

Capital Markets Day

3rd November 2017



Agenda

0900	Opening remarks	Antonio Vázquez	<i>IAG Chairman</i>
0910	CMD 2017 key messages	Willie Walsh	<i>IAG CEO</i>
0920	British Airways	Alex Cruz Carolina Martinoli Steve Gunning	<i>BA Chairman & CEO</i> <i>BA Director of Brand & Customer Experience</i> <i>BA CFO</i>
1000	Iberia & IAG MRO	Luis Gallego	<i>Iberia Chairman & CEO</i>
1030	Vueling	Javier Sánchez-Prieto	<i>Vueling Chairman & CEO</i>
1050	<i>Break</i>		
1120	LEVEL	Alistair Hartley	<i>IAG Head of Group Strategy & Development</i>
1140	Aer Lingus	Stephen Kavanagh	<i>Aer Lingus CEO</i>
1200	IAG Cargo	Lynne Embleton	<i>IAG Cargo CEO</i>
1220	IAG Digital & IT Strategies	Robert Boyle	<i>IAG Director of Strategy</i>
1240	<i>Lunch</i>		
1340	Financial Strategy	Enrique Dupuy	<i>IAG CFO</i>
1420	Conclusion and Q&A	Willie Walsh	<i>IAG CEO</i>
1530	<i>Drinks Reception</i>		

British Airways

Alex Cruz – Chairman and CEO

Carolina Martinoli – Director of Brand and Customer Experience

Steve Gunning – CFO

British Airways

Alex Cruz – Chairman and CEO

The fundamentals are strong...

Number 1 in London

- No. 1 at Heathrow & City
- No. 2 at Gatwick
- No. 1 European carrier across the North Atlantic

Strong brand & heritage

- Consumer Superbrand in 2014, 2015, 2016, 2017
- Business Superbrand in 2015, 2016, 2017

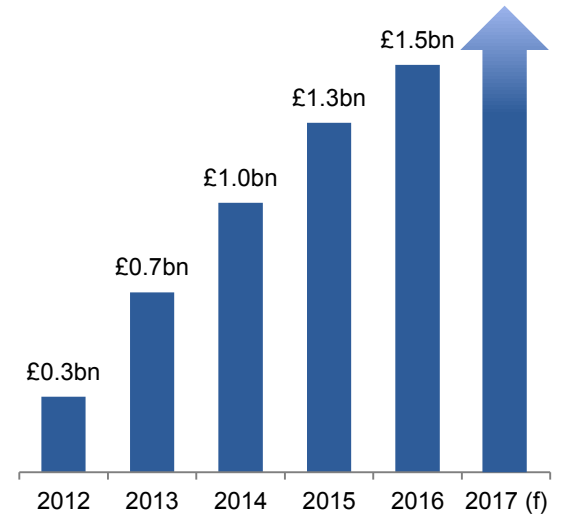
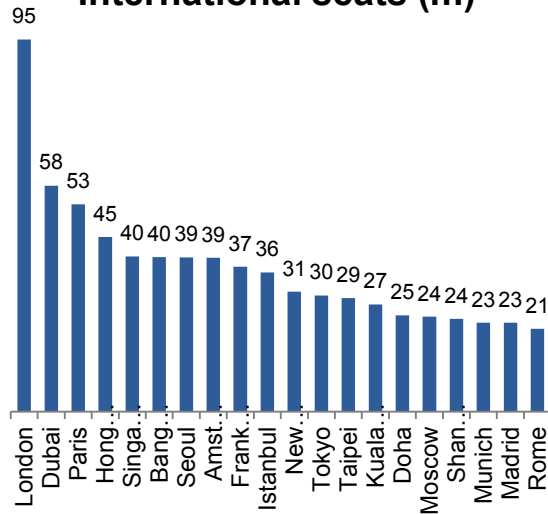
Dedicated people

- Talented people delivering great customer service
- Airline experts embedded throughout the business

Financially fit

- Strong balance sheet
- Greater capital efficiency & lower back-office costs
- Shareholder dividends

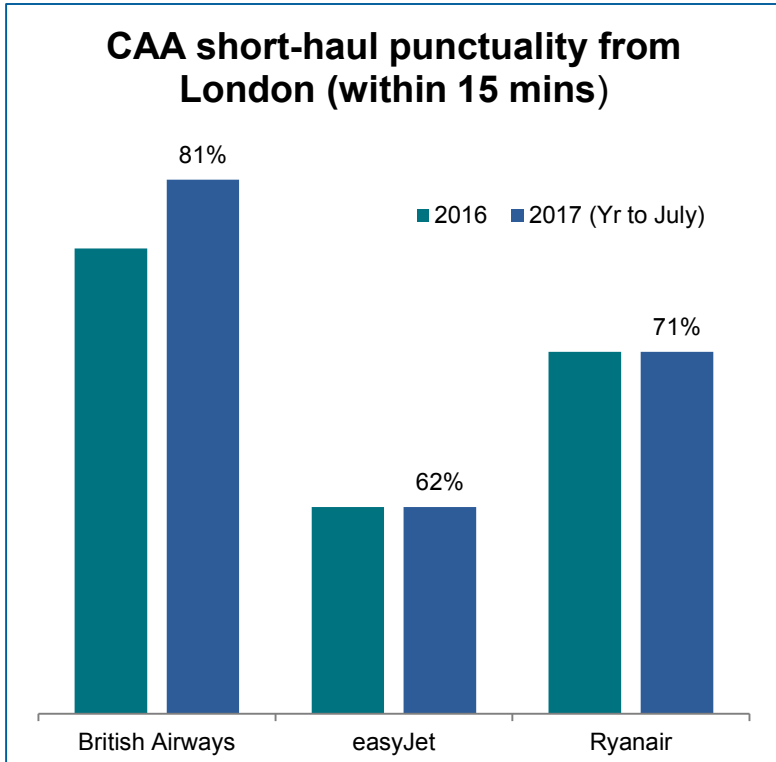
International seats (m)



...with improved reliability & resilience in 2017

Best operational performance in BA's recent history

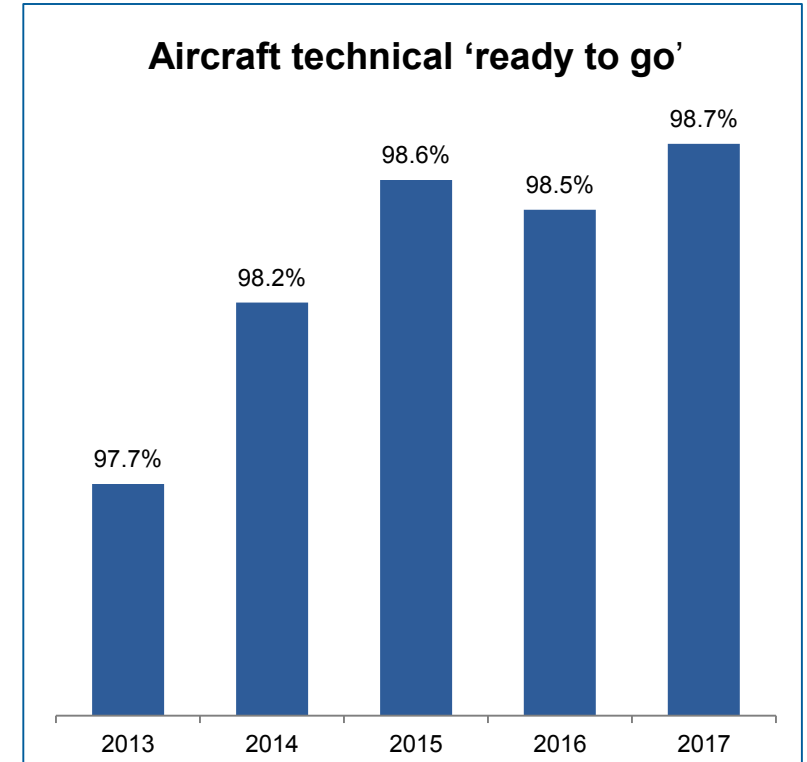
Best punctuality since 2011



Material improvement in baggage



Engineering reliability up



The business is facing growing competitive threats

The competition is changing

- European consolidation
- Long-haul low cost growing
- New aircraft types open up new markets (e.g. B787, A321LR)
- Rising customer expectations



More geopolitical uncertainty

- Brexit
- Weaker Sterling
- North Korea
- Terrorism



Digital disruption

- 'Tech companies' disrupting traditional company business models
- Data & analytics critical to future company success



BA is undergoing an internal transformation

People

- New leadership / new ideas
- Optimised, lean structure
- Staff commitment and expertise developed and leveraged



Process

- Efficient, non-hierarchical processes; no rework
- Empowered staff
- Customer focussed in everything that we do



Digital & technology

- Proactive responses to market trends and wider digital shocks
- Right tools to harness tomorrow's opportunities
- Agile culture



MOTIVATED | INNOVATIVE | AGILE | CUSTOMER FOCUSSED



British Airways

Internal transformation



New senior management team spearheading change

British Airways Management Committee



Alex Cruz
Chairman and Chief Executive Officer



Steve Gunning
Chief Financial Officer



Maria da Cunha
Director of People & Legal



Adam Daniels
Chief Commercial Officer



Sean Doyle
Director of Network & Alliances



Klaus Goersch
Chief Operating Officer



Jason Mahoney
Director of Engineering




Carolina Martinoli
Director of Brand & Customer Experience

Lean processes enabling organisational agility

Head office

- Material changes to wider management team
 - Clear accountabilities
 - Organisation redesign
- 

Reporting

- Low value reporting stopped
 - Focus on key metrics and data driving decision making
 - Programme reporting digitised
- 
- | Ter | Ter 2 | Opening Programme | Velocity | Status |
|------------|----------------|-------------------|----------------|---------------------|
| Director | Adam Daniels | Legacy Phase | Implementation | Overall |
| ABO | Luke Ogden | AFM | Emma Adam | Fit for Purpose |
| APM | Rachel O'Regan | HRBP | Kate L'Ho | Timescales |
| Start Date | 15/06/2017 | End Date | 02/10/2017 | Financial Resources |
-
- | ID | Milestone/Task | Milestone Type | Strategic Alignment | RAG | Task | Finish | Comment |
|----|---|--------------------|---------------------|-----|------|------------|---|
| 44 | Germany co-prime go-live | Critical Milestone | | | | 15/06/2017 | |
| 55 | Cyprus/Greece/Turkey Field Sales new organisation go live | Critical Milestone | | | | 31/08/2017 | |
| 59 | Italy Field Sales new organisation live | Critical Milestone | | | | 01/09/2017 | New org will be live during September, date TBC |
| 32 | 2 x CH new hires start | Critical Milestone | | | | 04/09/2017 | |
| 57 | France Field Sales new organisation live | Critical Milestone | | | | 04/09/2017 | |
| 11 | 4 x DE new hires start | Critical Milestone | | | | 11/09/2017 | |
| 14 | Banexu shadowing period | Critical Milestone | | | | 15/09/2017 | Shadowing detailed planning underway |
| 23 | Italy shadowing period | Critical Milestone | | | | 22/09/2017 | Earliest shadowing start date is 11/09 as a |

Recruitment

- Significant reduction in time to complete recruitment
 - Leaner process for completion of candidate referencing
 - New hires are results driven
- 

Digital and technology to enable seamless, stress-free travel

Digital vision and roadmap

Enabling seamless, stress-free travel through world class digital experiences, driven by data & insight

Basics

Provide a reliable and consistent digital experience across multiple devices

Brilliance

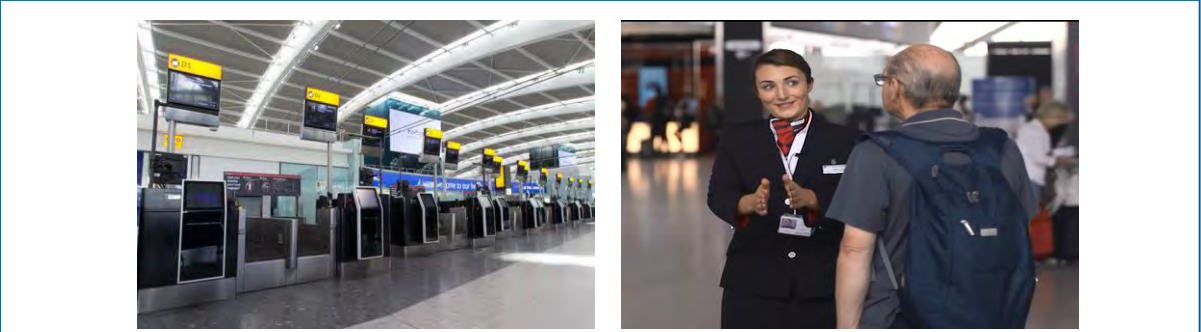
Digital capabilities enable customers to travel the way they want to travel

Differentiation

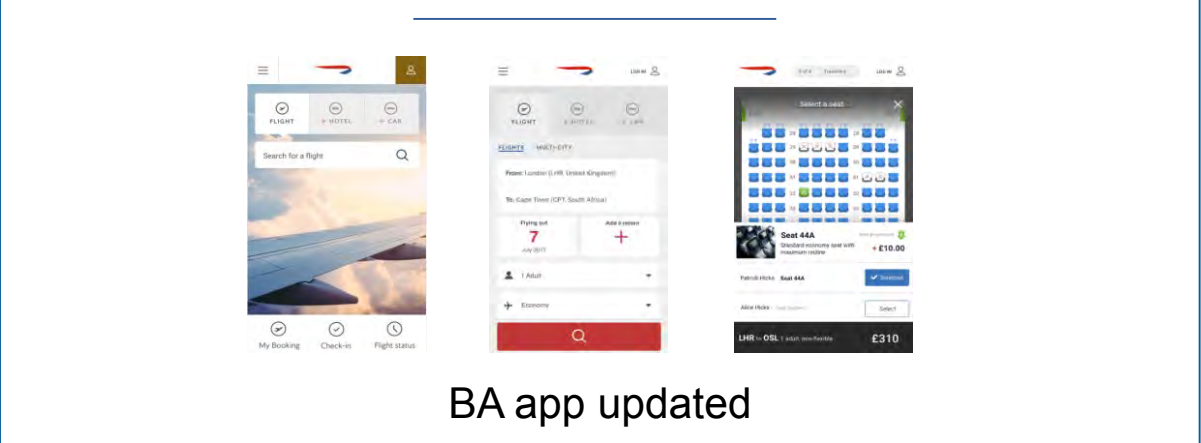
BA.com/app is first port of call, providing an unrivalled level of service and support



Digital and technology delivering for BA's customers



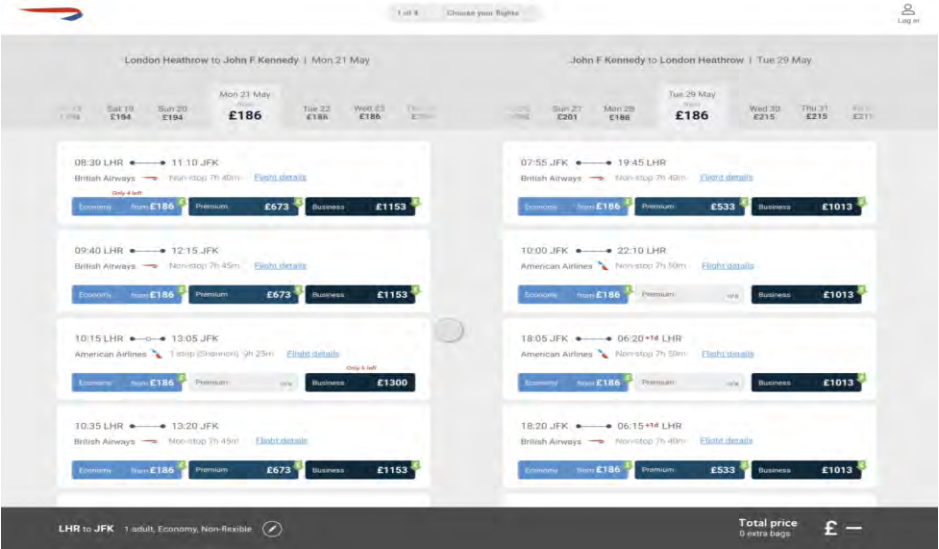
Automation at the airport allowing staff to focus more on customer service



Digital extends to BA's sales platform

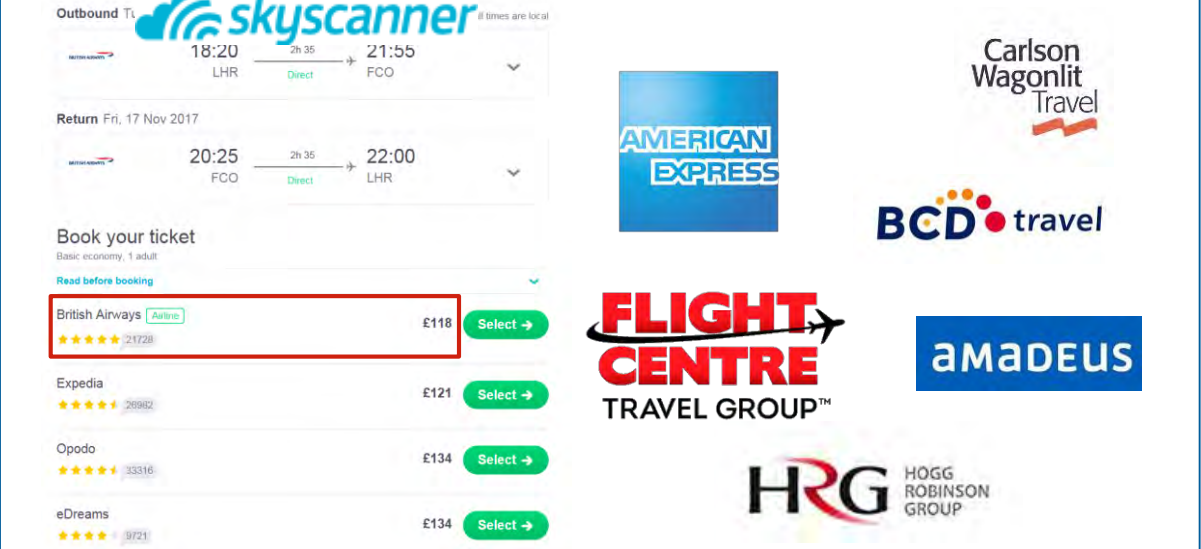
ba.com and app

- New website live, with more improvement to follow
- Timeline, cancel & rebook, upgrades via the app
- Average order value up 4%



New Distribution Capability – live 1 November

- Key travel partners have signed up to the new model
- NDC unlocks ancillary revenue from indirect channels
- New products will see faster speed to market



Over 200 initiatives being delivered through Plan4 framework



To be the airline of choice, with personalised service, exceptional reliability, a digital mindset and unique British style

CUSTOMER

- 74 initiatives in progress
- New Club World
- First Wing
- Club on Domestics
- Upgraded Economy catering
- New cabins across LH fleet

OPERATIONS

- 52 initiatives in progress
- More punctual than EZJ/RYA
- Best baggage performance
- Engineering reliability
- Smoother journeys at T5
- Digital airport experience

EFFICIENCY

- 56 initiatives in progress
- Head office target of -30%
- 60-day pension consultation
- New distribution model
- Up-gauging short-haul fleet
- Long-haul fleet replacement

PEOPLE

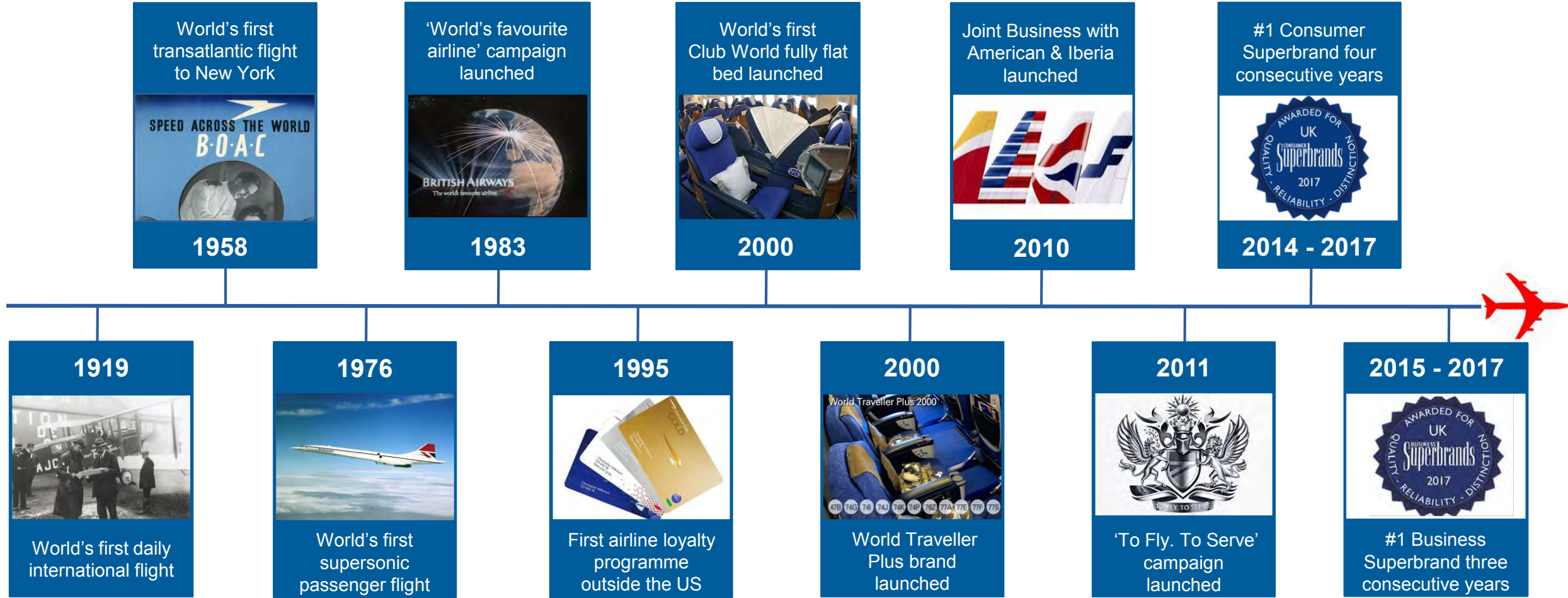
- 45 initiatives in progress
- Engaged teams
- Leadership at all levels
- Agile organisation
- Dynamic culture
- Digital employee

DIGITAL AND TECHNOLOGY

British Airways

Carolina Martinoli – Director of Brand and Customer Experience

The BA brand has evolved to compete & meet customers' expectations



Our core values remain the same: BA is a premium brand for all customers

Preparing for the future: unprecedented investment over 5 years

Brand

- Premium positioning for all customers
- Evoke the emotional
- Centenary in 2019



Product

- New and refurbished aircraft
- Overhaul of lounges
- Improved catering in every cabin
- £200m additional investment in Club World (up to £600m)



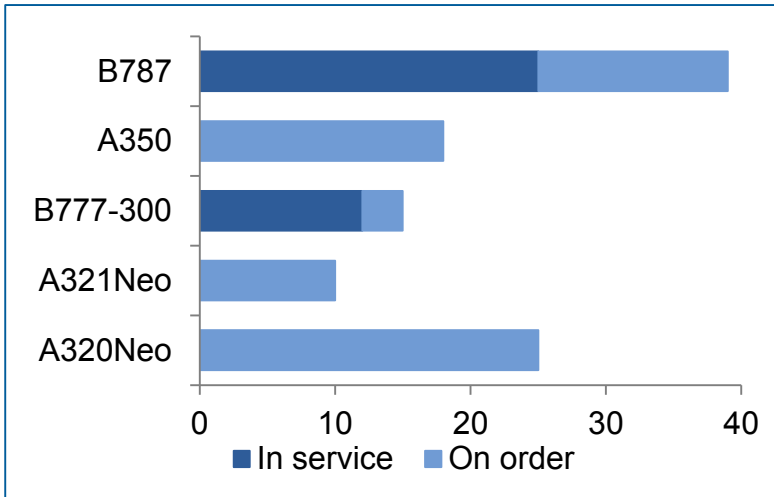
Service

- Operational excellence
- Transform service across all channels
- Exploit data & digital
- Training & engagement program



Investing £4.5bn over next 5 years: new aircraft & interiors

72 new aircraft on order



Fitted with a superior product

- High speed Wi-Fi
- In-seat power
- New entertainment systems
- New top tier Club World seat in development; rollout from 2019

Refurbishment on existing fleets

- New cabins and inflight entertainment systems
- Gatwick B777 and Heathrow B747 refurbishment starts 2018
- Ongoing roll-out of Wi-Fi & in-seat power across the fleet



Revolutionising ground experience: convenience for everyone

Automation to smooth the airport experience

- Shorter queue times for customers
 - Self-service bag drop and self-boarding gates
 - Automated connections
- More colleagues to deliver customer service
 - Welcome hosts introduced at Heathrow T5



Overhaul of check-in and lounges for Premium

- Gatwick lounge
- Boston lounge
- First Wing at Heathrow and JFK
- Concorde team

2017



Boston lounge

- New JFK lounge
- New Rome lounge
- New Aberdeen lounge
- Catering investment

2018

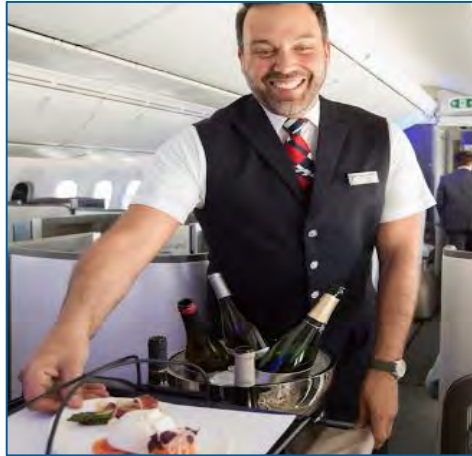


JFK First Wing

Transforming catering across all cabins

Restaurant-inspired dining service for Premium

- Transformational food and drink experience launched
- Display trollies, hand run service
- Feedback from customers and crew very positive



- New partnership with The White Company
- New service routine to maximise sleep



Catering transformation for Economy

- New long-haul catering launches January 2018
 - Greater quantity and improved quality
 - New and better snacks
-
- Short-haul M&S sales ahead of expectations
 - Faster service with:
 - New simplified menu
 - Better forecasting
 - Crew reallocation

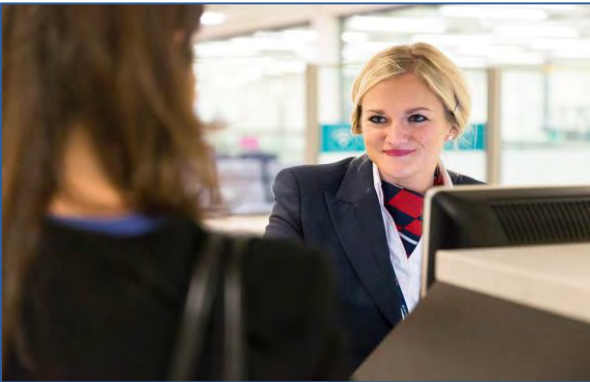


Upgrading our service proposition

Using technology and training to empower and enable frontline colleagues

Updated service style

- New service design and guidelines
- Updated and modern service style
- Excellent customer care



Consistent service

- Connected crew devices
- Use of automation where appropriate
- Consistency across all channels



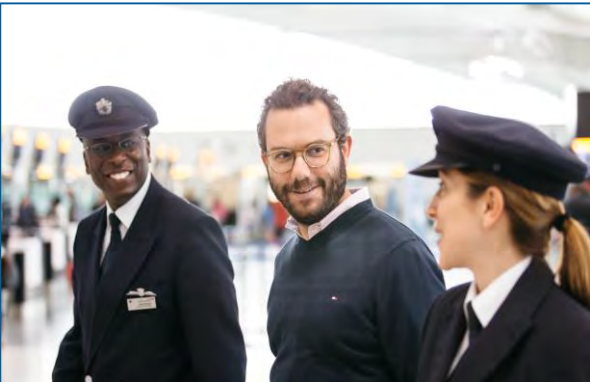
Exploiting data and digital

- Enhanced customer intimacy
- Customer segmentation
- Understanding what matters most



Training and engagement

- Training for frontline colleagues
- Engagement programme for all our people
- Beyond the Flight Deck



British Airways

Steve Gunning – CFO

Committed to reducing underlying non-fuel unit costs by 1% per year

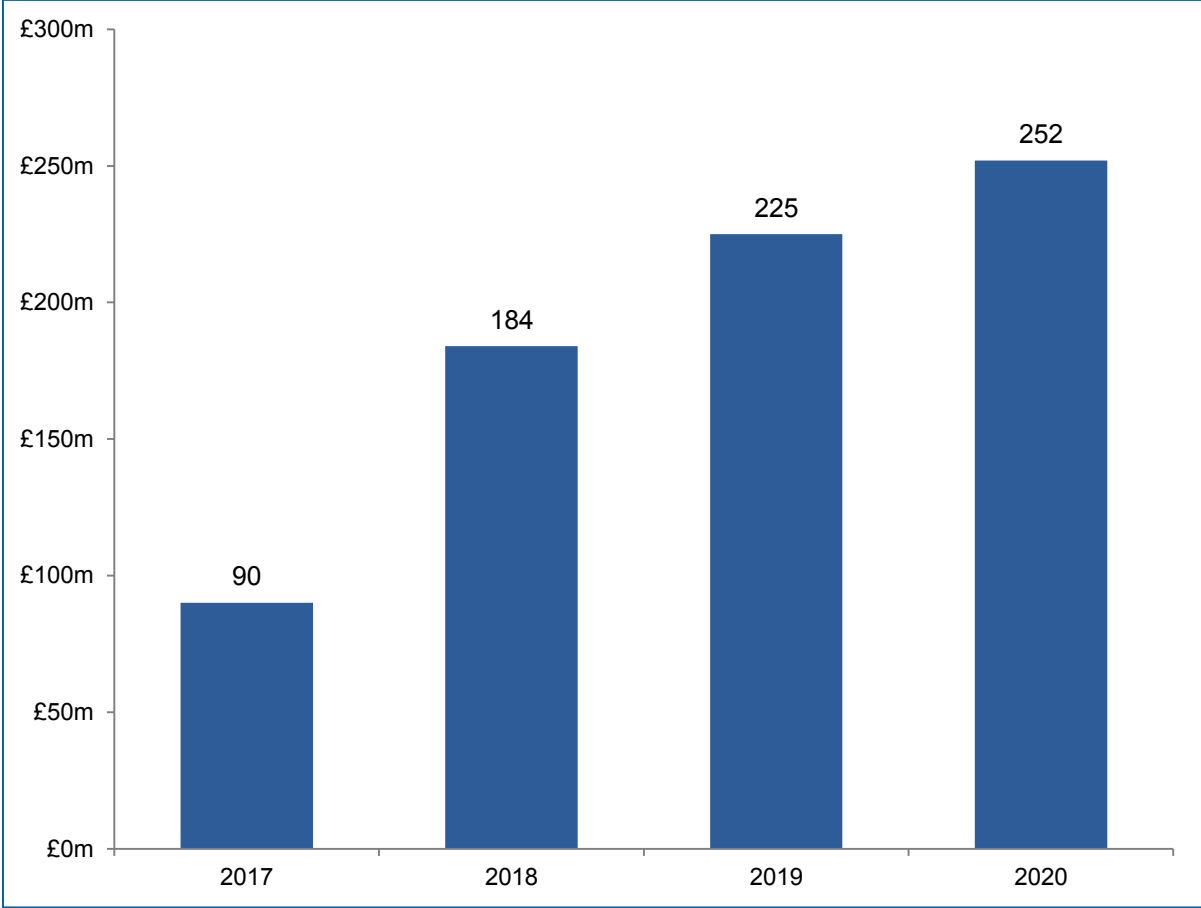
Restructuring programme launched in 2016

REMINDER

Operations	Engineering	Cabin crew	Head Office	Sales force	Call centre
<ul style="list-style-type: none"> • Technology to automate above and below aircraft wing • Digital operations 	<ul style="list-style-type: none"> • Implement IAG MRO strategy • Mobile automation 	<ul style="list-style-type: none"> • Voluntary redundancy programme Q3 2016 • Mixed fleet 42% of crew by end 2017 (35% today) 	<ul style="list-style-type: none"> • Streamline head office manpower • Develop a dynamic culture 	<ul style="list-style-type: none"> • Technology to automate back-office • SME sales team and flexible working 	<ul style="list-style-type: none"> • Review call centre strategy • Modernise technology 

- Programme announced at CMD 2016
 - Aim to make BA employee costs market competitive
 - Forecast to deliver £90m in 2017

£250m of annual benefits by 2020



Heathrow transformation driving efficiency and customer benefits

Check-in

- 24 bag drops live, 20 more arriving Q2 2018
- Transaction time c. 50% quicker than desk
- 'Welcome Hosts' at T5 introduced



Connections

- 18 automated gates in T5 connections
- Elimination of queuing for most customers
- Service touchpoints screens rolling out 2018



Ramp & baggage

- 6 stands using Mototok for push-back
- 75% reduction in push-back delays
- Robotic baggage arms being trialled



Boarding

- 9 domestic boarding gates - 47 flights/day
- Boarding times reduced by a third
- To be rolled out on international flights



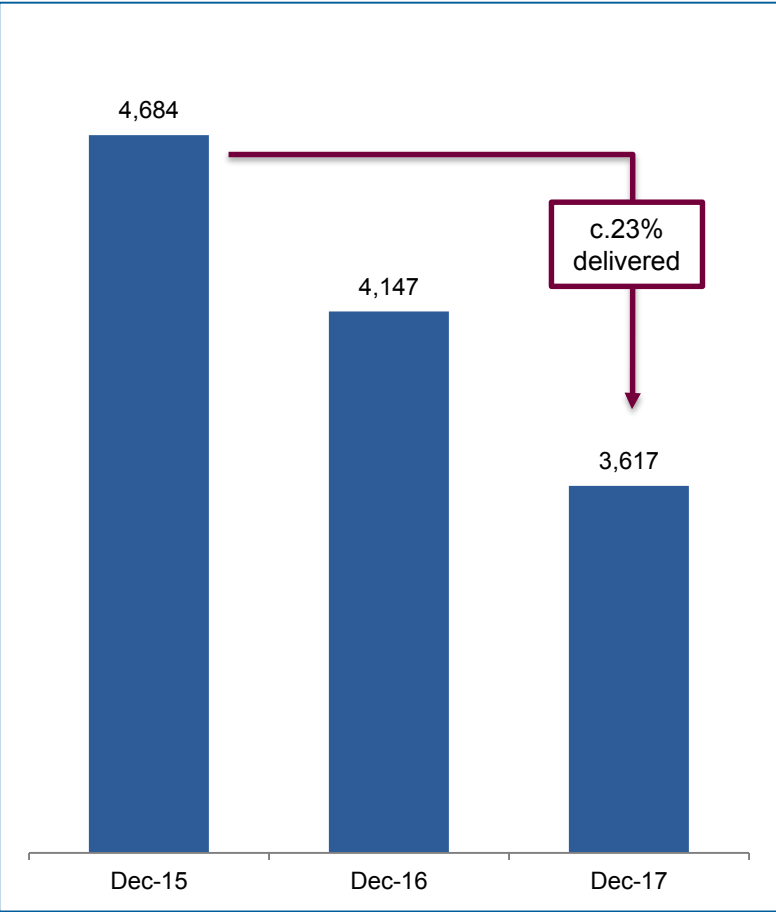
Change delivered across engineering, head office and sales team

Engineering

- Reduction in engineering management overhead
- Closure of paint-shop at Heathrow and component overhaul at Hayes
- Short-haul line maintenance outsourced (overseas stations)



Head office



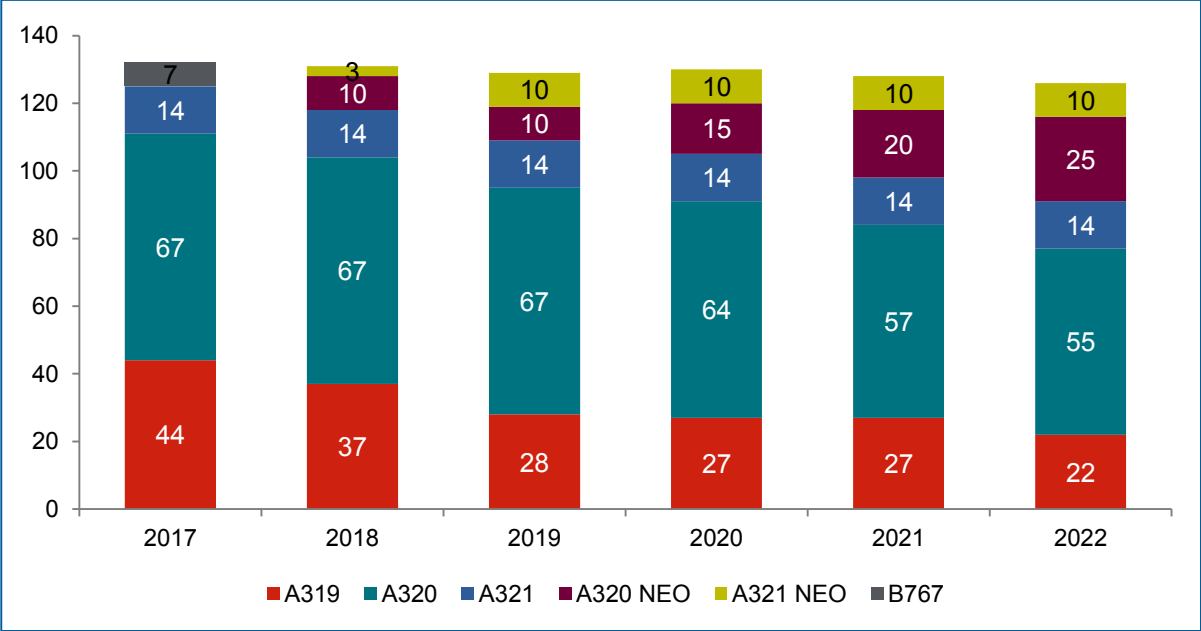
Sales team

- Sales support headcount reduced by 31% by automation and centralisation
- New inside sales hub set up in Dublin targeting SME sector
- 36 properties exited delivering £2.3m annual saving



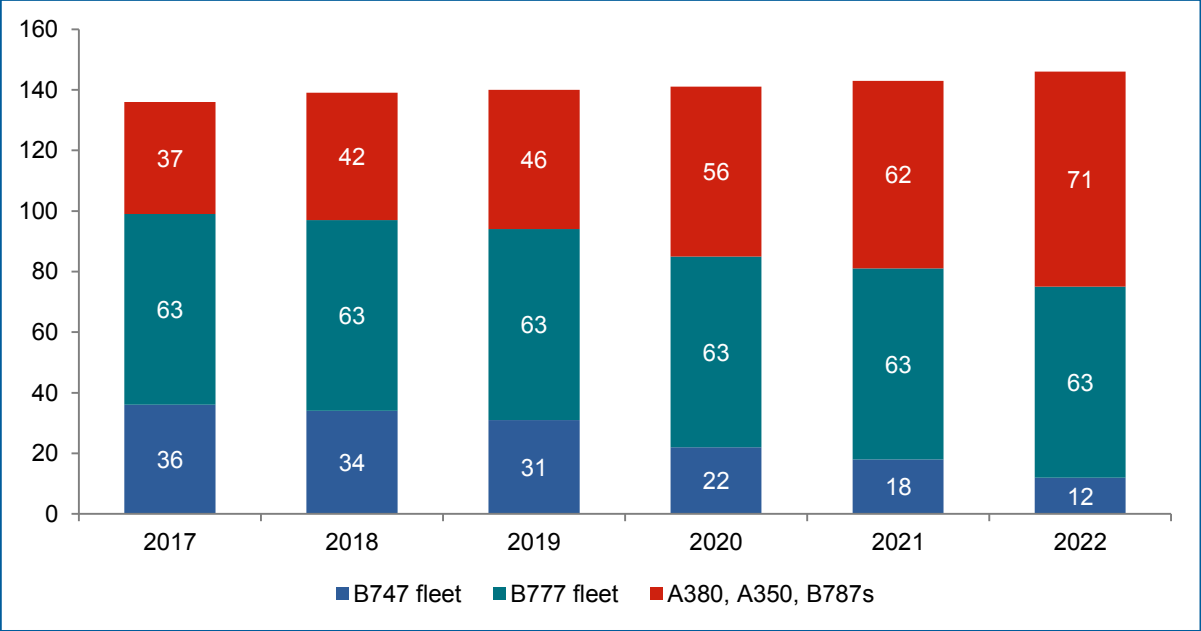
Fleet efficiency delivering unit cost savings

Short-haul efficiency driven by up-gauging



- New cabin configuration on CEO aircraft
 - Up-gauging increases average seat count
 - NEO delivers airport charge reductions
- } 7% benefit

Long-haul efficiency driven new generation aircraft



- New gen aircraft ~ 30% more fuel efficient than B747
- 37 deliveries, 27 retirements; B747 fleet exits Feb 2024
- £150m fuel benefit over next 5 years (based on \$500/mt)

Growth drivers

		Growth contribution
North America	<ul style="list-style-type: none"> • Leading network from London to North America • Reinforce existing gateways through aircraft gauge and frequency additions • Develop new markets – new route launches to Nashville, New Orleans and San Jose (California) 	
LatAm	<ul style="list-style-type: none"> • Significant recovery in performance on Brazil and Argentina routes • Santiago (Chile) well ahead of expectations in first year of operation • LATAM JV in 2018 will enable further opportunities for network growth 	
Short-haul	<ul style="list-style-type: none"> • Heathrow – hub connections growth in line with long-haul expansion • Best business schedule & ongoing growth of short season leisure • London City – pursue growth in fast expanding east London catchment • Gatwick – new cost structures and A320 fleet enable leisure competitiveness 	
Rest of world	<ul style="list-style-type: none"> • Strong margin evolution over last 12 months • India, Japan, South East and North Asia growth potential through frequency and new destinations • B787-8/9 fleet key enabler of new market entry 	

Margin drivers

		Margin contribution
Unit revenue	<ul style="list-style-type: none"> Digital transformation of ba.com and the app Ancillary revenue growth through ba.com and through NDC SME sales growth through new Dublin based Inside sales team 	
Fuel efficiency	<ul style="list-style-type: none"> New generation aircraft ~ 30% more fuel efficient than B747 18 A350s and 14 B787s to be delivered over next 5 years 24 B747s retired over next 5 years 	
Employees	<ul style="list-style-type: none"> Restructuring programme to deliver £250m of benefits Formal consultation on proposal to close BARP & NAPS pension schemes 	
Suppliers	<ul style="list-style-type: none"> Focus on reducing overseas airport charges Leveraging IAG procurement and GBS Engineering transformation via IAG maintenance strategy Fleet efficiency through up-gauging and lower charges for new aircraft 	



BA plan aligned with IAG targets

	Rolling 12m	2018-2022
Lease adjusted operating margin	15.0%	15%+
Sustainable through the cycle RoIC (real terms)	16.0%	15%+
ASK growth per annum	1.1%	2-3%
Fleet (period end)	291	299

British Airways

Alex Cruz – Chairman and CEO

Key messages

The fundamentals are strong

Number 1 in London | Strong brand | Dedicated people | Financially fit

Leading punctuality in London

Focus on operational excellence | Exploitation of technology

Significant customer investment

Unprecedented customer investment | Across all cabins | Across all touchpoints

Delivering structural change

Cost competitive platform | Capital efficiency

Creating a sustainable, customer focused airline

Iberia

Luis Gallego - Chairman and CEO

Iberia has achieved a profound transformation through Plan de Futuro I

For our customers

OTP 2016 (%)

90%

1

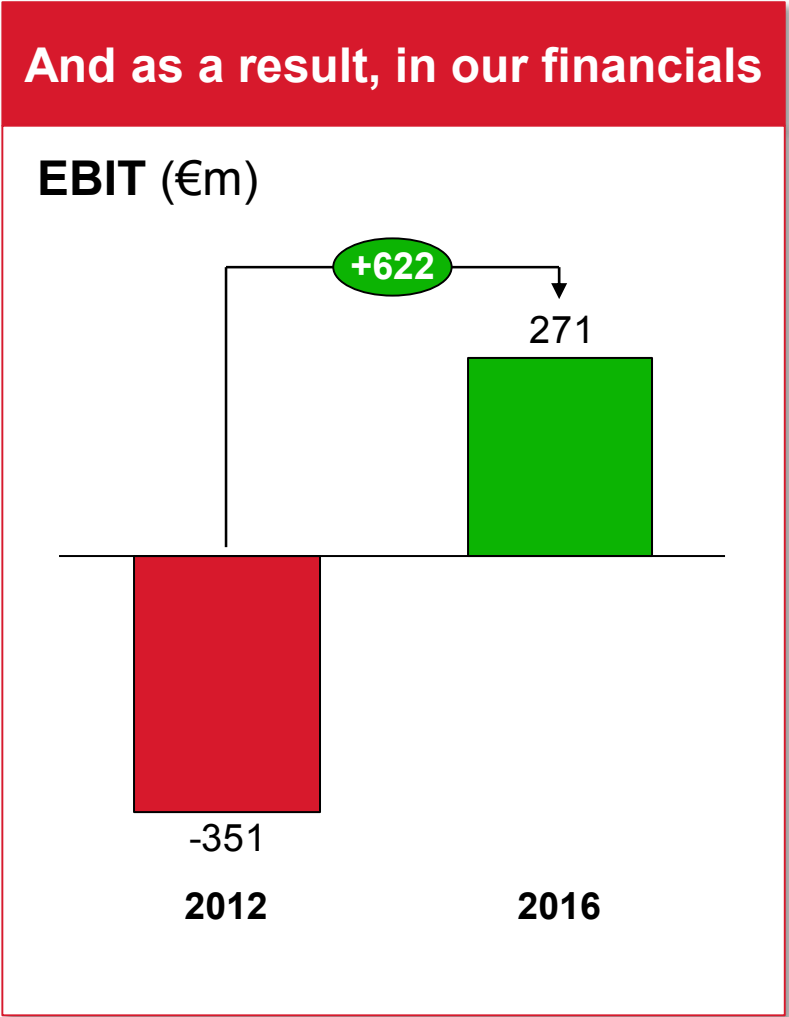
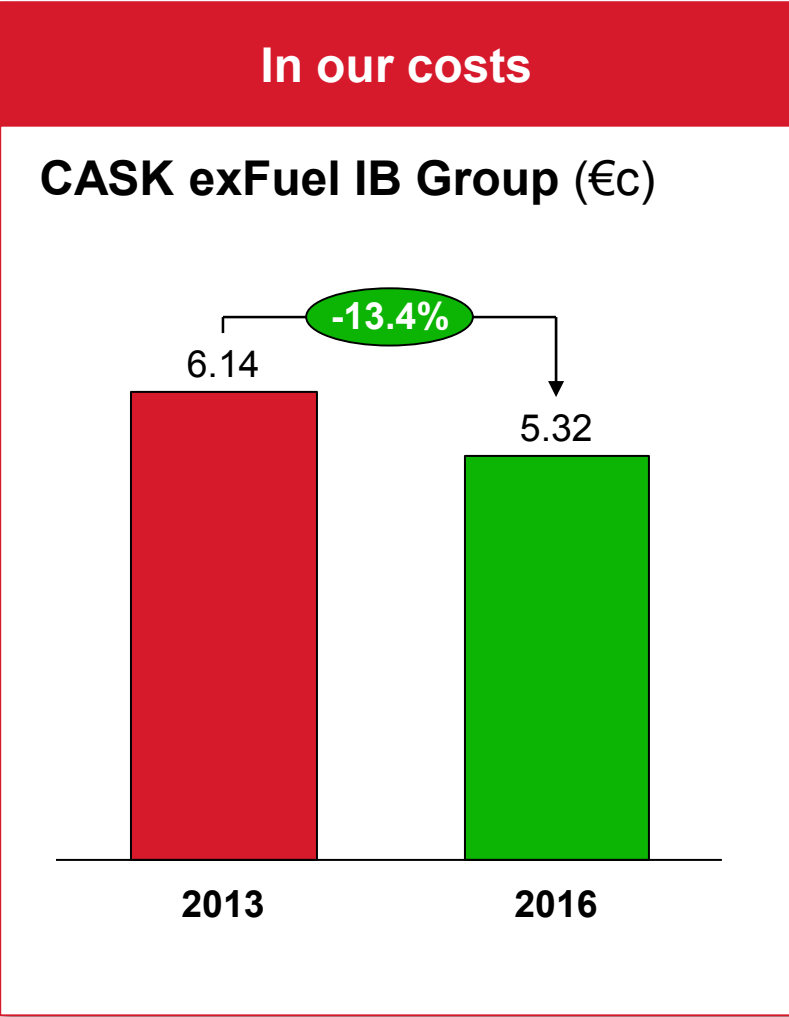


Δ NPS 2013-2017 YTD

+29%pts

Renewed brand





Last year we launched Plan de Futuro Phase II in response to a challenging environment

REMINDER

A more competitive context ...

- **Overcapacity** in core markets
- **Unstable** geopolitical and macroeconomic **environment** (especially LatAm)
- But same **commitment to reach the targets** we set:
 - Keep **improving profitability**
 - **Achieve 15% ROIC**
 - Consolidate sustainable **cashflow generation**

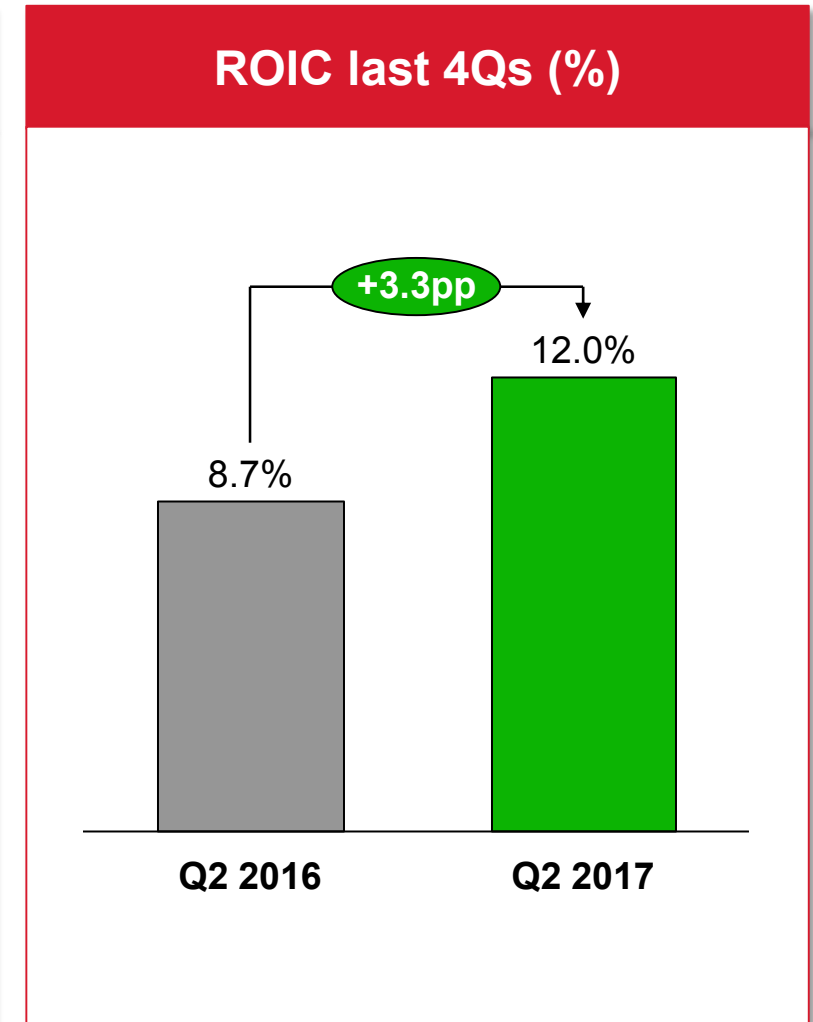
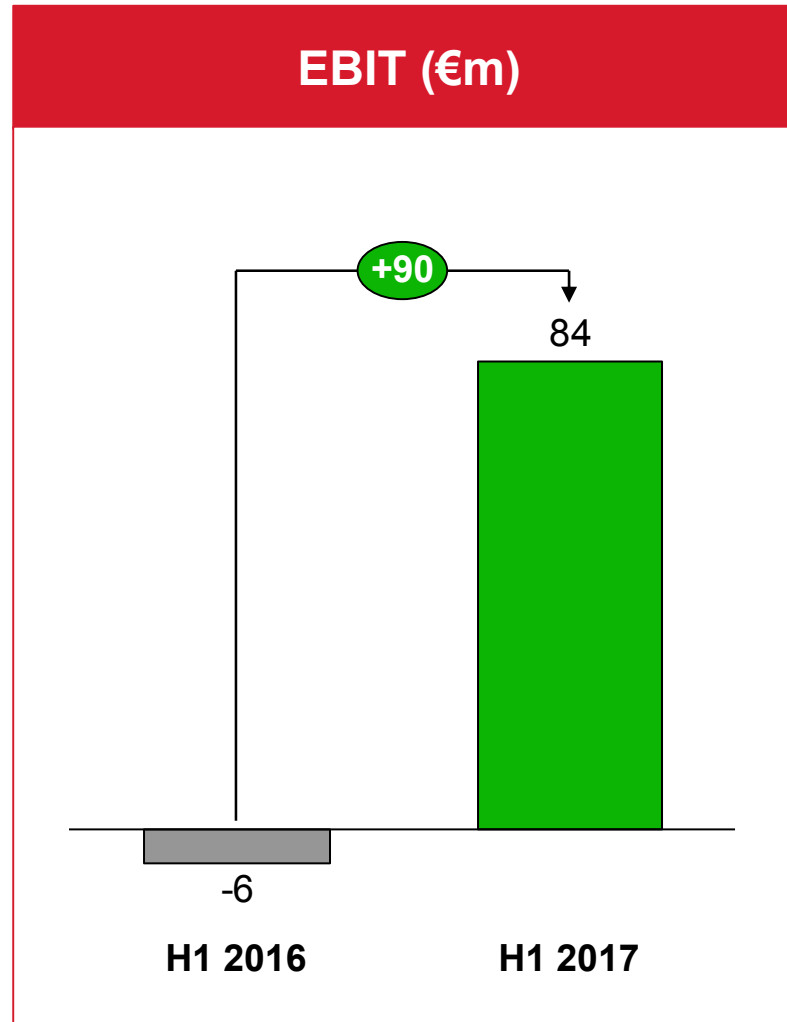
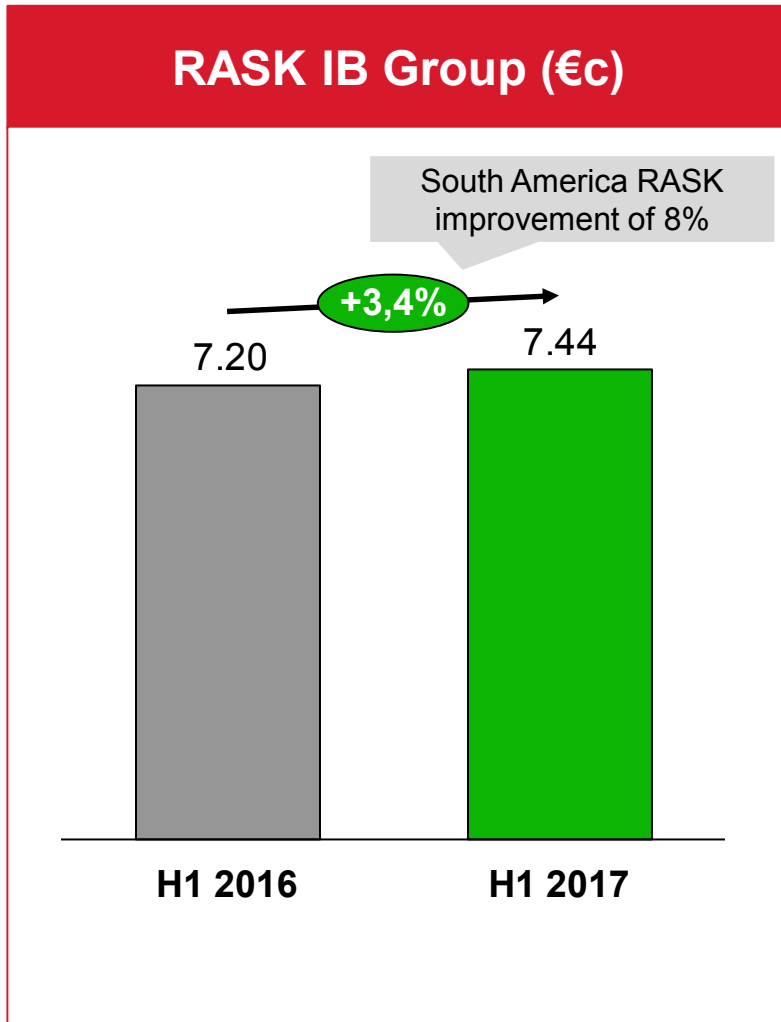
Plan de Futuro Phase II

~€400m additional EBIT

... a more ambitious approach

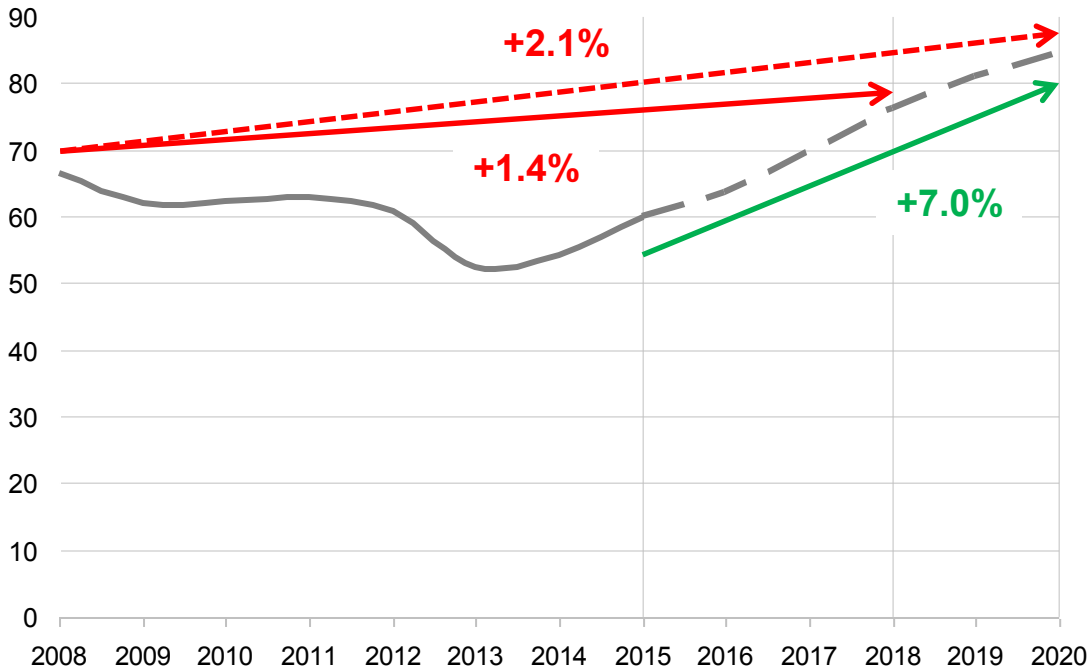
- **RASK optimisation** through disruptive commercial initiatives and expanded JB model
- Achievement of **best-in-class CASK ex-fuel base**: focus on supplier costs and overheads
- Sustainable **profitability of non-core businesses** (MRO & HDL)
- **Capital efficiency**: capacity optimisation and fleet **flexibility**

As a result, Iberia is already stronger...



... which makes us confident to return to the growth plan of 2015

IB capacity plan in CMD 2015 (ASK bn)



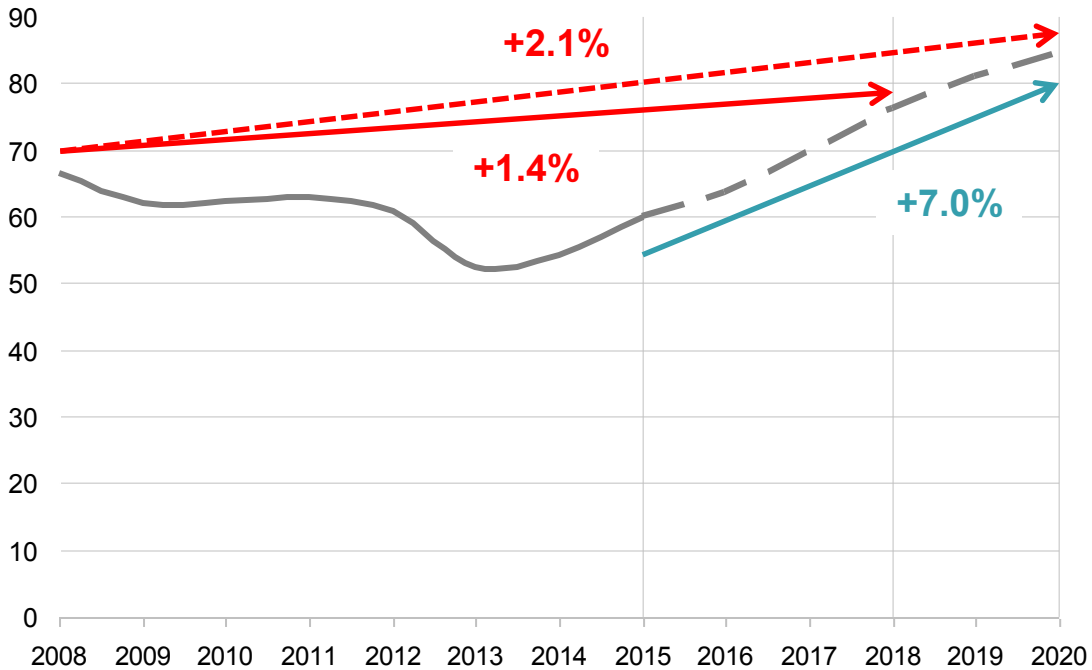
→ CAGR 2008-2018 → CAGR 2008-2020

→ CAGR 2015-2020

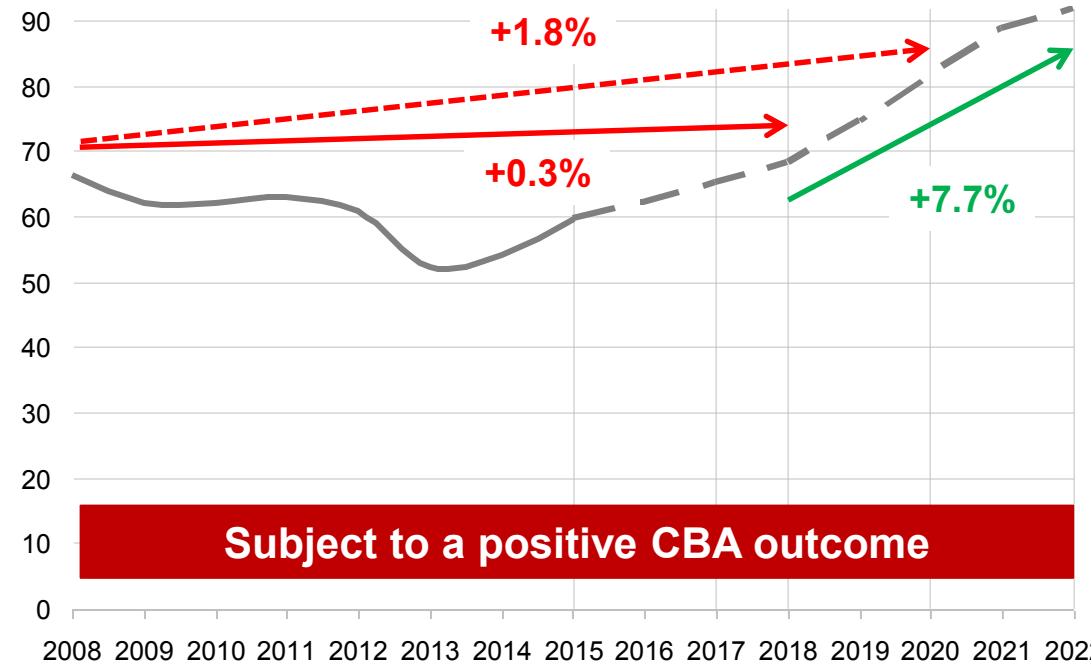


... which makes us confident to return to the growth plan of 2015

IB capacity plan in CMD 2015 (ASK bn)



Current capacity plan (ASK bn)



Subject to a positive CBA outcome

CAGR 2008-2018
 CAGR 2008-2020

CAGR 2015-2020
 CAGR 2018-2022

A reduced cost base plus a continued evolution of our customer proposition will support our growth plans: product transformation

Premium Eco
complete
deployment
and A320
retrofit



- **Full deployment of Premium Economy** in all our A330-300 and A340-600 in 2018
- **Slim seats** up-gauging from 171 to 180 seats in A320 fleet with a proven positive impact on **customer satisfaction**

A350 & A320
NEO arrival



- Arrival of first **A320 NEO** and **A350** in our fleet
- A350 **linefit** with **Premium Eco** and **high speed inflight connectivity**

High Speed
inflight
connectivity
deployment



- **All WB fleet in scope¹** with **high speed connectivity** installed in **2018**
- **Boost NB connectivity implementation**

Note: ¹Installation not in scope in aircraft to be retired soon. WB fleet in scope totals 72% of our 2018 WB fleet

IAG

Iberia

Customer experience

IBERIA 

A reduced cost base plus a continued evolution of our customer proposition will support our growth plans: Customer Journey full review



New CRM

- **New CRM to understand needs** of close to **9m active customers** to engage and reward them throughout their journey with us
- **Customisation** will be the **backbone of our experience from end to end** of our customers' journey

New Distribution Model (NDC)

- **NDC** will allow us to **enhance our proposition** to customers whilst **reducing costs** by **differentiating our content** and offering **dynamic CRM integration**

“Experiencia Redonda”



- A **fresh new approach** in how we **solve our customers needs** that leads to a **cultural change**
- Investment in **employee awareness, development, and training** to achieve **seamless communication with customers**

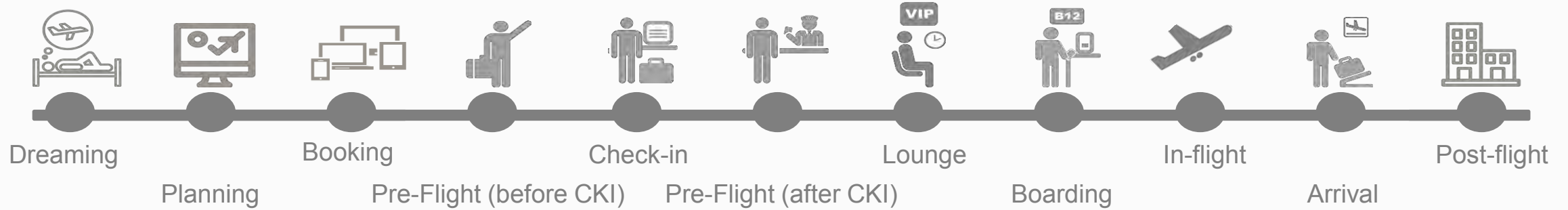
IAG

Iberia

Customer experience

IBERIA 

A reduced cost base plus a continued evolution of our customer proposition will support our growth plans: Digital as the key enabler



Growth drivers

		Growth contribution ¹
North America	<ul style="list-style-type: none"> • Grow in key markets to enhance competitive position, particularly in Mexico, and expand to daily operations in other profitable destinations • Launch new San Francisco route from Summer 2018 	
LatAm	<ul style="list-style-type: none"> • Continued expansion in core markets (Colombia, Argentina, Chile) • Launch of new Managua route and upgrade Guatemala service to daily frequency • Return to growth in Brazil as market recovery consolidates 	
Short-haul	<ul style="list-style-type: none"> • Lever Iberia Express' cost-efficiency in key Domestic and European cities • Develop Madrid-Barcelona route after implementing joint operation with Vueling in June 	
Rest of world	<ul style="list-style-type: none"> • Consolidate Tokyo route with additional frequencies up to 5 weekly • Operate Widebody to Tel Aviv • Moderate growth in Africa (further opportunities under study) 	

Note: ¹Growth contribution assuming CBA final conditions support further growth



Margin drivers

		€ margin contribution
Unit revenue	<ul style="list-style-type: none">• Impact coming from significant capacity increases in key markets to build a leading position• Plan de Futuro Phase II initiatives allow to mitigate unit revenue dilution• Incremental revenue from MRO & HDL to third-parties diluted in ASK growth	X
Fuel efficiency	<ul style="list-style-type: none">• Delivery of new generation aircraft to begin in 2018 with the arrival of 2 A320 NEO and 2 A350-900• Renewal of 91% of WB fleet by 2022• Continuation of efficiency programs and initiatives for reduced consumption	●
Employees	<ul style="list-style-type: none">• Execution of collective redundancy program after agreement with unions (ERE)• Improvement from new CBA under discussion which should support growth plans which will further reduce Employee CASK	●
Suppliers	<ul style="list-style-type: none">• Implementation of Plan de Futuro initiatives with a strong push from digital• Leverage IAG platforms, particularly IMS and GBS• Higher growth will lower Supplier CASK	● ●

Iberia plan aligned with IAG targets

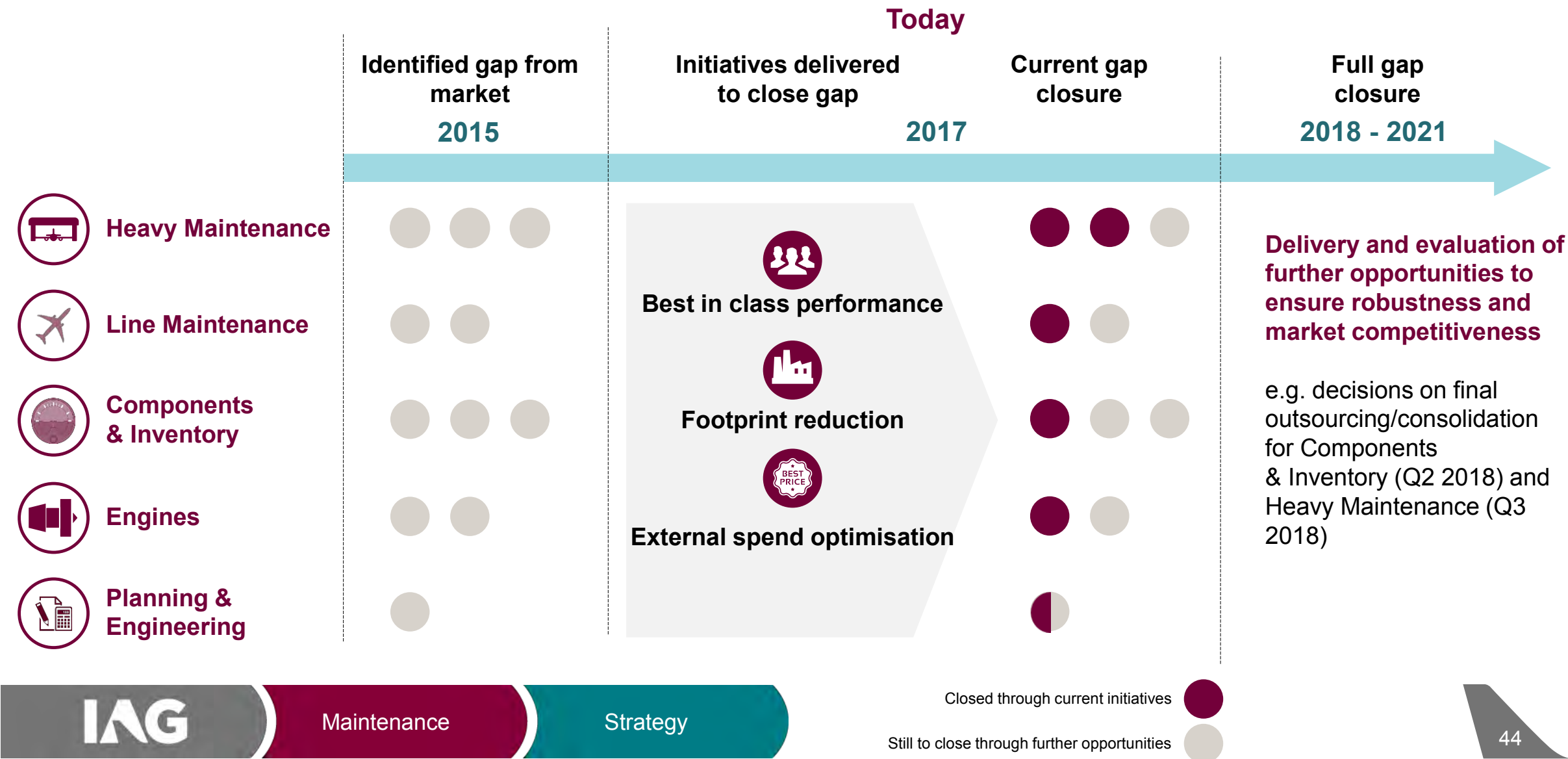
	Rolling 12m ¹	2018-2022 ²
Lease adjusted operating margin (%)	10.6%	10-14%
Sustainable through the cycle RoIC (real terms)	13.5%	15%
ASK growth per annum	3.7%	c. 8%
Fleet (period end)	100	126

Note: ¹Rolling 12m includes LEVEL; ²ASK growth and Fleet assuming CBA final conditions support further growth. Does not include LEVEL

Maintenance, repair and overhaul

Luis Gallego – Iberia Chairman and CEO

Strategy for maintenance has been defined to close gap with market; focus is now on execution and further opportunities



Snapshot of key initiatives delivered to date in maintenance

Best in class performance

- Headcount reduced through productivity gains, consolidation and outsourcing
- Implemented lean processes in BA (e.g. tablet based mobile maintenance, advanced defect planning in HM, “point of use” tooling and materials) and IB (e.g. use of mobile devices for line maintenance, gated approach in engine shop and pre induction planning in HM) to reduce cost and turn around times
- Management structure simplified at IB and BA allowing a more agile decision making



Headcount reduction

10%

Footprint reduction

- BA paint hangar closed and component repair activities in London ceased
- IB returned 2 leased line maintenance hangars and leased out 2 owned heavy maintenance hangars in Madrid. IB component shops in Madrid airport consolidated into IB owned premises & leased floor space returned
- Line maintenance activities in outstations outsourced (e.g. 19 stations in Europe) and consolidated for Group airlines (e.g. North America and Group hubs)



Building surface reduction

80,000m²

(13 football pitches)

External spend optimisation

- Reviewed and aligned contract specifications (e.g. line maintenance and component repair)
- Leveraged Group volume to reduce external spend (e.g. engine repair)



Supplier spend reduction¹

10%

Vueling

Javier Sánchez-Prieto - Chairman and CEO

Returning to controllable and profitable growth



We delivered...

Phase 1 of Vueling NEXT has successfully restored operational and financial performance whilst also rebuilding customer trust



...we are resetting our model with our customer at the centre...

With strong focus on customer experience, cost transformation and internationalization emanating from our core markets



...and we are entering the NEXT phase: a return to growth

Our business model is now being redesigned for the next chapter of growth at c. 10% p.a. from 2018

For Vueling, THE BEST IS YET TO COME

We told you last year that Vueling was starting a new phase of transformation...



We have begun a new chapter for the company



2004 - 2008



Creation of Vueling

18 ✈️

2009 - 2010



Vueling and Clickair merger

38 ✈️

2011 - 2015



IAG integration

104 ✈️

2016 - 2017



Fix the basics

108 ✈️

Strengthen all dimensions to fit the current company size

2018 - 2022



Resume growth

+10% p.a. ✈️

Sustainable and profitable growth for our core

IAG

Vueling

We delivered...

vueling



Operational Excellence and Cost Discipline

- New Senior Leadership team
- Re-engineered Op Specs for operational resilience (e.g. turn times, block times)
- Re-designed playbooks for managing irregularity and recovery
- More resources at Airports
- Increase in utilisation and productivity



Sustainable and Profitable Network

- Profitability driven Network design
- Focus on better balancing depth and breadth across the network
- More efficient base structure (e.g. new model in Italy)
- Night flight reduction
- Smarter use of schedule buffers and back-ups



Reliable Customer Proposition

- Implementation of new Customer Standards
- New boarding process
- More efficient and effective disruption management
- Call Centre transformation
- More digital and self-service customer experience solutions
- New Customer Intelligence platform



High Performing Organisation

- Launch of **“We love working together” initiative**
- Launch of new self-service HR tools for administrative processes
- Increased employee engagement (improving crew scheduling; enhancing recognition and better internal communication)



... to deliver on our targets



OPERATIONAL PERFORMANCE

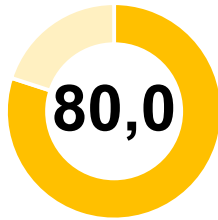


RECOVERING CUSTOMER TRUST



ACHIEVING FINANCIAL RESULTS

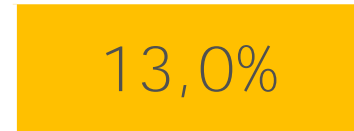
OTP 15' (2017 LTM)



Load Factor



EBIT Margin (Adjusted)



Improvement +12 pp from 2016 and +4 pp from 2015



31M Passengers Transported in LTM



+ 7 pp EBIT Margin



We are currently #1 in terms of OTP in BCN, FCO and PAR



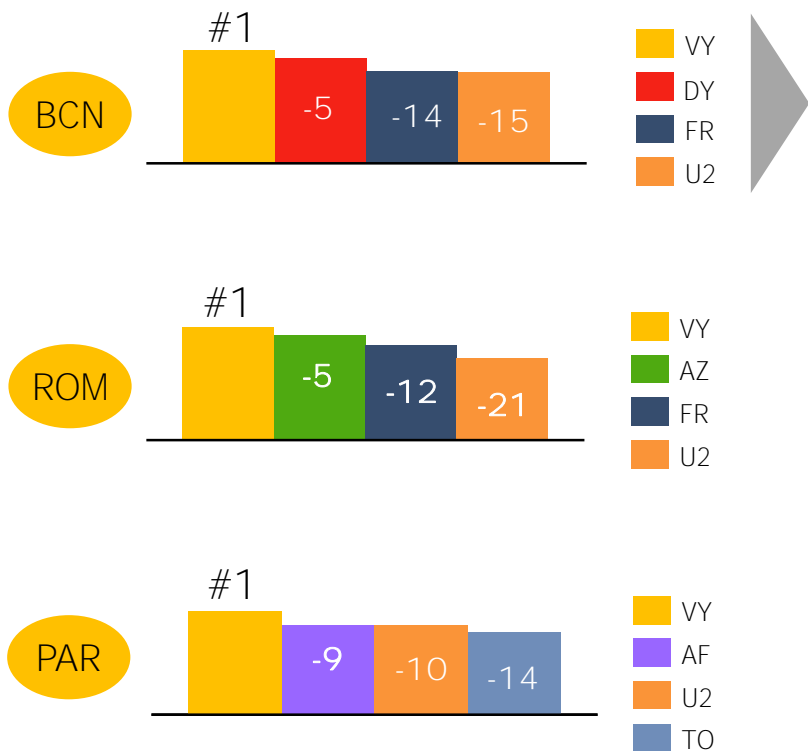
Significant customer satisfaction improvement



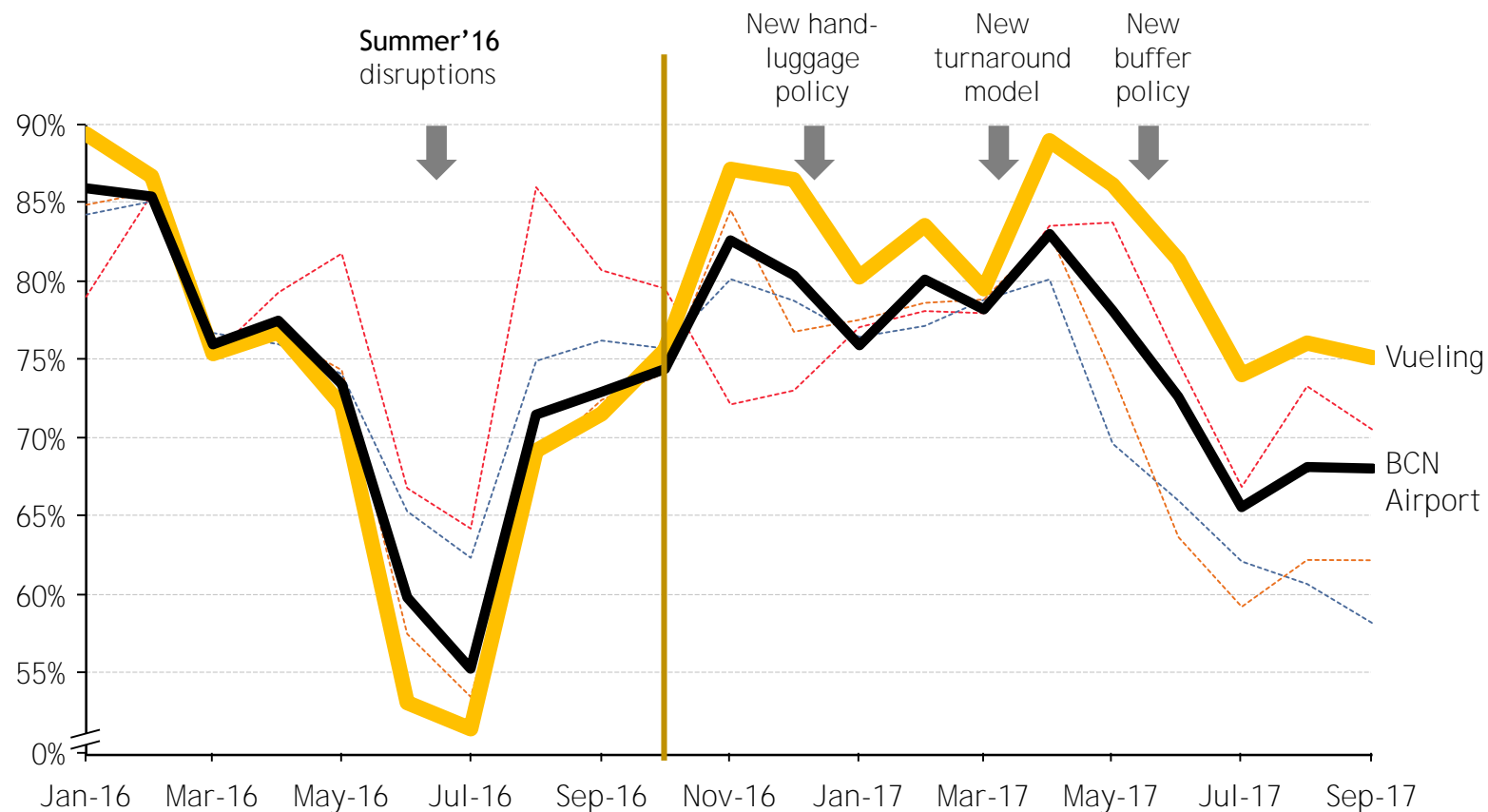
13,7% RoIC

Our early results have shown dramatic improvement:
better OTP than main competitors in our main airports

Summer '17 OTP



BCN OTP



As we also told you last year, Vueling NEXT Vision puts the customer at the centre of everything we do



Customer Centric

*smart, digital, young,
value maximising*



To be the **FIRST** choice for
target **CUSTOMERS** in the
MARKETS we **SERVE**

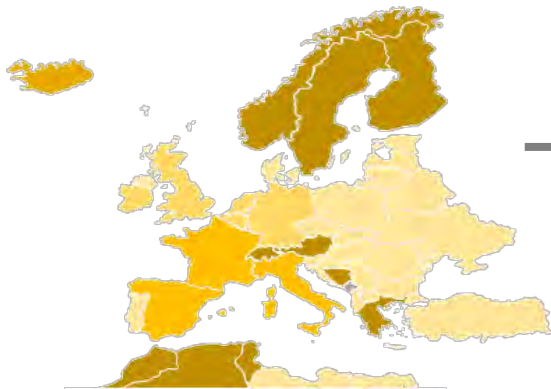
Winning Value Proposition

*Reliable and consistent
Low prices built from low cost base
Service leadership - delivering with care*



Market Development

*Building stronger positions in the
flows to Spain and developing our
footprint in Italy and France*



We focus our efforts on the value customers ...



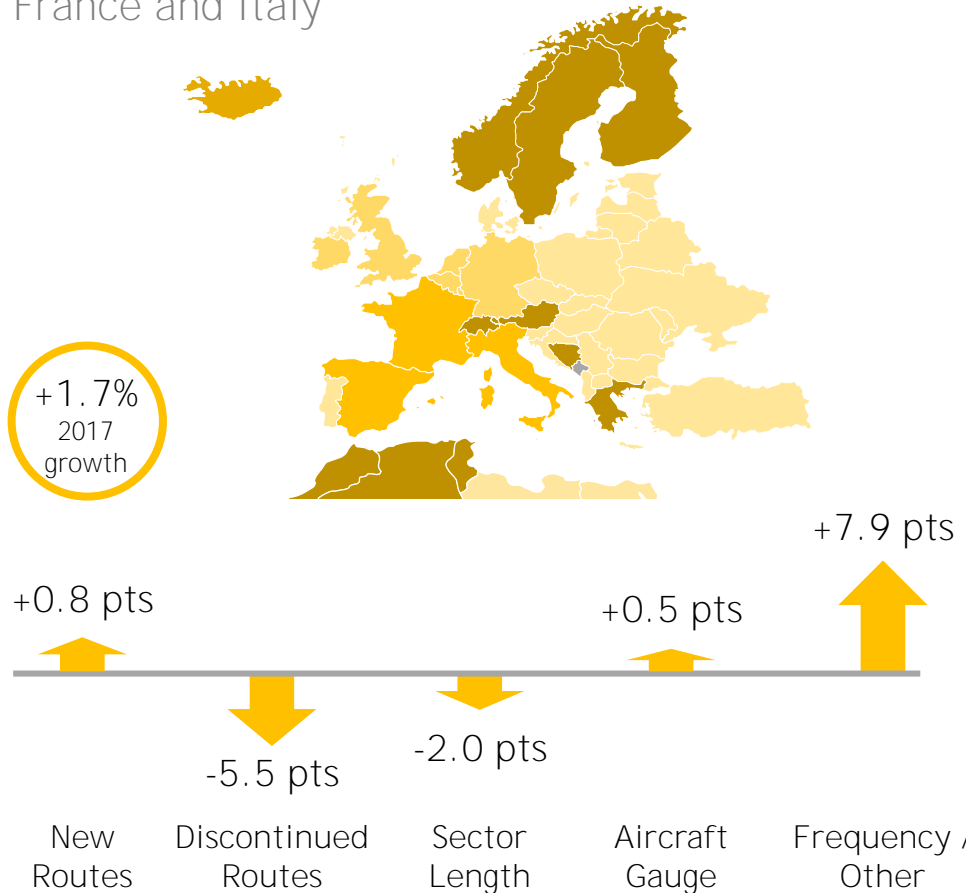
- 1 Attracting, engaging and retaining smart, digital, young and value maximising customer
- 2 We will also deliver a smarter business product for our value conscious business passengers in the markets we serve
- 3 **The “value conscious” segment is a €30bn-€40bn sized market (300m - 400m passengers) ... and the fastest growing in Europe**

WE  SMART
FLYING



and have started with the Market Development

A more pan-European company, first leading in the flows between Spain and Europe and developing our positions in France and Italy



- 1 Increasing brand relevance in our core markets
- 2 Identifying growth opportunities within our core markets
- 3 Looking for selected growth opportunities outside our core markets
- 4 Building a more robust network in terms of market relevance
- 5 At this stage we prioritize depth over breadth after the international expansion of the previous years

Innovation and digital... Vueling's DNA

Firstly, we focused on **FIXING THE BASICS**

- Aircraft commonality retrofit plan and cabin interior revamp (including slim seats)
- Wi-Fi and in-seat power supply in our aircraft
- Kiosks with self-bag drop in BCN
- Knowing our customers better: Unique customer identifier (UCI)



Now, we continue investing in **LEVERAGING DIGITAL & INNOVATION** to achieve a stand-out customer experience

An improved organisation more oriented to Innovation, Digital and Data

- Creation of Data & Analytics Team (30+ people): tools for fuel efficiency, reduction of queues in main airports, sales management
- Adoption of AGILE methodology: +100 releases per year, +2 per week
- Innovation LAB
- Continuous collaboration with start-ups (150+ people / 10+ Co. in two sites)



Working on how to improve the customer experience

- Ease of customer management: Artificial intelligence and natural language processing for automated messaging (BOTS)
- Continuously improving user experience: EVA virtual assistant
- Greater accessibility by the use of mobile: leveraging best-in-class booking process (+37% in the LTM)
- 1st adopter in automatic payment methods: Amazon Pay, Android Pay and Apple Pay
- Customer data insights: Loyalty Program Vueling Club by AVIOS
- Better use of information to help customers: Crew connectivity

Vueling NEXT: what is coming ...



Operational Excellence & Cost Discipline

- Cost as operational focus
- Increase in utilisation (+19%) and reduction in seasonality
- Supplier cost effort as part of GBS and IMS Group initiatives



Sustainable & Profitable Network

- Continue building leadership positions
- Opportunities in our current core markets
- Redesign of go-to-market model and revenue management



Reliable Customer Proposition

- Focus on digitalisation and automation
- Building consistency
- Deliver with care and warmth: the launch of Vueling Academy



High Performing Organization

- Efficiencies and productivity gains
- Engagement
- Attract and develop the best talent



The three elements of cost, service and network will drive differentiated advantage going forward



For example: how we are working on the cost reduction during the period

Reducing Unit **Cost...**

Cost / seat
CAGR 17-22

↓ -1.5%

Non-fuel

... and also fuel
consumption
in 2022
30% of Fleet
A320 NEO

Employee cost
contention

→

↑ CPI increase

↓ Productivity increase (technical crews +16%)

↓ Overhead costs contention

Supplier cost
reduction

↓

↑ CPI increase

↓ Group initiatives: GBS & IMS consolidating savings

Ownership
efficiency

↓

↑ Fleet modernisation

↓ Utilisation improvement (+19%)



After fixing the basics we are returning to Growth

We have started the second phase

Growth contribution

Strategic priorities
2016-2022

Strengthen the base

Resume growth



2016-2017

2018-2022

Domestic Spain

- Strengthen Spain as our top market in Europe
- Continuous focus on the leisure segment
- Improved schedules and connectivity



Spain - Europe

- Become the first choice in Spain-Europe flows
- Leadership in key cities from Spain to Europe and from Europe to Spain
- Enhanced Go to Market model



Int'l

- Continue developing international footprint leading the flows between Spain and Italy/France
- Selective growth opportunities
- Alignment with our strategy

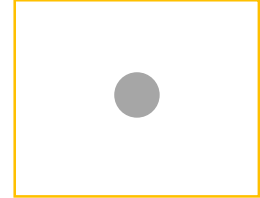


Margin Drivers

€ margin contribution

Unit revenue

- Increased utilisation through reduction of complexity and seasonality
- Adapted revenue management to increase load factor over the period
- Increased sales of ancillaries (e.g. push sales at airports and new products)



Fuel efficiency

- Fuel efficiency on new aircraft entering the fleet (A320-NEO)



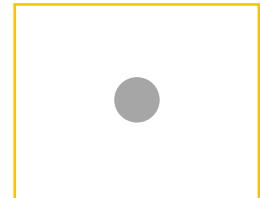
Employees

- Continue improving productivity through resource optimisation and crew planning
- Enhance employee engagement



Suppliers

- Leveraging IAG Group platform on purchasing, technology and innovation
- Increased utilisation through reduction of complexity and seasonality





Vueling plan aligned with IAG targets

	Rolling 12m	2018-2022
Lease adjusted operating margin (%)	13.0%	12%-15%
Sustainable through the cycle RoIC (real terms)	13.7%	15%
ASK growth per annum	2.1%	c. 10%
Fleet (period end)	107	150





Alistair Hartley

**IAG Head of Group
Strategy & Development**

Assessing low cost long haul opportunity for some time



Ignoring threat from low cost entrants can be damaging

Value proposition that resonates with customers

Evidence of model's success in certain regions of the world

Assessment of external environment indicated potential of the business model

Cost structure AND commercial approach drive attractiveness of model



Cost efficiency

10 - 20%
lower cost per flight vs FSC

Greenfield labour costs

Simplified commercial model

High aircraft utilisation

High crew utilisation

Less complex product offering

Revenue model

80% - 90%
revenue per flight vs FSC

Demand stimulation through fare discounting

High density configuration

High seat factors - "price to fill"

Customer led ancillary product offerings

Connections without complexity

=

Model provides attractive margin opportunities



**"Rules of the game" for
low cost long haul**

Distinct brand unlocks ability to deliver “dual brand” strategy



European Long Haul Market (Illustrative)

Share of Market

~30%

~40%

~30%

Demand segments	IAG brand positioning
Premium front cabin	BA and IB
Trade-up back cabin	
Trade-down back cabin	LEVEL

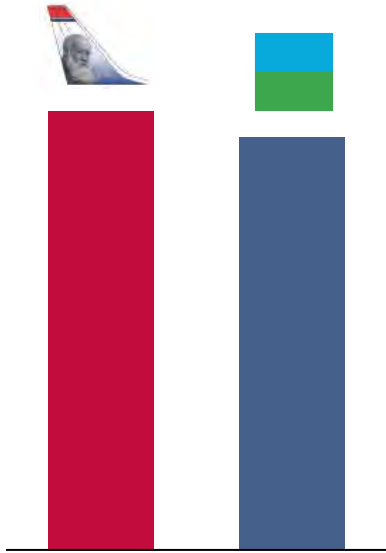


Full service brands focus on demand segments that resonate more closely with premium brand and product – strengthening their position in the demand space



Low cost brand focuses solely on price sensitive demand segment and captures white space not filled by full service brands

IAG is equipped to be a leader in the space



Best-in-class costs

Pursuing greenfield costs or leverage IAG scale where appropriate



Commercial levers

Code-sharing where appropriate and leveraging Avios



Connectivity options

Build connections with Vueling or with partner carriers



IAG operating model

Successfully managing portfolio of brands with “plug and play” operating model

Early signs of business are encouraging, despite short time frame to launch



Customer

- Strong brand resonance
- c.75% - 80% demand for fully unbundled product
- Strong demand stimulation
 - >50,000 bookings in first 24 hours



Financial

- Load factors exceeding expectation (c.90%) since launch
- Profitable year 1 excluding one-offs
- Non-fuel unit costs ahead of target



Organisational

- Establishment as standalone business with own AOC underway
- Dedicated management team currently being established



**Great early indicators given short time frame to launch.
Confidence in further expansion opportunities**

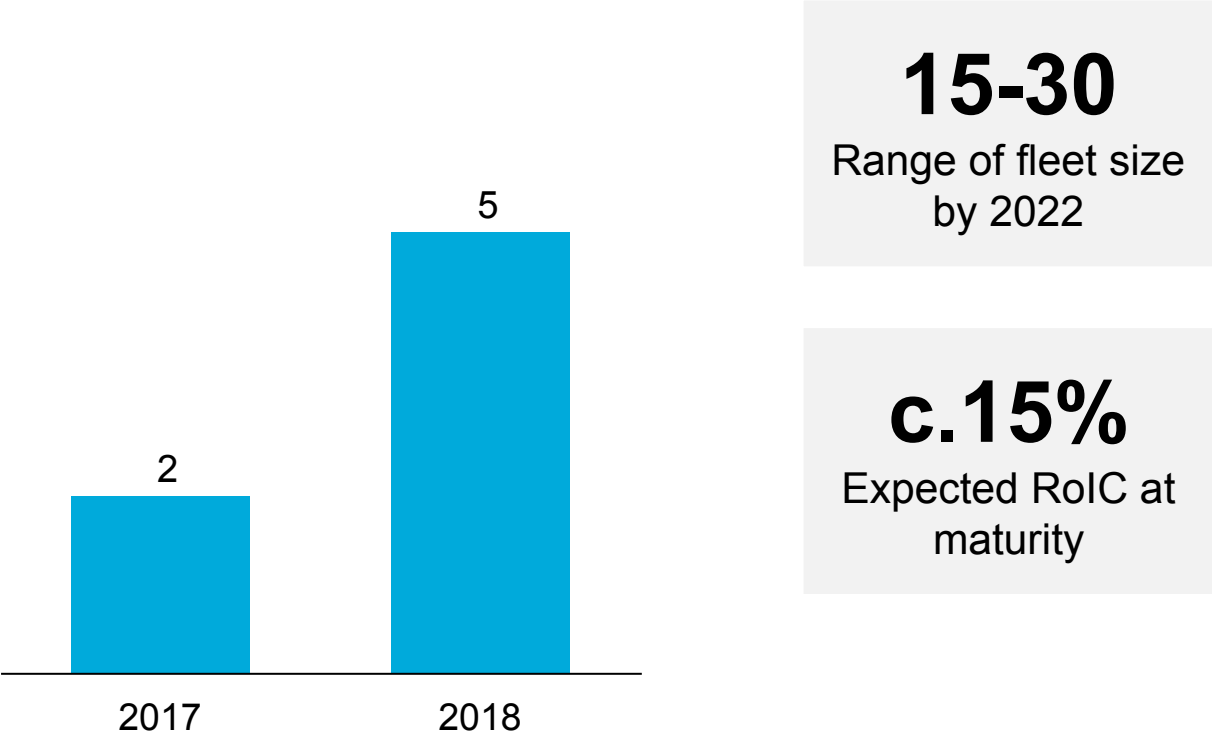
Conclusion: Strong rationale for IAG to participate with business expected to perform in line with Group targets



LEVEL unlocks several advantages for IAG...

- Ability to deliver true dual-brand strategy
- Opportunity to become leader in new market segment
- New pan-European network possibilities
- Leverage lower cost across the Group

...with flexibility assumed within LEVEL's growth plans



Aer Lingus

Stephen Kavanagh - CEO

Continuing to execute our strategy

Mission Statement

“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.”



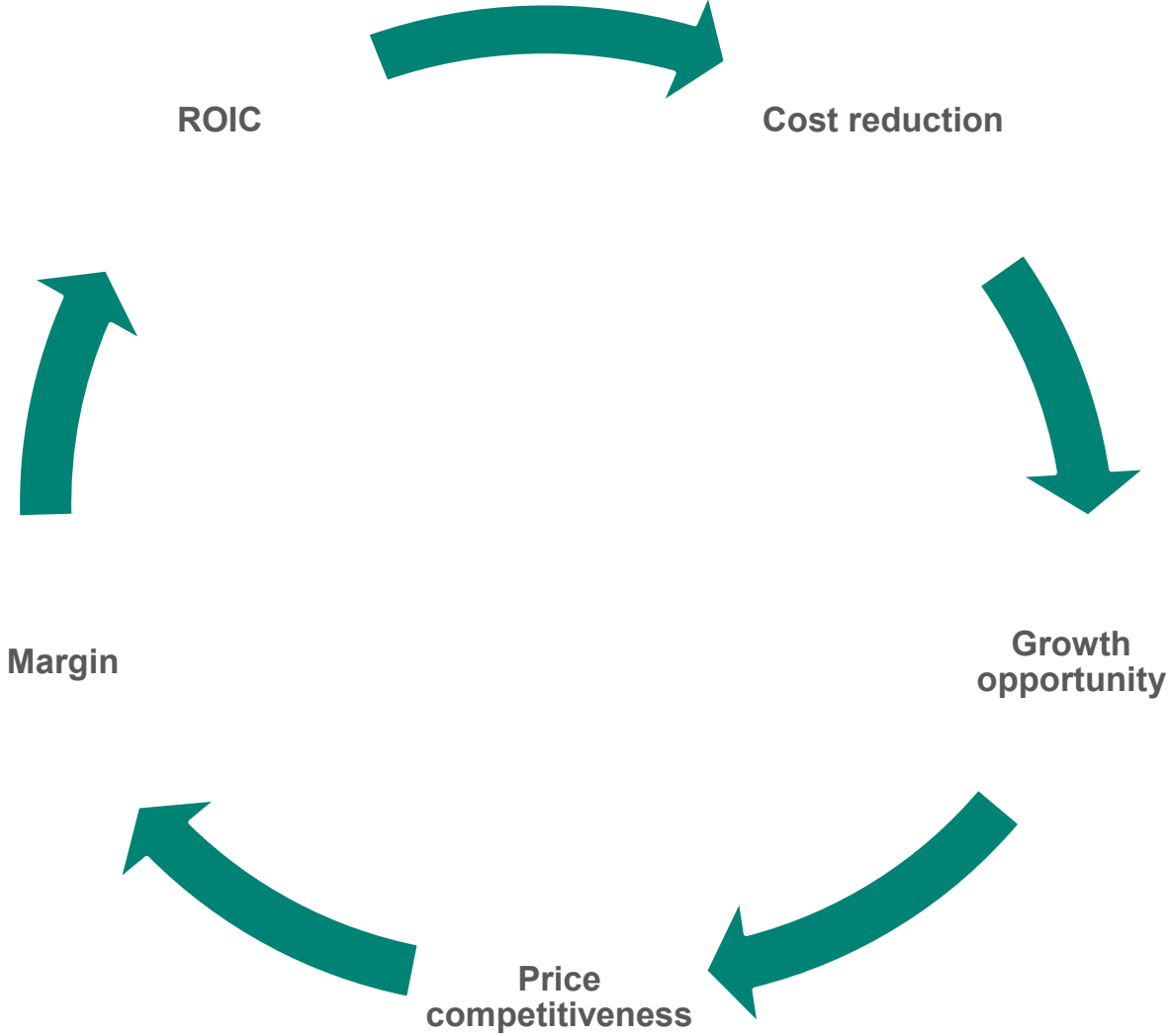
- Leveraging Dublin as a Hub
- Managing our network, partners and organisation
- Creating a compelling connection proposition
- Growing in areas with further potential

- Achieving a competitive market share position
- Driving CASK in line with external benchmarking
- Delivering competitive schedule depth
- Utilising the franchise model for network breadth

A **Demand Led Value** proposition centred on **COST, PRODUCT** and **SERVICE**

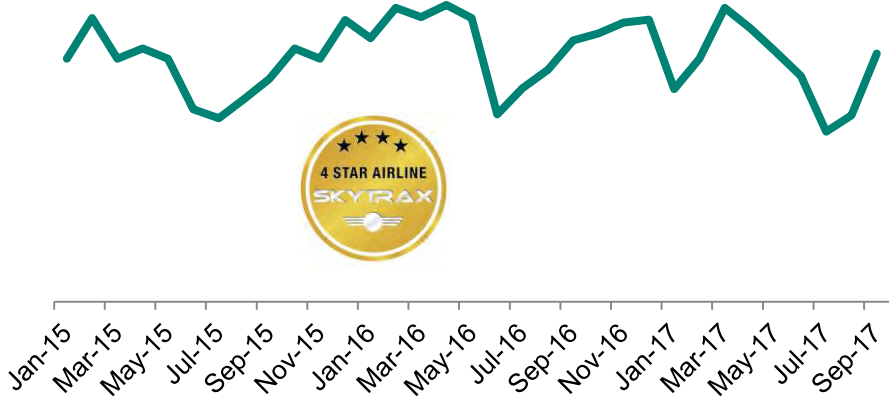
With an Operating Model that is simple by design

Our value model cycle

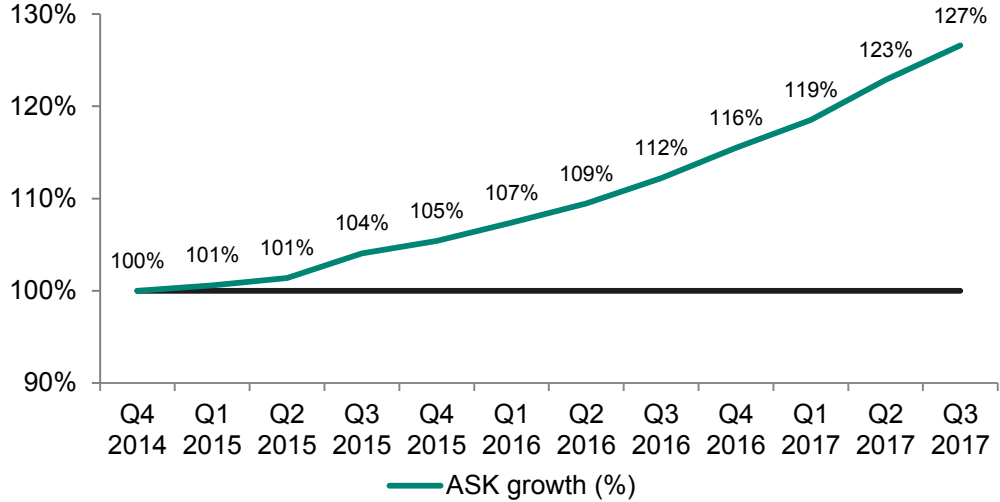


Our value model continues to perform

Consistently strong NPS



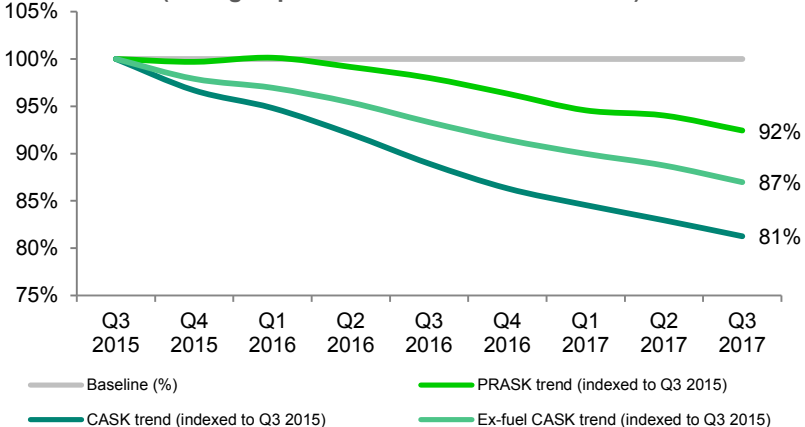
ASK growth indexed to Q4 2014



Our value model continues to perform

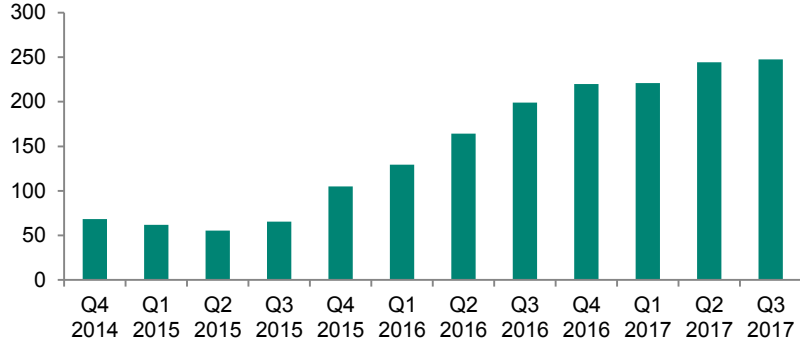
Unit metrics trend (constant FX)

(rolling 4 quarter data indexed to Q3 2015)



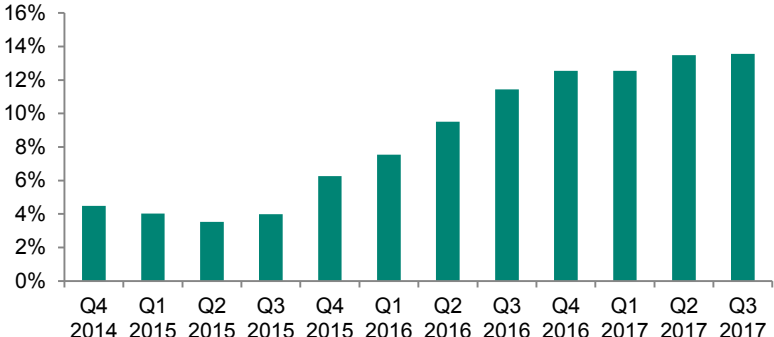
Operating profit (€m) at outturn

(rolling 12 months at each quarter end*)



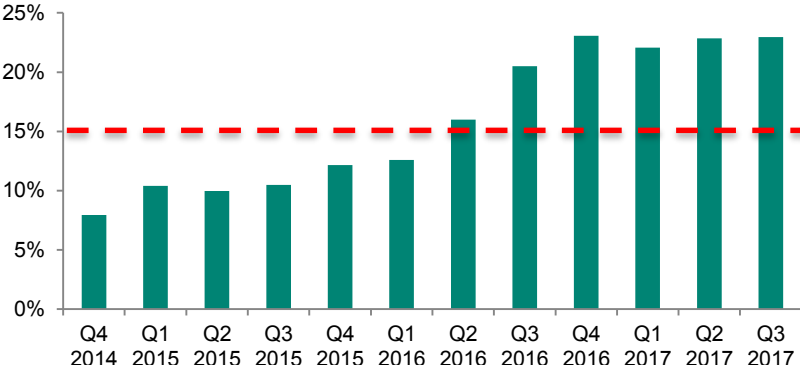
Operating margin (%) at outturn

(rolling 12 months at each quarter end*)



RoIC (%)

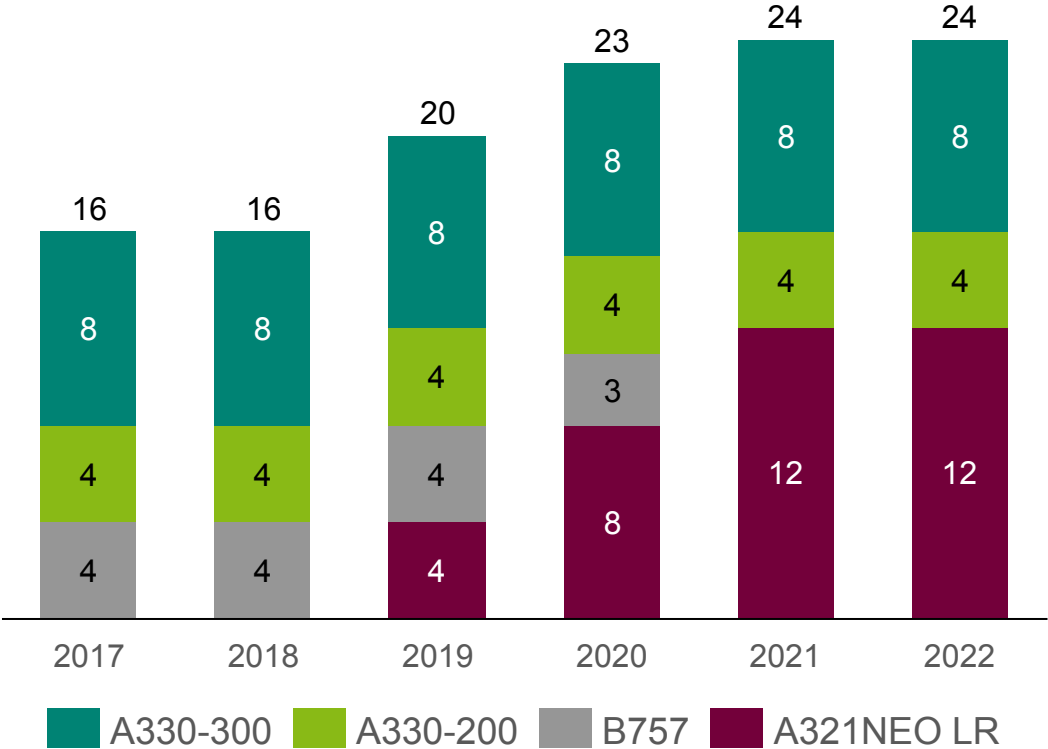
(rolling 12 months at each quarter end)



*Normalised to exclude certain non-recurring items

Fleet growth

Long haul Fleet Plan



- Long haul ASK growth of c8% CAGR
- S17 – 12 routes and 101 weekly NATL rotations
- New routes and c.55% increase in weekly NATL rotations
- Leveraging the A321NEO LR for next phase of growth
- RoIC > 15% between 2017 and 2027
- Potential opportunistic upside in 2018

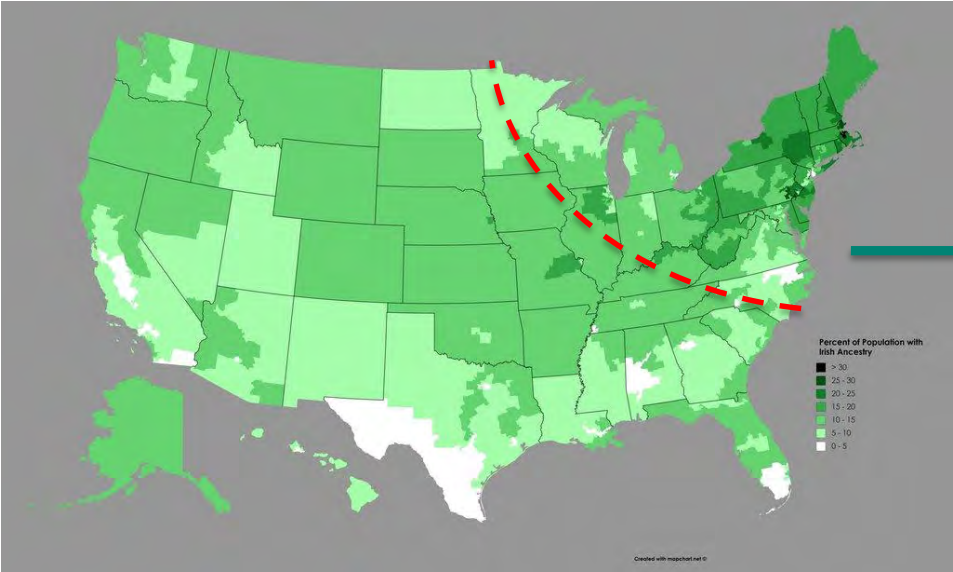
Leveraging the A321NEO LR

Opening Up New Markets

A narrow-body aircraft with wide-body economics providing access to new markets

Creating Value

Drives aircraft utilisation benefits and opens up crew efficiency opportunities



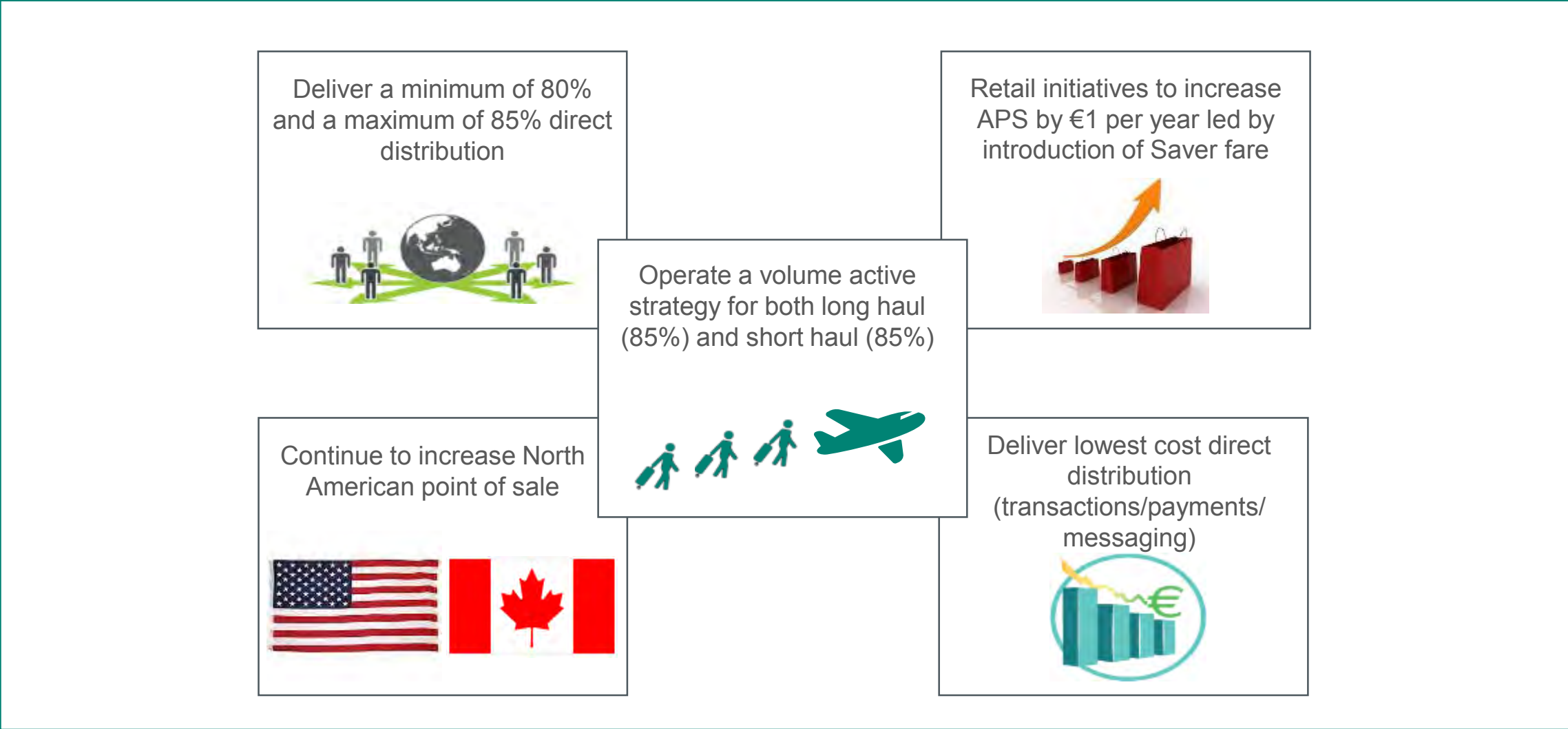
Deployment Flexibility

A321LR can fly long-haul and short-haul sectors and improve network reach

Product Consistency

Provides additional flow and O&D opportunities with consistent product end-to-end

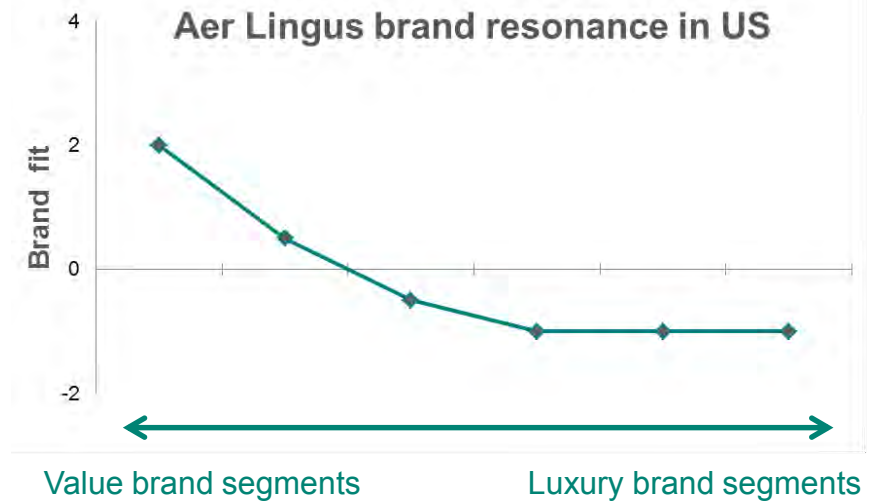
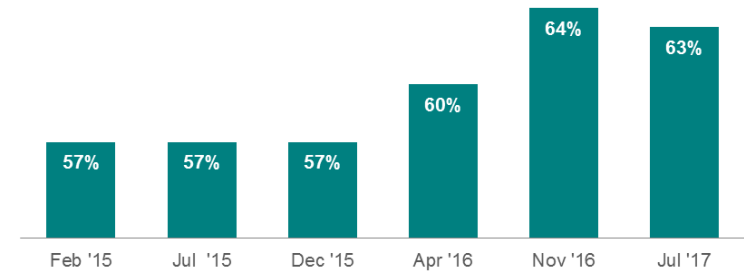
Enhanced commercial offering



Brand resonance in our home market and North America

- Core brand values:
 - Value for money
 - Empowerment
 - Guest choice and guest permissive
 - Consistent process and service delivery
 - 'Under promise and over deliver'
- Brand successfully re-positioned to value carrier in home market
- Erosion versus Ryanair reversed: Aer Lingus identified as ***The Smart Value Carrier Choice***
- In the US, Aer Lingus better positioned to exploit in value brand segments than major competitors

Republic of Ireland -
Aer Lingus and Ryanair
Sentiment Tracker
(% Aer Lingus better than Ryanair)



Digital Growth

Our Ambition

Leading Mobile Web player in Value Carrier Space

Major investments made to drive granular personalisation

Deliver the highest and most sustainable Retail revenue streams in the Value Carrier Space

Leading Conversion practitioner in the airline space



- App
- WiFi
- Retail
- RFID baggage tracking
- Check-in
- Pre-order
- Buy from seat
- Connecting gate information
- Onboard content
- Ground experience

Create an end-to-end digital experience for all our guests

Growth drivers

		Growth contribution
Europe	<ul style="list-style-type: none">• Low single digit ASK growth – resourced through asset utilisation, load factor targeted before increased investment in fleet assets• Capitalise on profitable SH network and maintain relevant position in key European markets• Growing European leisure markets• Higher asset utilisation through SH integration of A321 LRs• Use of ACMI to counter seasonality effect in our network	
North America	<ul style="list-style-type: none">• Building network breadth and depth• Simple fleet mix that allows right platform for right mission• Build on strength of our brand in NA• Unbundled product (Saver fares) that increases guest choice, drives market competitiveness and is consistent with brand values• Network opportunities with planned entry into AJB	● ●

Margin drivers

		€ margin contribution
Unit revenue	<ul style="list-style-type: none"> • Value proposition • Digitally enabled retail initiatives used to partially offset pressure on unit revenue impacts • Exploiting AerClub with Avios • Developing Partner relationships 	X
Capital efficiency	<ul style="list-style-type: none"> • Opportunistic fleet strategy • Appropriate mix of owned vs leased aircraft • Driving asset utilisation • Optimal aircraft configuration 	
Employees	<ul style="list-style-type: none"> • Building critical skill sets • Efficient ASK growth and asset utilisation • Containing investment in support activities 	
Suppliers	<ul style="list-style-type: none"> • Utilising IAG leverage to identify cost synergies • New engine deals • Airport user charges an important target area • Network growth designed for efficient unit cost and drives economies of scale 	●

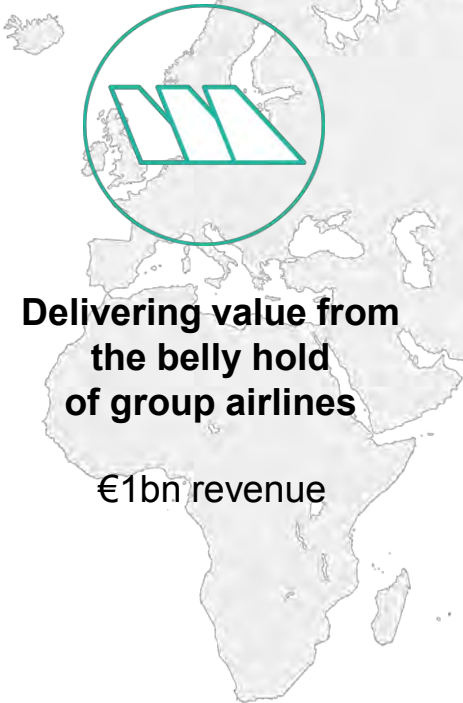
Aer Lingus plan aligned with IAG targets

	Rolling 12m	2018-2022
Lease adjusted operating margin (%)	15.0%	15%+
Sustainable through the cycle RoIC (real terms)	22.9%	15%+
ASK growth per annum (CAGR)	12.8%	c.5%
Fleet (period end)	52	61

IAG Cargo

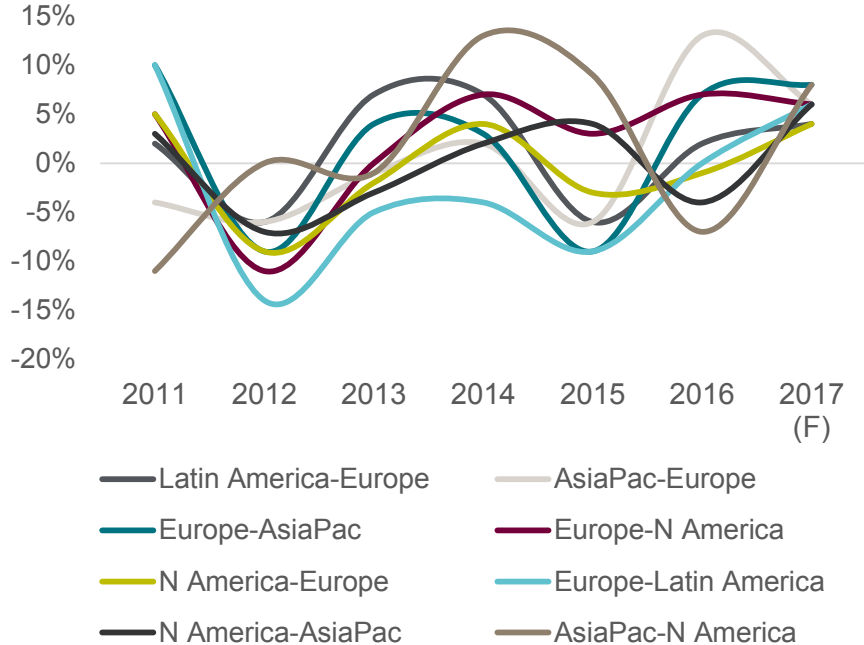
Lynne Embleton - CEO

IAG Cargo



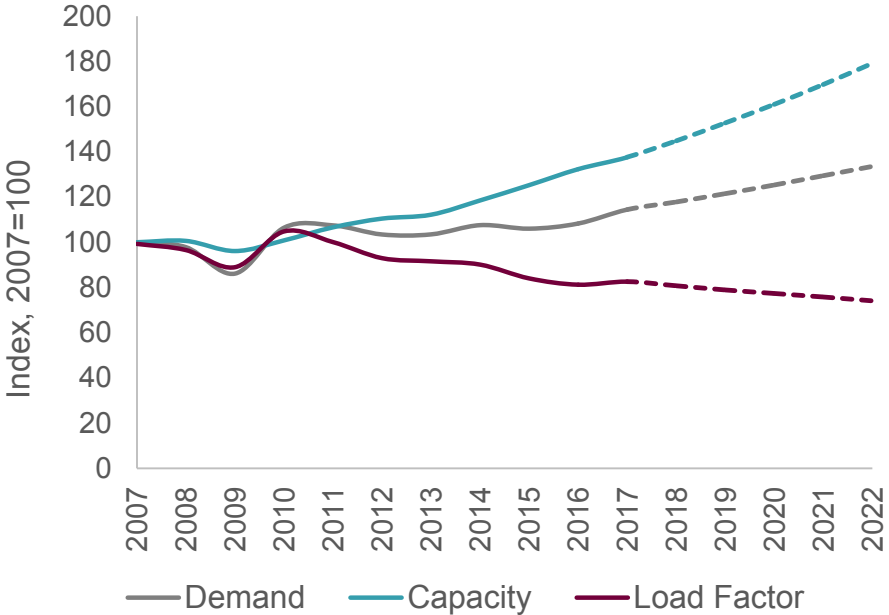
A dynamic, global air freight market

Global Year on Year Tonnes Growth



Source: Seabury World Trade Database

Global Capacity, Demand and Load Factor



Demand - Seabury World Trade and Capacity Databases

Market is historically variable

IAGC network strength allows us to tap into global flows

Long term trend of supply exceeding demand

IAGC has capacity discipline (no freighters) and uses partner network where necessary

Strategic priorities



Earn customer loyalty

High performance, easy to do business with



Prioritise premium

New Premia building, industry verticals



Secure growth into OpCo capacity

Build partnerships, increase throughput



Enhance contribution through technology

Pricing, eFreight, unit build, tracking, e-commerce

Earning customer loyalty

Easy to do business with



New website launched

Earn through operational performance



Optimised planning



Acceptance & scanning



Service recovery

Reward with Forward Rewards

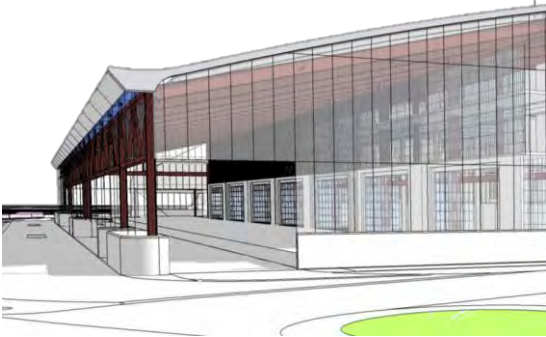


'Make Freight Forwarding More Rewarding'

- 1 Targeted at the SME freight forwarder market
- 2 Ahead of the market
- 3 Members spend more
- 4 Driving growth

Investing in premium and verticals

Invest in London – ground broken for New Premia building

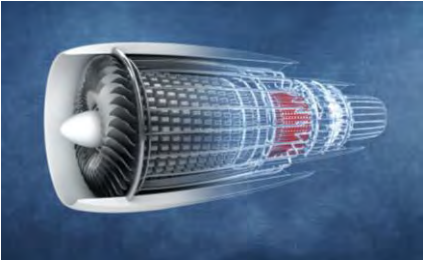


Extend premium leadership to Madrid



Development of cool chain facilities

New products and industry verticals



Critical, Constant Climate Critical, Aerospace

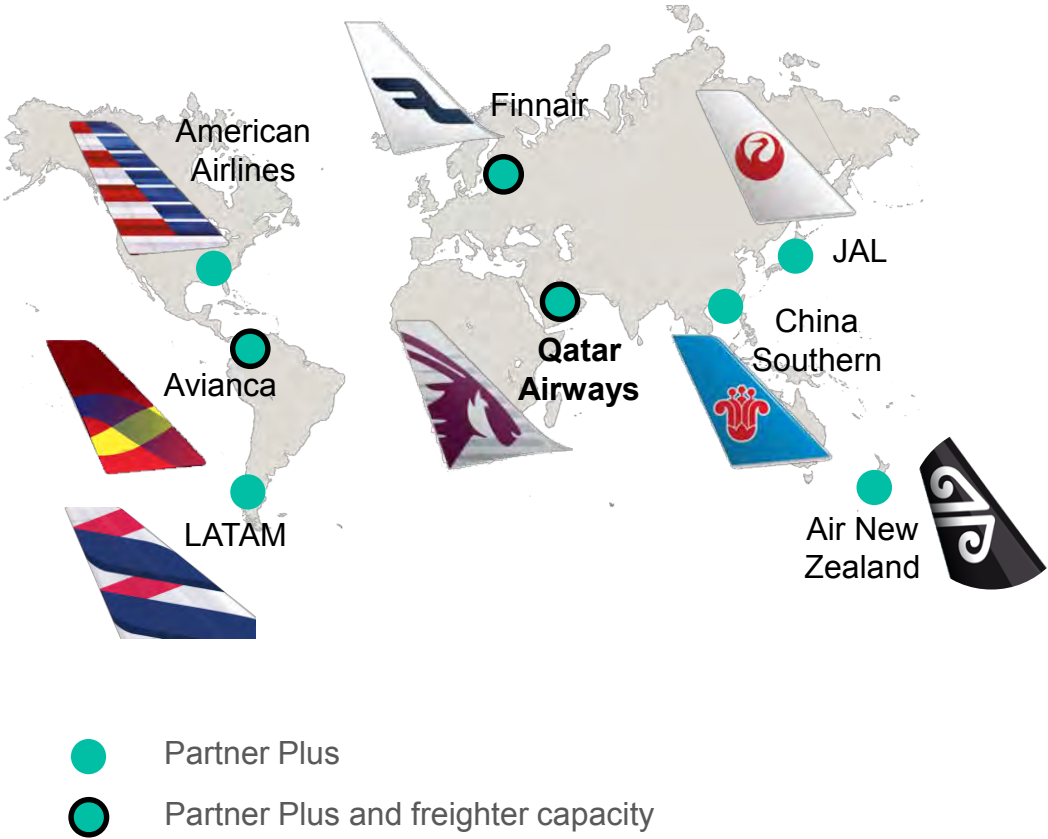
Premium performance

20% by Weight

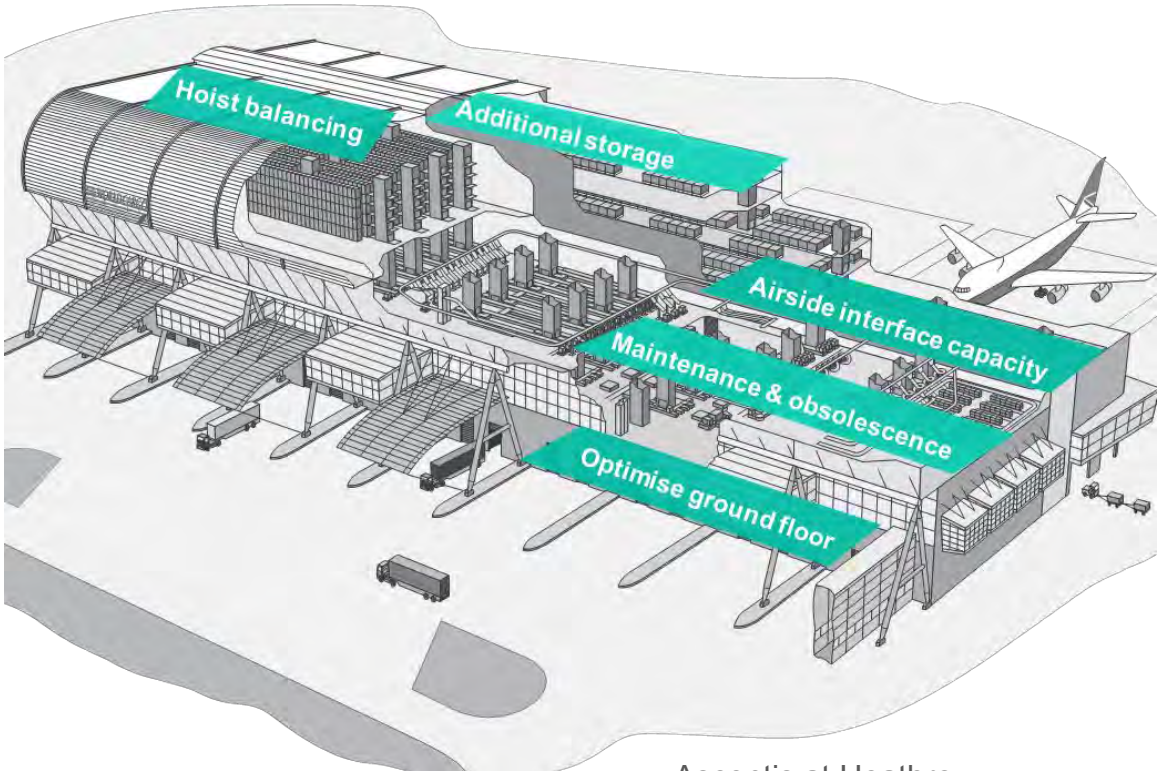
2017 Jan-Sept

Securing growth through partnerships and infrastructure

Feeding IAG OpCo capacity through partnerships



Targeting infrastructure bottlenecks

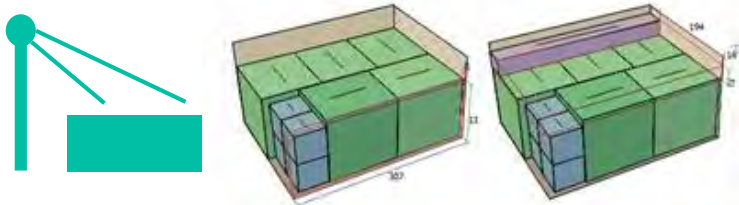


Ascentis at Heathrow

Exploiting technology across the business

Better asset utilisation

Scanning and unit build optimisation



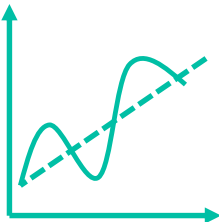
Tracking



Enable customer devices Ancillaries Finding freight faster Hub asset utilisation

Support yields

Dynamic pricing and upselling



Arrives	PRDMO	CPA	PREFERENTIAL	MARKET
17.20pm Thu 08 Dec	Not available	Not available	Not available	Not available
21.00pm Thu 08 Dec	Not available	Not available	Not available	€2,610
13.55pm Fri 09 Dec	Not available	Not available	€1,980	€2,610
11.05am Fri 09 Dec	Not available	Not available	€1,980	€2,610

Reduce costs

eFreight



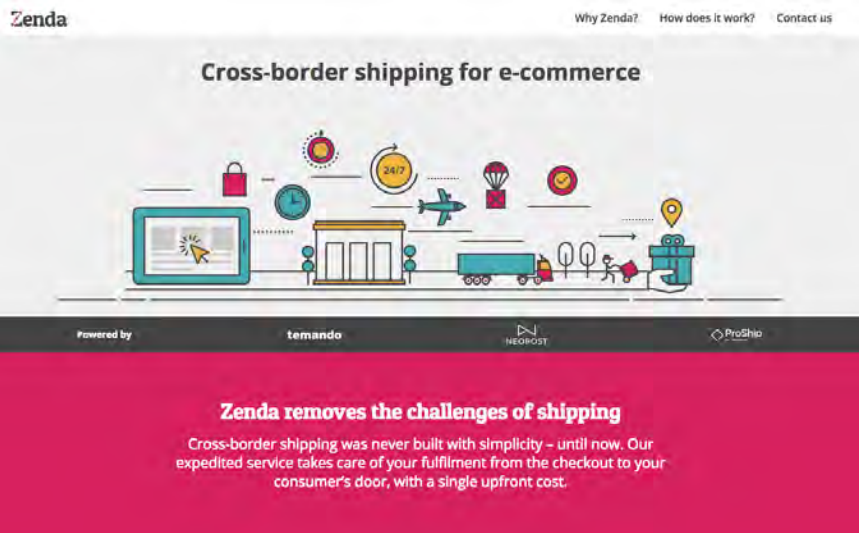
Driverless trials



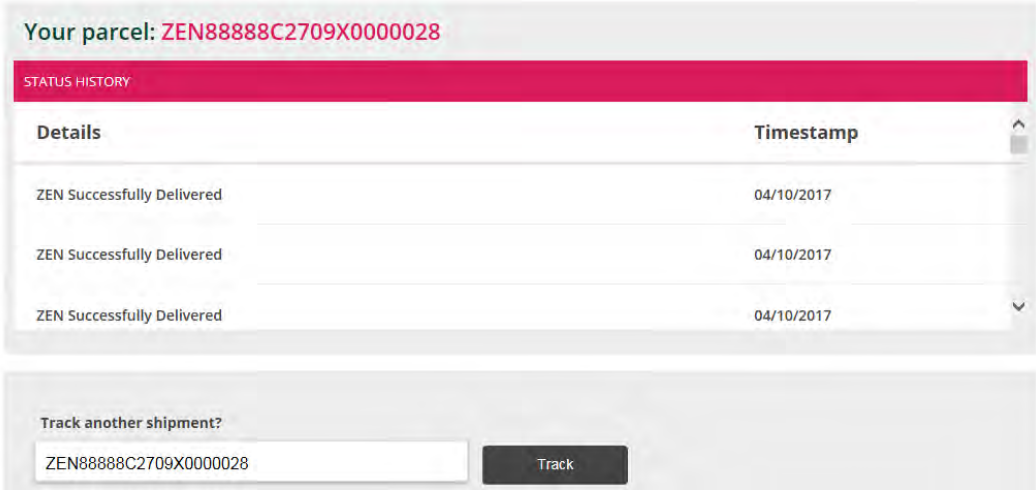
Enhancing contribution with Zenda

Cross-border e-retail proposition between Express (1-3 days) and Postal (14-21 days)

MVP offers 4-7 day USA-UK parcel delivery to eRetailers who use Proship



www.zenda.global



www.live.zenda.global/track-your-parcel

Use the tracking code: ZEN00001A3010X0000018

Optimising returns for IAG



Single brand and global network



Focus on premium



Securing growth through partnerships and targeted investment in infrastructure



Embracing digital opportunities

IAG Digital & IT Strategies

Robert Boyle - IAG Director of Strategy



SHOP ORDER PAY

NEW DISTRIBUTION CAPABILITY (NDC)
ONE ORDER
PAYMENTS



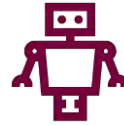
DATA

ON-DEMAND ANCILLARIES
MACHINE DRIVEN PRICING
AUTONOMOUS BUSINESS



MARKETPLACES

LEVEL
ZENDA
COMMERCIAL IN-FLIGHT



AUTOMATION

AIRPORTS
IDENTITY
ARTIFICIAL INTELLIGENCE



DIGITAL MINDSET

HANGAR 51
ALPHAS
HACKATHONS



PROBLEMS

WITH CURRENT AIRLINE SYSTEMS

DISPARATE CUSTOMER RECORDS

The data in Passenger Name Records (PNR), e-tickets, Electronic Miscellaneous Documents (EMD) and Departure Control Systems (DCS) is duplicated and painful to reconcile.

COMPLEXITY AND UNNECESSARY COST

Duplicated, monolithic systems mean longer and more expensive changes.

STAFF TRAINING IS VERY EXPENSIVE

It takes three weeks to train a new staff member on DCS, versus only one day to train a point of sale retail assistant.

ANTIQUATED OFFER MANAGEMENT

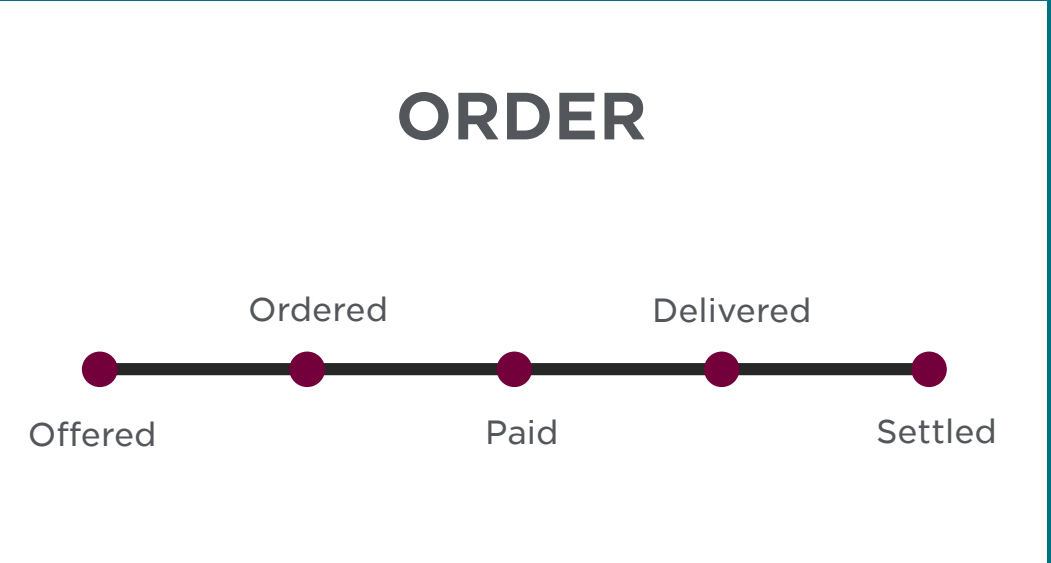
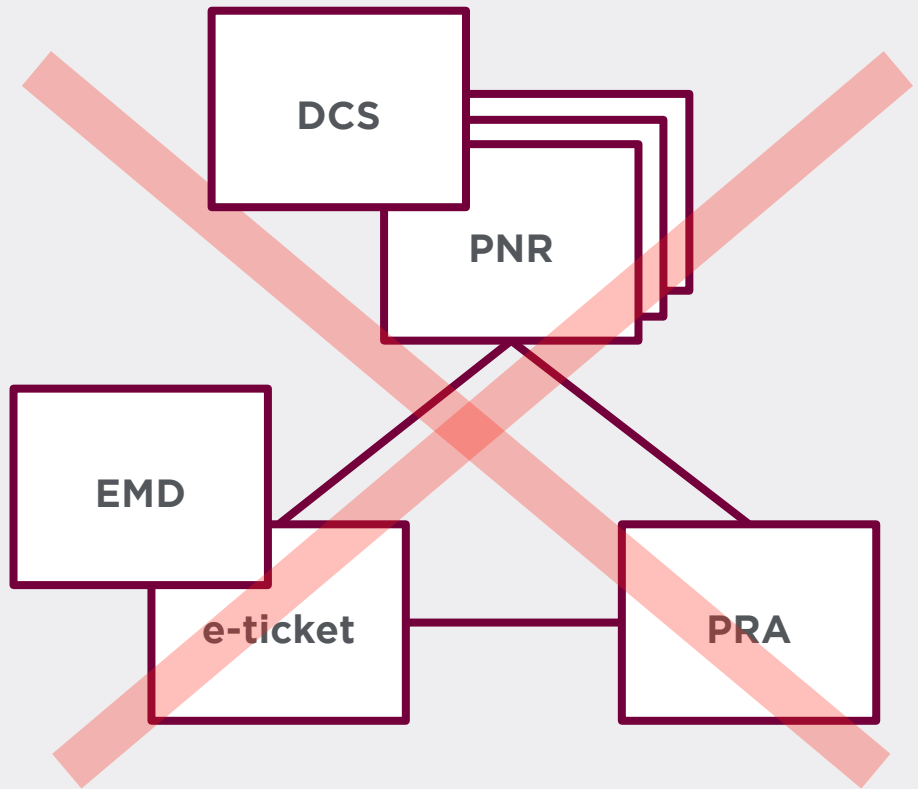
Airlines have limited ability to control and personalise the offer to the customer.

CANNOT CREATE AND TEST NEW PRODUCTS FAST

The high complexity and cost impacts the number of revenue-generating and innovative projects IAG can undertake.

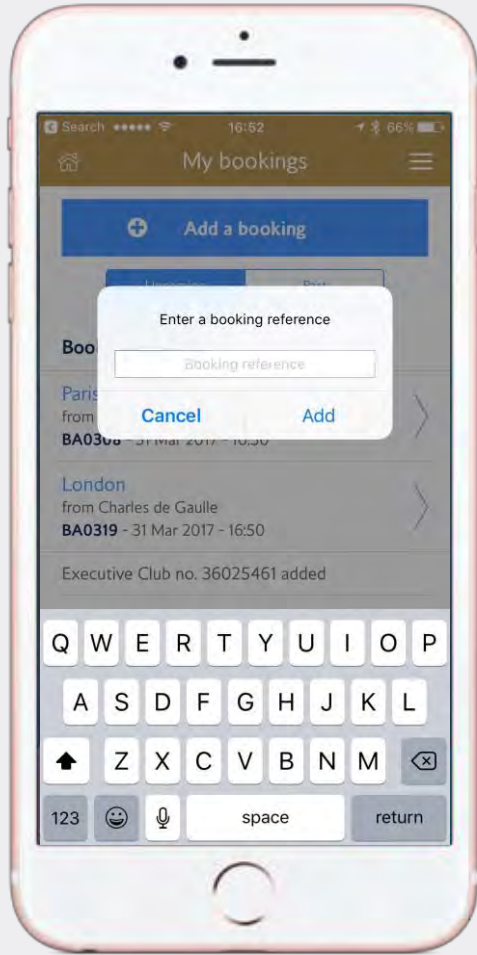
THE FOCUS IS ON THE ORDER, NOT THE CUSTOMER

The customer process revolves around a PNR, not a customer record. There is no single place to hold all orders, preferences and information.



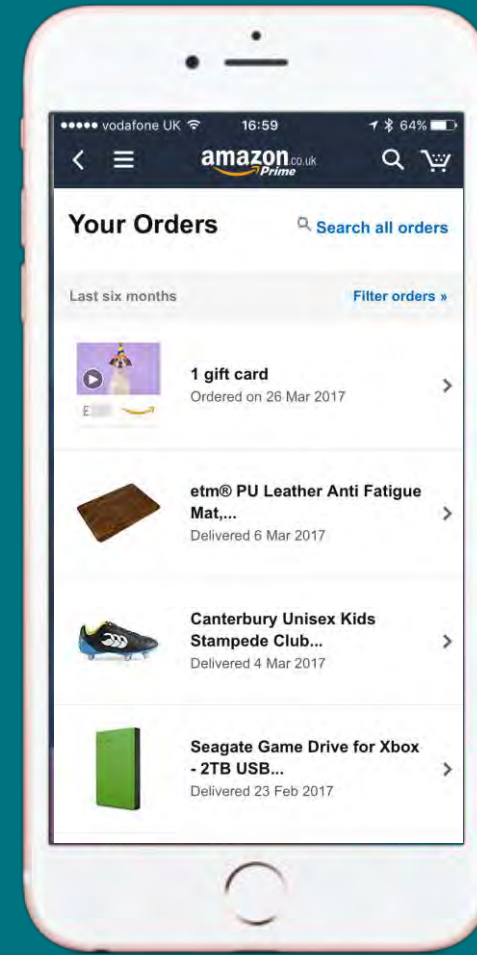
The status of each item within an order is updated in **one place** throughout the entire process

ORDER-CENTRIC



VS

CUSTOMER-CENTRIC



BENEFITS OF SHOP ORDER PAY

€100M

cost savings
p.a.

REMOVAL OF PASSENGER
SERVICES SYSTEMS (PSS)

€400M

revenue
p.a.

FLEXIBILITY
EFFECTIVE DATA
FASTER INNOVATION

↑ NPS

CUSTOMER-CENTRICITY
100% SELF-SERVICE

IAG

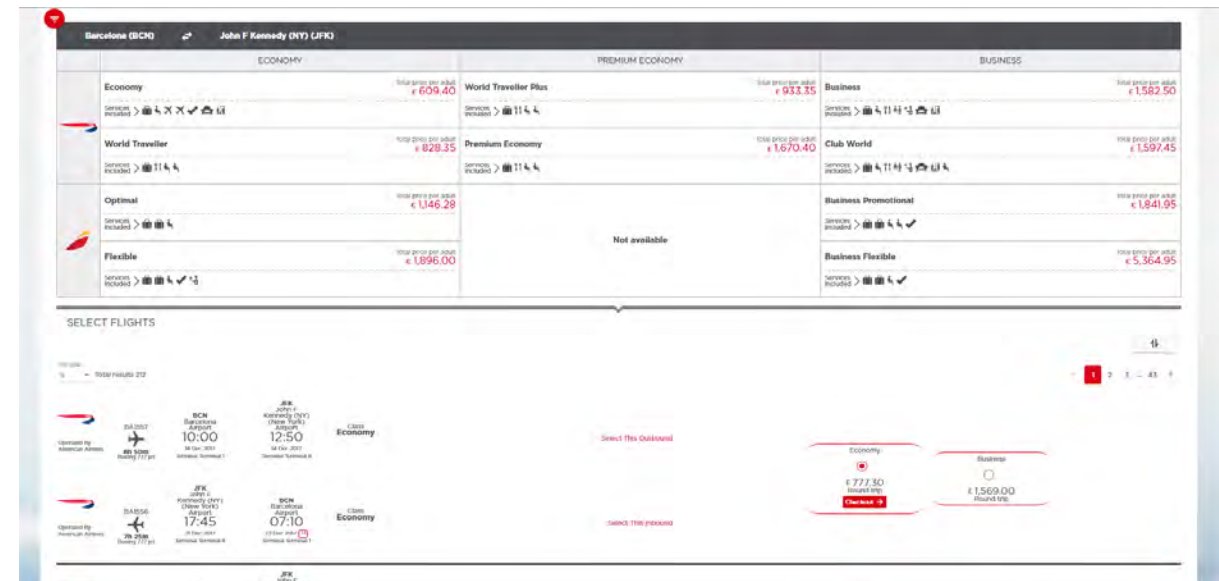
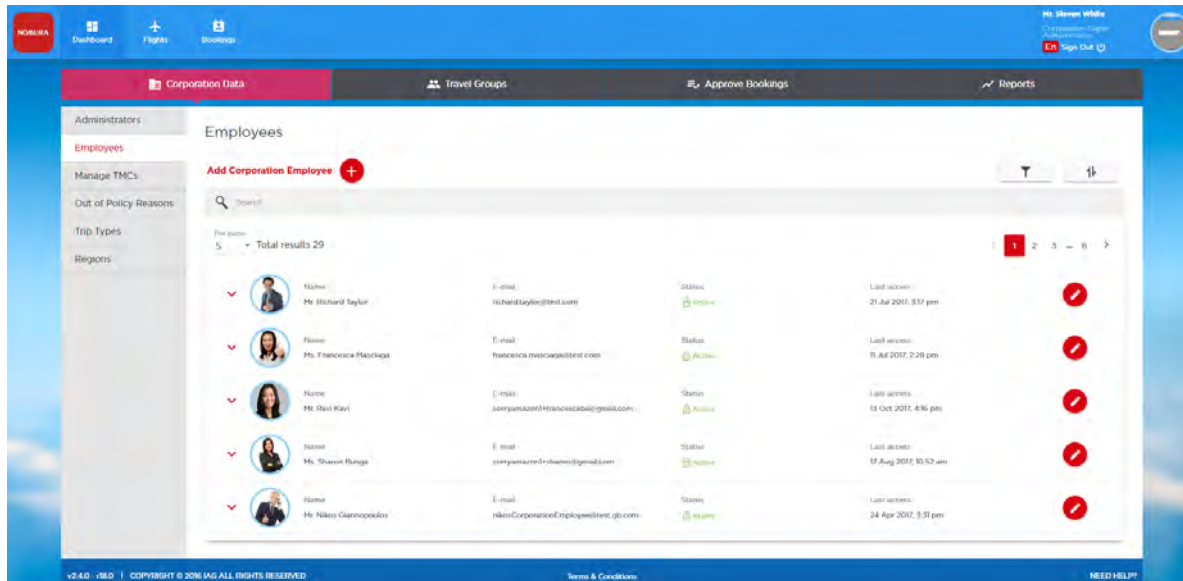
Digital

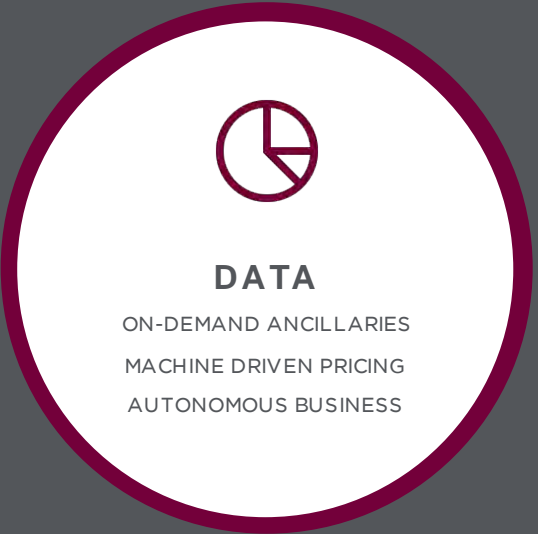
Shop Order Pay

NPS: Net Promoter Score

96

NDC BOOKING PORTALS NOW LIVE

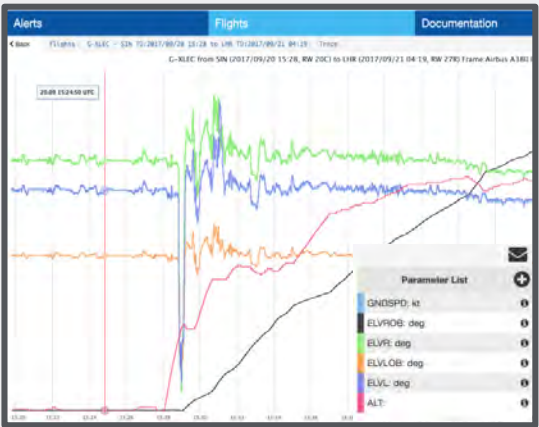




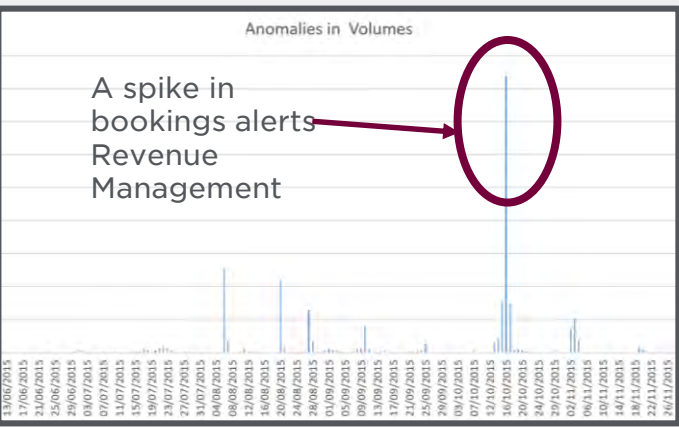
TOP HIGHLIGHTS

- ✓ Launched Nexus, the IAG data platform in the cloud
- ✓ Building a data science centre of excellence to drive our Group Data Strategy
- ✓ Unifying and simplifying our data governance to comply with General Data Protection Regulation (GDPR)

LEVERAGING IN-FLIGHT SENSOR DATA FOR PREDICTIVE MAINTENANCE



REAL-TIME ANOMALY DETECTION



INTEGRATING DATA TO DRIVE BAGGAGE PERFORMANCE

Last updated at 09-Jun-2017 09:38

BA 228 from BWI will arrive at 09:29 on stand 537 Aircraft touched down at 09:21

Jobs	Staff no	Status	(Exp) Start	(Exp) End	Vehicle ID	Loc	Status
BL_TS_ARR_DIR_CON	537	Confirmed	09:29	09:42	ET2003	537	R
BL_TS_ARR_HS_DIR_LS	537	Confirmed	09:29	09:45	ET2138	537	R
BL_TS_ARR_TFR_CON	537	Confirmed	09:29	09:36	ET2147	TSB Southern Tunnel	R



MARKETPLACES

LEVEL

ZENDA

COMMERCIAL IN-FLIGHT

www.zenda.global



Zenda e-commerce is now shipping



Zenda Why Zenda? How does it work? Contact us Track your parcel

Cross-border shipping for e-commerce NOW SHIPPING

Powered by **temando** **MEPOST** **ProShip**

Zenda removes the challenges of shipping

Cross-border shipping was never built with simplicity – until now. Zenda fills the void between express and postal delivery, with a single affordable upfront cost and end-to-end tracking from your fulfillment center to your customer's front door.

Why Zenda?



You own the flights

Zenda unites the world's leading airline groups onto a single e-commerce shipping platform. We bring the middle mile to the checkout for a better shipping experience for your customers.



Built for e-commerce

Zenda is partnered with Temando to deliver a full Immersive e-commerce experience. Contact us to discuss integrating the Zenda API.

LEVEL new in-flight experience



INICIO **GASTRO** **TIENDA** **VER** **ESCUCHAR** **ESP**

My Flight LEV3916

2:29 hrs REMAINING **10:30** pm EST. ARRIVAL TIME

2046 km TRAVELLED **1079** km TO DESTINATION

3124 m ALTITUDE **1024** km/h GROUND SPEED

Wi-Fi Available

Meal Deal
Select and save on your perfect meal, snack and drink combo
€15 Options

Hacksaw Ridge
Drama | 120mins | 12A

Rogue One: A Star War...
Action | 120mins | 12A

Top Travel
An example of about the sect here.

BCN **LAX** 4:25 hrs remaining

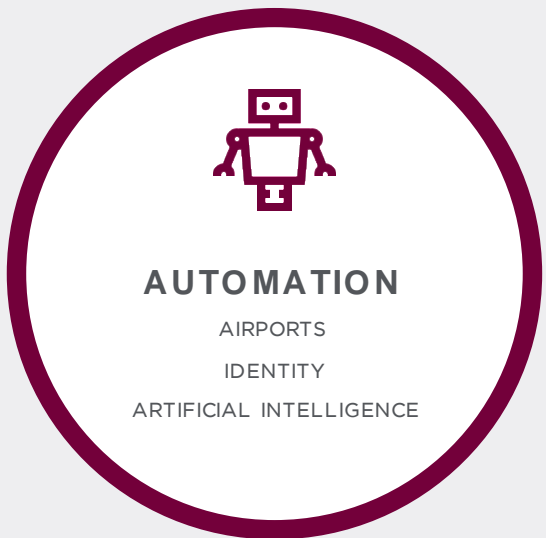
99

IAG

Digital

Marketplaces

BENEFITS of automating ABOVE & BELOW the wing



↑ Operational performance

↑ Carbon efficiency

↑ NPS

↑ Workplace safety and security

↓ Aircraft damage

↓ Personal injury

45 USE CASES

BAGGAGE



1. Robotic baggage loaders
2. Autonomous baggage tugs
3. Autonomous baggage dollies
4. Mobile security screening robot
5. Autonomous baggage trays
6. Baggage delivery drone

RAMP



7. Auto jetties
8. Stand guidance
9. FOD detection and removal
10. Steps
11. Chocks
12. Cones
13. Fueling bowsers
14. Catering trucks
15. Water bowsers
16. AKE & AKH aircraft loader
17. Jet bridges
18. Remote PRM airplane loaders

LOGISTICS



31. Passenger and employee buses
32. Cleaning crew vehicles
33. Maintenance vehicles
34. Spare parts and small items
35. Maintenance parts and tools across the airfield drone
36. Last minute catering drone

CARGO



37. Robotic cargo loaders
38. Autonomous cargo tugs
39. Autonomous cargo dollies
40. Cargo delivery to/from aircraft drone

SAFETY & SECURITY



19. Aircraft inspection drone
20. Runway inspection drone
21. Construction inspection drone
22. Perimeter monitoring vehicle
23. Building and utility infrastructure inspection drone
24. Security and safety inspection drone
25. Remote maintenance issue drone
26. Traffic monitoring drone
27. Perimeter monitoring and remote areas drone
28. Chasing away birds and wildlife drone
29. Unauthorised drone defense drone
30. Mobile security robots

AIRCRAFT MOVEMENT



41. Towing
42. Taxiing
43. Aircraft tugs
44. Aircraft marshalling cars
45. Guiding aircraft to gate stand drone

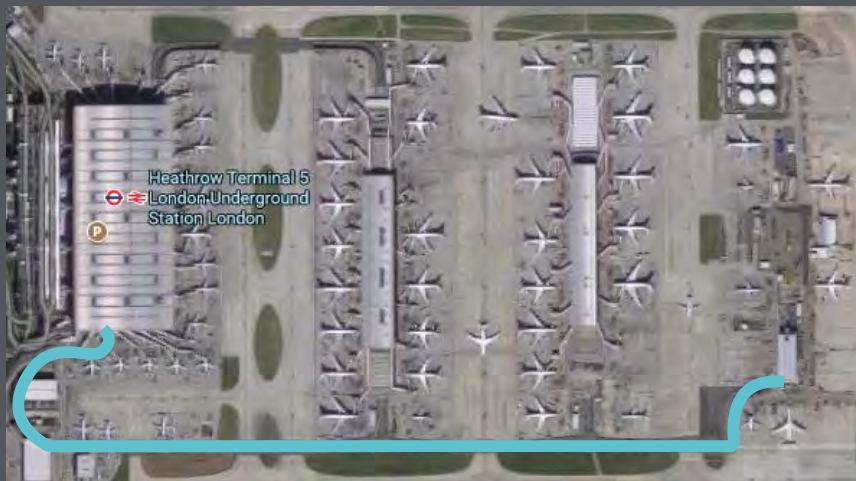
Autobus trial now live in Waterside HQ



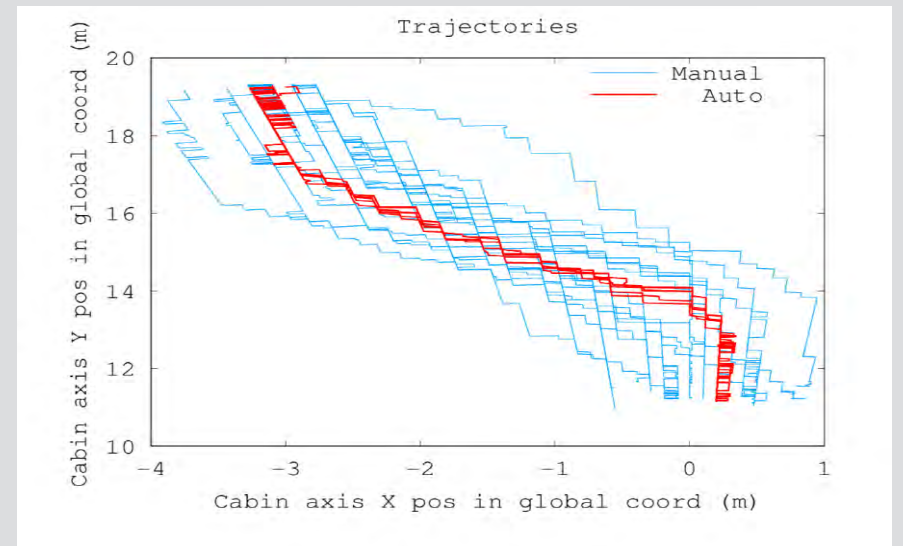
Autonomous passenger bridge trial



Eastern Ancillary Area staff shuttle route



Docking trajectories: manual vs automated





DRIVING INDUSTRY TRANSFORMATION

Leading industry change at international bodies



HANGAR 51 PROGRAMME 2 LAUNCHED

Accelerating new start-ups in Programme 2



MIGACORE



Airstripe

Incubating succesful start-ups for scale



Stealth partnerships

Invested in start-ups from Programme 1



UNIVERSITY COLLABORATION

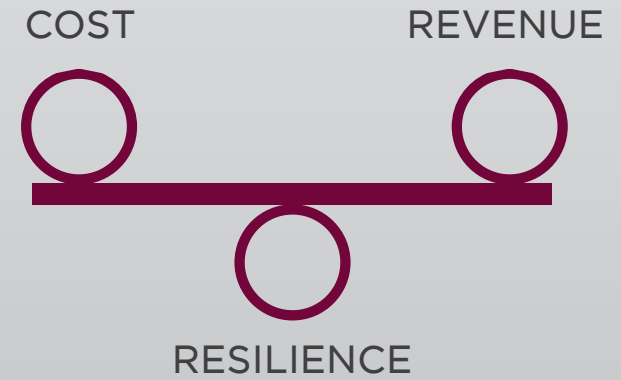


IAG GLOBAL BUSINESS SERVICES PLATFORM

2015 -2017



TODAY



Transparent Performance



Service Effectiveness



Plug and Play New OpCos

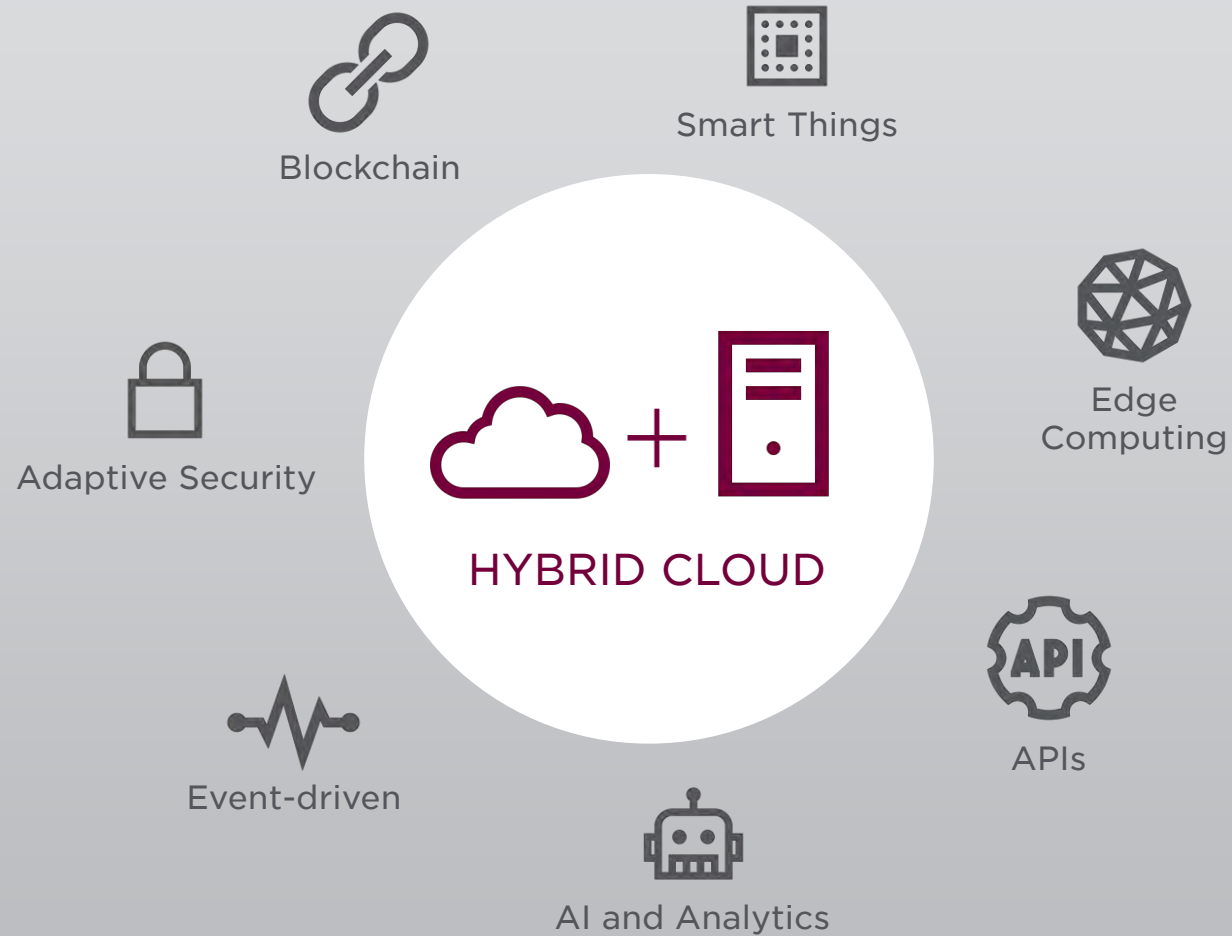


Hybrid Cloud

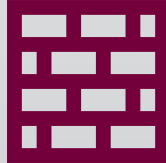
LEVERAGING WORLD CLASS PARTNERS

	TODAY	2018 - 2022		
		CO-LOCATION	.COM AND MOBILE	VANILLA SOLUTIONS
End user devices	IAG	IAG	IAG	IAG
Security and identity	IAG	IAG	IAG	IAG
Network	IAG	IAG	IAG	IAG
Application	IAG	IAG	IAG	PARTNER
Integration/Middleware	IAG	IAG	IAG	PARTNER
Database	IAG	IAG	PARTNER	PARTNER
Operating System	IAG	IAG	PARTNER	PARTNER
Server	IAG	IAG	PARTNER	PARTNER
Storage	IAG	IAG	PARTNER	PARTNER
Data Centre	IAG	PARTNER	PARTNER	PARTNER

THE HYBRID CLOUD SUPPORTS THE DIGITAL BUSINESS



BI-MODAL WAY OF WORKING



RESILIENCE

- Hybrid cloud platform
- Industry standard solutions
- Evergreen maintained by partners
- Configured not customised
- Global integrators



AGILITY

- Iterative changes
- Product-based teams and funding
- Microservices

RELENTLESS DRIVE TO ADDRESS CYBER SECURITY THREATS

Cyber incident response plans in place

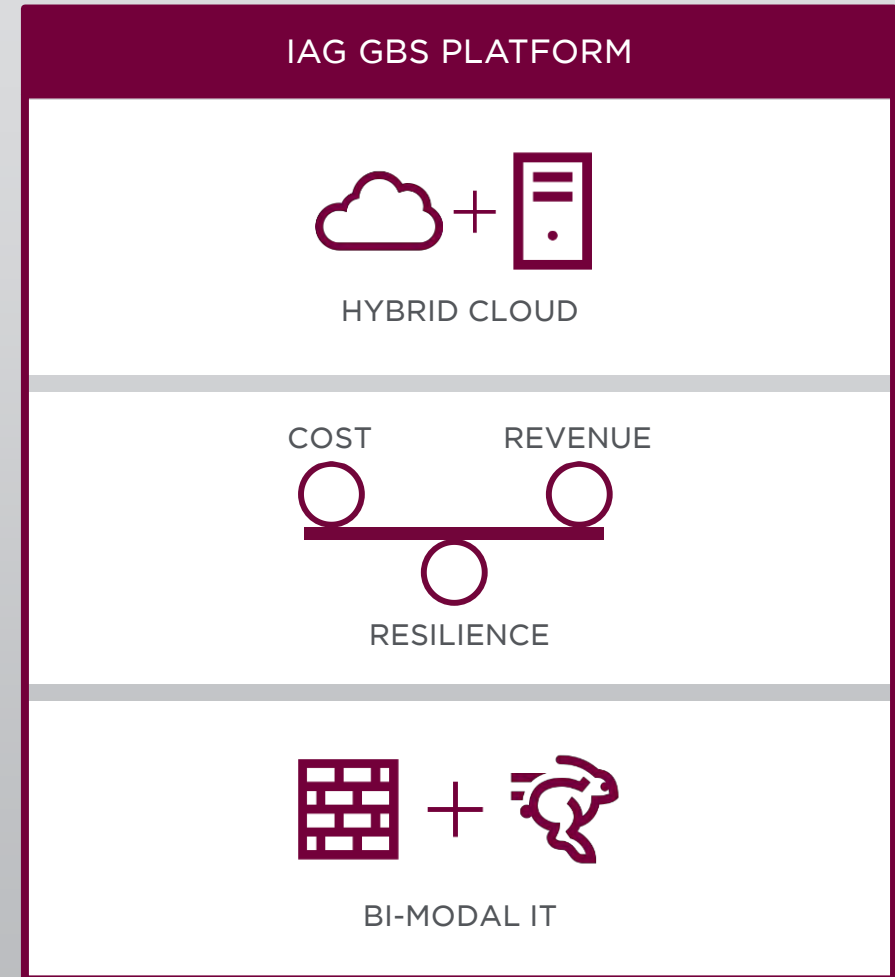
Enhanced 24x7 Security Operations Centre for early detection of risks

Partnered with experts in cybersecurity

Latest anti-robotic website protection, penetration testing and scans

PCI compliance and GDPR readiness

SCALING DIGITAL ACROSS THE GROUP



Financial strategy

Enrique Dupuy – IAG CFO

Financial targets – headlines 2017

- **Increasing margins and growth** benefitting from a better economic environment following the UK's vote to leave the EU
- **Enhancing** the value of our brands and customer proposition and investing in the resilience of our business models
- **Leveraging** the strong positions in our **main strategic markets** and developing our new corporate units such as LEVEL
- **Continuing** the development of the IAG platform to create future value and delivering OpCo cost cutting and efficiency plans
- **Keeping** a high level of financial strength and liquidity to enable improved shareholder returns and M&A opportunities

IAG platform developments

Cargo

- New management
- Single brand, global network
- Partnerships
- Exploiting technology

GBS (Procurement + F&A)

- Operations Centre in Krakow
- World Class procurement model
- Aer Lingus and Vueling integrated
- Common processes simplified and automated
- €200m (non-fuel) cost reduction achieved

Avios

- New management team in progress
- Avios launched with EI and VY programmes
- Single group points bank by June 2018
- Customer improvements planned for BA and IB programmes
- Progressive introduction of Dynamic Pricing from 2018
- Group loyalty review in progress

MRO / Fleet

- Simplified management structures at BA and IB
- Footprint reductions
- Optimisation of external spend
- Evaluation and delivery of further opportunities

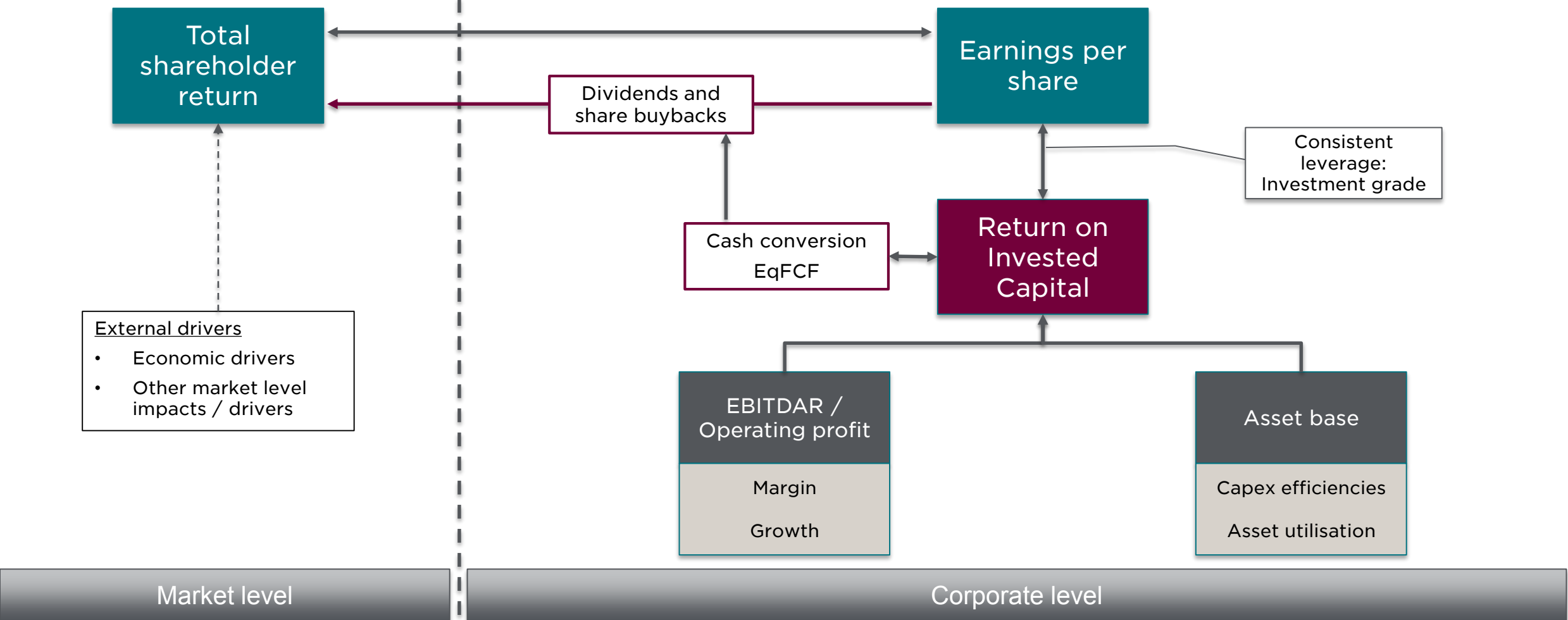
GBS (IT)

- Hybrid cloud
- Enabling digital innovation
- Resilience and agility
- Cyber security and compliance
- €90m targeted savings achieved

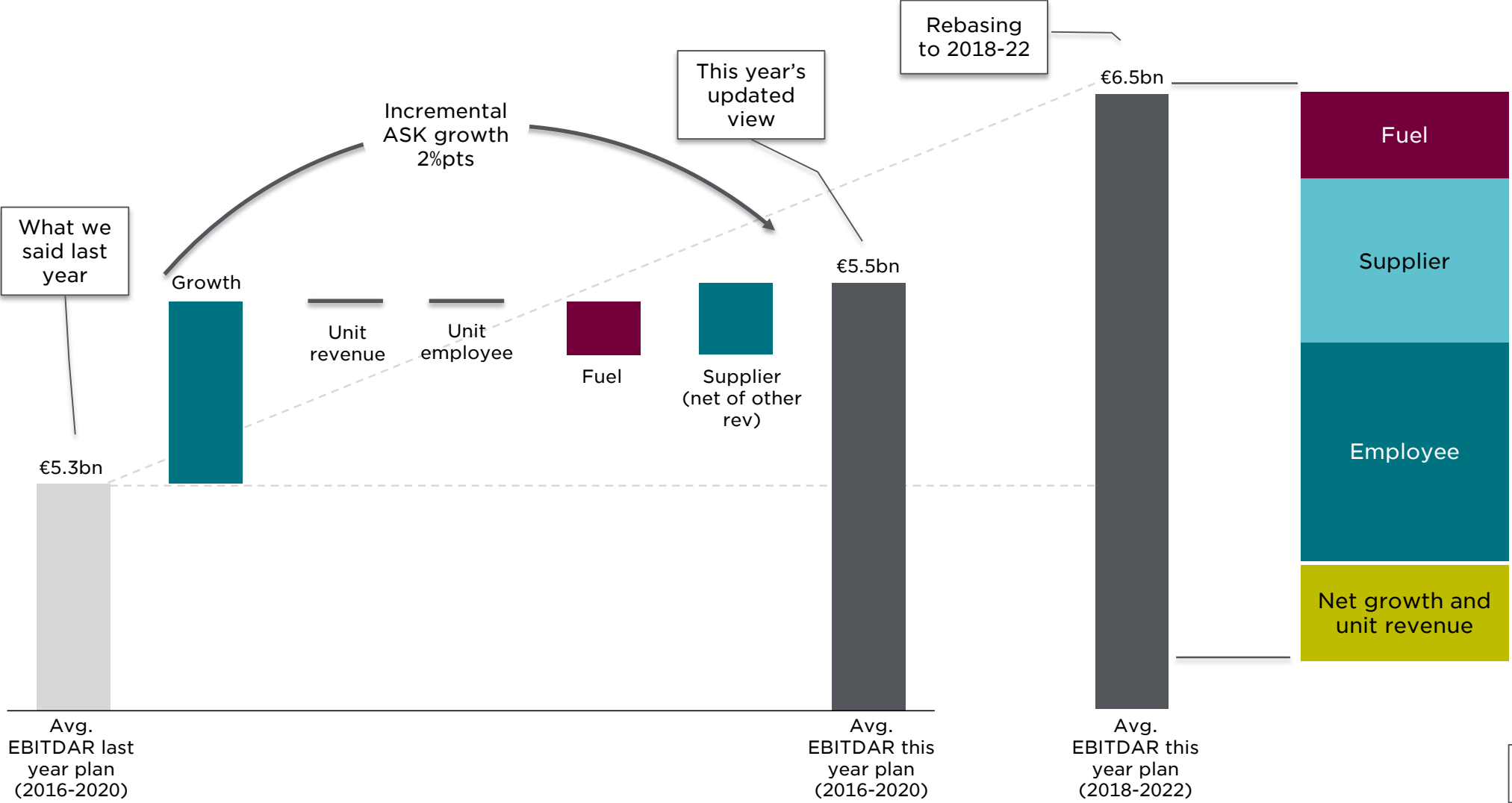
Digital

- Shop Order Pay
- Data
- Marketplaces
- Automation
- Digital mindset

Our long term planning framework



Delivering our -1% p.a. non-fuel unit cost target over the plan

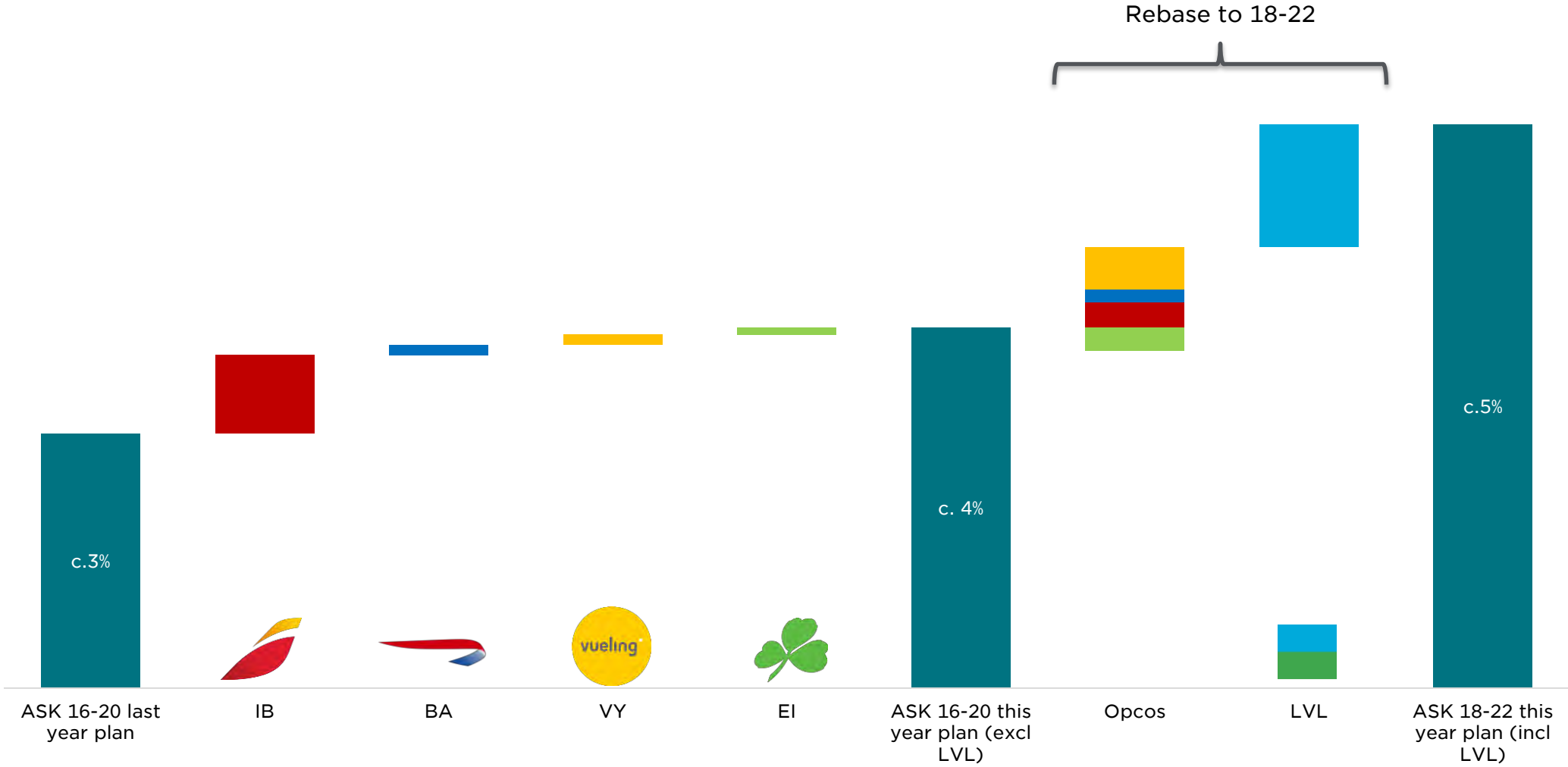


Key initiatives

- IMS (maintenance strategy)
- GBS procurement
- BA - Plan4 initiatives
- IB - Plan de Futuro II
- VY - NEXT
- GBS roll-out
- Growth c.5%

Indicative not to scale

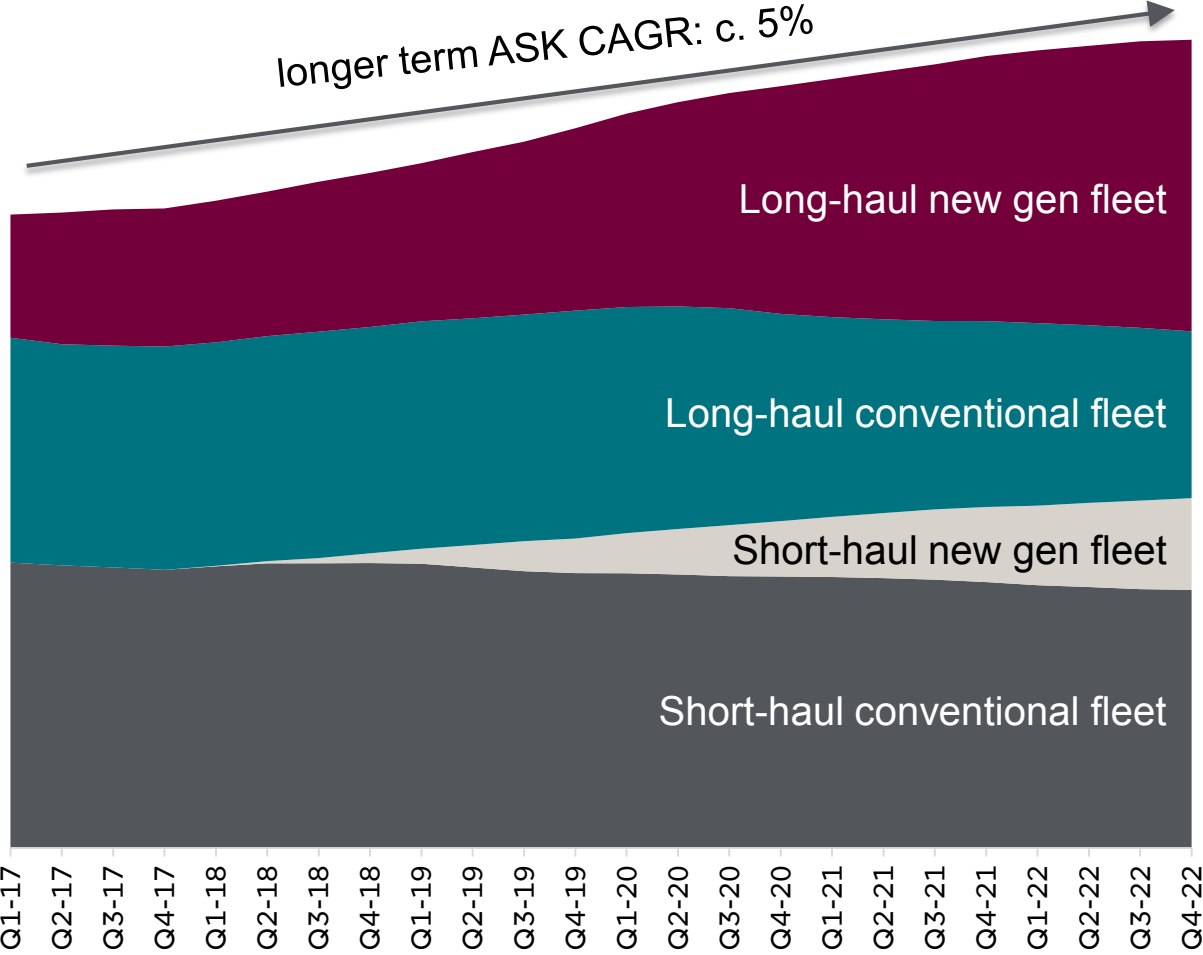
Increase in growth driven by Iberia and LEVEL



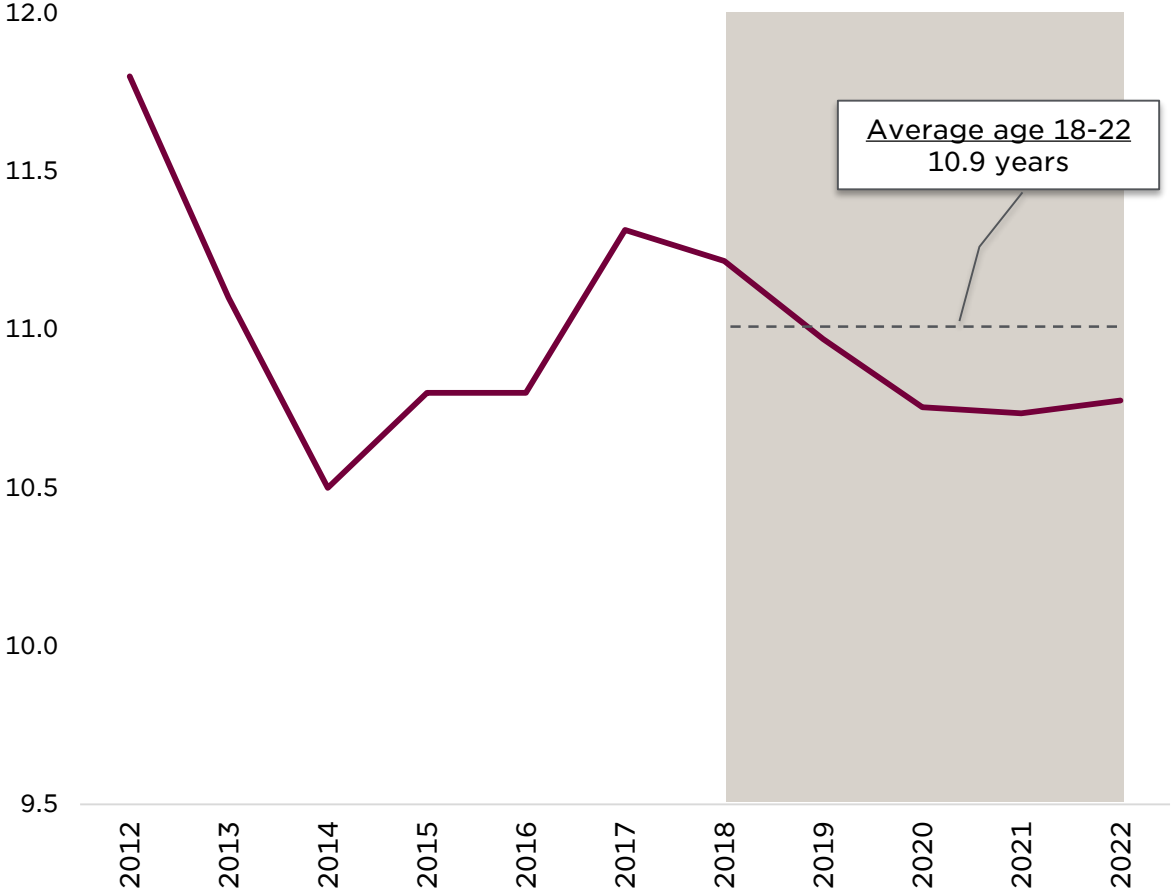
Fleet plan information

Fleet plan split by aircraft category

longer term ASK CAGR: c. 5%



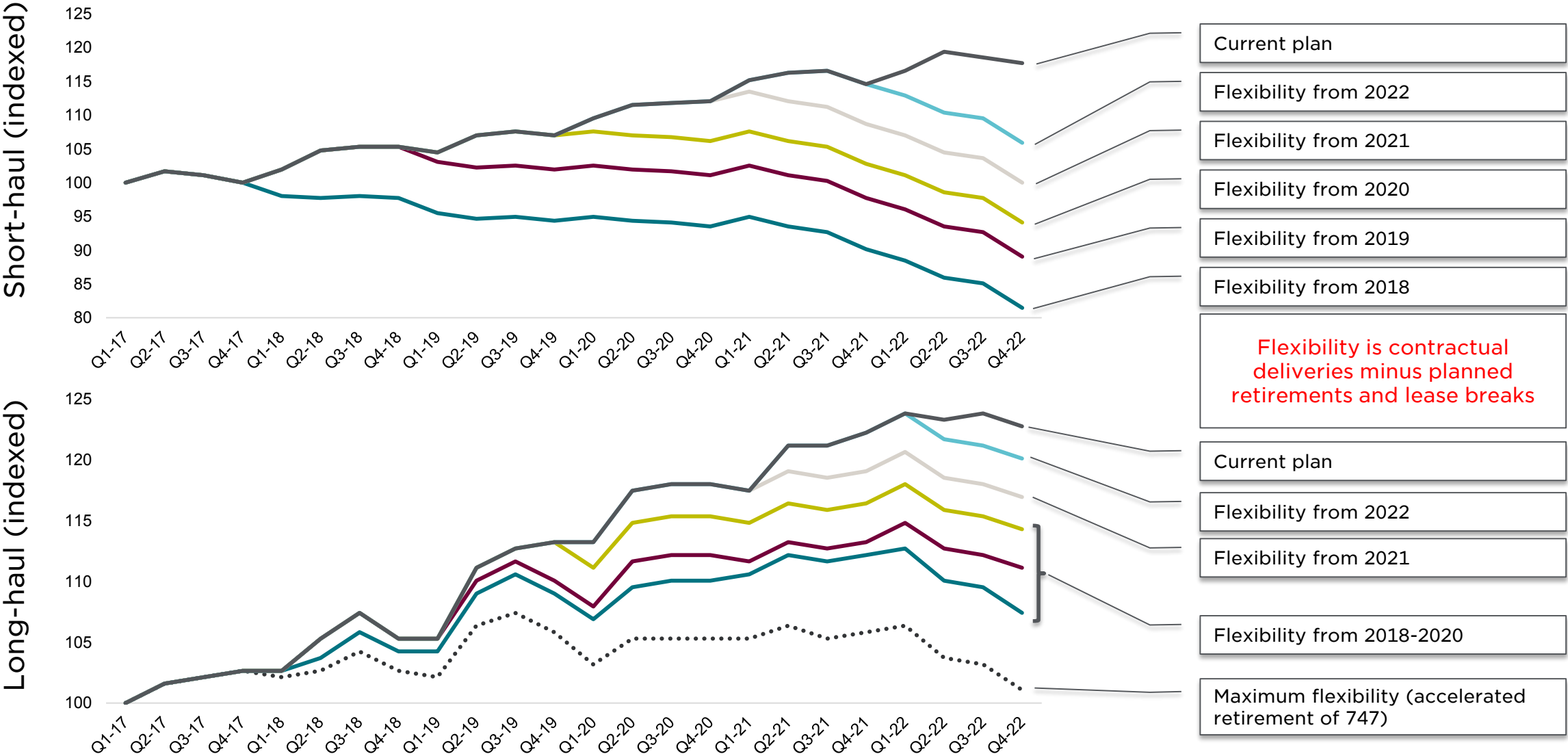
Average IAG fleet age (unweighted)



Fleet plan detail

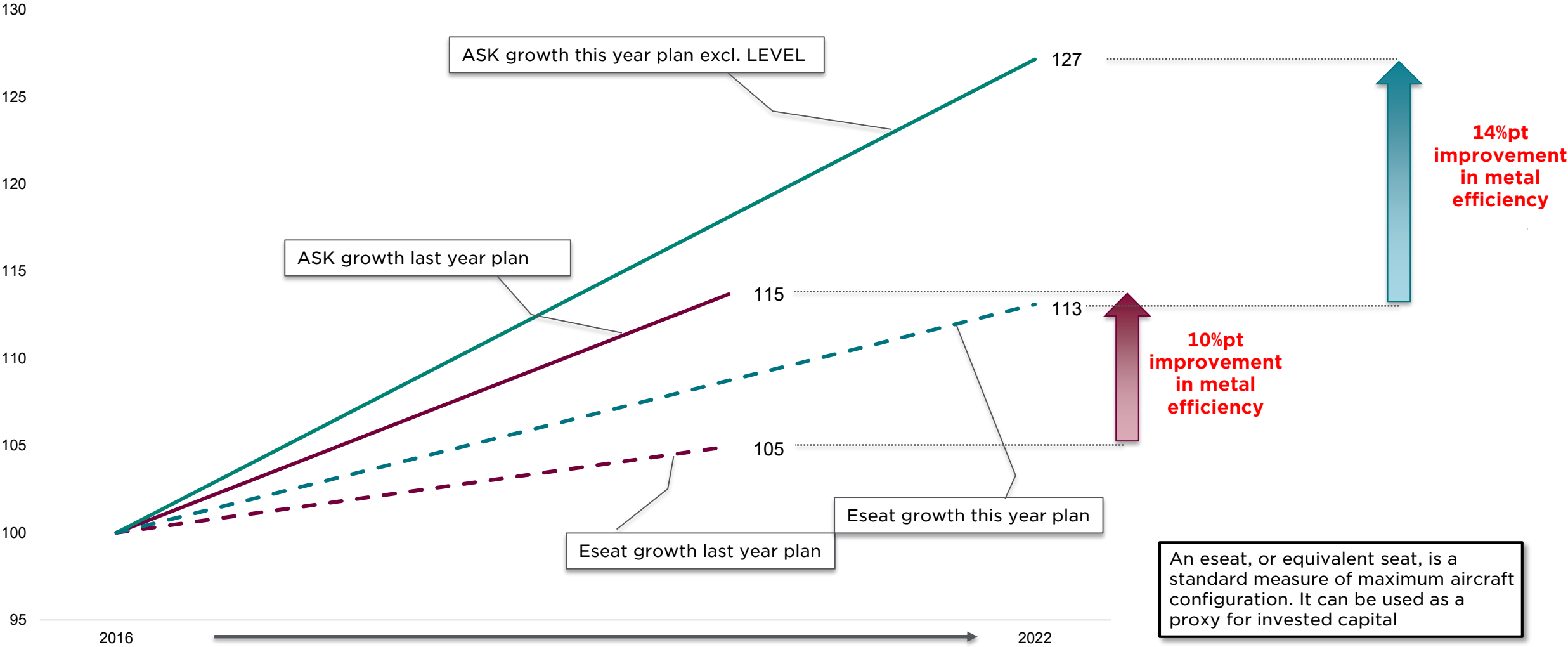
Aircraft	2017 year end	2018 year end	2020 Last year plan	2020 This year plan	Difference	Outstanding orders post 2020	Current further + rolling options
A330	32	37	31	37	+6		3
A340	17	15	7	11	+4	+5 LEVEL, +1 IB	
LEVEL NGLH				TBD			
A380	12	12	12	12	-		7
B747	36	34	23	22	-1		
B767	1	-	-	-	-		
B777	58	58	58	58	-		
B787 / A350	25	32	52	55	+3	21	70
Other	13	11	22	18	-4	+2 BA, +1 IB	
Total long-haul	194	199	205	215+		21	80
A320 family	327	352	362	374	+12	27	128
Other	29	23	26	25	-1	+4 BA, +4 IB, +4 VY	
Total short-haul	356	375	388	399	+11	27	128
Total fleet	550	574	593	614+		48	208

Fleet plan flexibility

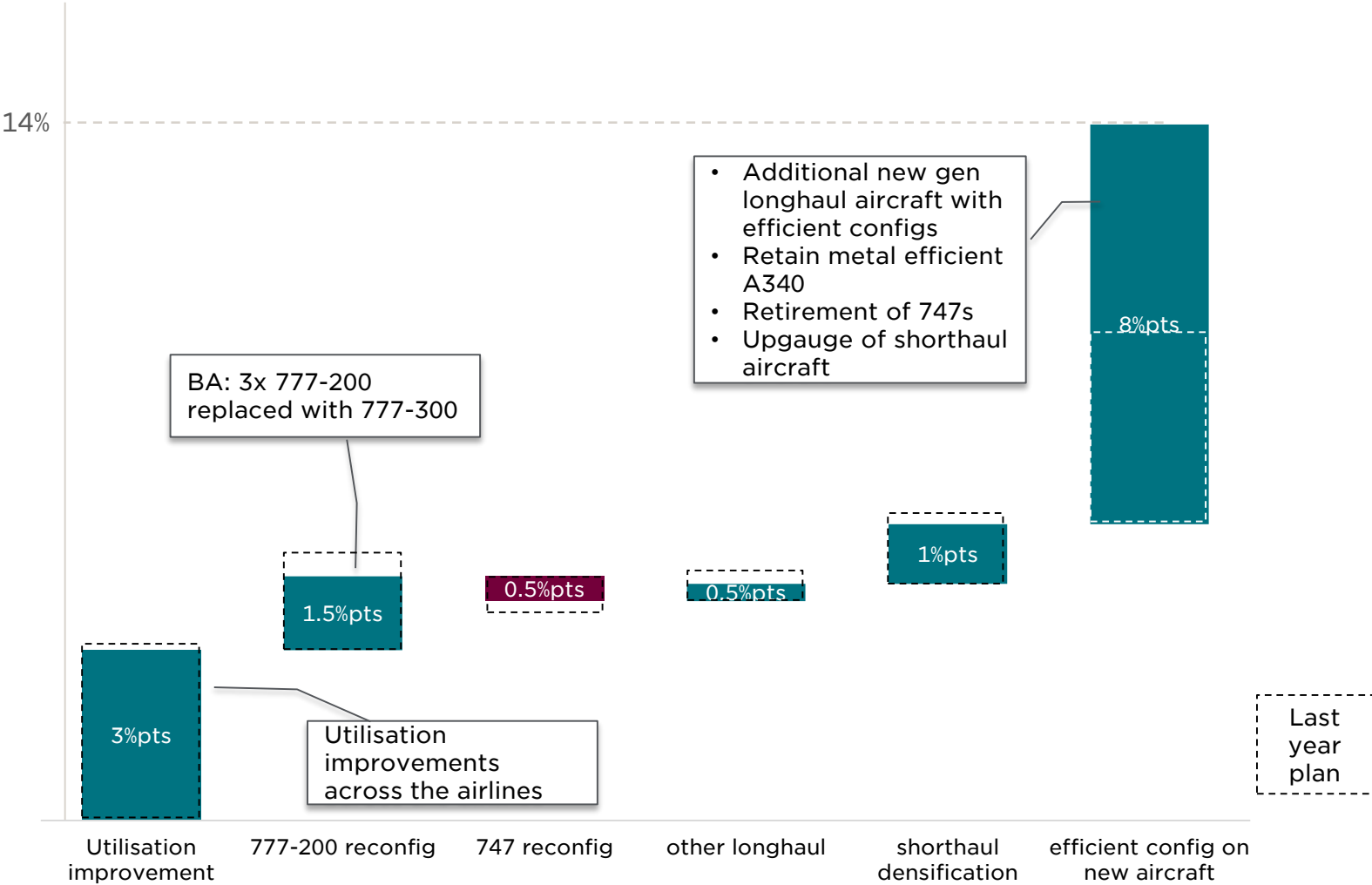


Change in capacity growth plan vs. last year

Capacity indexed



Structural capex saving retained



- Initiatives**
- ✓ Option exercise preference for current gen (A330) over new gen (A350 / B787)
 - ✓ B777-200 life extension
 - ✓ B747 life extension
 - ✓ B777-200 / B787 densification
 - (✓) Second hand SH and LH aircraft
 - ✓ Fleet harmonisation

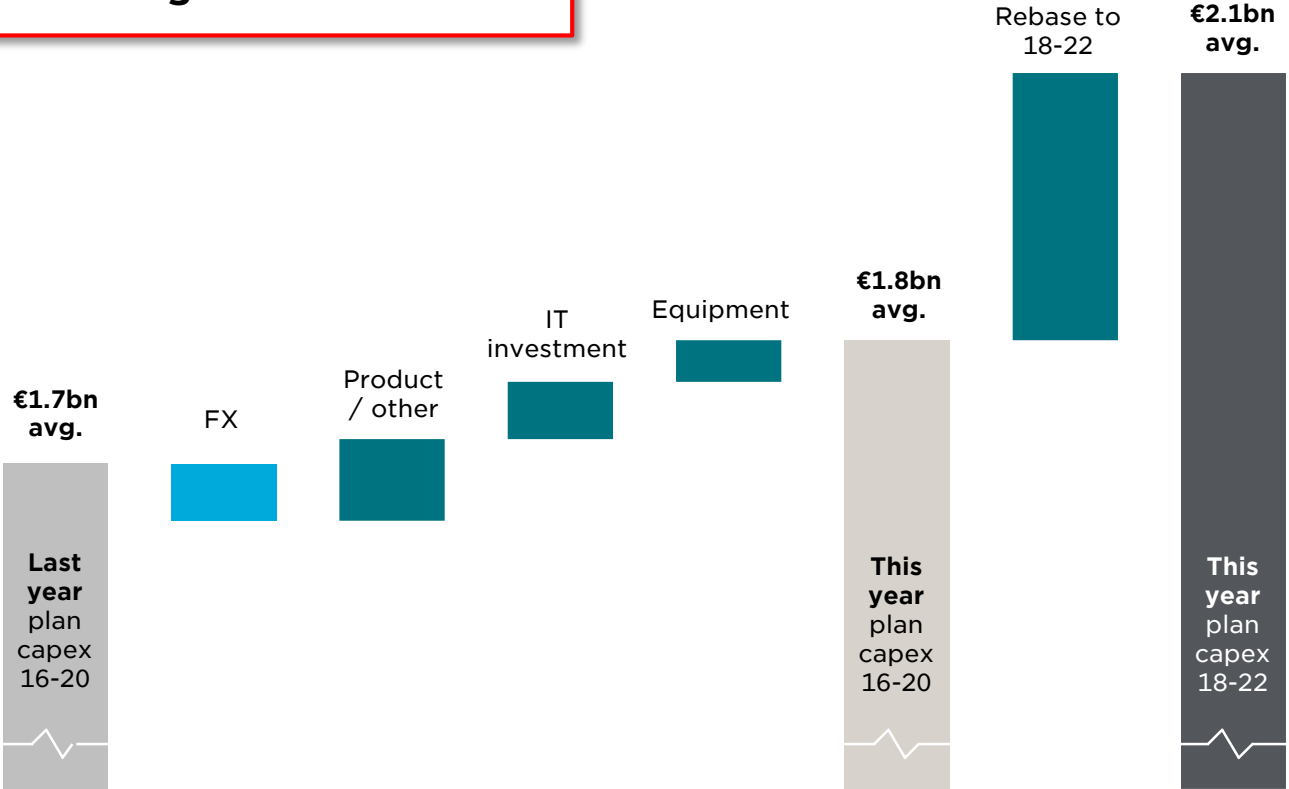
Note: comparing like-for-like fleet plans excluding LEVEL

What we're planning now: capex plan

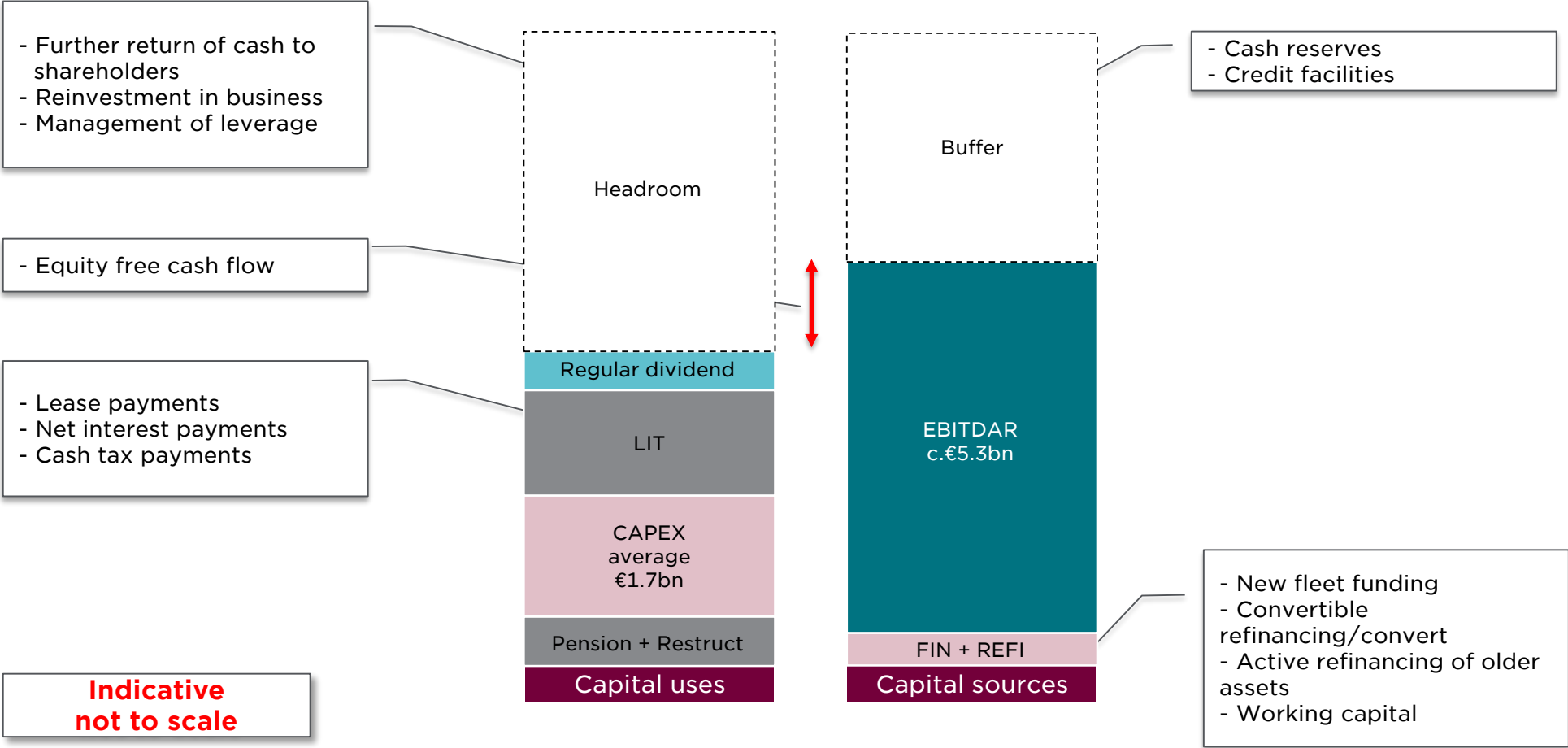
	Year	CAPEX last year plan	CAPEX current plan	CAPEX current plan
		2016-2020	2016-2020	2018-2022
Maximum	2020	€1.9bn	€2.4bn	€2.4bn
Average		€1.7bn	€1.8bn	€2.1bn
Minimum		€1.3bn	€1.4bn	€1.6bn

What we gave you last year

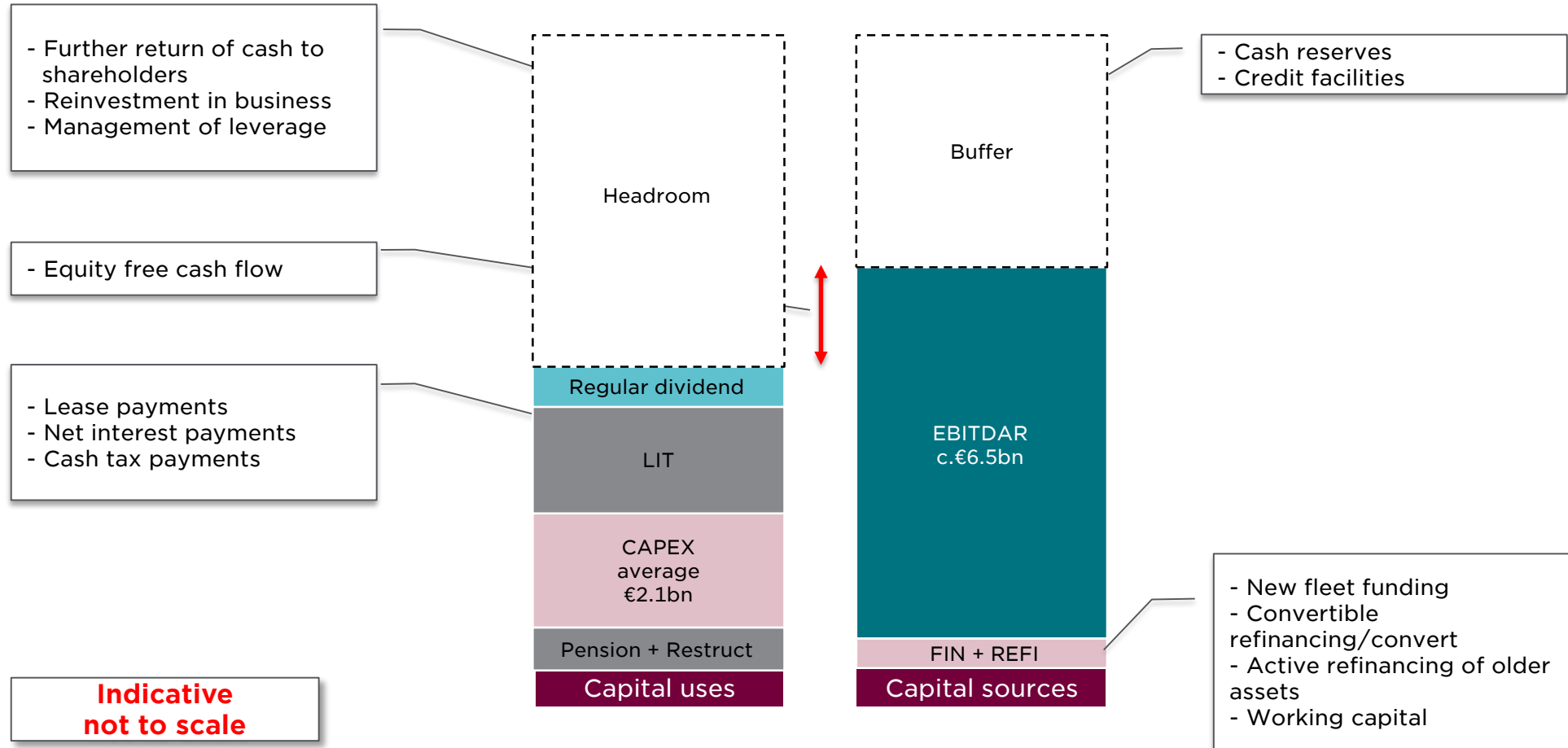
2018 - 2022	
ASK growth	5%
Invested capital growth	7%
EBITDAR growth	9%



Last year plan: IAG corporate finance strategy 2016-2020

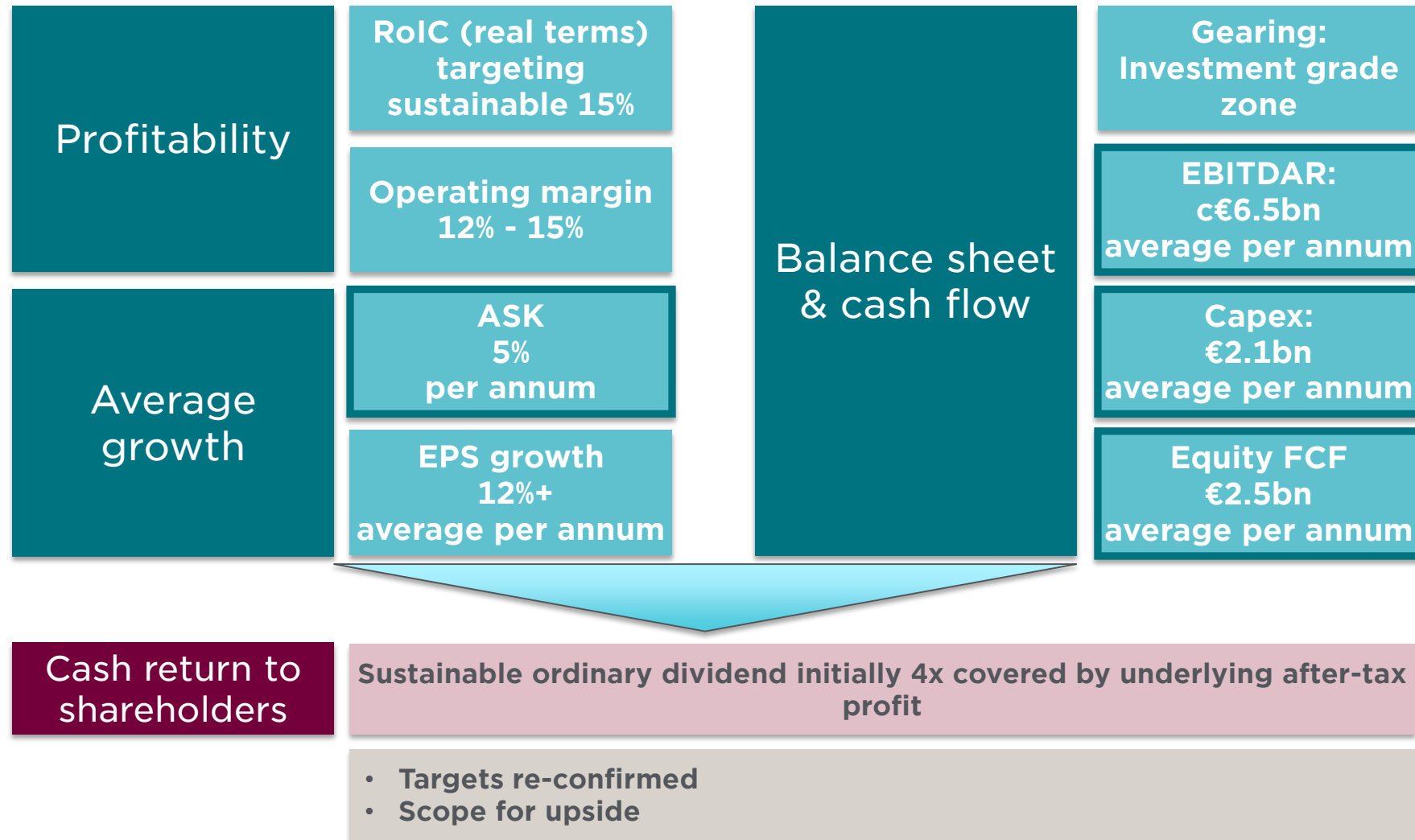


This year plan: IAG corporate finance strategy 2018-2022

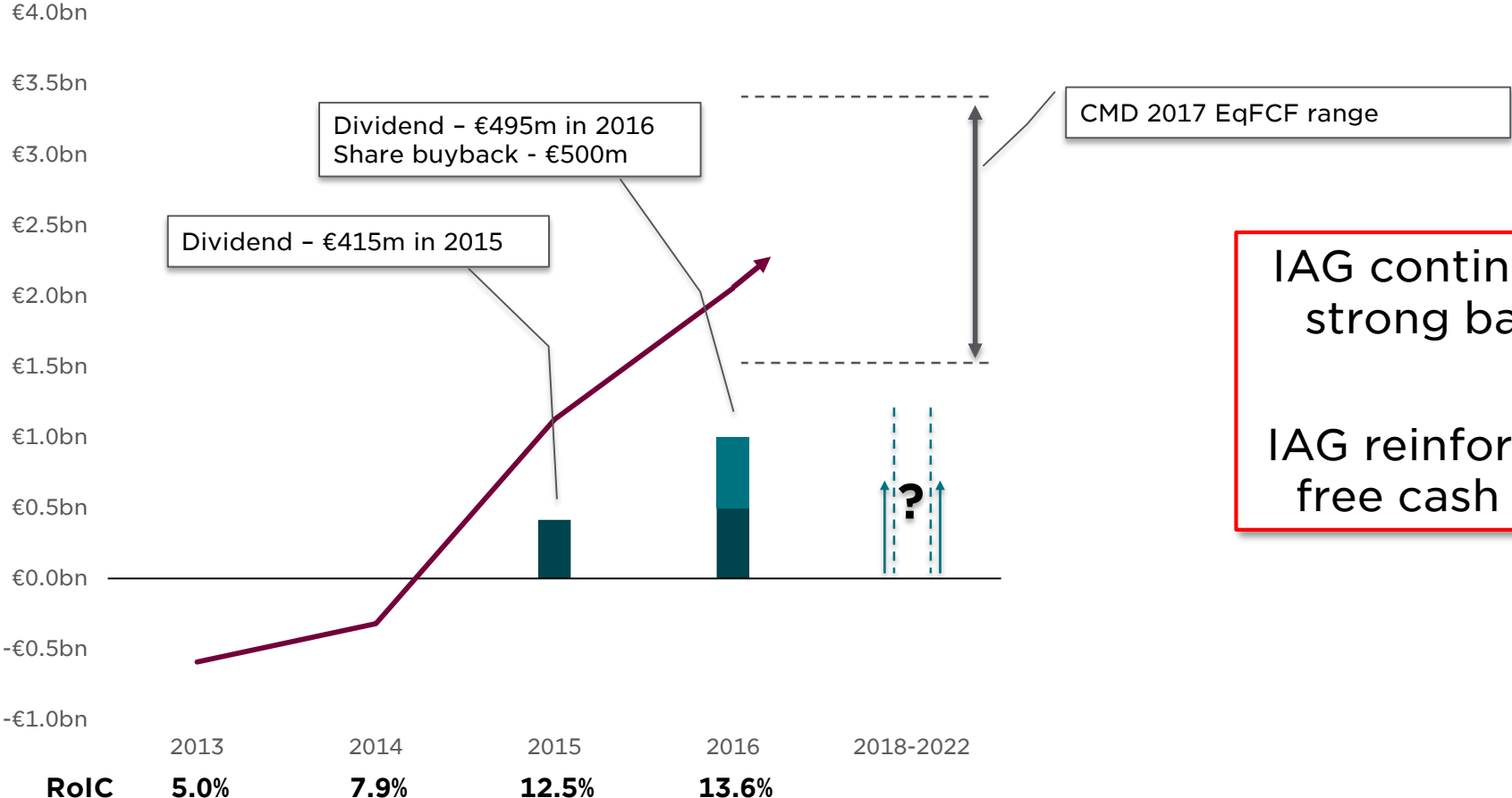


This year: Long term planning goals 2018 - 2022

IAG financial targets



Significantly increased shareholder cash potential



IAG continues to have a strong balance sheet

IAG reinforces its strong free cash flow targets

Disclaimer

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

Forward-looking statements can typically be identified by the use of forward-looking terminology, such as “expects”, “may”, “will”, “could”, “should”, “intends”, “plans”, “predicts”, “envisages” or “anticipates” and include, without limitation, any projections relating to results of operations and financial conditions of International Consolidated Airlines Group S.A. and its subsidiary undertakings from time to time (the ‘Group’), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditures and divestments relating to the Group and discussions of the Group’s Business plan. All forward-looking statements in this report are based upon information known to the Group on the date of this report. The Group undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the forward-looking statements in this report to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. Further information on the primary risks of the business and the risk management process of the Group is given in the Annual Report and Accounts 2016; these documents are available on www.iagshares.com.