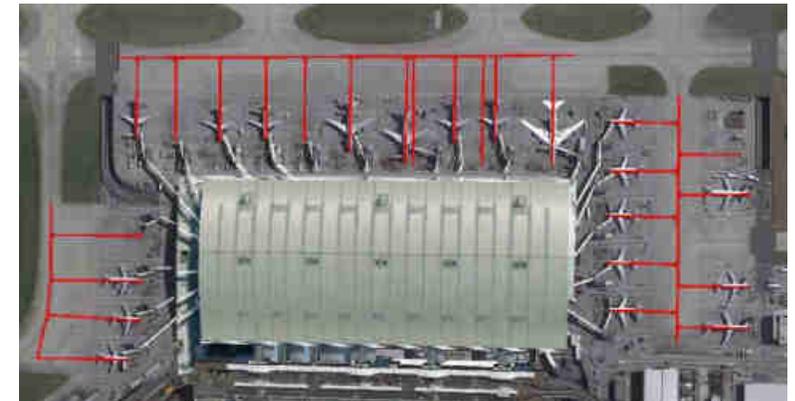


IAG IS PARTNERING WITH TOP INNOVATION TEAMS

WE ARE DRIVING REAL RESULTS



LHR Operations – Aug 2017



LHR Operations – Aug 2018

- 50% reduction in pushback delays
- Simplified and safer operations
- Significant reduction in emissions

IAG is supporting technological growth through investment

IAG strategically incubates and invests in the most promising early stage and emerging technology players in the travel market.



Security Verification Blockchain



Travel Distributed Ledger and AI Technology provider



Commercial Retailing Marketplace for Travel



Digital Challenger Bank



Post Booking Fare Flexibility



Travel Itinerary app

Our focus is now on deployment at scale whilst continuing to innovate

IBERIA

Dear Marco Sangavini

Iberia is offering select customers exchange for a Discount Voucher Iberia.com. You get the flexibility, this offer, disregard this message.

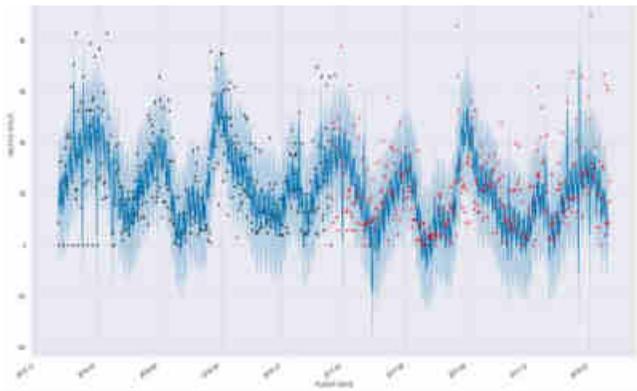
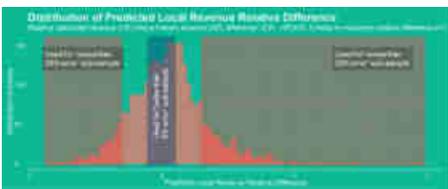
You currently have a confirmed booking (Continuation Code: ABCDEF):

IB1530 Nov 30 2017 Economy	4:30 PM MAD	✈	5:45 PM BCN	
If you are willing to change your flight in exchange for credit towards future travel, select a new flight below:				
IB1430 Nov 30 2017 Economy	3:30 PM MAD	✈	4:45 PM BCN	Select to receive €75.00 per passenger
IB2100 Nov 30 2017 Economy	10:00 PM MAD	✈	11:15 PM BCN	Select to receive €75.00 per passenger



View our API endpoints

Find out more about Zenda



IAG Cargo

Lynne Embleton – CEO

We are a business undergoing transformation

Enhance contribution through technology

1 Technology to drive effective operations

2 Exploiting digital across commercial



Better asset utilisation



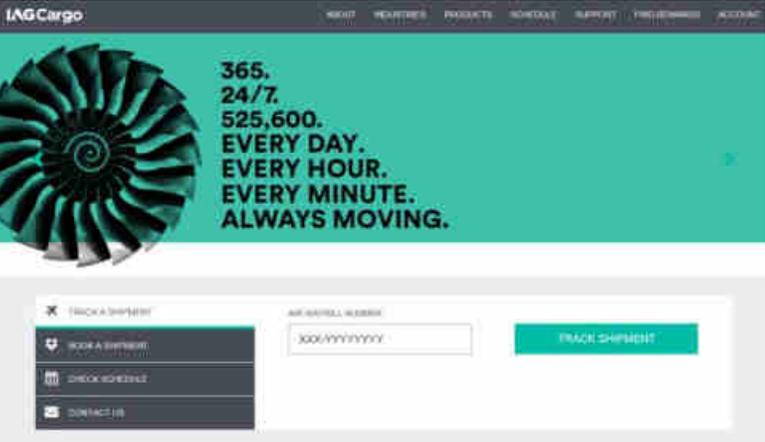
Reduce costs



Increase revenue

Investment in online capability

Online penetration has quadrupled YTD



New upselling functionality driving revenue

		Sat 03 Nov	Sun 04 Nov	Mon 05 Nov	Tue 06 Nov	Wed 07 Nov	Thu 08 Nov	Fri 09 Nov
						PERFORM	PRIORITISE	CRITICAL
	BA0294 36h 35m Wed 07 Nov 17:10 ORD → Thu 08 Nov 06:50 LHR					2,18 USD/kg	2,98 USD/kg	
	BA0199 Thu 08 Nov 20:40 LHR → Fri 09 Nov 11:15 BOM					<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
	BA0294 49h 35m Wed 07 Nov 17:10 ORD → Thu 08 Nov 06:50 LHR					2,18 USD/kg	2,98 USD/kg	
	BA0139 Fri 09 Nov 09:50 LHR → Fri 09 Nov 00:15 BOM					<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

A revolution in our pricing is underway



Cloud based



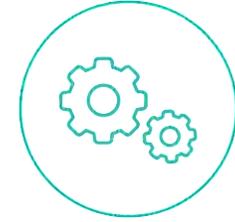
24/7 availability



Market rate as a tactical pricing tool



Guided spot prices



AI optimized spot prices

Evolution

Revolution



Tackling the paper mountain with eFreight and ePouch

Documents ePouch



ePouch		48419792 12/01/2018	
Document	Upload Date	Download	Reviewed?
✓ AWB	19-June-2018	Download ↓	Uploaded
✓ CSD	19-June-2018	Download ↓	Uploaded
✓ Console Manifest	19-June-2018	Download ↓	Uploaded

Digitisation of documents

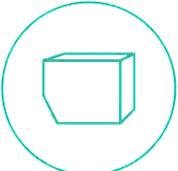


No. of Pieces	Class	Weight	Chargeable weight	Rate	Charge	Total	Notes and Quantity of Items (incl. Dimensions or Volume)						
10	400	1	400	662.00	2,662.00.00		CARGO BATTERY AS PER ATTACHED MANIFEST 100 122X 100X 100MM						
10	400				2,662.00.00								
<table border="1"> <tr> <td>Freight</td> <td>2,662.00.00</td> </tr> <tr> <td>Other Charges</td> <td></td> </tr> <tr> <td>Total</td> <td>2,662.00.00</td> </tr> </table>				Freight	2,662.00.00	Other Charges		Total	2,662.00.00	Other Charges 400 122X 100X 100MM 11.000000 4,728.00.00			
Freight	2,662.00.00												
Other Charges													
Total	2,662.00.00												
<table border="1"> <tr> <td>Total (incl. Charges Due Agent)</td> <td>11,400.00</td> </tr> <tr> <td>Total (incl. Charges Due Carrier)</td> <td></td> </tr> </table>				Total (incl. Charges Due Agent)	11,400.00	Total (incl. Charges Due Carrier)		Please verify that the particulars on the face hereof are correct and that marks are an part of the consignment's correct compliance marks. Such marks are uniquely identified by name and to be printed in black or in any color on the available space.					
Total (incl. Charges Due Agent)	11,400.00												
Total (incl. Charges Due Carrier)													
				C-FL Aviation Europe B.V. Telefoon 020 461 1100 C-FL Aviation Europe B.V. BUNDEL 1 Telefoon 020 461 1100									

Trackers enabling better asset management



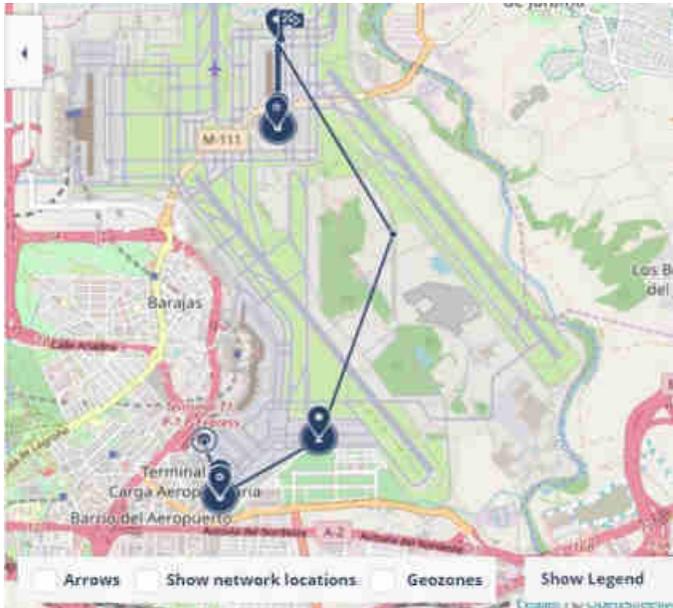
Customer tracking devices approved and live



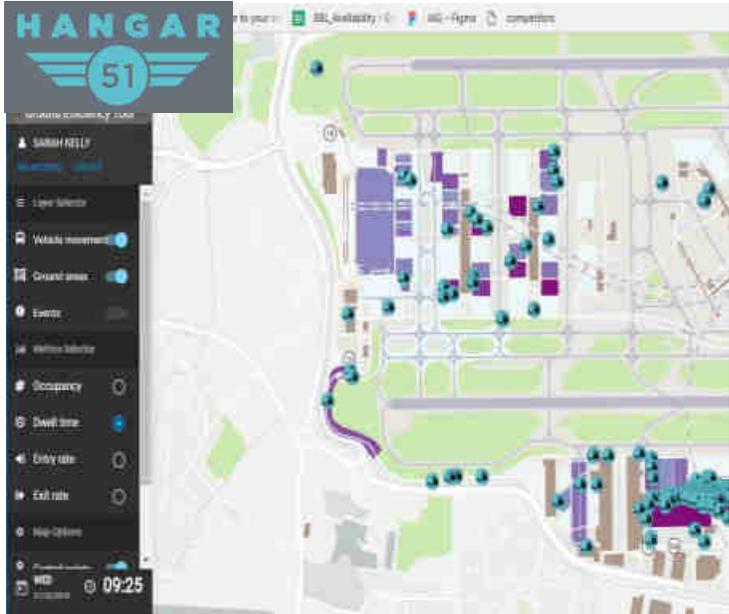
Global ULD tracking trial



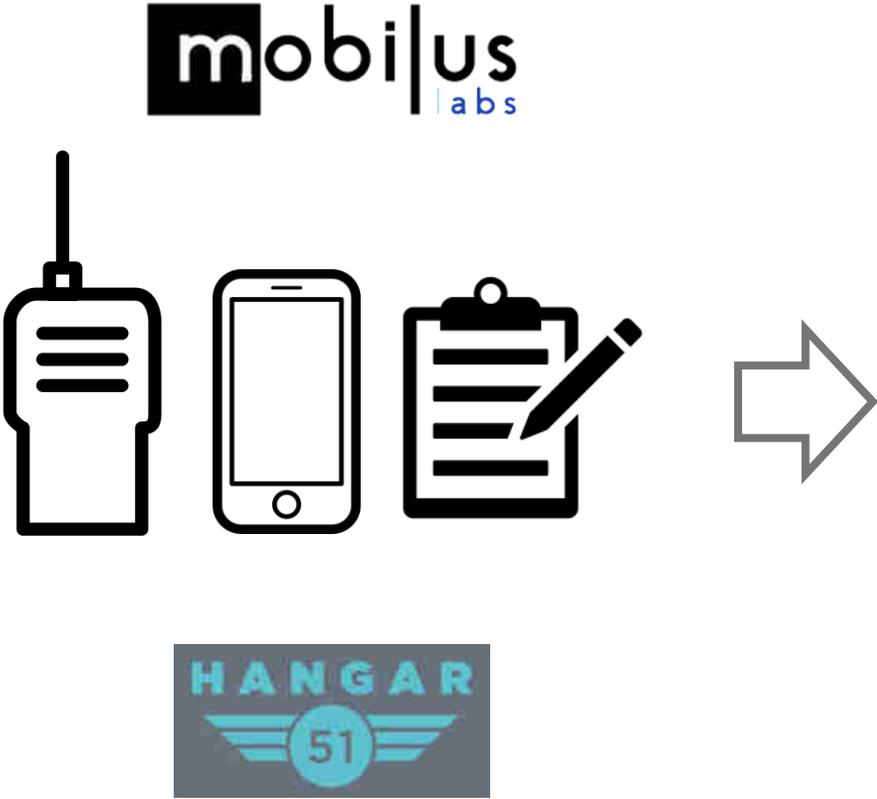
Dolly tracking in Madrid



Location visualisation of Heathrow telematics



Changing the way operations communicate



A strong group platform transforming through technology



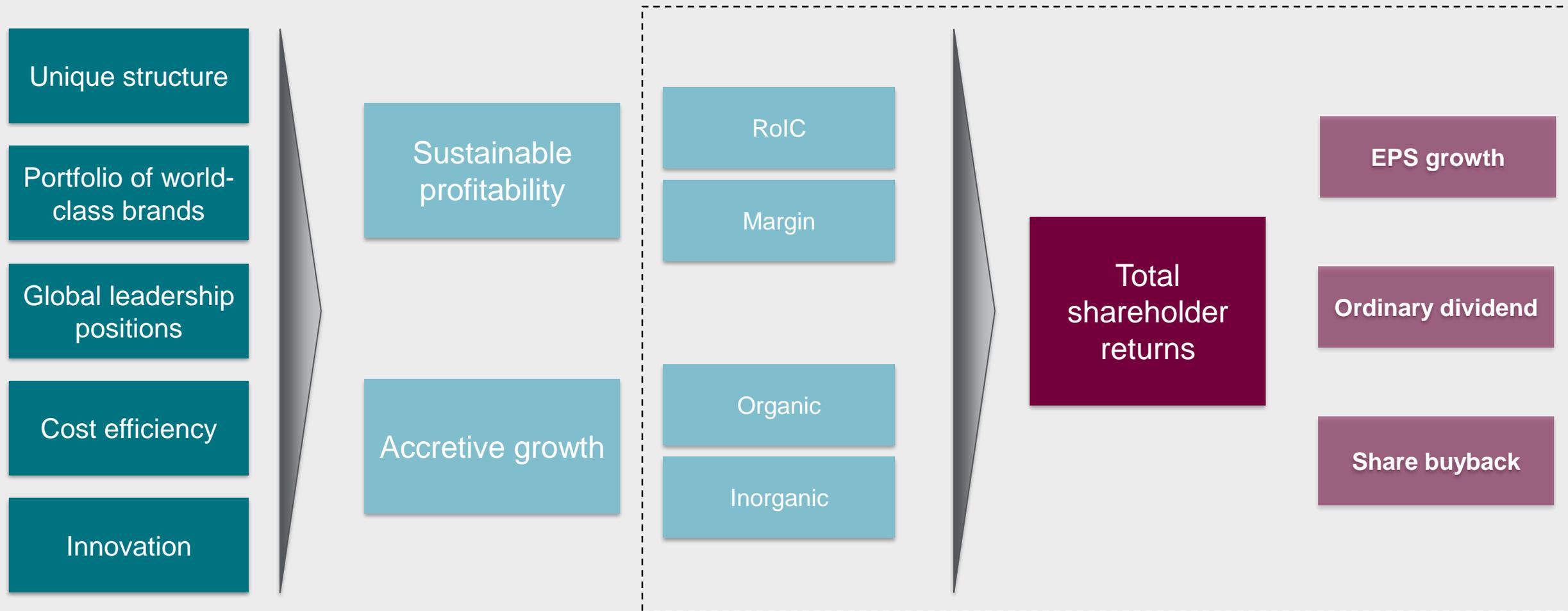
IAG Cargo

Financial investment case

Enrique Dupuy – IAG CFO

The IAG investment case

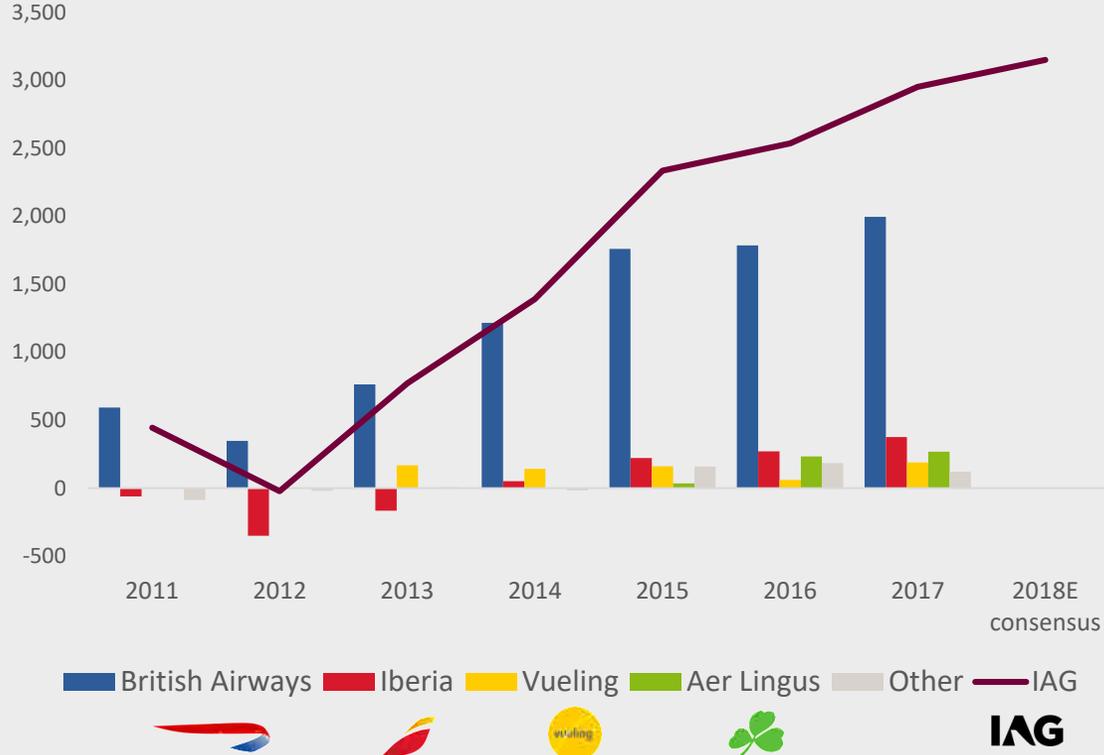
A unique structure that drives growth and innovation to generate superior shareholder returns



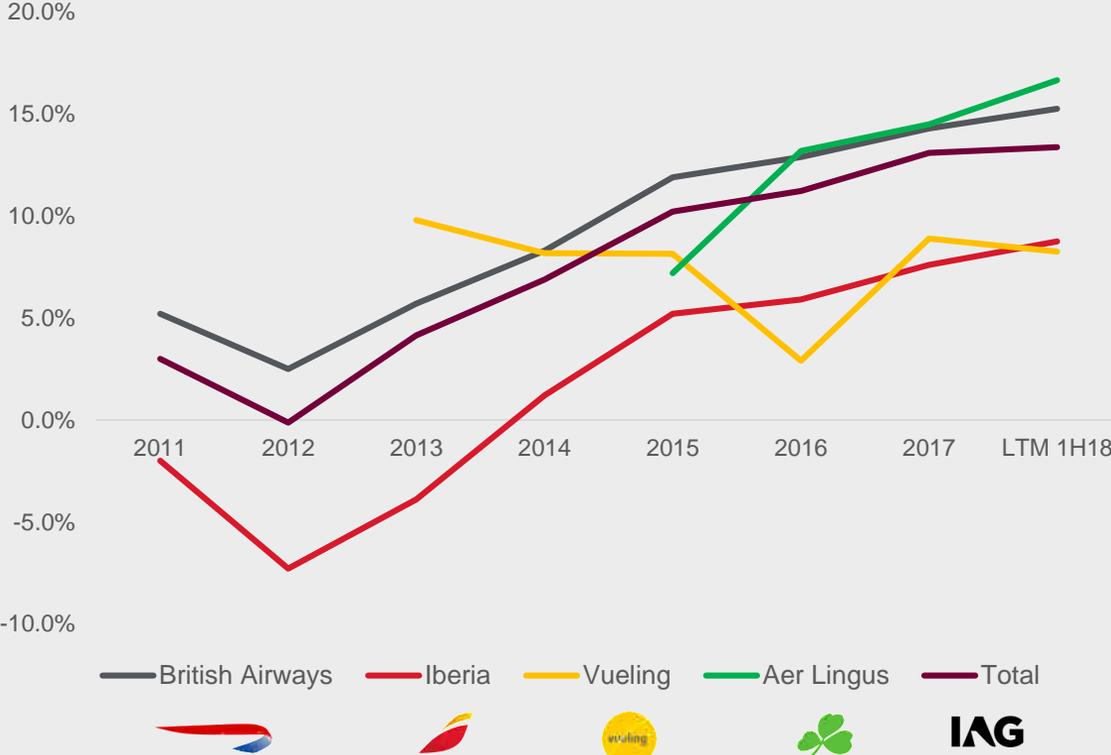
Strong track record of profitability at IAG and OpCo levels

Operating profit, 2011-2018E, and operating margin by OpCo, 2011-1H18 LTM

Operating profit (€m)

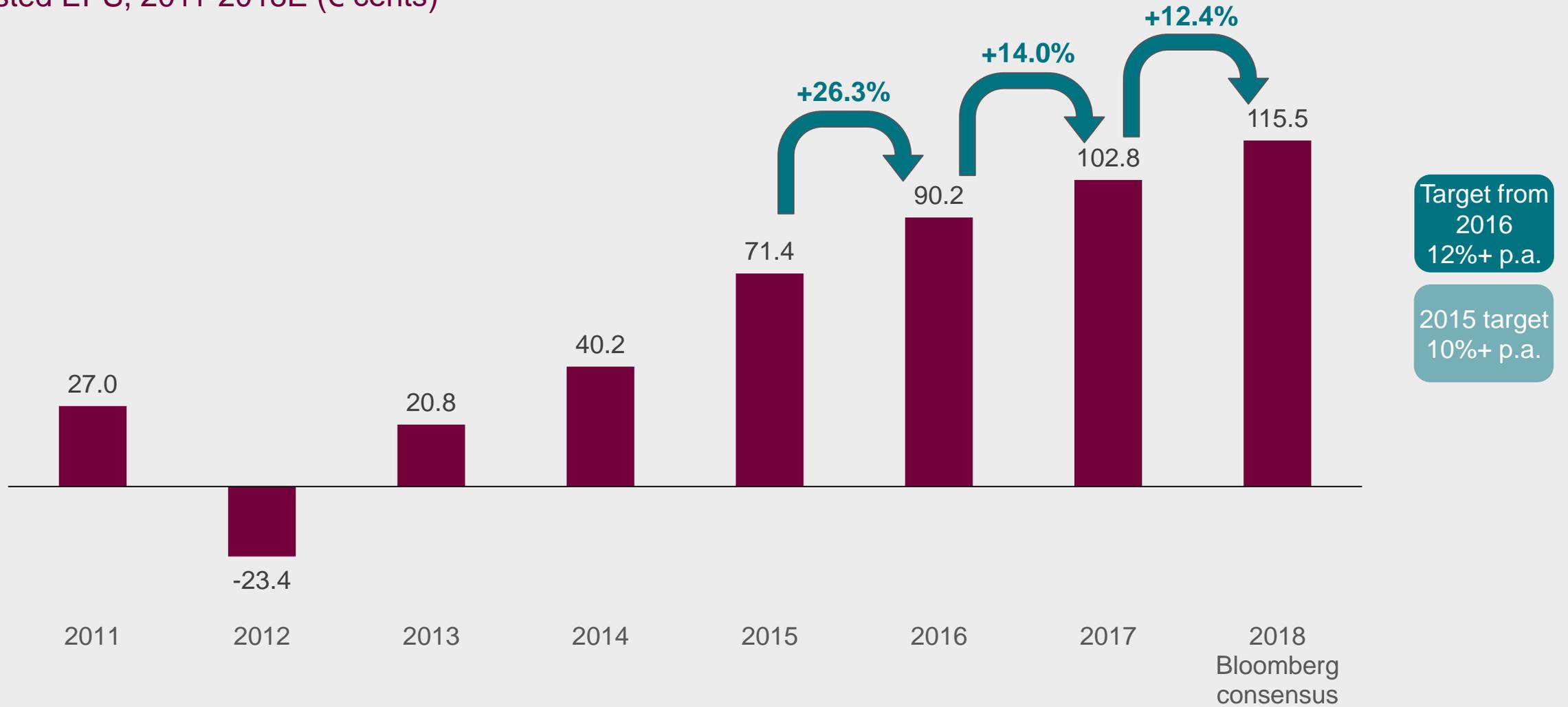


Operating margin (%)



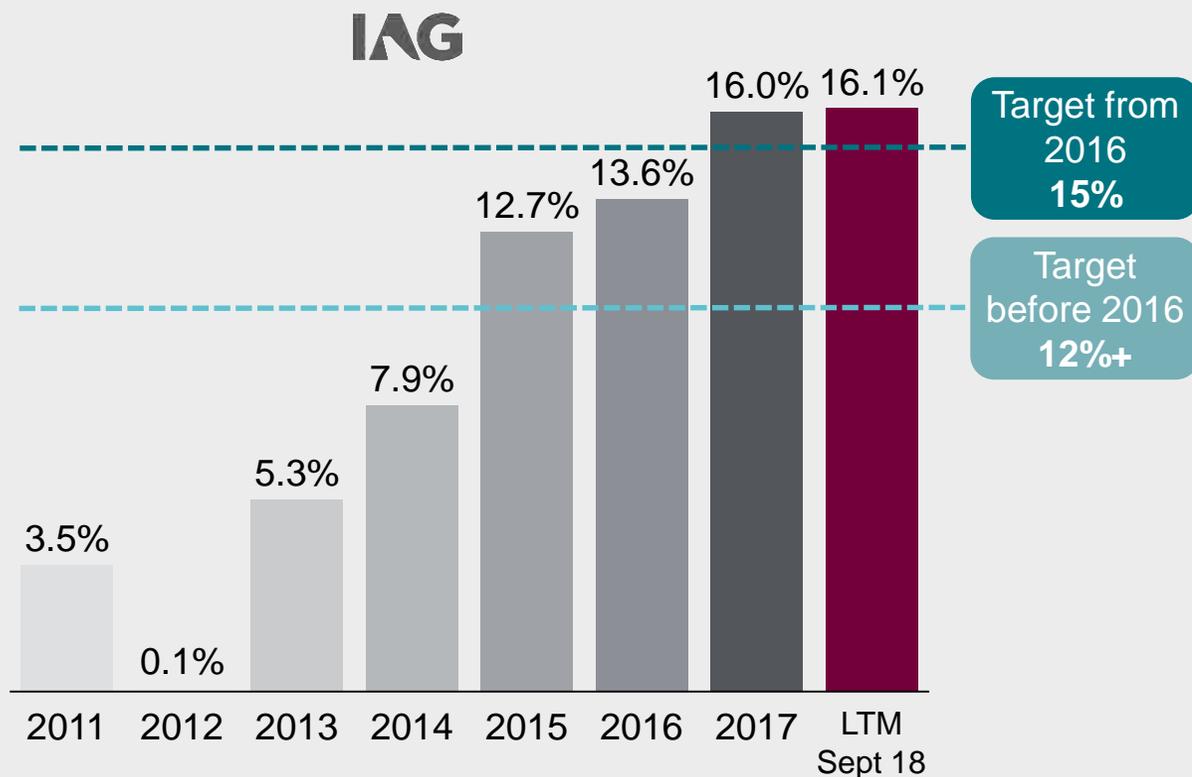
Strong track record of EPS growth – c.40% CAGR since 2013

Adjusted EPS, 2011-2018E (€ cents)



Strong track record of Return on Invested Capital

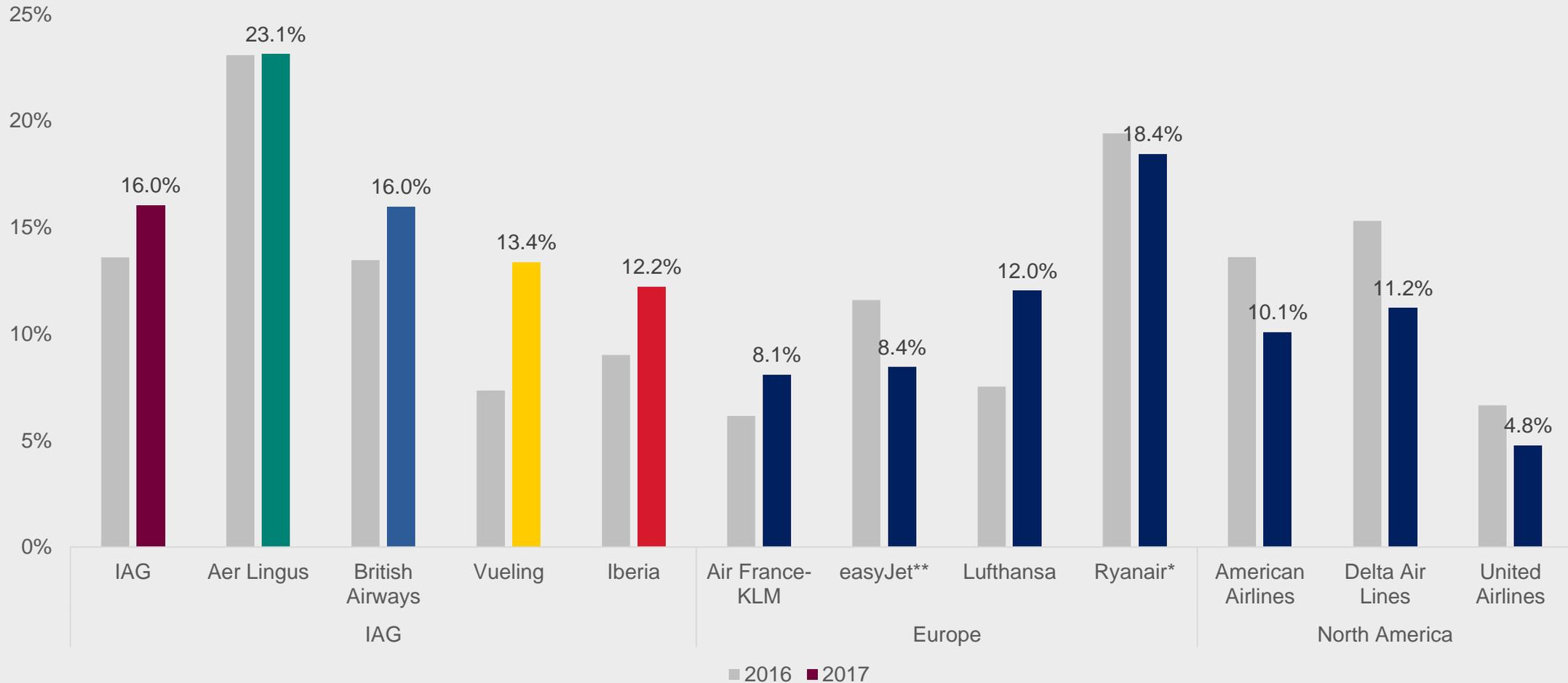
Return on Invested Capital (RoIC) – IAG and by OpCo – 2011-2018



RoIC (%)	2011	2012	2013	2014	2015	2016	2017	LTM to 3Q18
	na	na	na	na	13.2%	13.5%	16.0%	16.7%
	na	na	na	na	10.0%	9.0%	12.2%	12.3%
	na	na	na	na	13.7%	7.3%	13.4%	13.4%
	na	na	na	na	12.0%	23.1%	23.1%	27.9%
IAG	3.5%	0.1%	5.3%	7.9%	12.7%	13.6%	16.0%	16.1%

Significantly higher returns than almost all major competitors

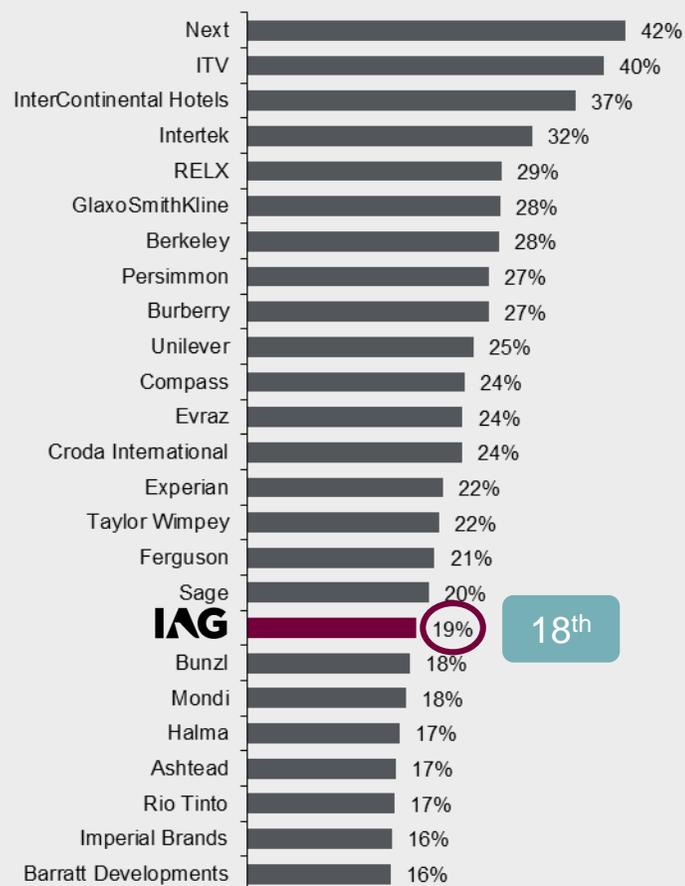
Return on Invested Capital (RoIC) 2017, IAG and OpCos compared to peers



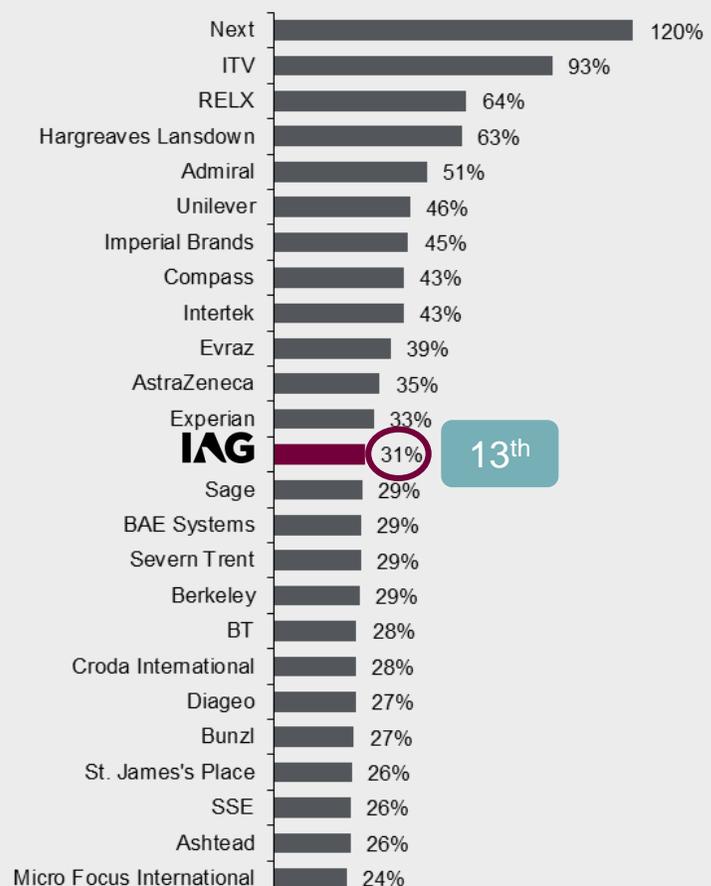
IAG's metrics are in the upper quartile of the FTSE100

Upper quartile financial metrics in the FTSE 100

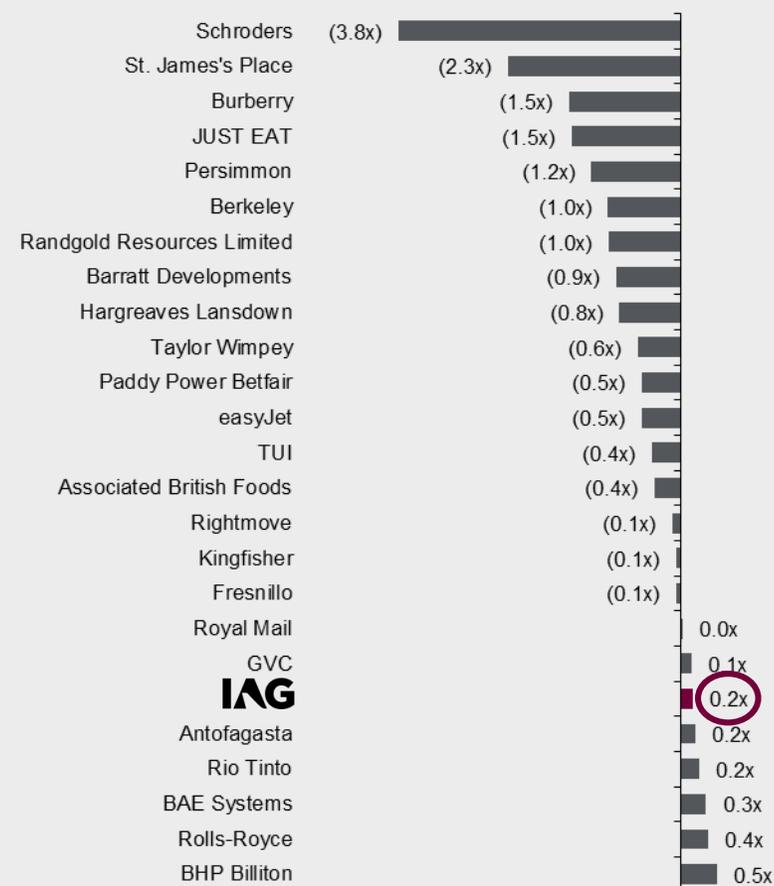
2017A Return on capital employed (calendarised)^(a)



2017A Return on equity (calendarised)^(b)



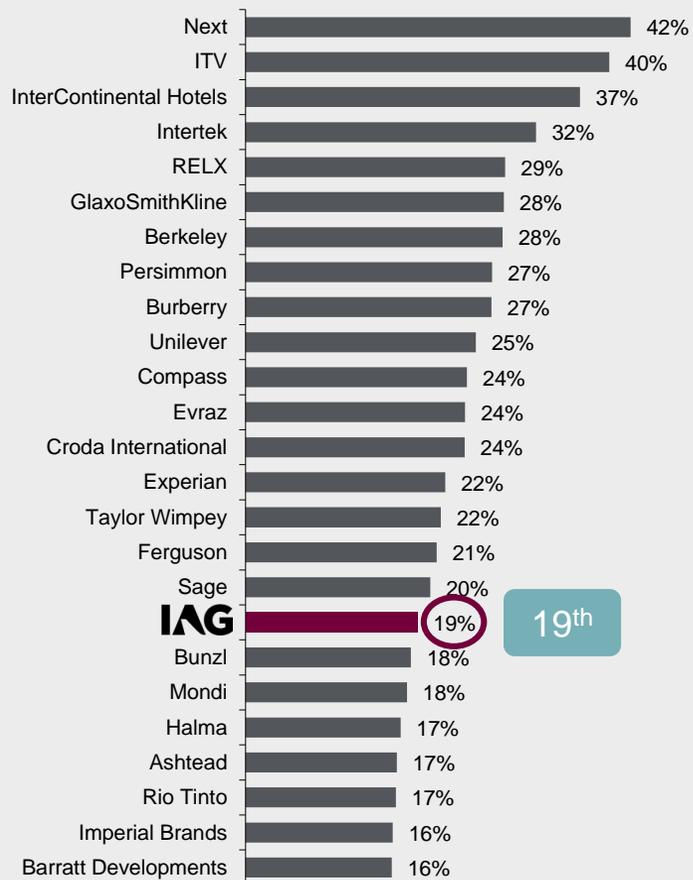
2017A Net debt (cash) / adj. EBITDA



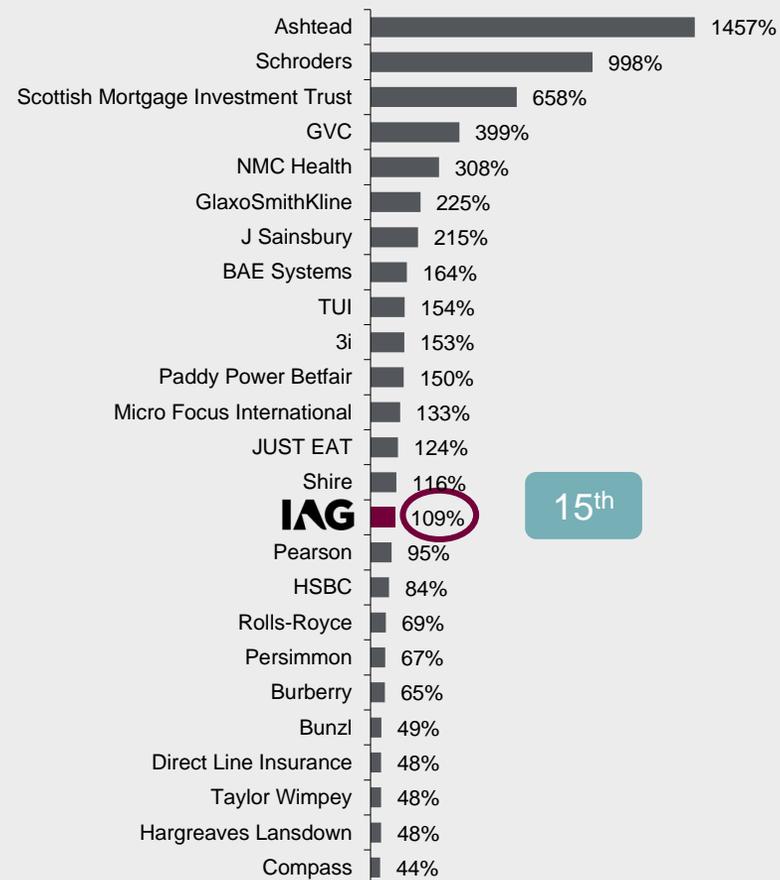
IAG's metrics are in the upper quartile of the FTSE100

Upper quartile financial metrics in the FTSE 100

2015A – 2017A EPS CAGR



2015A – 2017A Operating Cash Flow CAGR

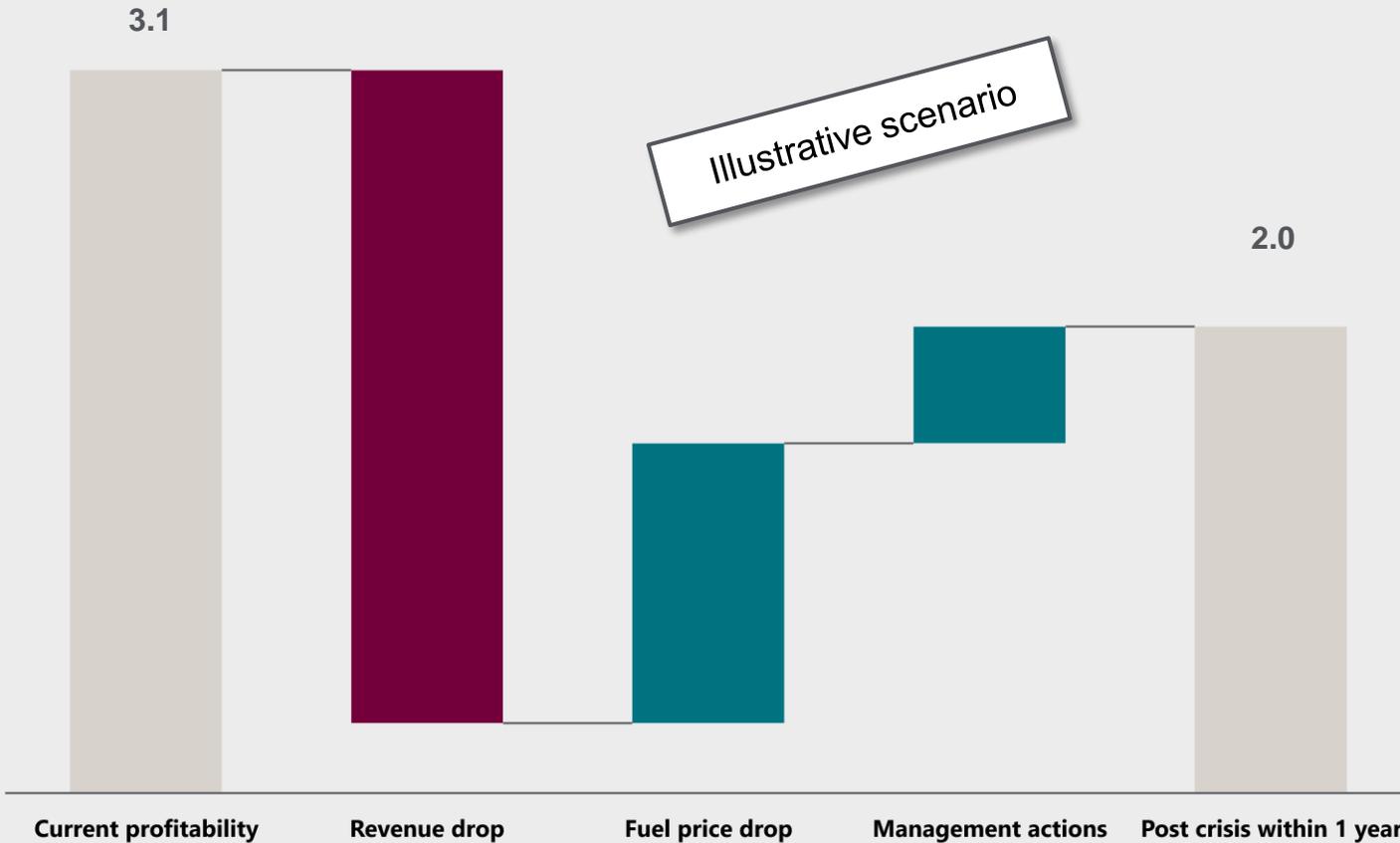


We have stress-tested our financial model and conclude we are far more resilient than before the last global recession in 2008

- Portfolio diversification and strategic benefits of IAG today compared to individual airline companies in 2008
- Significant progress in raising profitability since 2008 – e.g. c.13% operating margin vs. 5.7% pro-forma in 2008
- Strong balance sheet – e.g. Adjusted net debt/EBITDAR of 1.4x
- More flexible – e.g. higher proportion of aircraft on operating lease (c.50% today vs. c.40% pro-forma in 2008)
- Lower cost than in 2008:
 - Lower CASK ex-fuel in nominal terms - c.5.0 € cents today vs. 5.6 € cents pro-forma in 2008
 - Fuel price more benign today (c.\$740/tonne) than in summer 2008 (c.1,250/tonne)
 - More fuel efficient fleet compared to 10 years ago
- Greater LCC model and value model weighting in the IAG portfolio
 - LCCs (Vueling and LEVEL) 13% of group ASKs in YTD2018 vs. 3% pro-forma in 2008
 - Aer Lingus and Iberia Express value models (around 12% of group ASKs in YTD2018)

We can be profitable even in a global downturn scenario

Operating profit in a 2008-09 global financial crisis scenario (€ billion) – based on metrics, fuel prices and actions in year post-Lehman bankruptcy



Revenue drop
RASK -10.5%
BA -12.5%
Iberia -12.0%
Vueling +0.5%
Aer Lingus -5.0%
Premium traffic - 13.0%, Cargo CTKs - 15%

Fuel price drop
From c.\$750/tonne
To \$500/tonne
c.60% hedged

Typical management actions
Capacity from +6% to zero
RASK improvement from -10.5% to -8.5%
Maintain CASK ex-fuel saving of -1%
Gross capex reduced by 20%
Operating lease rentals reduced by 5%

Financial metric	Current	Post crisis scenario
Operating profit (€bn) – consensus 2018	3.1	2.0
Diluted EPS (€) – Bloomberg 2018	1.155	0.75
DPS @ 25% payout (€)	0.29	0.19
RoIC	16.1%	c. 10%
Adjusted net debt/EBITDAR	1.4	1.8

Our financial resilience has been officially recognised by rating agencies

- Strength of the balance sheet has been recognised by Moody's and S&P Global
- Achieving investment grade status delivers on IAG's commitment to reach investment grade metrics
- Investment grade balance sheet provides solid platform for delivery of business objectives

Benefits of investment grade rating

- Access to a broader range of credit markets
- Lower cost of financing
- Greater funding flexibility to support business strategy

S&P Global

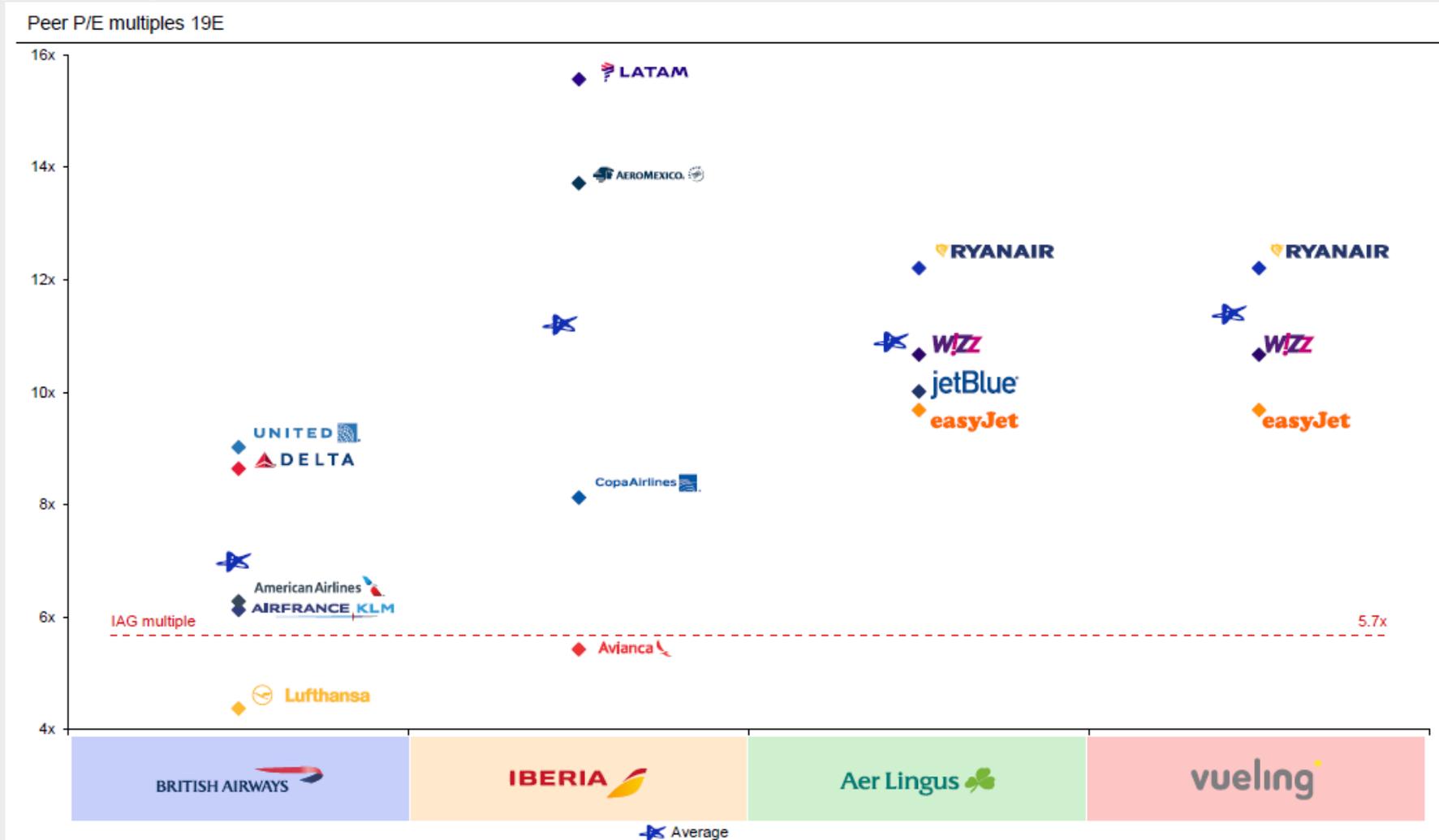
BBB-
Stable

MOODY'S

Baa3
Stable

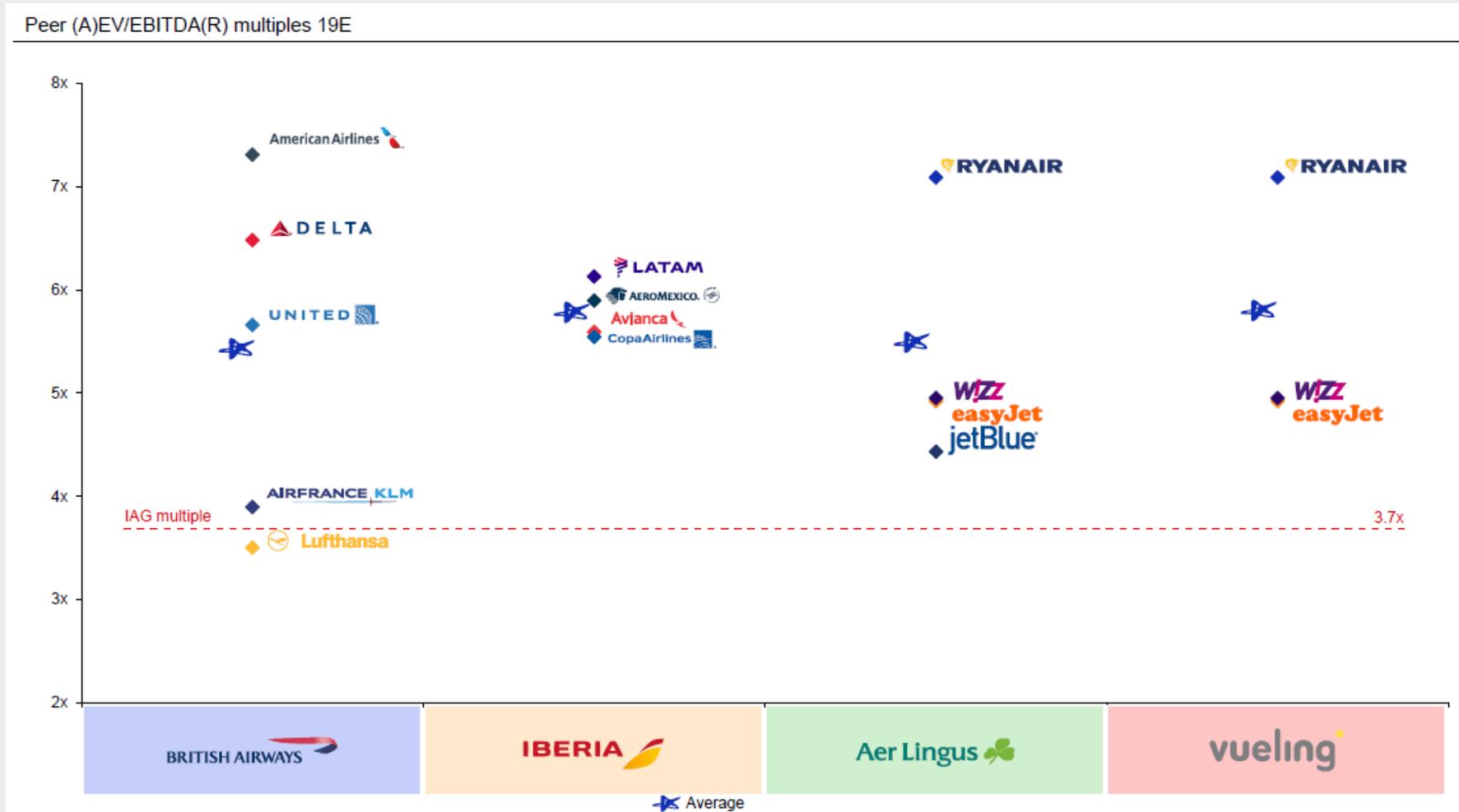
Despite financial and strategic strengths, IAG is significantly under-valued relative to peers and its 'Sum of the Parts' (1 of 2)

Valuation multiples comparison (P/E)



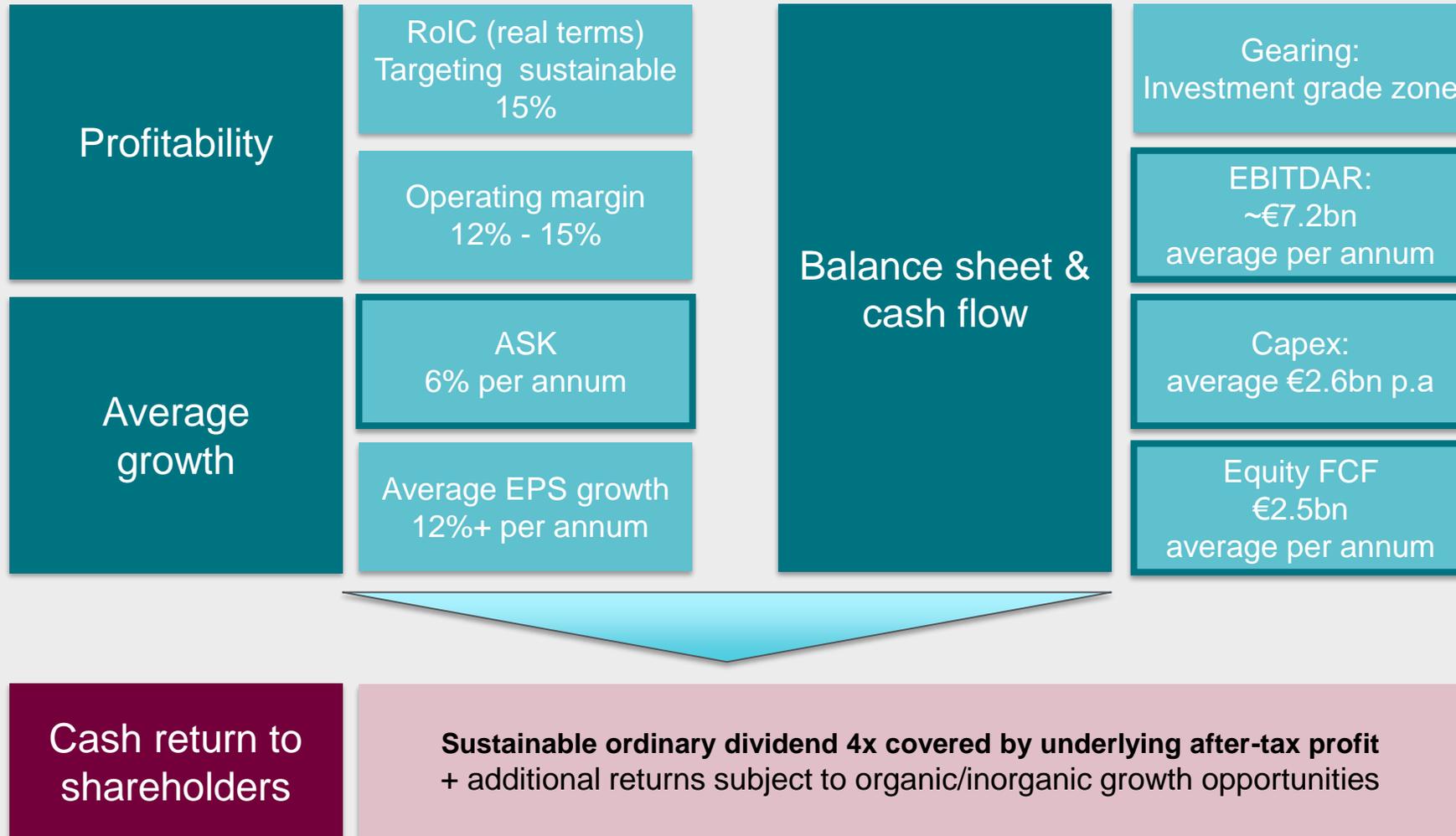
Despite financial and strategic strengths, IAG is significantly under-valued relative to peers and its 'Sum of the Parts' (2 of 2)

Valuation multiples comparison (EV/EBITDAR)



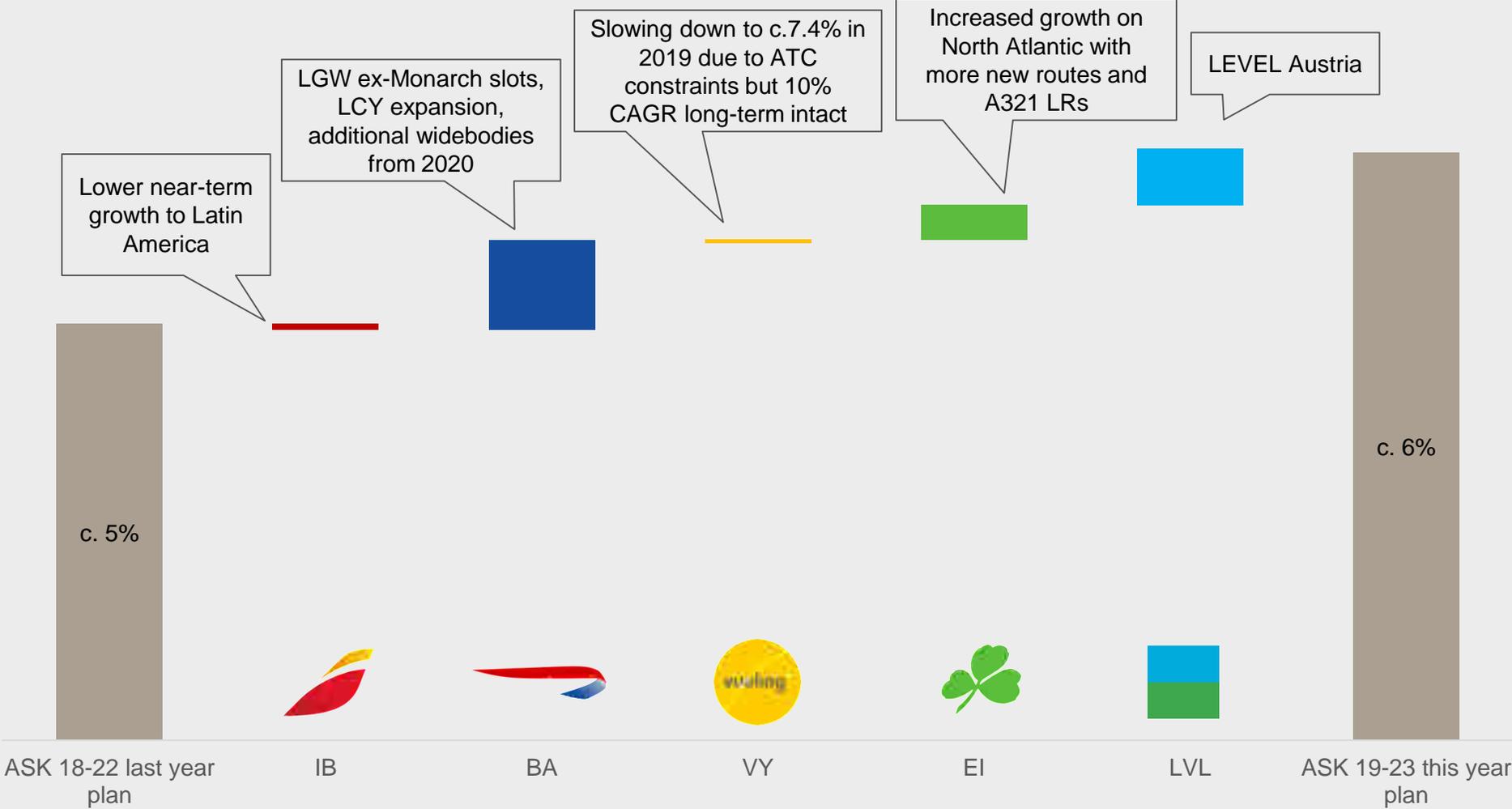
Our goals are still to achieve annual RoIC of 15% and EPS growth of 12%+, despite higher fuel prices

Long term planning goals 2019-2023



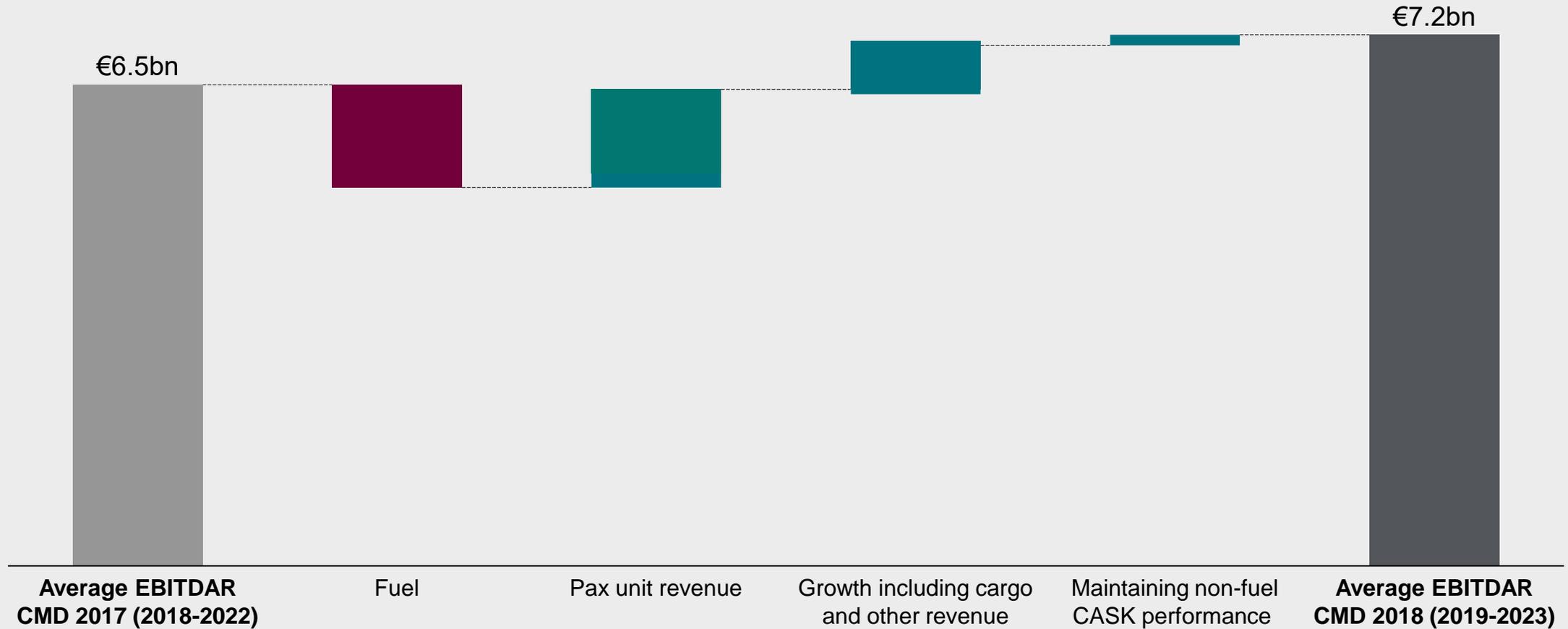
Competitive advantages and high financial returns justify growth

Capacity (ASK) growth 5 years to 2023 compared to last year plan



Annual average EBITDAR goal of €7.2bn, 2019-2023

EBITDAR Bridge between last year and this year 5 year plan (€ billion)



4% CAGR in aircraft fleet generating 6% ASK CAGR to 2023

Fleet plan (2017-2023)

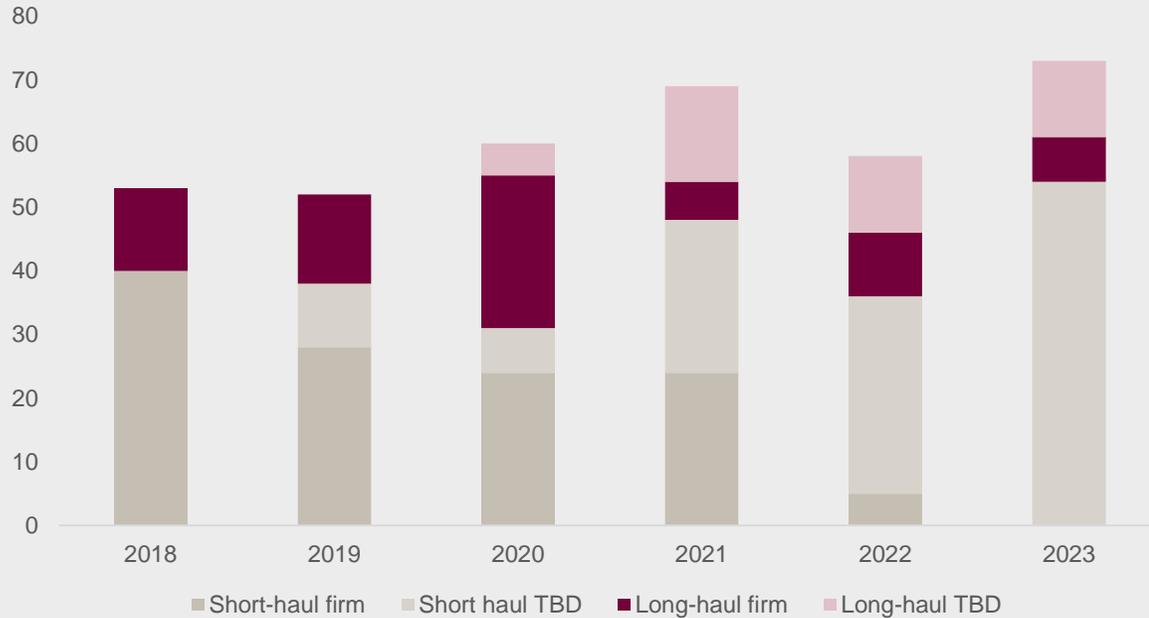
Short-haul	2017	2018	2019	2020	2021	2022	2023
A319	64	61	49	43	36	26	22
A320	216	226	217	207	195	183	157
A321	47	51	51	51	48	45	40
A320 NEO family*	-	23	51	75	99	104	104
B767	7	-	-	-	-	-	-
E170/E190/RJ	22	25	21	16	16	16	16
To be decided	-	-	13	19	43	74	128
Total short-haul	356	386	402	411	437	448	467

Long-haul	2017	2018	2019	2020	2021	2022	2023
A318	2	1	1	1	1	1	1
A321	4	4	4	4	4	4	4
A321 NEO LR	-	-	4	8	8	8	8
A330	32	38	40	40	40	39	38
A340	17	17	16	11	10	4	-
A350	-	2	10	21	25	34	38
A380	12	12	12	12	12	12	12
B744	36	34	32	27	20	13	3
B757/B767	7	5	1	-	-	-	-
B772	46	46	46	43	43	43	43
B773	12	12	12	16	16	16	16
B787	25	30	30	36	38	39	42
To be decided	-	-	-	5	20	32	44
Total long-haul	193	201	208	224	237	245	249
Total fleet	549	587	610	635	674	693	716

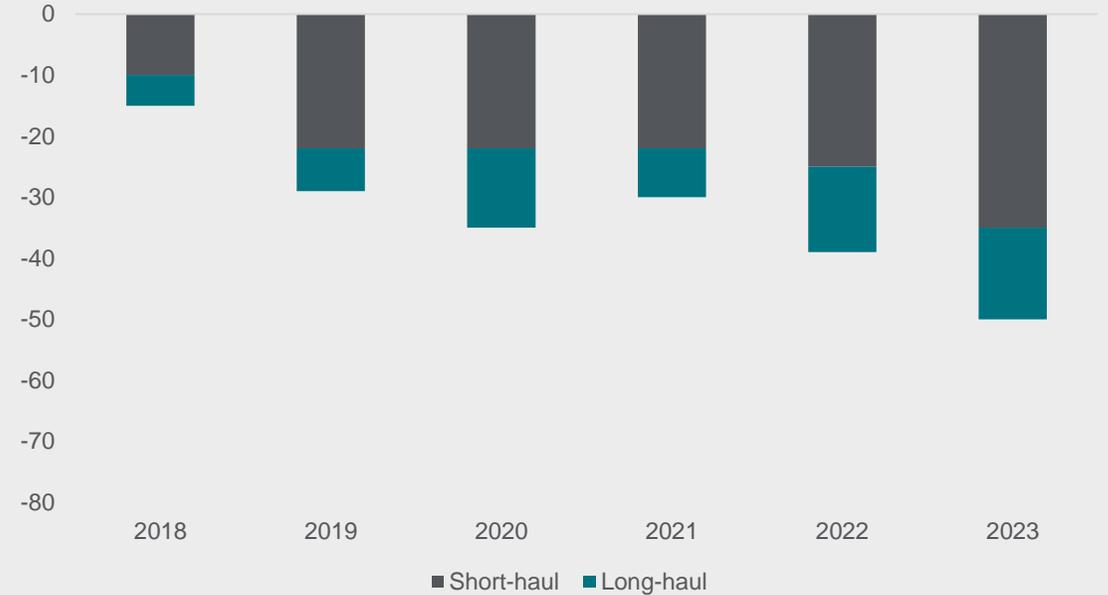
4% CAGR in aircraft fleet generating 6% ASK CAGR to 2023

Aircraft additions and returns & retirements (2018-2023)

Aircraft additions (units)



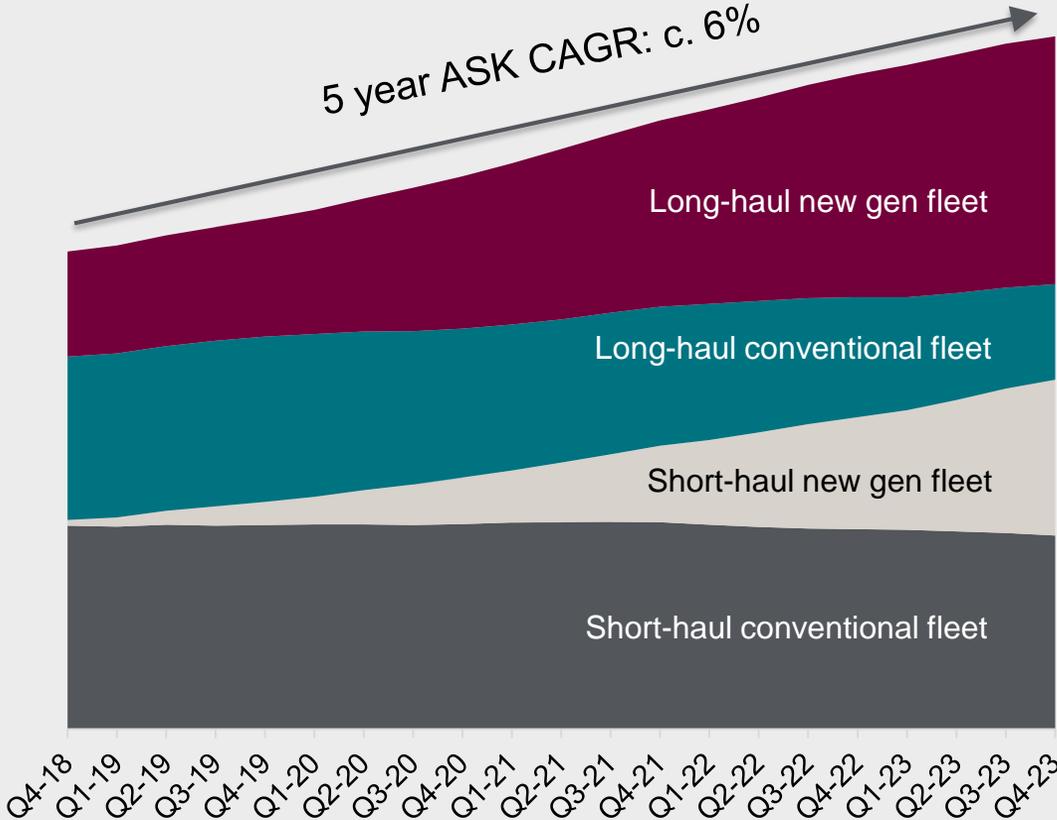
Aircraft returns & retirements (units)



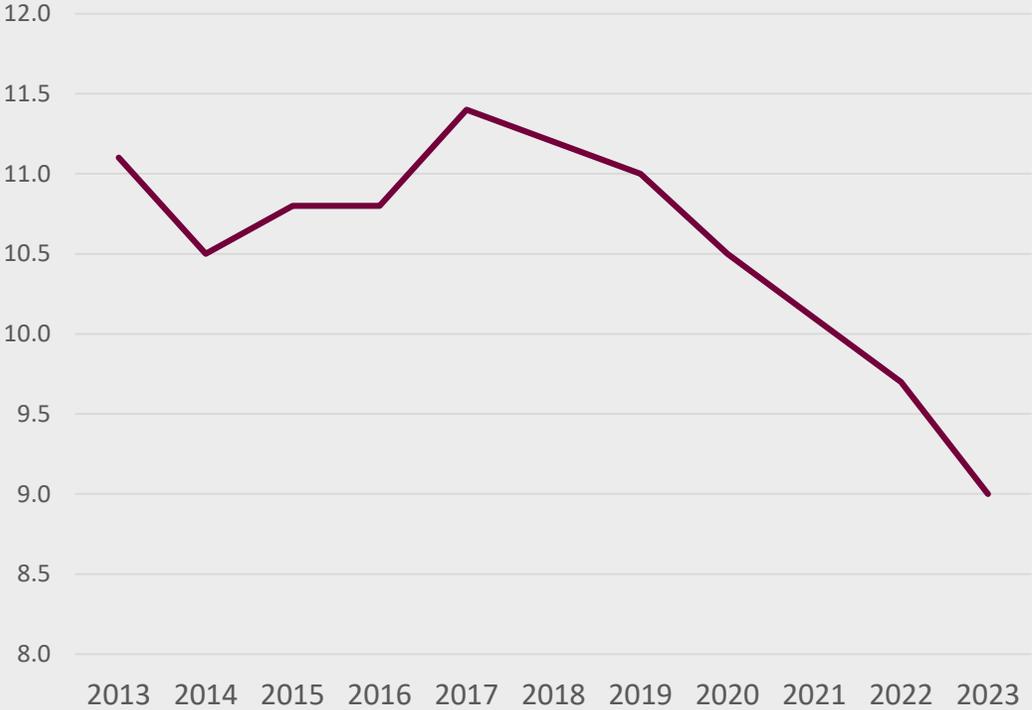
Net additions	2018	2019	2020	2021	2022	2023
Short-haul	30	16	9	26	11	19
Long-haul	8	7	16	13	8	4
Total	38	23	25	39	19	23

Fleet renewal – c.40% of short-haul and c.30% of long-haul by 2023

Fleet plan split by aircraft category

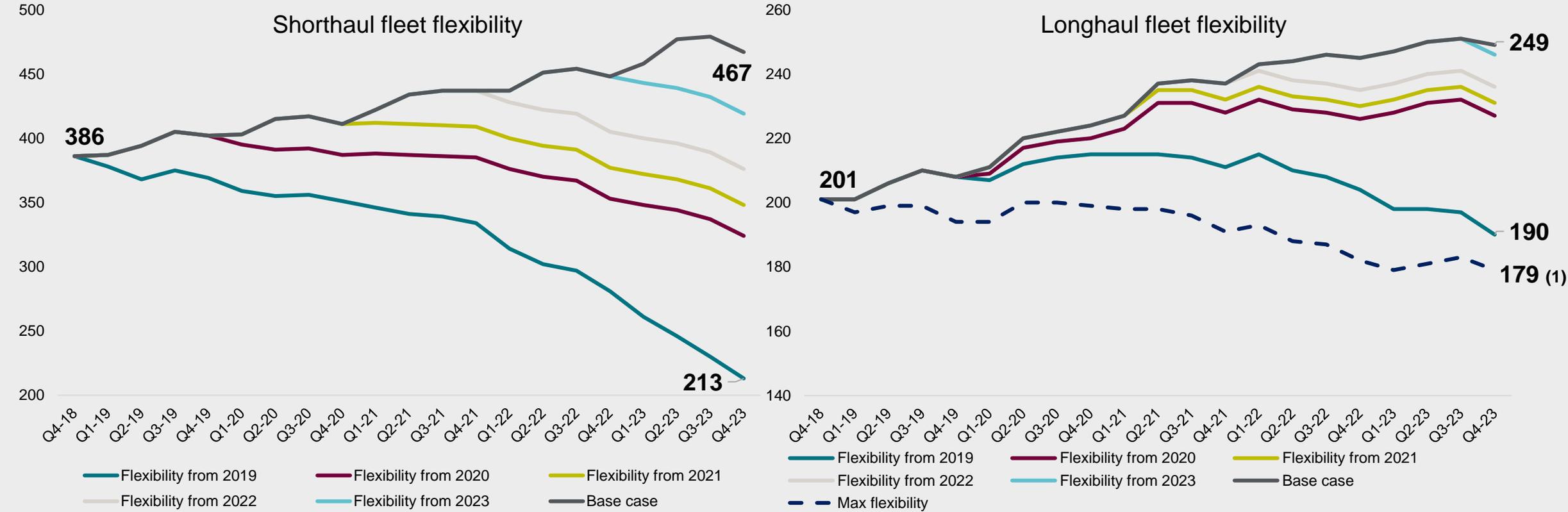


Average aircraft age (unweighted)



We can stop growing and reduce our capacity significantly if needed

Fleet plan flexibility, 2018-2023 (number of aircraft)

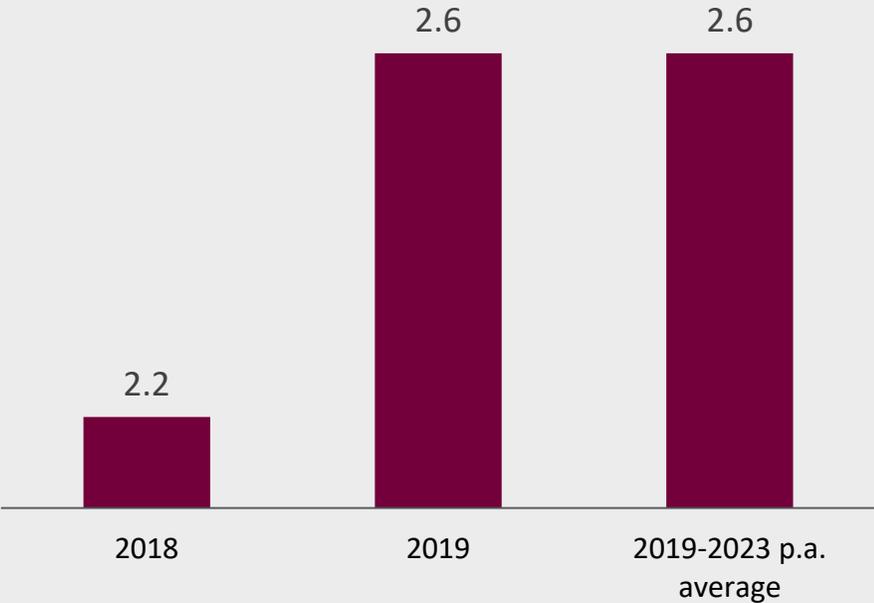


Note: 1) This includes the retirement of 8 B777-200 over 25 years old. At the end of 2023, a further 26 777-200 aircraft will be over 20 years old

Net capex €2.6bn p.a., increase driven by fleet, product and resilience

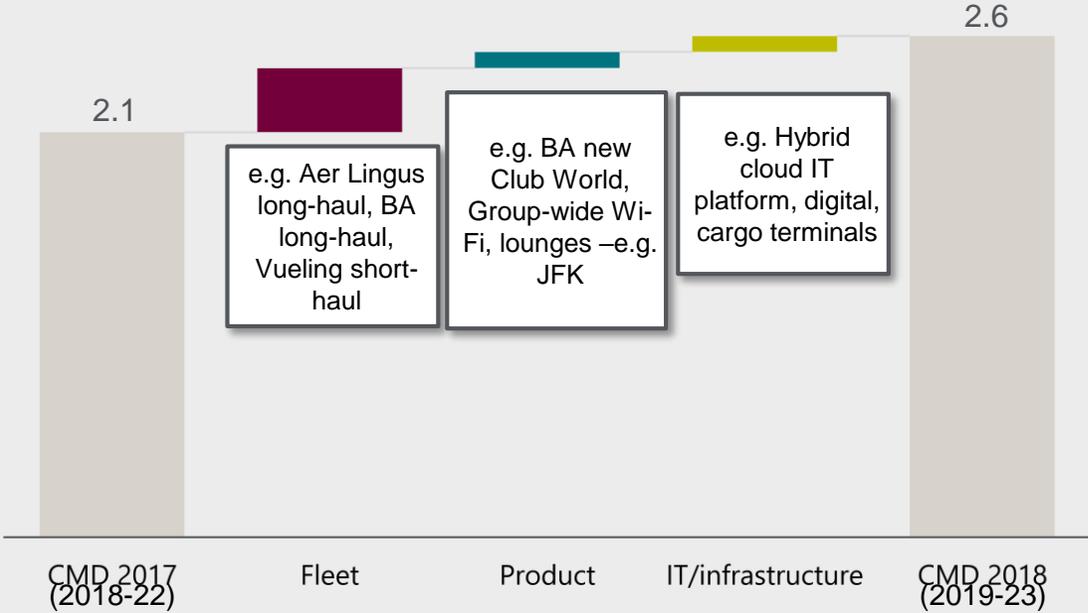
Capital spending, 2018-2023 (€ billions)

Net Capex, 2018-2023 (€ billions)



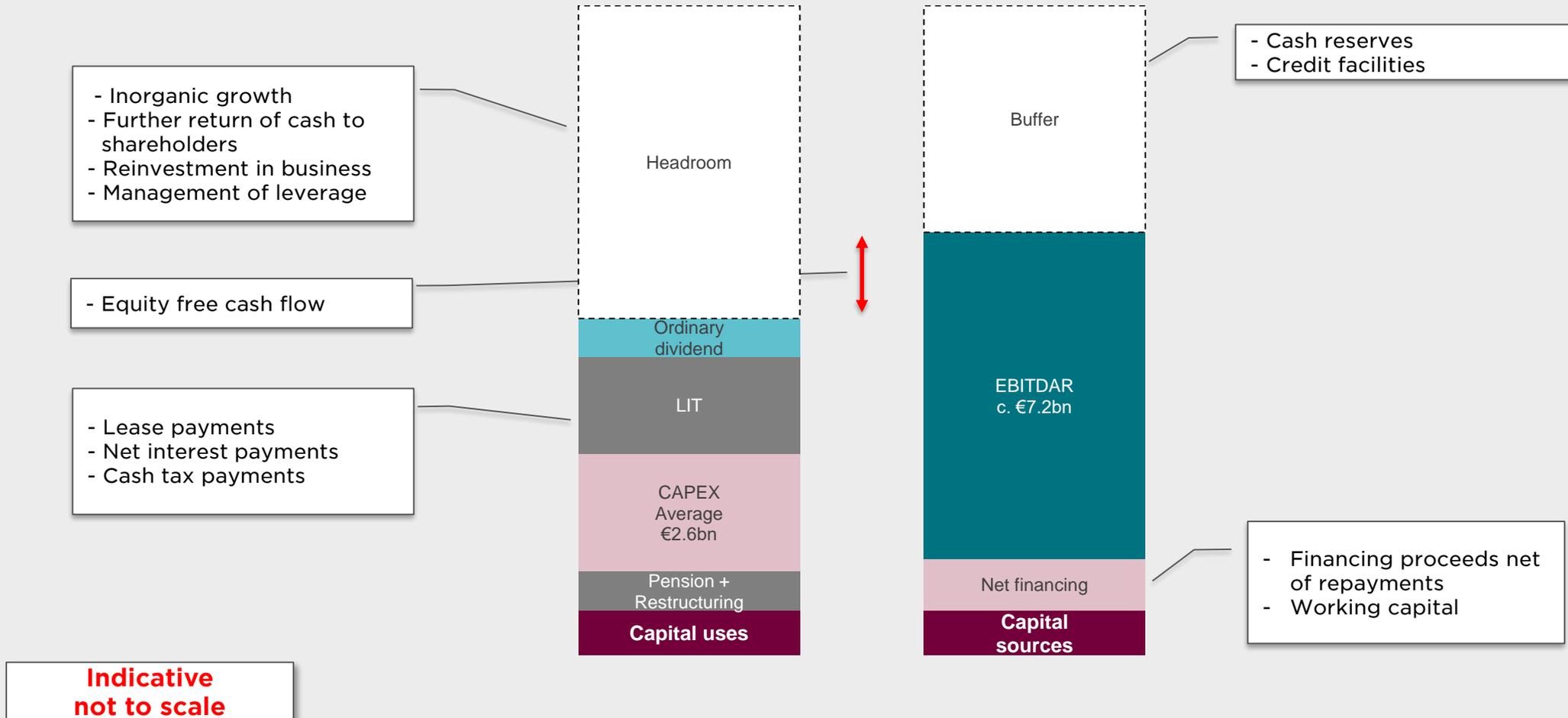
Maintaining a balanced ownership split

Net Capex Annual Average, 2019-2023 (€ billions)



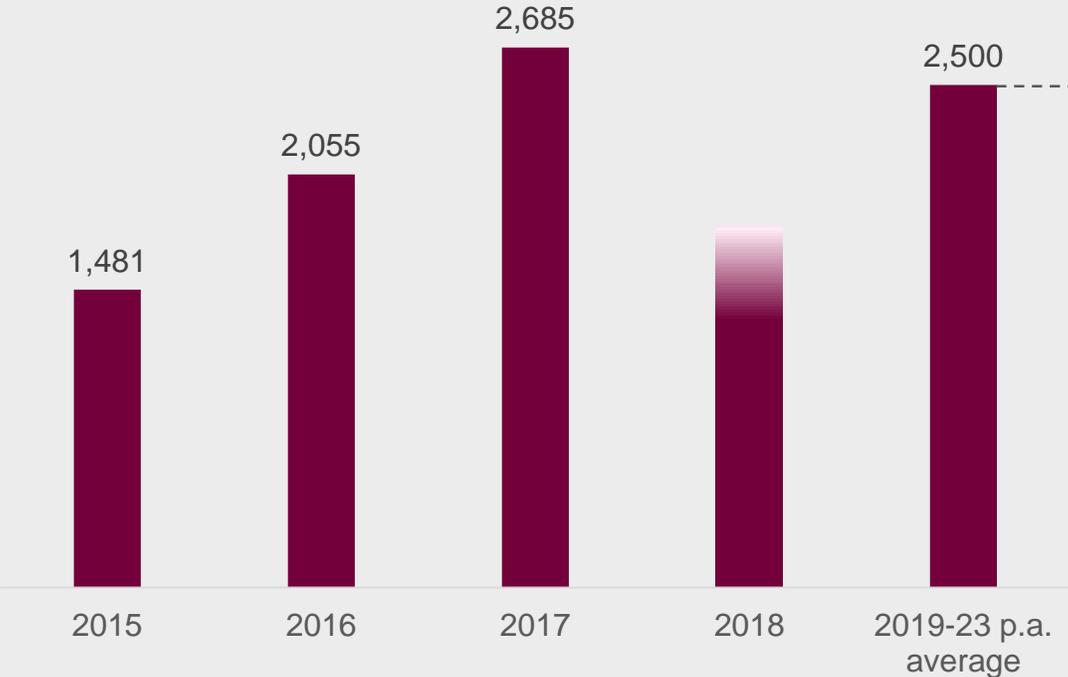
Headroom for further cash returns to shareholders and/or inorganic growth opportunities

Capital uses and sources average per year (2019-2023)



Good track record of cash returns to shareholders (€2.7bn since 2015)

Equity free cash flow (€ millions)



Cash returns to shareholders, 2015-2018 (€ millions)



Significant potential for shareholder value creation

Disclaimer

Forward-looking statements:

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 expenditure 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. 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 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 2017; these documents are available on www.iagshares.com.