IAG results presentation

Quarter Two 2018

3rd August 2018

INTERNATIONAL AIRLINES GROUP

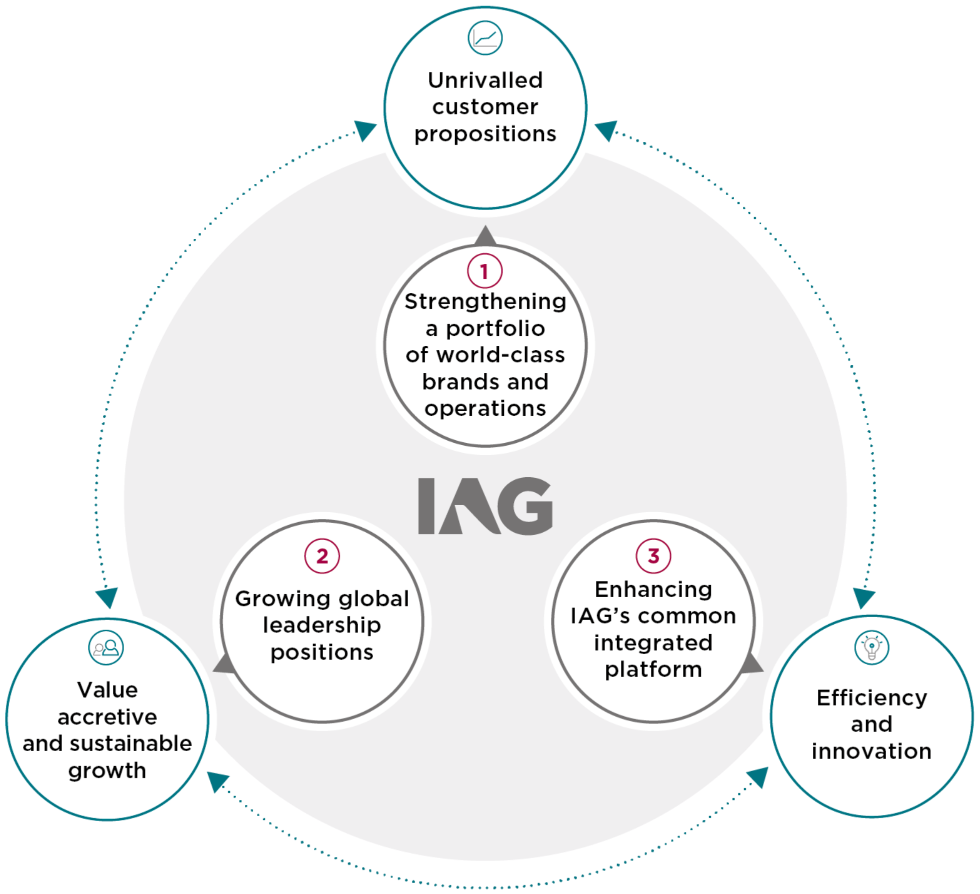
Highlights

Willie Walsh, Chief Executive Officer

INTERNATIONAL AIRLINES GROUP

Further progress against strategic objectives

1H 2018 strategic highlights



- Strengthen portfolio of world-class brands and operations
  - LEVEL expansion to Paris and Vienna
  - LEVEL CEO appointment
  - Further customer proposition enhancements at British Airways and Iberia (e.g.Wi-Fi, lounges, Club World bedding, Iberia Premium Economy A330 roll-out almost complete)
  - British Airways and Iberia Basic Economy fares introduced on long-haul routes
- Grow global leadership positions
  - 10% capacity growth on North Atlantic in 2Q, including new routes launched:
    - Aer Lingus: Dublin to Philadelphia and Seattle
    - British Airways: Heathrow to Nashville, Gatwick to Las Vegas and Toronto
    - Iberia: Madrid to San Francisco
    - LEVEL: Barcelona to Boston
  - c.7% growth on Latin American routes by BA, Iberia and LEVEL
  - 15% growth at Gatwick with newly acquired slots
  - Return to growth at Vueling in Spain, Italy and France
- Enhance IAG's common integrated platforms
  - CASK ex-fuel down another 1.5% in 1H18 – 11.7% down since IAG formation in 2011
  - New generation aircraft deliveries: 5 A320neos, 1 A350 and 3 B787
  - New distribution model successfully rolling out
  - UK Avios and BA Executive Club programmes merged
  - Further digital transformation initiatives (e.g. 3rd Hangar 51 programme)

Continued strong financial performance

1H 2018 financial highlights

- Another strong quarter performance with an operating profit of €835m (13.5% margin, +0.2 pts) vs. €790m last year
  - Better results at Aer Lingus and BA, slightly weaker at Iberia and Vueling due to later timing of Easter and ATC disruption
  - Continuation of positive trends in unit passenger revenue at constant currency

- Significant increase in 1H 2018 operating profit to €1,115m (11.2% lease adjusted margin, +1.1pts) from €950m last year and 29% increase in underlying EPS

- Non-fuel unit costs continue to reduce (-1.5%) in 1H 2018, in line with our targets

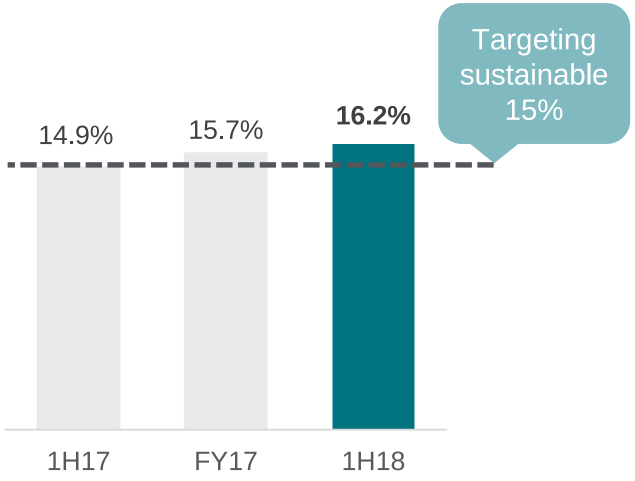
- RoIC (last 4 quarters) increased to 16.2% from 14.9% at 1H 2017
- Share buyback: €143m of shares in 2Q 2018 and a further €113m as of 1st August for a total of €256m out of €500m planned in 2018
- 2018 full year guidance reiterated:

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

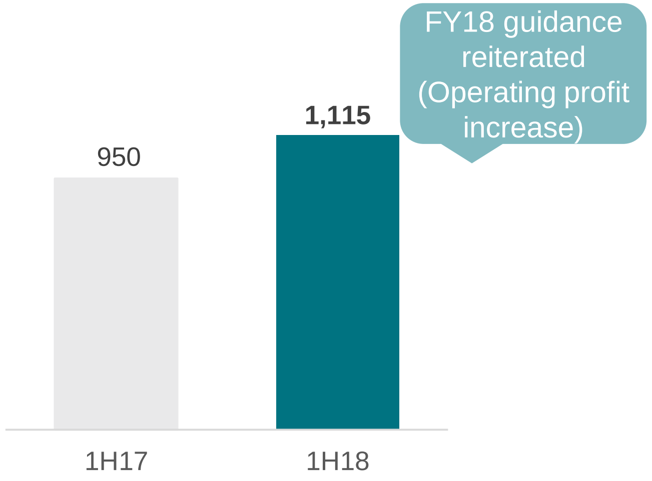
Financial targets continue to be exceeded

1H 2018 financial highlights

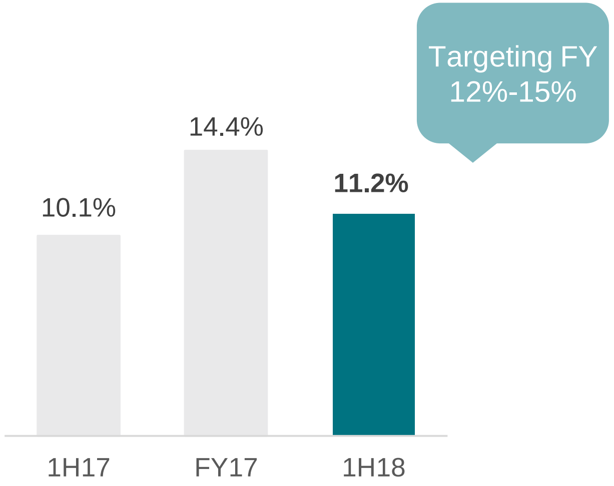
RoIC*
(%)



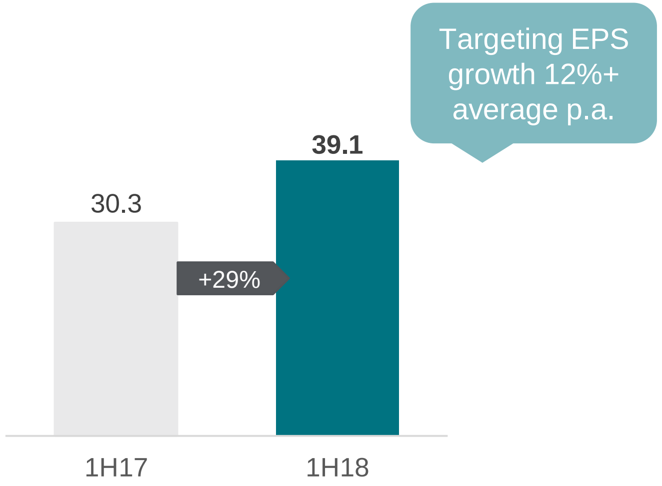
Operating profit
(€m)



Lease adjusted margin
(%)



Adjusted EPS
(€ cents)



2017 figures have been restated for IFRS 15 and IFRS 9
* RoIC figures reflect last 12 months

Financial results

Enrique Dupuy, Chief Financial Officer

INTERNATIONAL AIRLINES GROUP

Further increase in operating profit, despite FX and fuel headwinds

2Q 2018 financial summary

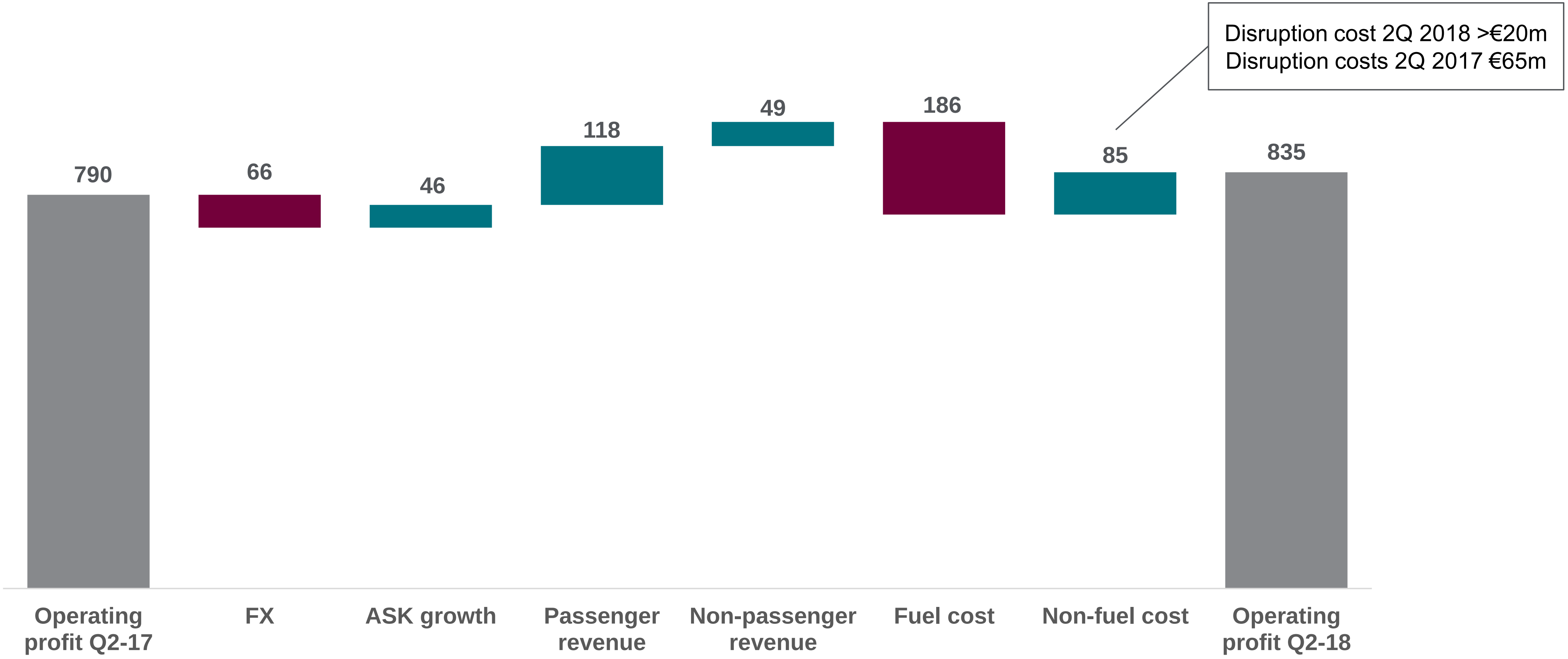
OPERATING PROFIT	TOTAL UNIT REVENUE	PAX UNIT REVENUE
€835m (reported before exceptional) **+€111m** (constant currency change) +€45m (reported change)	+2.7% (constant currency) -1.7% (reported) (€89m translation drag) (€186m transaction headwind)	**+2.3%** (constant currency) -1.9% (reported)

TRAFFIC/CAPACITY	TOTAL UNIT COST	NON-FUEL UNIT COST
ASKs: +5.8% (reported) RPKs: +7.6% (reported)	+1.9% (constant currency) -2.0% (reported) (€76m translation benefit) (€133m transaction tailwind)	-2.0% (constant currency) **-3.1%** (constant FX, net of other revenue gain) -4.5% (reported)

'Translation' = drag/benefit from translation of British Airways and Avios financial results from GBP into EUR; 'Transaction' = FX headwind/tailwind at company level
2017 figures have been restated for IFRS 15

Positive revenue and non-fuel cost performance

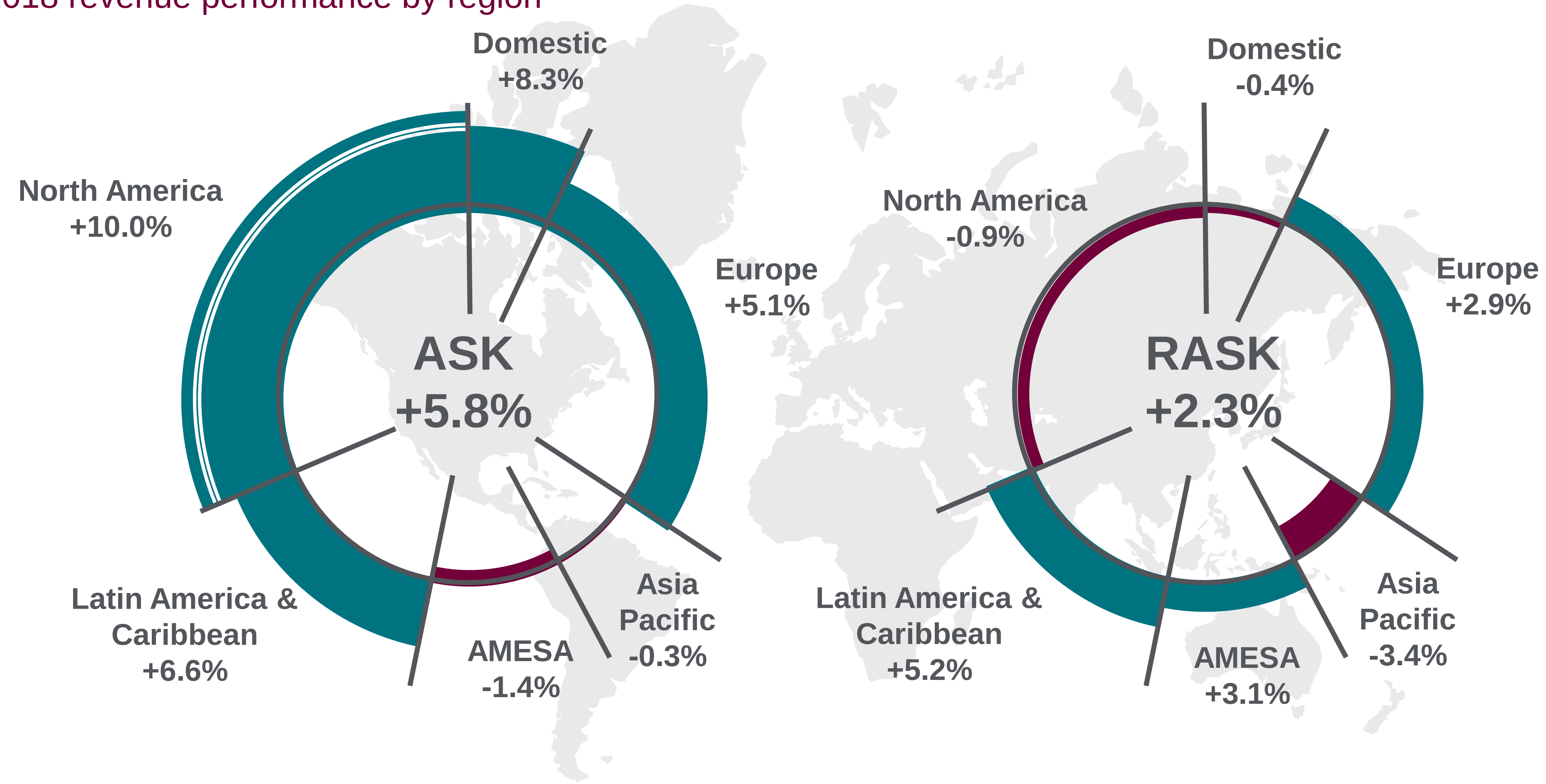
2Q 2018 operating profit contribution drivers



Passenger revenue contribution includes price and mix effects. Fuel cost contribution includes price and efficiency. Non-fuel contribution includes inflation and efficiency.
2017 figures have been restated for IFRS 15

Strong revenue in core markets: Europe, North and Latin America

2Q 2018 revenue performance by region



Data in the chart represents flown passenger revenue in unit terms at constant currency before transfer payments, Avios redemption and ancillaries
2017 figures have been restated for IFRS 15

IAG

Non-fuel unit costs continue to reduce in each category

2Q 2018 non-fuel unit cost performance

	2Q 2017 reported unit costs (€ cents)	2Q 2018 reported unit costs (€ cents)	% vly reported	% vly constant currency
Fuel	**1.49**	**1.59**	**6.7%**	**15.0%**
Employee	1.54	1.46	-5.4%	-3.7%
Supplier	2.84	2.72	-4.1%	-1.5%
Ownership	0.66	0.64	-4.2%	-0.4%
Non-fuel	**5.05**	**4.82**	**-4.5%**	**-2.0%**
TOTAL	**6.54**	**6.41**	**-2.0%**	**1.9%**

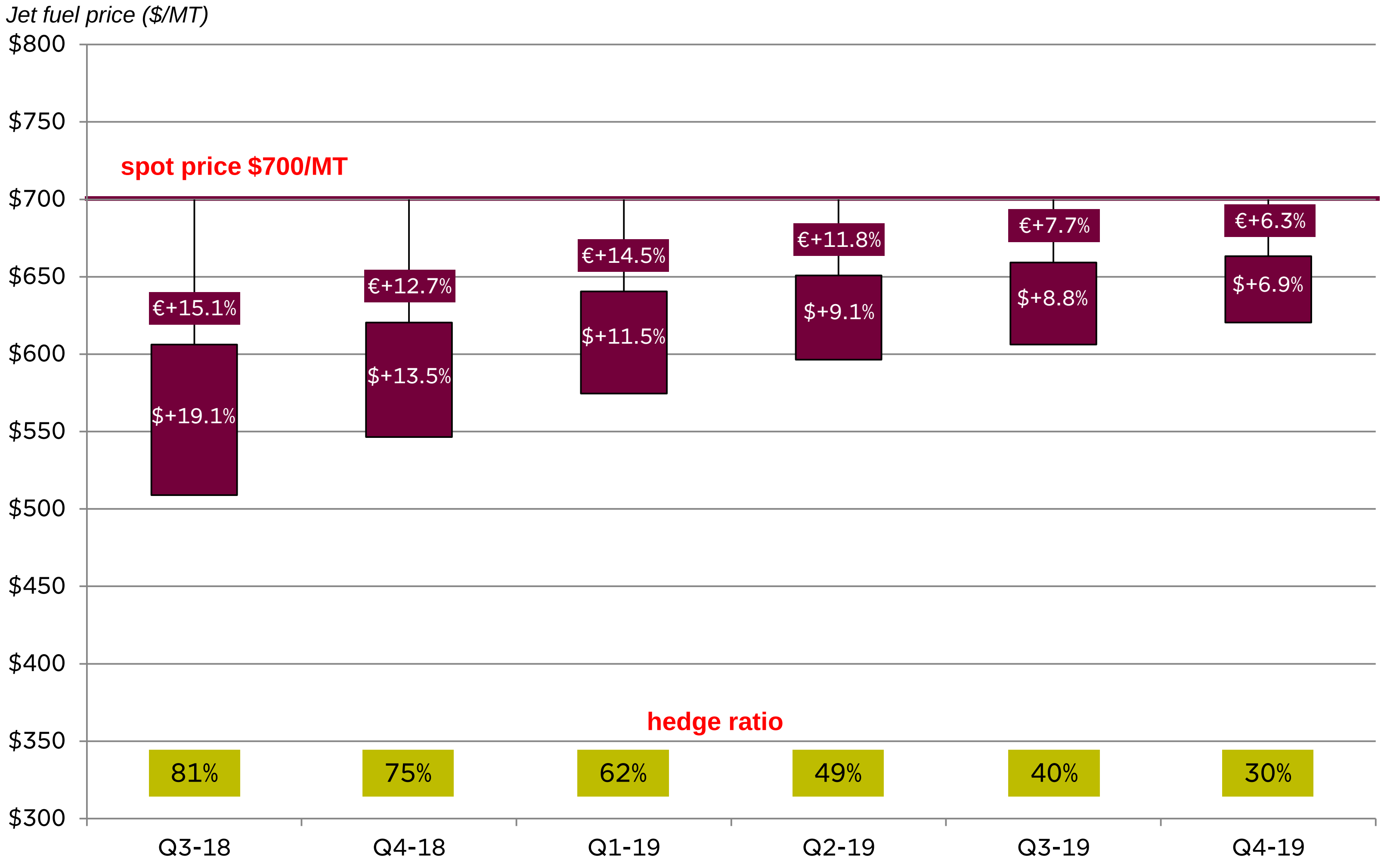
-3.1% net of other revenue gains

2017 figures have been restated for IFRS 15

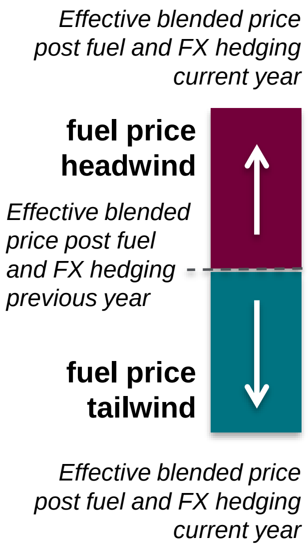
IAG

Fuel headwind continues

Fuel scenario: detailed modelling in appendix



Key:



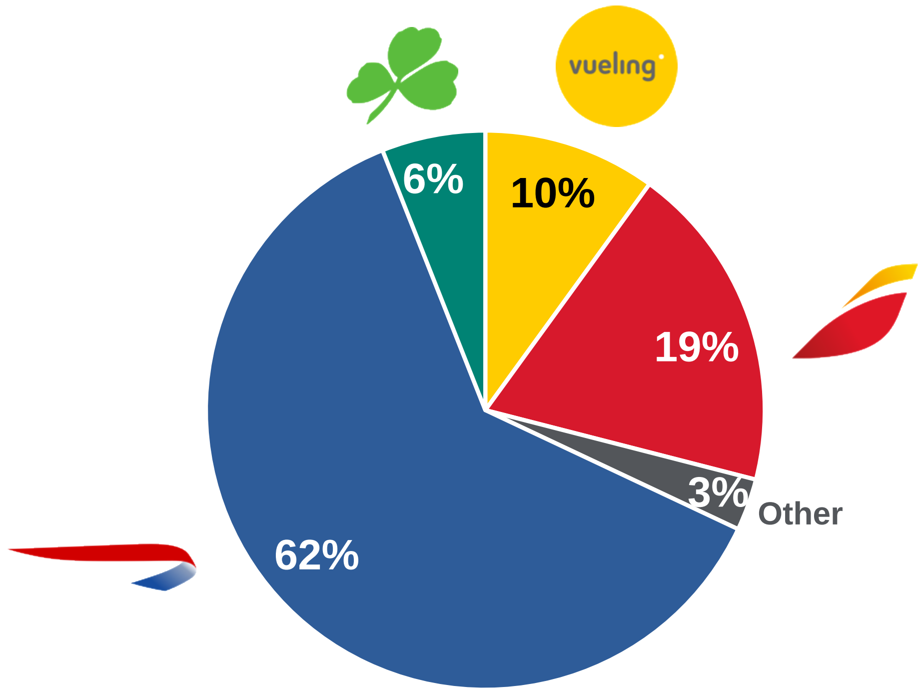
FX sensitivity in 2018 fuel bill: EURUSD ±10% = ±1% fuel cost at current hedging

2018 fuel bill scenario - €5.3bn **(at $700/MT and 1.17$/€)**

IAG

Higher RoIC at Aer Lingus and BA, slightly lower at Iberia and Vueling

Financial target tracker: profitability trend by airline



IAG capital allocation 2Q 2018

2017 figures have been restated for IFRS 15

IAG

Op. margin: 2Q 2018	14.7%
Op. margin trend vly	+0.2pts
Nml. margin: last 4Qs	14.3%
RoIC: last 4Qs	16.2%

Aer Lingus

Op. margin: 2Q 2018	20.8%
Op. margin trend vly	+2.0pts
Nml. margin: last 4Qs	17.6%
RoIC: last 4Qs	27.8%

IBERIA

Op. margin: 2Q 2018	10.4%
Op. margin trend vly	-1.6pts
Nml. margin: last 4Qs	9.5%
RoIC: last 4Qs	12.2%

Note: Iberia excludes LEVEL

BRITISH AIRWAYS

Op. margin: 2Q 2018	15.8%
Op. margin trend vly	+1.6pts
Nml. margin: last 4Qs	14.8%
RoIC: last 4Qs	16.9%

vueling

Op. margin: 2Q 2018	9.3%
Op. margin trend vly	-2.5pts
Nml. margin: last 4Qs	12.5%
RoIC: last 4Qs	13.1%

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

Operating profits and margins improved at all airlines, except Vueling

Financial performance at airline level

	Aer Lingus 1H 2018 (€m)	Aer Lingus vly	British Airways 1H 2018 (£m)	British Airways vly	Iberia 1H 2018 (€m)	Iberia vly	Vueling 1H 2018 (€m)	Vueling vly
Revenue	899	+11.5%	6,124	+4.4%	2,317	+1.2%	1,006	+11.6%
Cost	795	+6.4%	5,362	+2.4%	2,215	+0.6%	1,017	+12.1%
Operating result	104	+51	762	+137	102	+13	-11	-5
Operating margin	11.5%	+5.2pts	12.4%	+1.7pts	4.4%	+0.5pts	-1.1%	-0.4pts
Lease adjusted margin	12.7%	+5.1pts	13.1%	+1.8pts	6.1%	+0.2pts	2.8%	-0.9pts
ASK (m)	13,221	+8.7%	90,325	+1.8%	31,907	+4.7%	17,316	+10.7%
RPK (m)	10,462	+9.1%	73,461	+3.2%	27,261	+7.8%	14,602	+12.9%
Sector length (km)	1,943	+5.7%	3,163	+0.3%	2,718	-2.1%	965	-0.7%
RASK	6.80	-0.8%	6.78	+2.6%	7.26	-3.4%	5.81	+0.8%
CASK	6.01	-6.3%	5.94	+0.5%	6.94	-3.9%	5.87	+1.3%
CASK ex-fuel	4.79	-7.6%	4.41	-2.3%	5.50	-4.6%	4.60	+1.1%
Employee cost per ASK	1.35	-2.8%	1.40	-2.8%	1.67	-2.1%	0.75	+7.4%

2017 figures have been restated for IFRS 15

Aer Lingus lease adjusted margin includes an adjustment for the ownership element of wet leases

29% growth in underlying EPS in 1H 2018

Below the line

€m	1H 2017	1H 2018
Operating profit (pre-exceptional)	950	1,115
Net finance income/expense	(98)	(90)
Net financing credit/charge relating to pensions	(16)	11
Other	(1)	(1)
Profit before tax (pre-exceptional)	835	1,035
Tax	(166)	(200)
Profit after tax (pre-exceptional)	669	835
Fully diluted EPS (pre-exceptional) (€ cents)	30.3	39.1

2017 figures have been restated for IFRS 15 and IFRS 9

Continued improvement in leverage

Leverage

€m	June 2017	June 2018
Gross debt	8,024	7,432
Cash, cash equivalents & interest-bearing deposits	7,944	8,146
On balance sheet net debt / (cash)	80	(714)
Aircraft lease capitalisation (x8)	6,944	6,912
Adjusted net debt	7,024	6,198
Adjusted net debt / EBITDAR	1.5x	1.2x

2017 figures have been restated for IFRS 15

Outlook

Willie Walsh, Chief Executive Officer

Accretive growth justified by high returns

2018 capacity growth and contributions

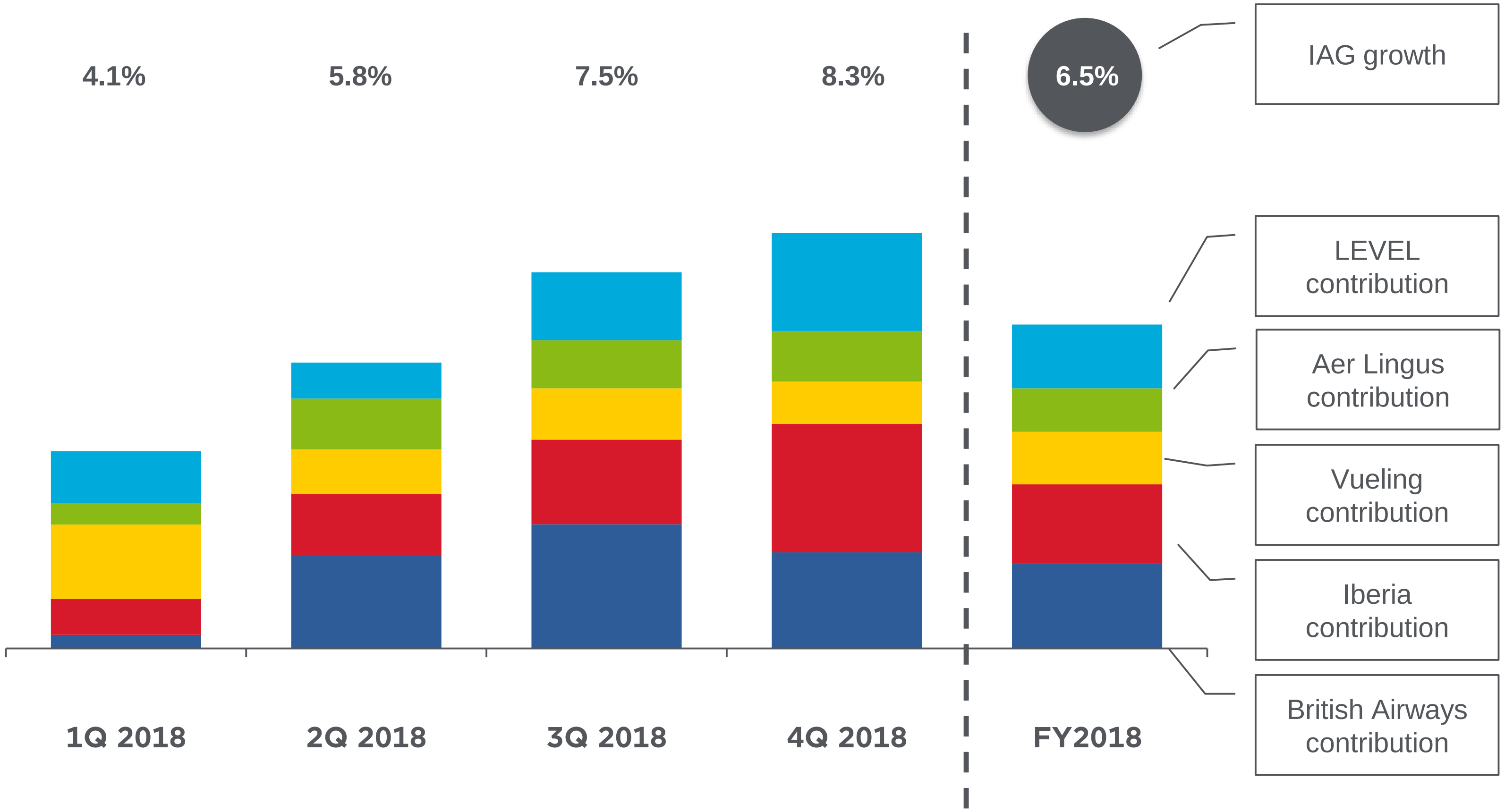
Aer Lingus: 3Q 2018 and FY2018 capacity planned to be +10.0% and +9.9% respectively

British Airways: 3Q 2018 and FY2018 capacity planned to be +4.4% and +2.8% respectively

Iberia: 3Q 2018 and FY2018 capacity planned to be +8.0% and +7.4% respectively

LEVEL: 5 A330; 3 aircraft in BCN, 2 in ORY, and 4 A321 in VIE

Vueling: 3Q 2018 and FY2018 capacity planned to be +8.0% and +9.2% respectively



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

We re-iterate guidance for FY2018

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

Investment case and topics

Willie Walsh, Chief Executive Officer

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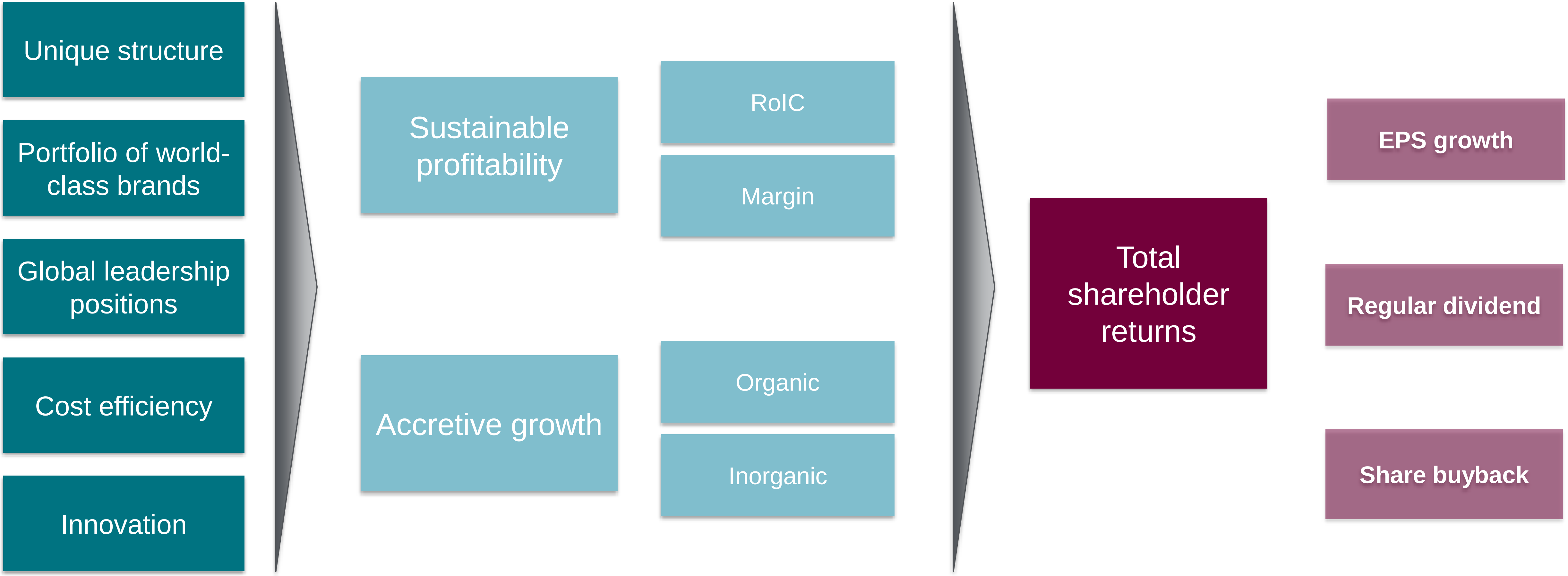
The IAG investment case

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

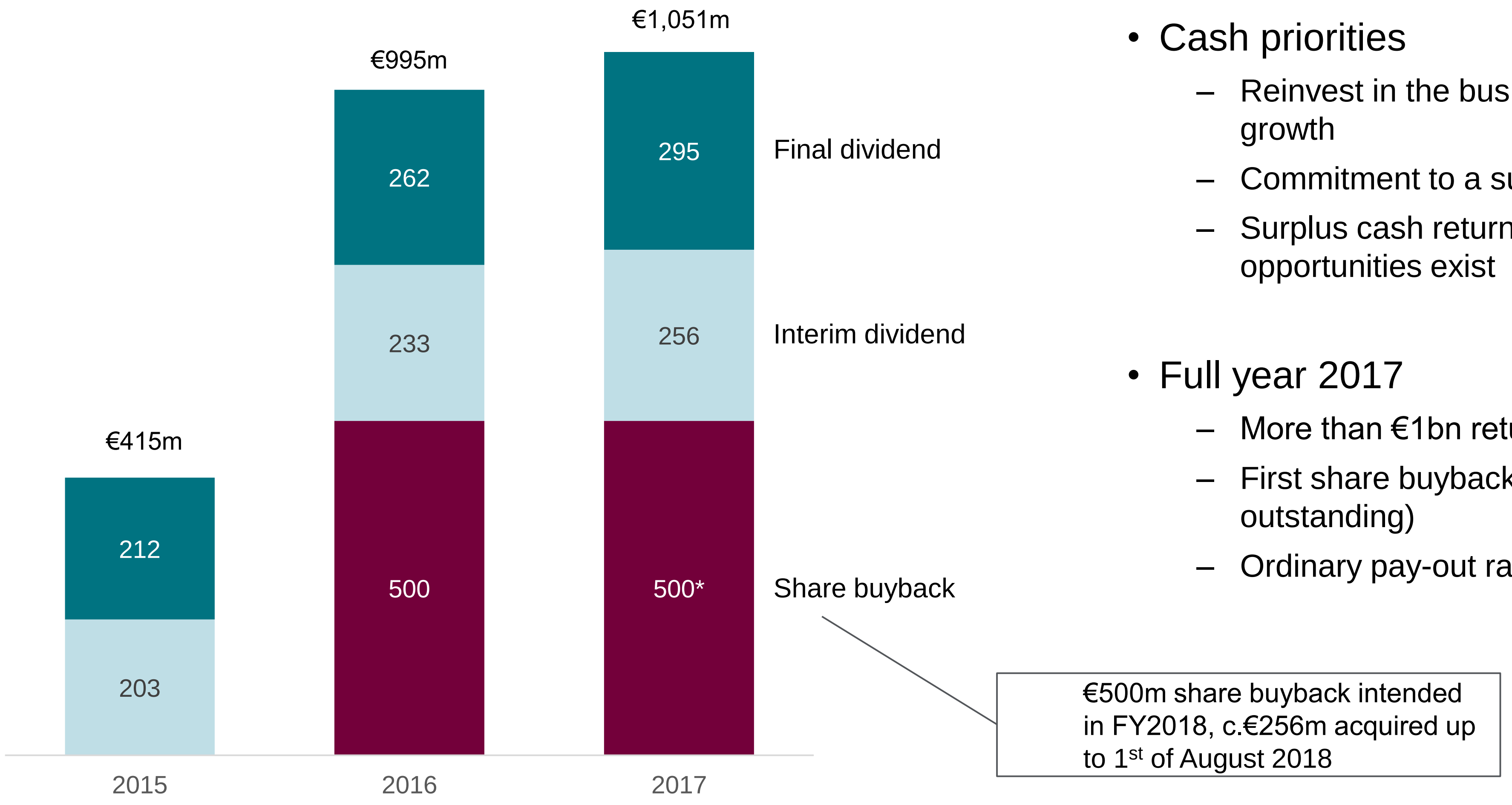


The IAG investment case

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

Unique structure	• Disciplined capital allocation • Active portfolio management approach • Flexibility and rapid decision making • Platform with centralised functions to enable scale and plug & play
Portfolio of world-class brands	• Operationally focused companies • Distinct brands • Diversified customer base • Complimentary networks
Global leadership positions	• Leading the consolidation of the airline sector • Barcelona, Dublin, London, Madrid • North Atlantic, South Atlantic, and intra-Europe
Cost efficiency	• 11.7% reduction in CASK ex-fuel at constant currency since IAG's founding in 2011 • c.4% further reduction targeted by 2022
Innovation	• Dynamic and creative culture • At the forefront of digital innovation in the airline industry • Digital platform to grow revenues streams, enhance customer loyalty and drive cost efficiencies

€2.2bn returned to shareholders since 2015; half-way through buyback



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

Note: *Second share buy back programme launched on the 10th of May, with the intention to buy back a maximum of €500m or 185m shares during 2018

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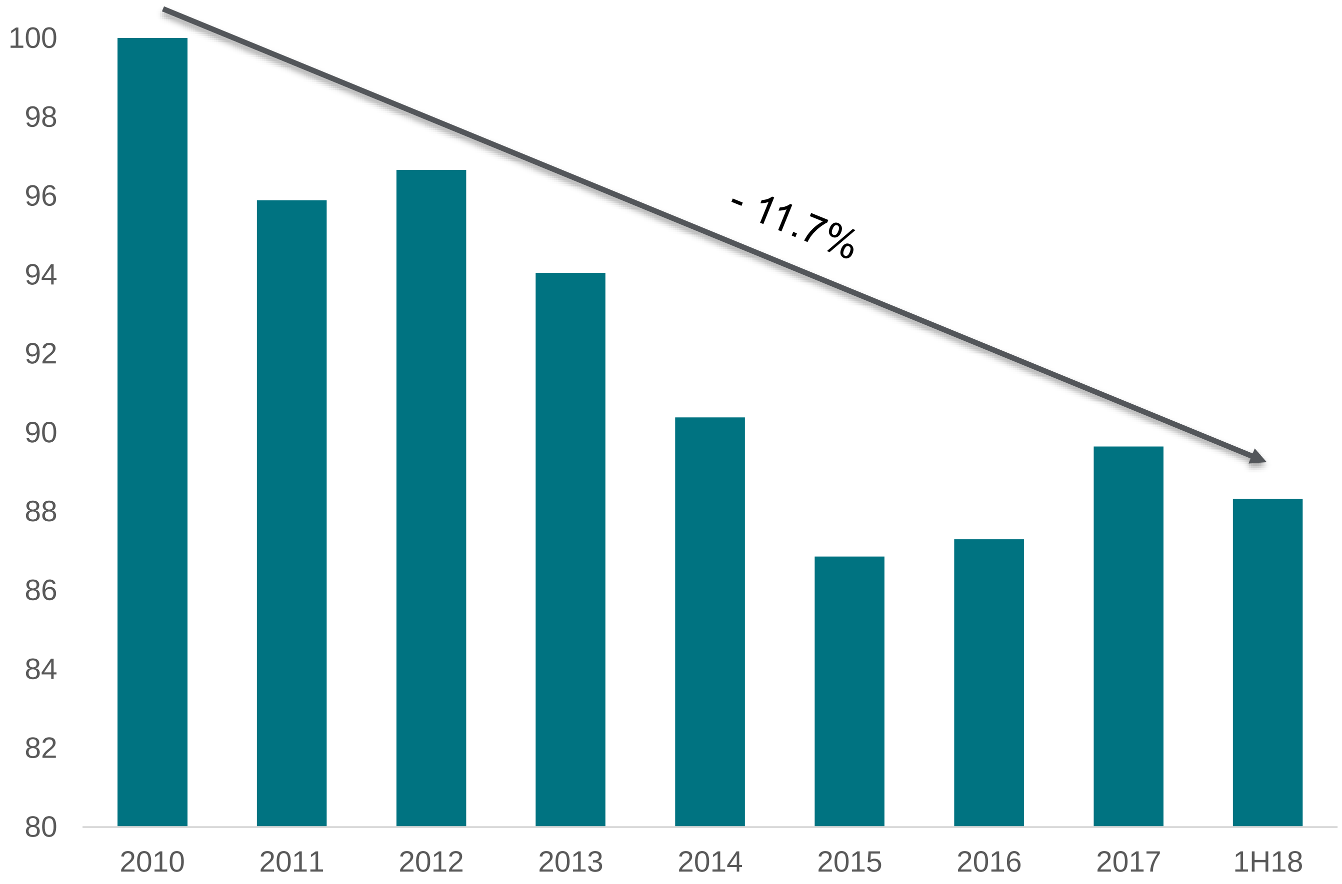
11.7% ex-fuel unit cost reduction delivered; c.4% more to come by 2022

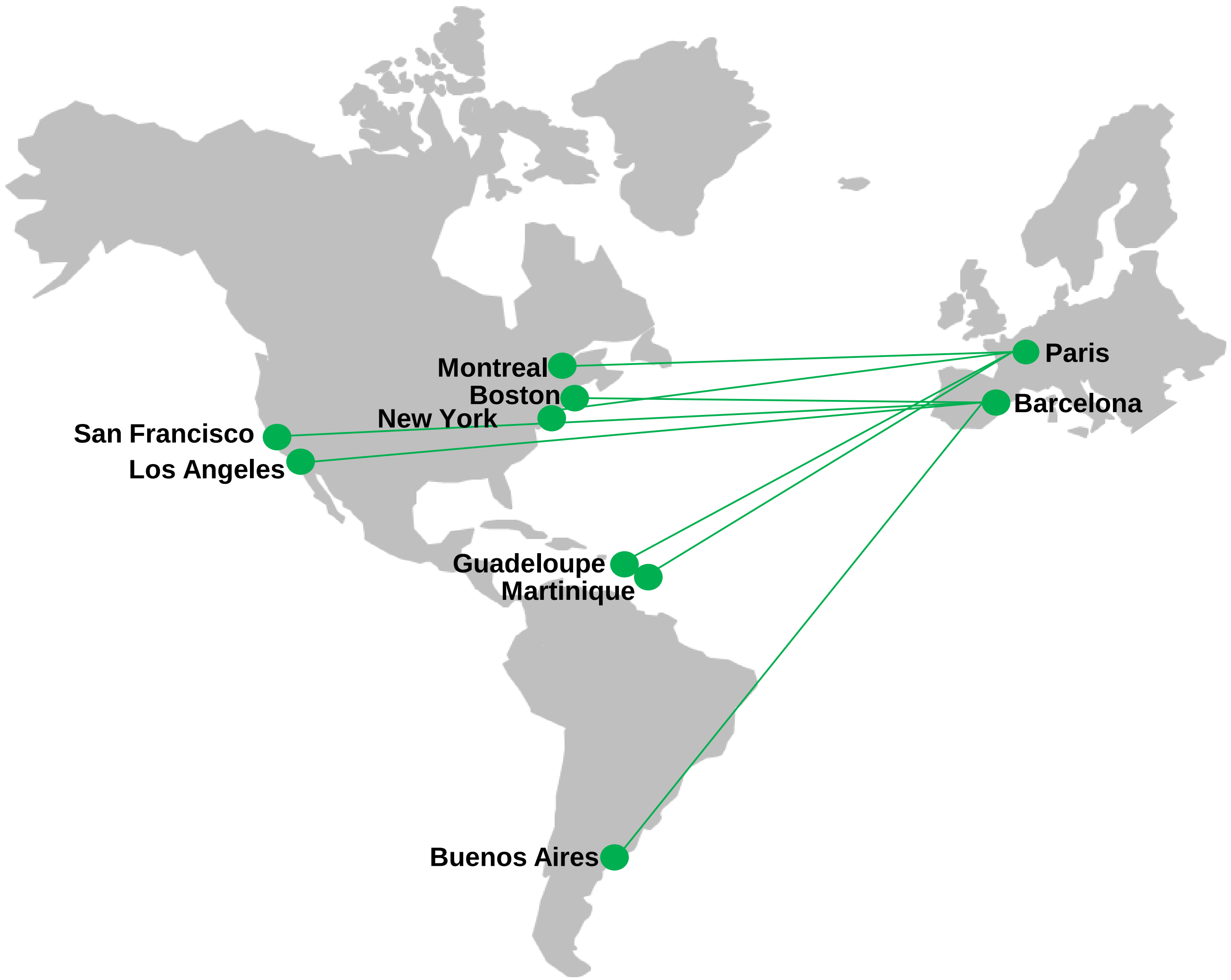


Ex-fuel unit cost indexed to 2010 at constant currency

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

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

LEVEL – Barcelona performing well, expansion to Paris and Vienna



LEVEL

IAG

LEVEL – Barcelona performing well, expansion to Paris and Vienna

Highlights

- LEVEL is a great example of IAG’s creativity, flexibility and rapid decision-making
- Positive response in most markets with sales ahead of expectations, ability to stimulate new demand
- Nearly 270,000 passengers carried in the first year of operation
- Non-fuel unit costs better than target and underlying performance breakeven in first full year of operation
- Could grow up to 30 aircraft by 2022 from 5 in July 2018
- Projected to attain IAG´s sustainable RoIC target of 15% by maturity

Facts

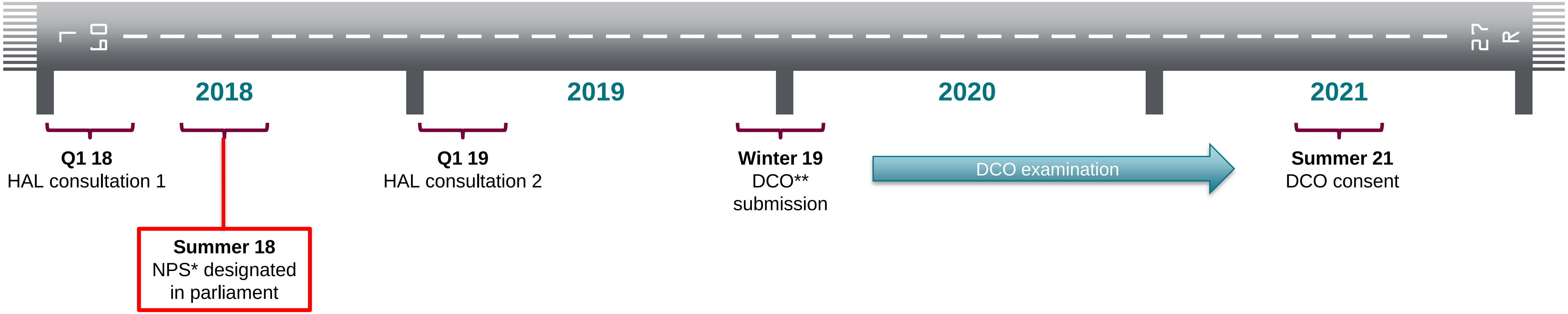
- Announced in March 2017 and opened in Barcelona within 3 months, one year ahead of plan
- Started in Barcelona with routes to Buenos Aires, Oakland and Punta Cana, with a summer service to Los Angeles
- New routes from Barcelona to Boston from March 2018 and San Francisco (replacing Oakland) from October 2018
- Operates five new A330s, with 293 economy and 21 premium economy seats, and four A321 with 212 seats
- Paris Orly base opened in July 2018 with flights to Guadeloupe and Montreal; New York (Newark) and Martinique to follow in September
- Started short haul services in Vienna in July 2018 with 14 routes planned by mid-August

Competitive advantages

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

LEVEL

Heathrow expansion one step closer but only at an affordable price



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

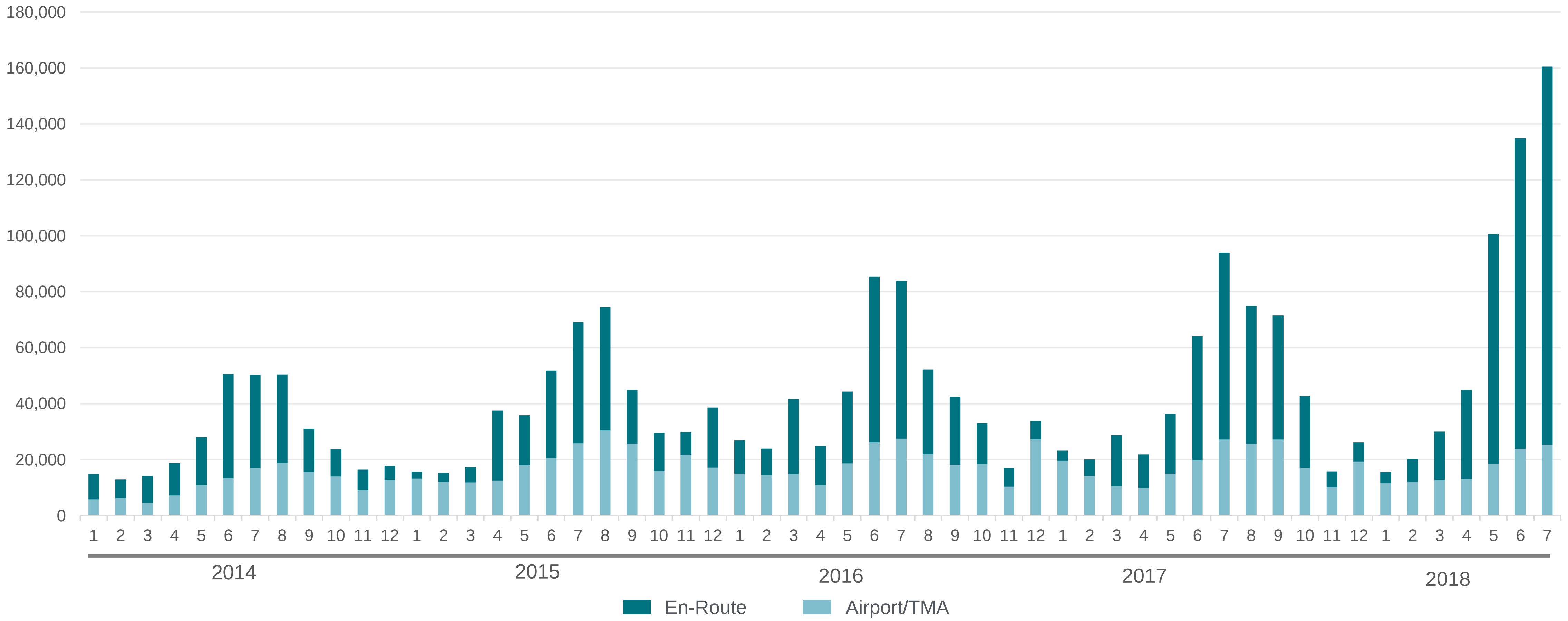
- Expansion at Heathrow must be efficient
  - Costs must be below or at current charges in real terms
  - Introduction of a price guarantee
- CAA must use its powers to ensure the ability for competition by allowing third parties to design, build and operate terminals

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

Unprecedented ATC disruption in Europe severely affected Vueling

Vueling: additional €20m disruption cost, more than 2,700 flights impacted and nearly 325,000 passengers affected

Total Europe ATC delays, 2014-July 2018 (average daily delays in minutes)



Source: Eurocontrol
TMA = Terminal Manouvering Area

Conclusions

- IAG has a unique structure that drives growth and innovation to generate superior returns to shareholders
- Strong portfolio of world-class brands with global leadership positions supported by common integrated platforms
- More than 11.7% ex-fuel unit cost reduction since 2011 with c.4% further reduction targeted over the next 4 years
- Strong financial performance in 2Q 2018 and 1H 2018
- Overall financial targets continue to be exceeded in 2018 with upside to RoIC targets at Iberia and Vueling still to come
- Deleveraging balance sheet while returning €1 billion to shareholders in 2017 with more to come in 2018
- We continue to be confident in the outlook for 2018

Appendices

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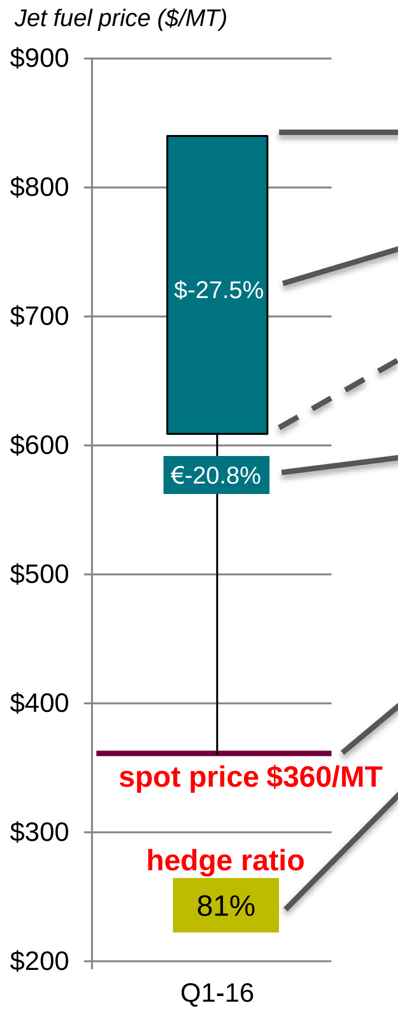
Fuel modelling



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

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

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.