IAG results presentation

Quarter Three 2011

4th November 2011

Profitable quarter but fuel remains a challenge

- Moderating unit revenue and cost performance
- Constant FX total revenue up 8.6%, passenger revenue up 9.6%; reported total revenue up 2.2%, passenger revenue up 2.9%
- Performance driven by continued growth in premium volume and unit revenue
- Continued focus on cost control, offset by increasing supplier cost inflation – constant FX non-fuel unit costs up 1.4%, down 2.9% on reported basis
- Profitable quarter despite 23.7% increase in total fuel bill and despite comparison with very strong Q3 2010

Financial summary before exceptional items

€,m	**Q3 2011**	**Q3 2010**	*vly*
Revenue	4,490	4,392	*2.2%*
Fuel costs	1,373	1,110	*23.7%*
Non fuel costs	2,754	2,754	*0.0%*
EBITDAR	705	897	*-21.4%*
Operating profit	**363**	**528**	***-31.3%***
Operating margin	8.1%	12.0%	-
Pre-tax profit	332	482	*-31.1%*
Net profit	283	362	*-21.8%*

Repeat of exceptional charge

- The Iberia nine month accounts recognise €68 million of gains from cash flow hedges that existed at 21st Jan 2011; under IFRS3, these gains are deemed pre-acquisition benefits

- The IAG consolidated accounts can only recognise post-acquisition benefits; therefore fuel cost is inflated this quarter by €15 million and aircraft operating lease costs are reduced by €3 million

- The Iberia accounts fully reflect impact of hedges, and the cash benefit of hedges are fully reflected in IAG consolidated balance sheet

- Full-year 2011 impact will be a non-cash increase in fuel cost of €89 million and a non-cash decrease in aircraft operating lease costs of €11 million

Underlying profitability of group and cash position unaffected

Revenue trends

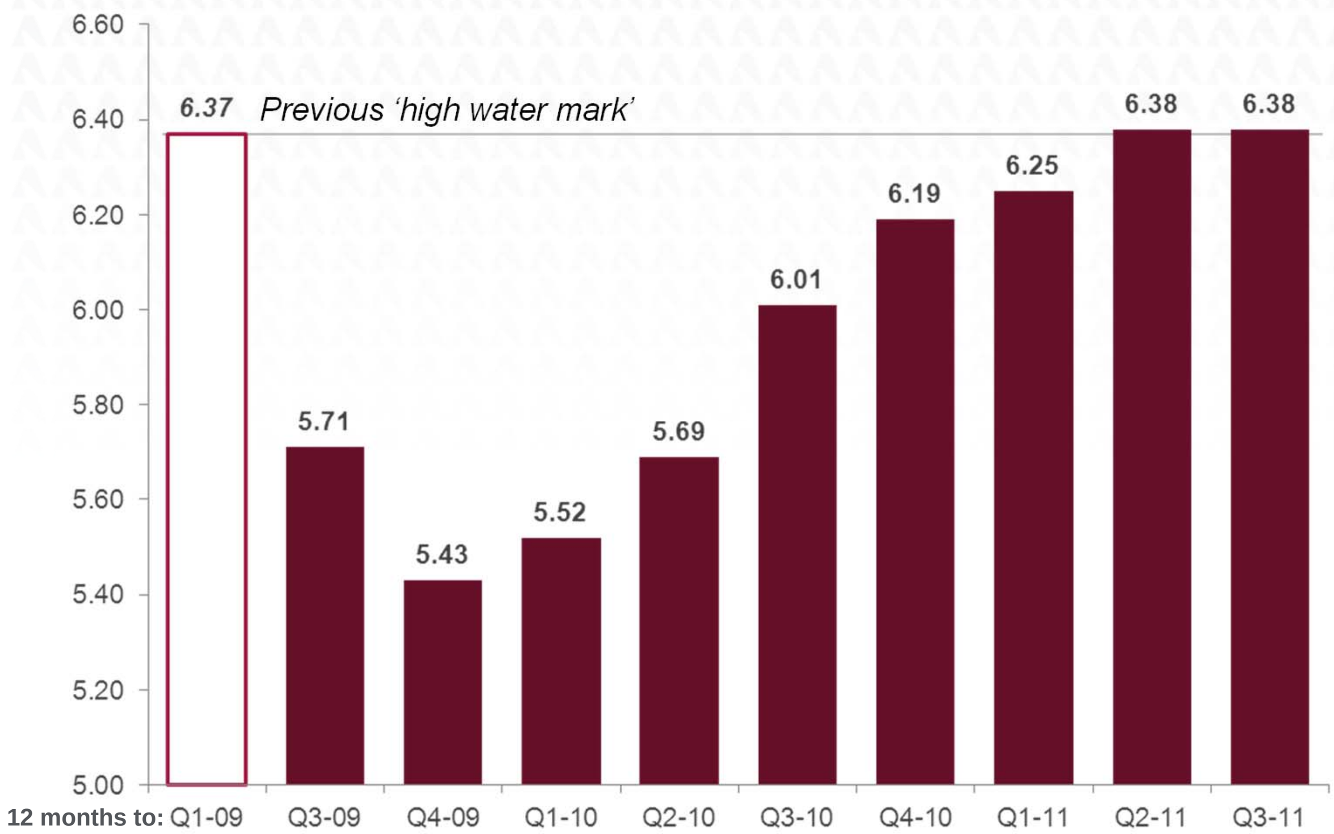
Unit revenue summary

€ m	Q3 2011	Q3 2010	vly
Passenger	3,813	3,704	*+2.9%*
Cargo	288	287	*+0.3%*
Other	389	401	*-3.0%*
TOTAL	**4,490**	**4,392**	***+2.2%***
ASK (m)	55,661	54,001	*+3.1%*
RPK (m)	47,022	45,478	*+3.4%*
Seat factor (pts)	84.5	84.2	*+0.3 pts*
Passenger Revenue per ASK	6.85	6.86	*-0.1%*
Revenue per RPK	8.11	8.14	*-0.4%*
Cargo Revenue per CTK	19.28	19.44	*-0.8%*

- Revenue growth continuing but comparisons are relative to a very strong Q3 last year
- Last year passenger unit revenue of +20.5%
- Constant FX : pax unit revenues +6.3%; pax yields 6.0%

Rolling 12-month passenger unit revenue: stable

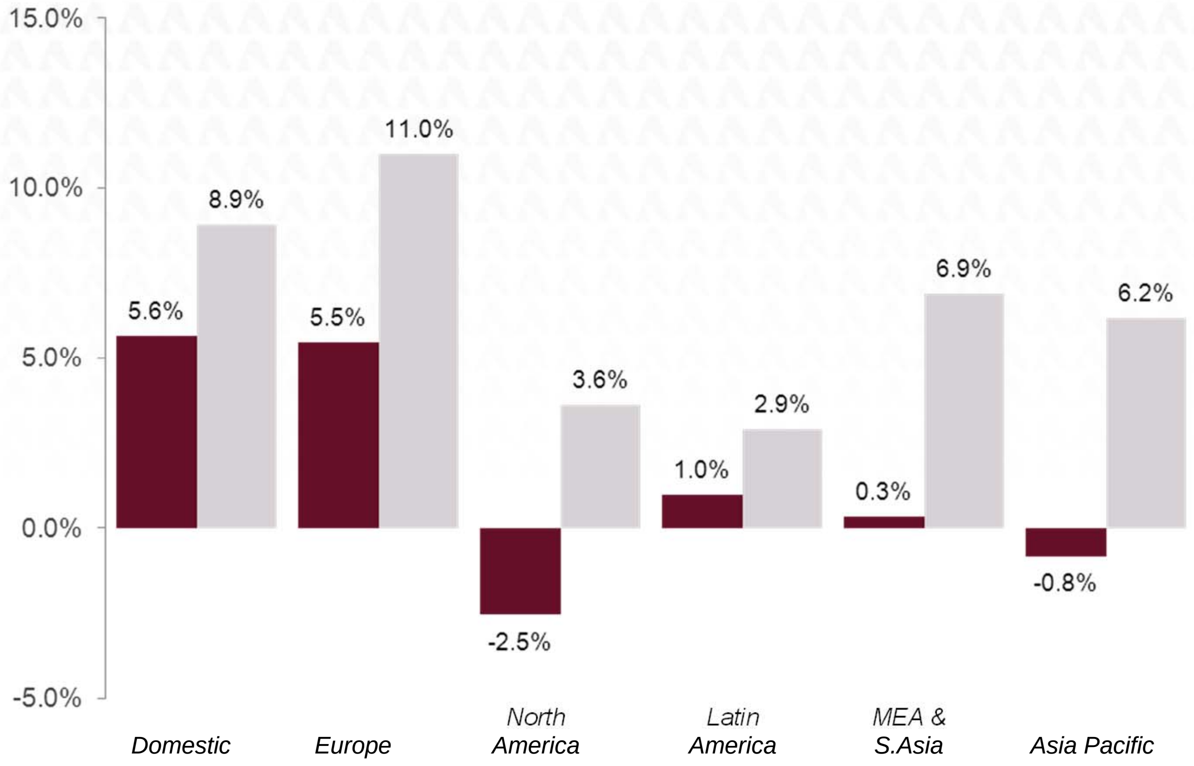
IAG passenger revenue per ASK, rolling 12 months, € cents



- Back to early 09 levels but…
- signs of softness in forward bookings
- rolling 12 month spot fuel prices are approx. 25% higher than 2 years ago
- effective fuel cost will continue to rise gradually as hedges unwind
- the challenge and opportunity of recovery through revenue remains, but should take at least another 12 months

Underlying growth across regions

% change in IAG passenger revenue per ASK by region, Q3 '11 vs. Q3 '10.



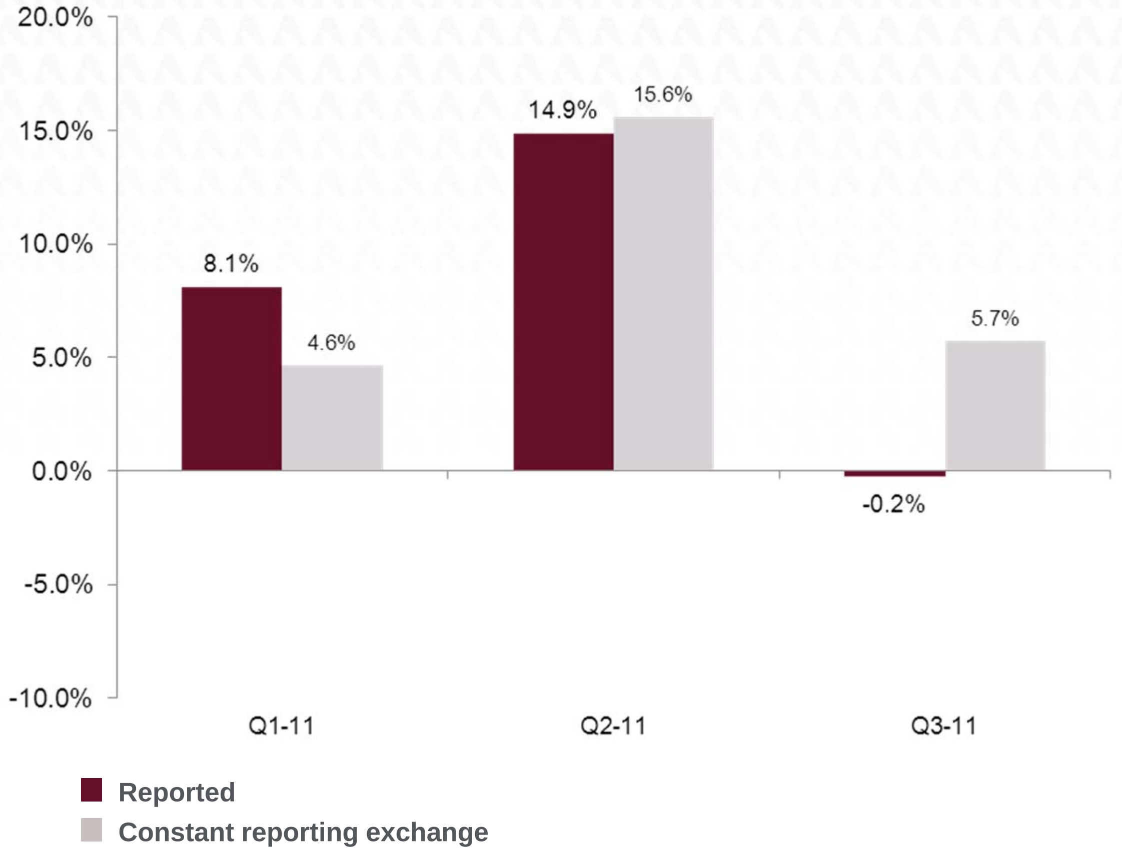
ASKs	*-19.3%*	*-1.4%*	*+6.6%*	*+11.3%*	*-5.6%*	*+10.1%*

Reported **Constant reporting exchange**

- Underlying regional unit revenue performance masked by Euro translation: Sterling to Euro weakened by 6.6% compared to Q3-10
- Short haul revenue conditions have improved as low cost carriers have pushed their prices up to compensate for fuel cost
- High level of capacity discipline in short haul markets

Premium unit revenue still growing

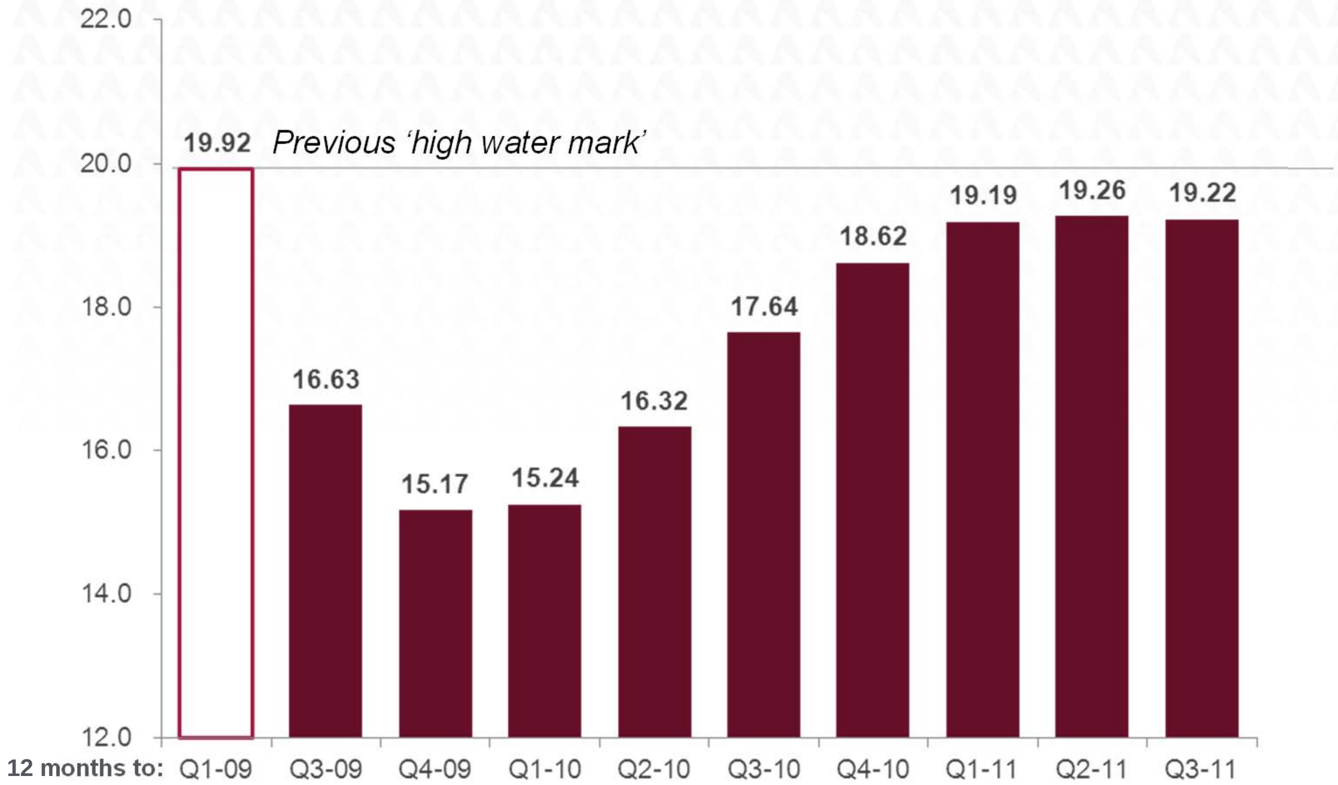
% change premium flown revenue per ASK vly



- Premium continues to outperform non premium
- Premium volumes up 9.6%
- Non-premium unit revenues flat; constant FX +6.2%; volumes up 2.5%
- Short haul premium softening whilst long haul premium stable

Cargo remains at a plateau

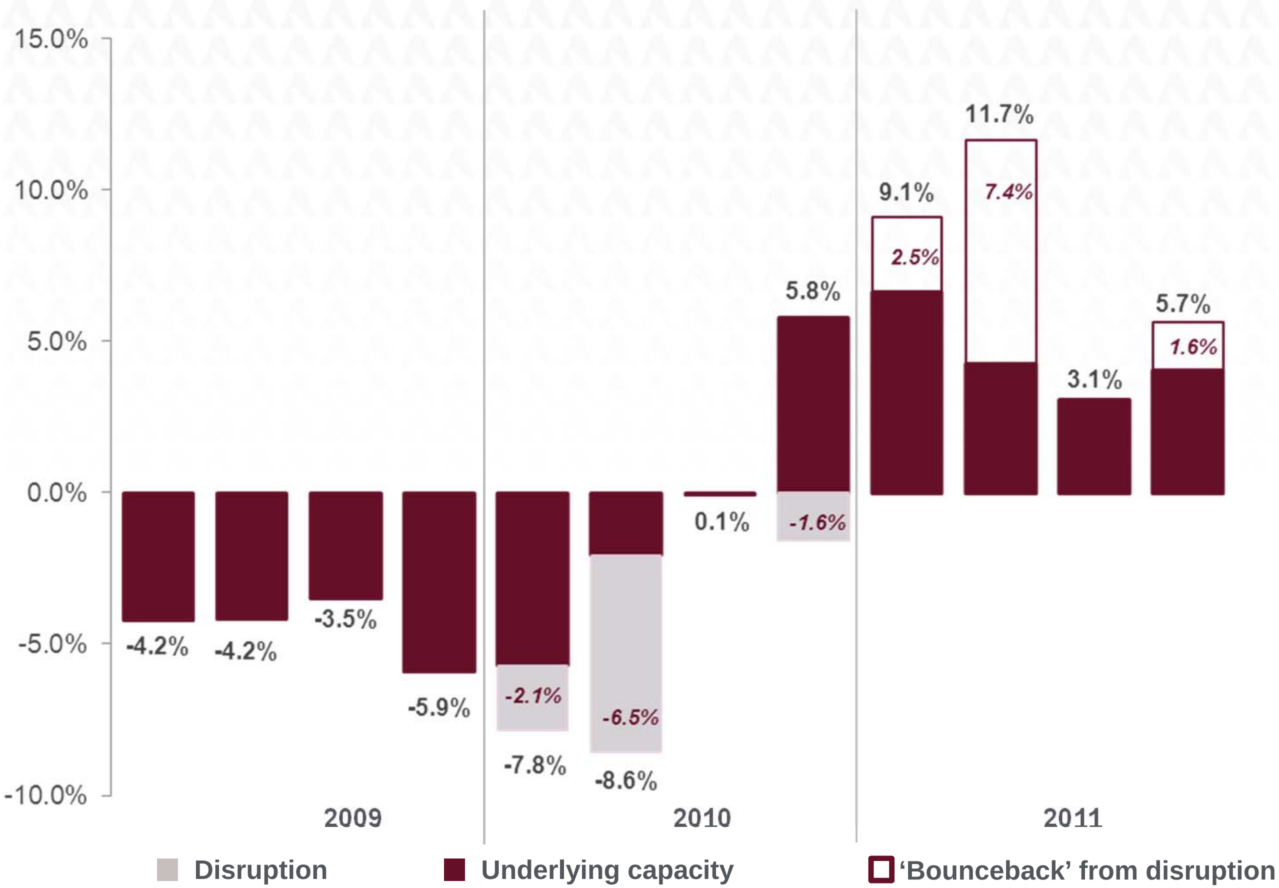
IAG cargo revenue per CTK, rolling 12 months, € cents



- Q3 reflects tough comparisons and large impact from FX movements
- Cargo yield -0.8%; constant FX +6.4%
- Mixed regional performance
- Underlying Q4 to plateau but will reflect some bounceback from disruption effects

Underlying capacity changes by quarter

ASKs change vly by quarter



- Q4 planned growth reduced from 7.9% at the beginning of 2011, to 5.7% now (4.1% underlying)
- Headline growth for 2011 approx. 7%, but still below 2008 levels of absolute capacity
- Underlying 2011 growth to be approx.4.5%
- Overall 2012 growth limited to 2.5%

Winter 2011/12 capacity adjustments

	Routes
Start	Madrid to Luanda London City to Faro and Malaga Frequency increases on 30 routes
Stop	Madrid to Fortaleza, Recife and Córdoba Frequency reductions on 39 routes, of which almost half are transfers to Vueling and Air Nostrum

	Fleet
In	3 x B777-300ER 1 x B747 (stood up)
Out	1x A319 1x A340

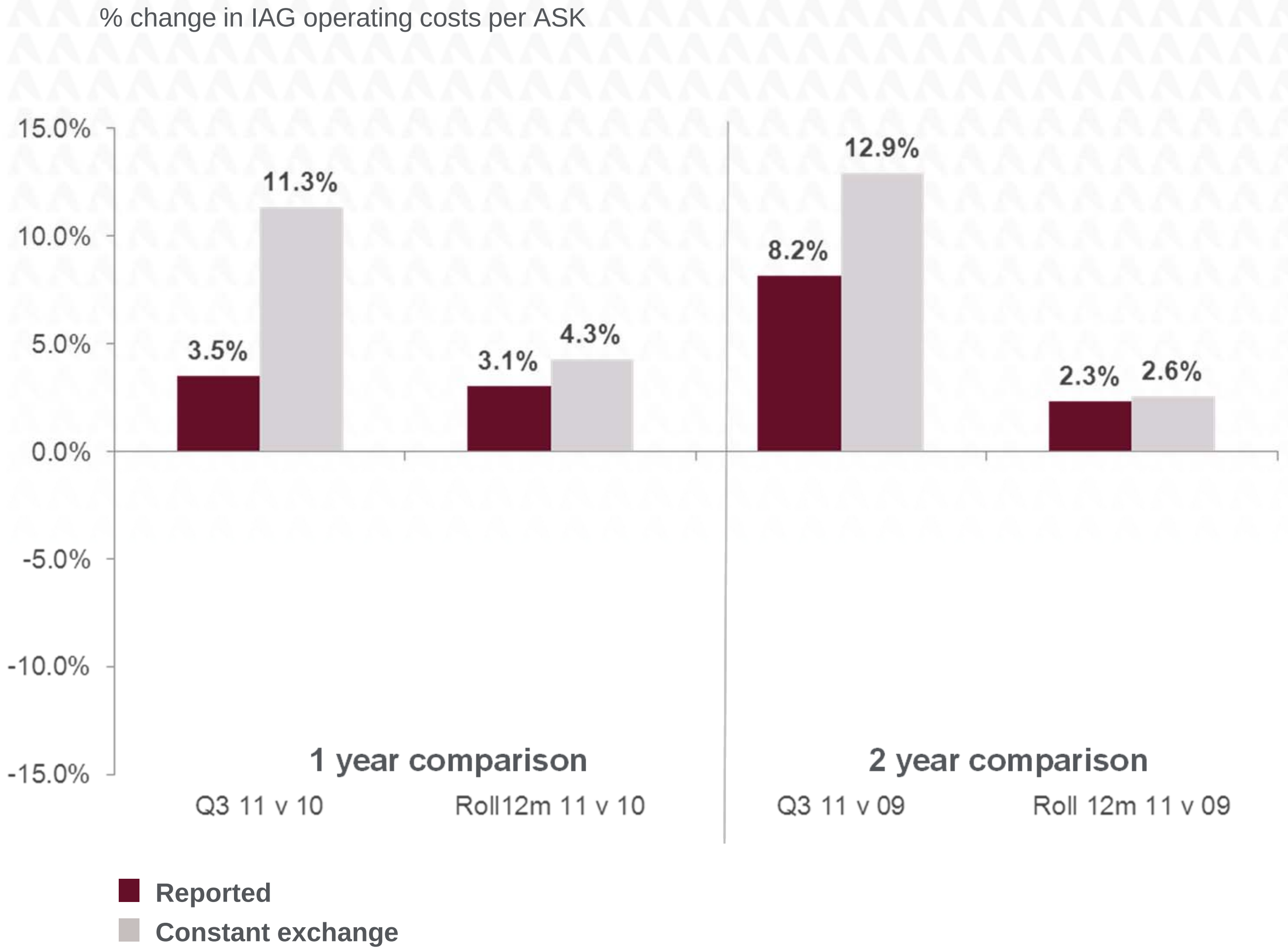
Current unit revenue environment

	direction	Short haul	direction	Long haul
non-premium		Competitive		Competitive
premium		Softening		Stable
cargo				Plateau

- Forward bookings currently broadly in line with last year
- Non-premium markets weaker than 2010, particularly in Spanish market

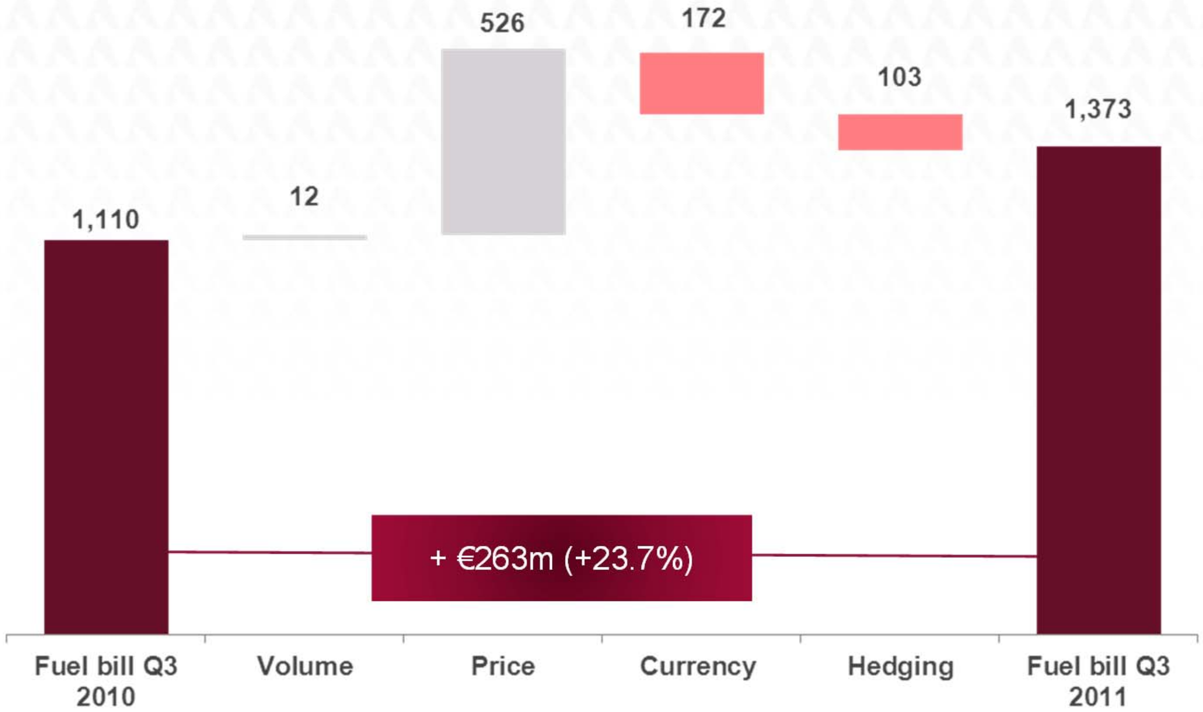
Cost and cash flow trends

Overall unit operating cost growth



- Q3 unit cost rise due to fuel and some supplier cost inflation
- Non-fuel unit costs down 2.9% for the quarter and up 1.4% at constant exchange

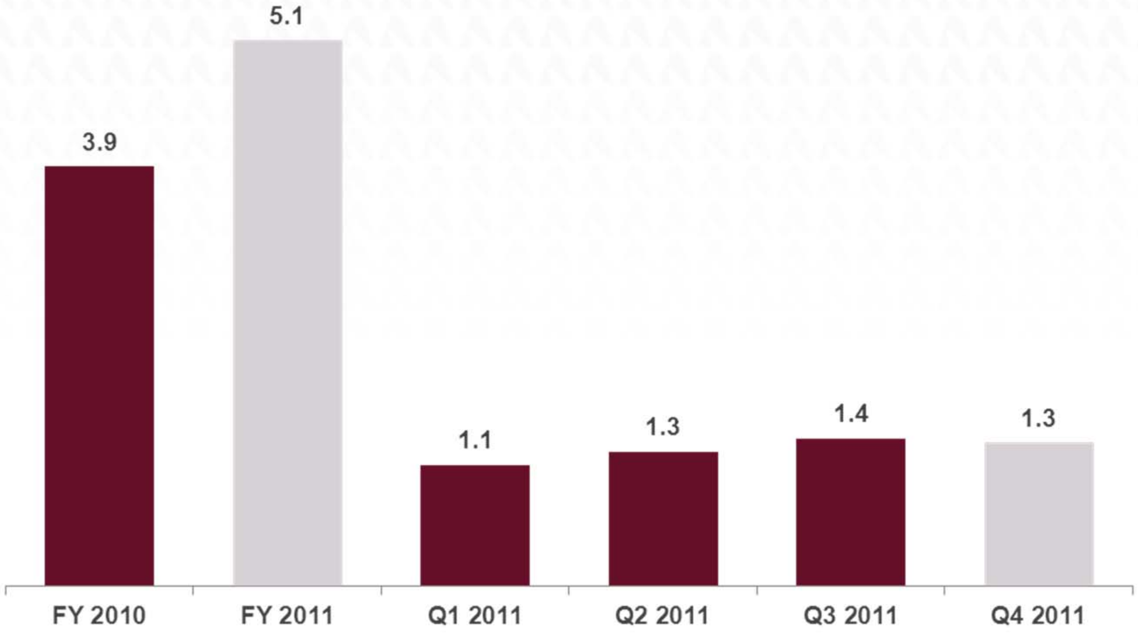
Drivers of change in fuel cost



- 73% of consumption hedged in Q3
- Average fuel price paid in Q3 was $952/mt. Average spot rate $1030/mt

Fuel cost guidance at current prices / FX

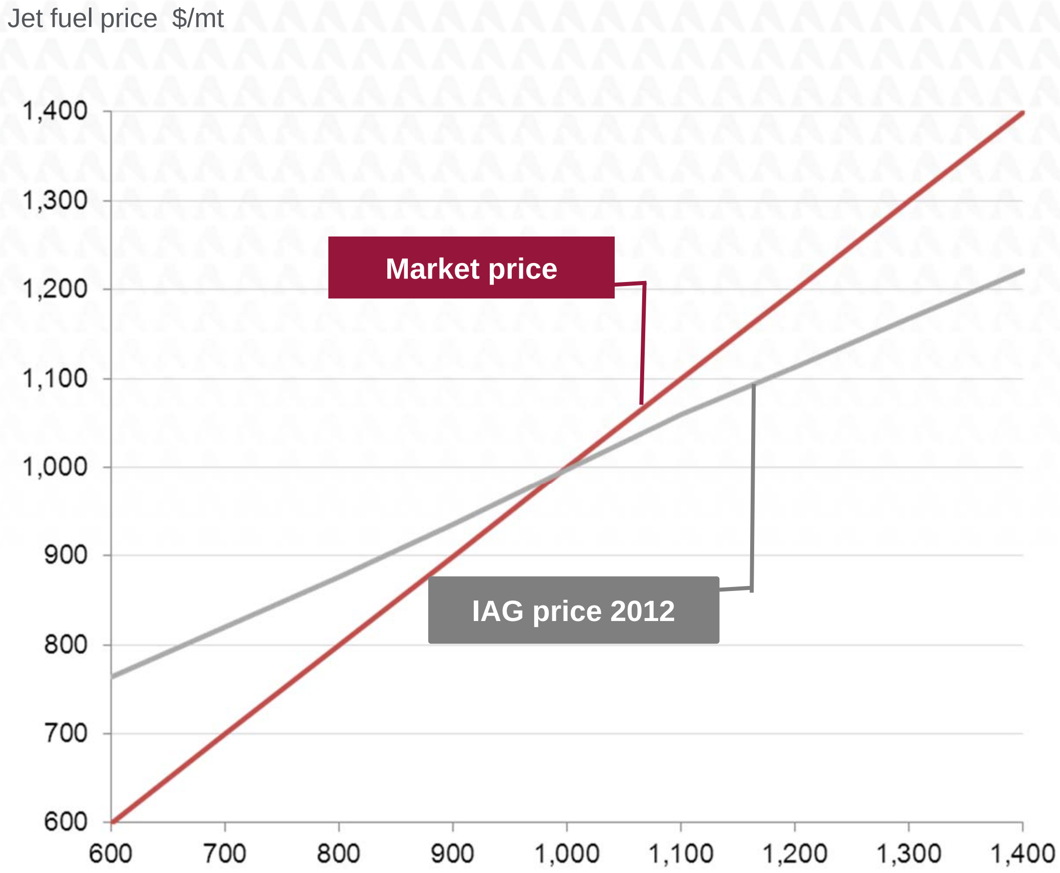
Fuel cost after hedging and pre exceptional items, € billion



Market Price ($/MT)	*710*	*1,005*	*890*	*1,070*	*1,030*	*1,030*

- At a spot rate of $1030 / mt with current hedging cover, and a consequent post-hedging price for the year of $905 / mt, we expect 2011 fuel bill before exceptional items to be approx. €5.1 bn
- The estimated fuel bill in the chart is calculated from planned usage and a EUR USD rate of $1.39
- Current spot price of $1030 / mt would therefore imply further hedge unwind of 14% from 2011 effective rate

2012 fuel hedging impact



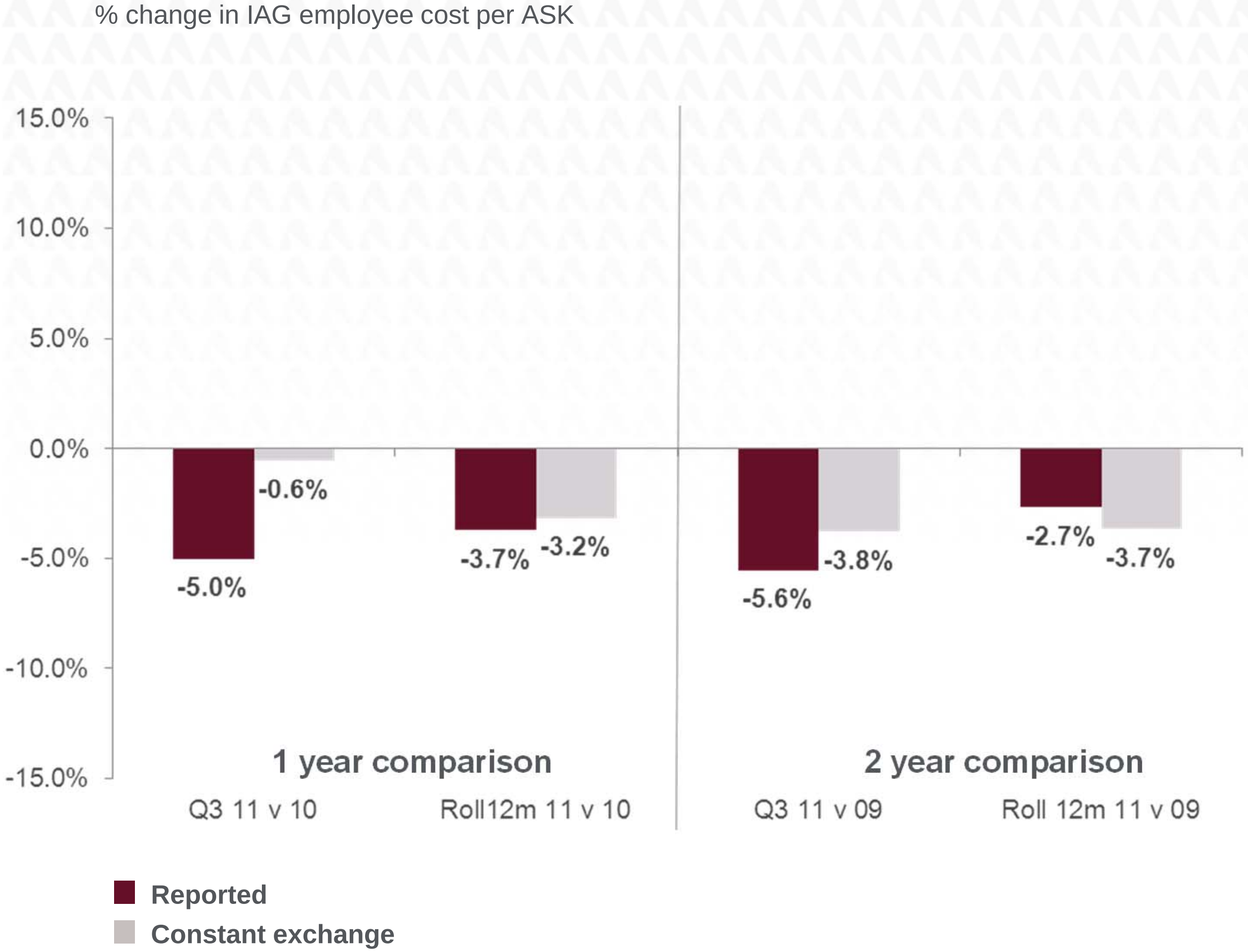
+/- $10/MT = +/- €33m cost approx

Hedging cover

Q4-11	Q1-12	12 mths	FY 2012
79%	68%	63%	53%

- 2012 hedging breakeven at $995/mt
- 2012 ASKs expected to be 2.5%
- Q1 fuel bill expected to be €1.3bn at EUR USD rate of $1.39

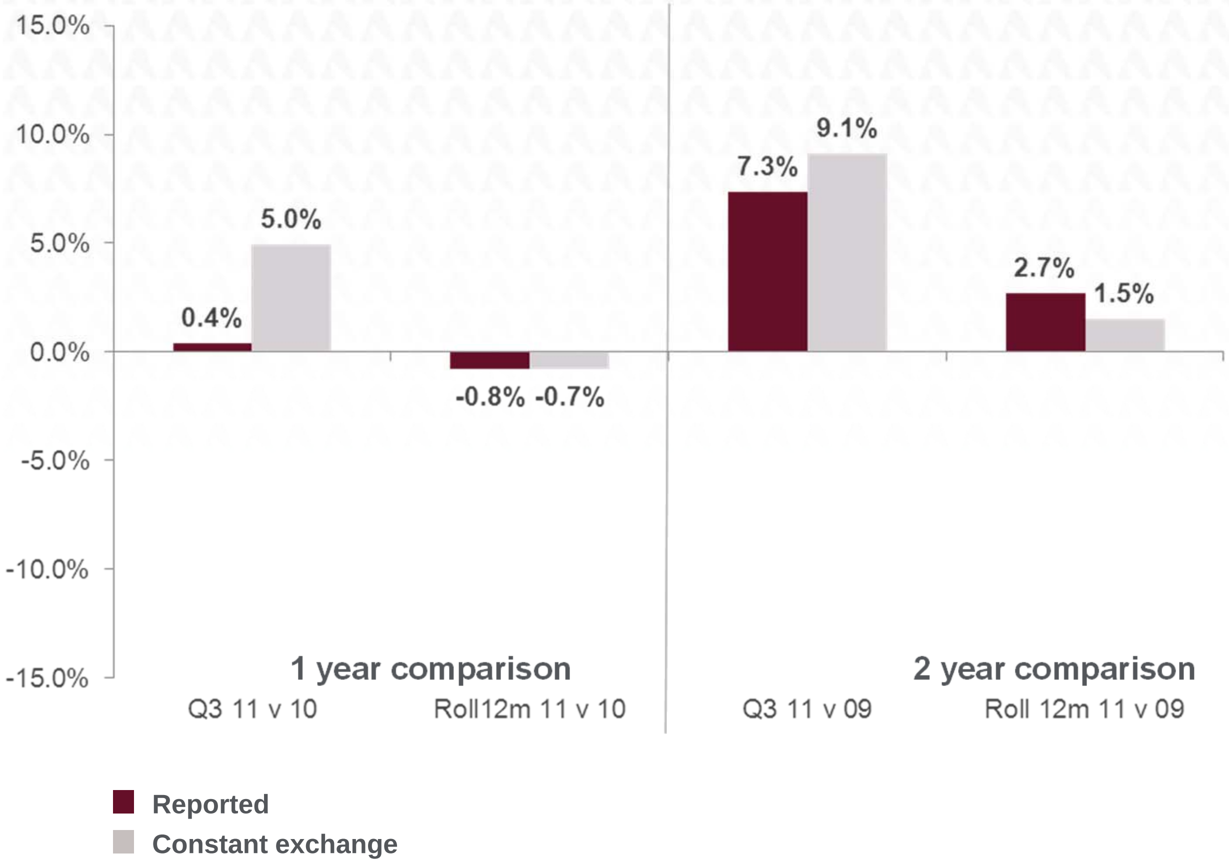
Productivity gains in employee costs



- MPE up 0.9% against Q3 2010 and down 3.9% against Q3 2009
- Reported figures have started to show the impact of synergy benefits

Supplier cost headwinds

% change in IAG supplier costs per ASK

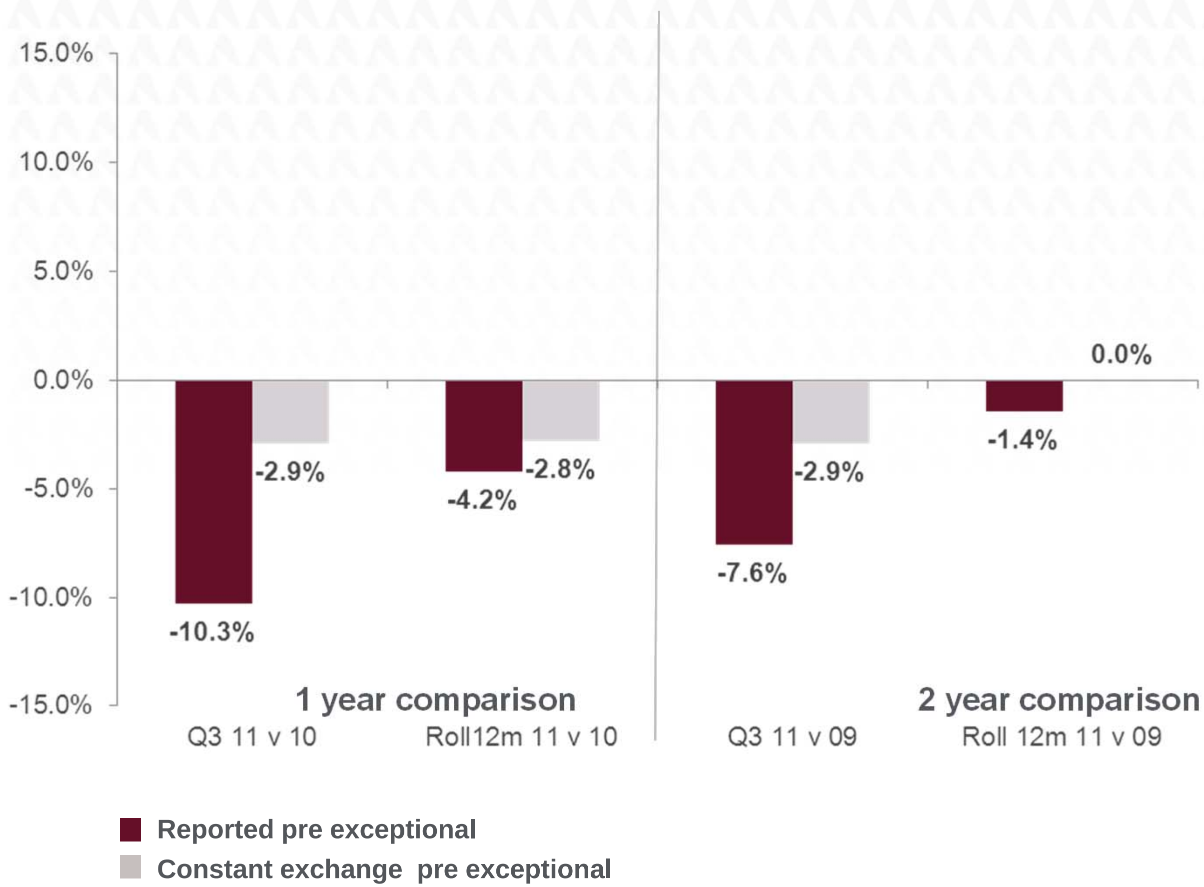


- Supplier costs impacted by one-off BA brand campaign and Avios launch c.€28 million
- Continued headwind from above inflation LHR charges
- Rising inflation poses greater cost challenge in 2012

Supplier cost items: Engineering, landing fees, handling, selling , other

Ownership unit costs

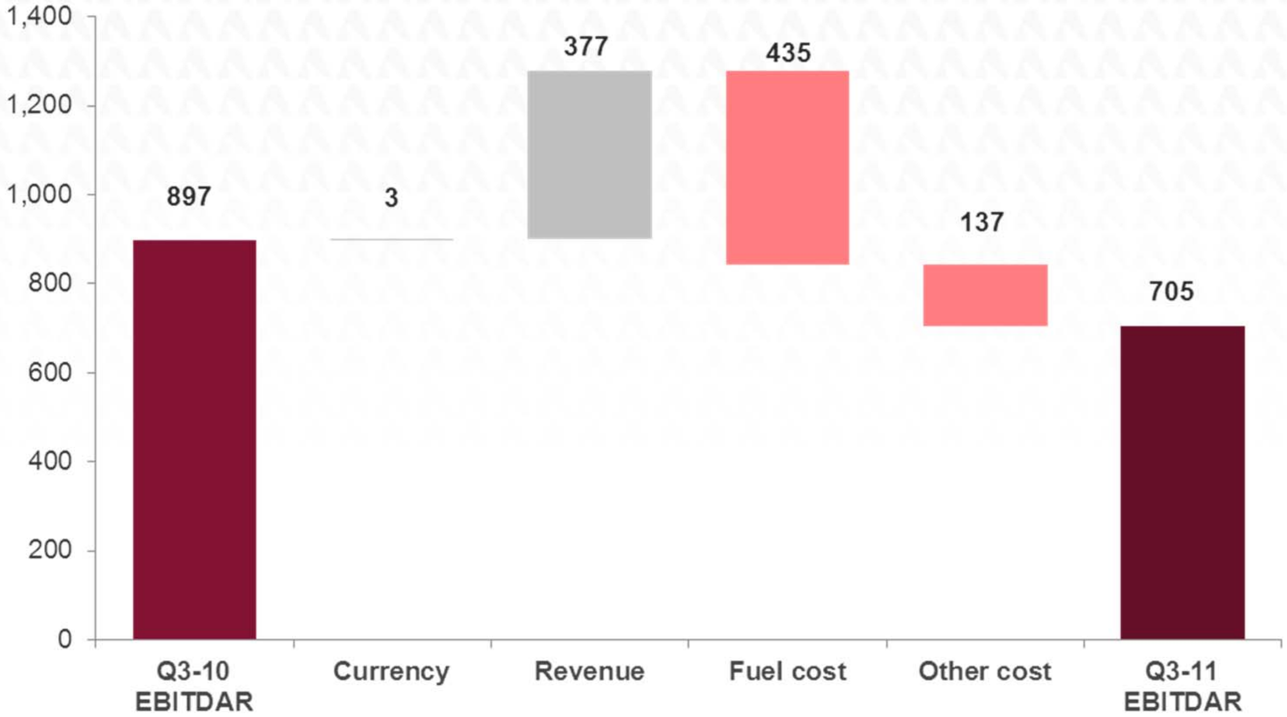
% change in IAG ownership costs per ASK



- Ownership cost improvements continue to be driven by utilisation gains
- Benefits continue to be driven from fleet retirals in 2010 (B757, B747)

Ownership cost items:
Aircraft operating lease, depreciation, amortisation & impairment

Profit bridge from Q3 2010



- Fuel cost handicap not quite offset – tougher comparative base than in Q2
- Q4 has an easier comparative base, given non-recurring accounting items and disruption in Q4 2010
- Positive impact of fuel hedges will gradually unwind into 2012 should spot rate remain at or above these levels

Balance sheet summary, IAG combined

€,m	**Sep 2011**	**Jun 2011**	*Change*
Equity	**5,218**	**5,194**	**+24**
Cash, cash equivalents and interest bearing deposits	4,152	4,191	*-39*
Gross debt	4,754	4,671	*+83*
On balance-sheet net debt	602	480	*+122*
Gearing	**10%**	**8%**	
Aircraft lease cap (x8)	3,179	3,264	*-85*
Adjusted net debt	3,781	3,744	*+37*
Adjusted gearing	**42%**	**42%**	

Outlook

Outlook summary

- We expect Q4 operating profit to be an improvement on Q4 2010, taking into account one-offs in last year's base

- Forward bookings for premium cabins currently broadly in line with 2010 levels

- Non premium markets weaker than 2010, particularly in Spanish market

- We expect to deliver a 2011 full-year operating profit of around double that of 2010

- We remain ready to adjust capacity downward in response to any sustained downturn in demand

Q&A

Disclaimer

Certain information included in these statements is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of the Company's Business Plan, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Company on the date of this report. All subsequent oral or written forward-looking statements attributable to IAG or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the Company's forward-looking statements 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 some of the most important risks in this regard is given in the shareholder documentation in respect of the merger issued on October 26, 2010 and in the Securities Note and Summary issued on January 10, 2011; these documents are available on www.iagshares.com.

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