Capital Markets Day

6th November 2015

INTERNATIONAL AIRLINES GROUP

Agenda

0830	Opening Speech	Antonio Vázquez	*IAG Chairman*
0845	Financial Overview & Targets	Enrique Dupuy	*IAG CFO*
0930	Cargo Avios GBS Group IT MRO Fleet Digital	Steve Gunning Gavin Halliday Laurence Turnbull Bill Francis Luis Gallego Henri-Charles Ozarovsky Glenn Morgan	*IAG Cargo CEO* *Avios Managing Director* *Head of Group Finance Services* *Head of Group IT* *Iberia Chairman & CEO* *Senior Manager Group Strategy* *Head of Digital Business Transformation*
1045	Break		
1115	British Airways Iberia Vueling Aer Lingus	Keith Williams Luis Gallego Alex Cruz Stephen Kavanagh	*BA Executive Chairman* *Iberia Chairman & CEO* *Vueling Chairman & CEO* *Aer Lingus CEO*
1215	CEO Speech	Willie Walsh	*IAG CEO*
1245	Lunch		
1330	Conclusion and Q&A	Willie Walsh	*IAG CEO*
1500	Drinks Reception		

IAG Plans and Targets

Financial targets – headlines 2015

- We are today announcing a considerable upgrade to our long term return and equity cash flow objectives

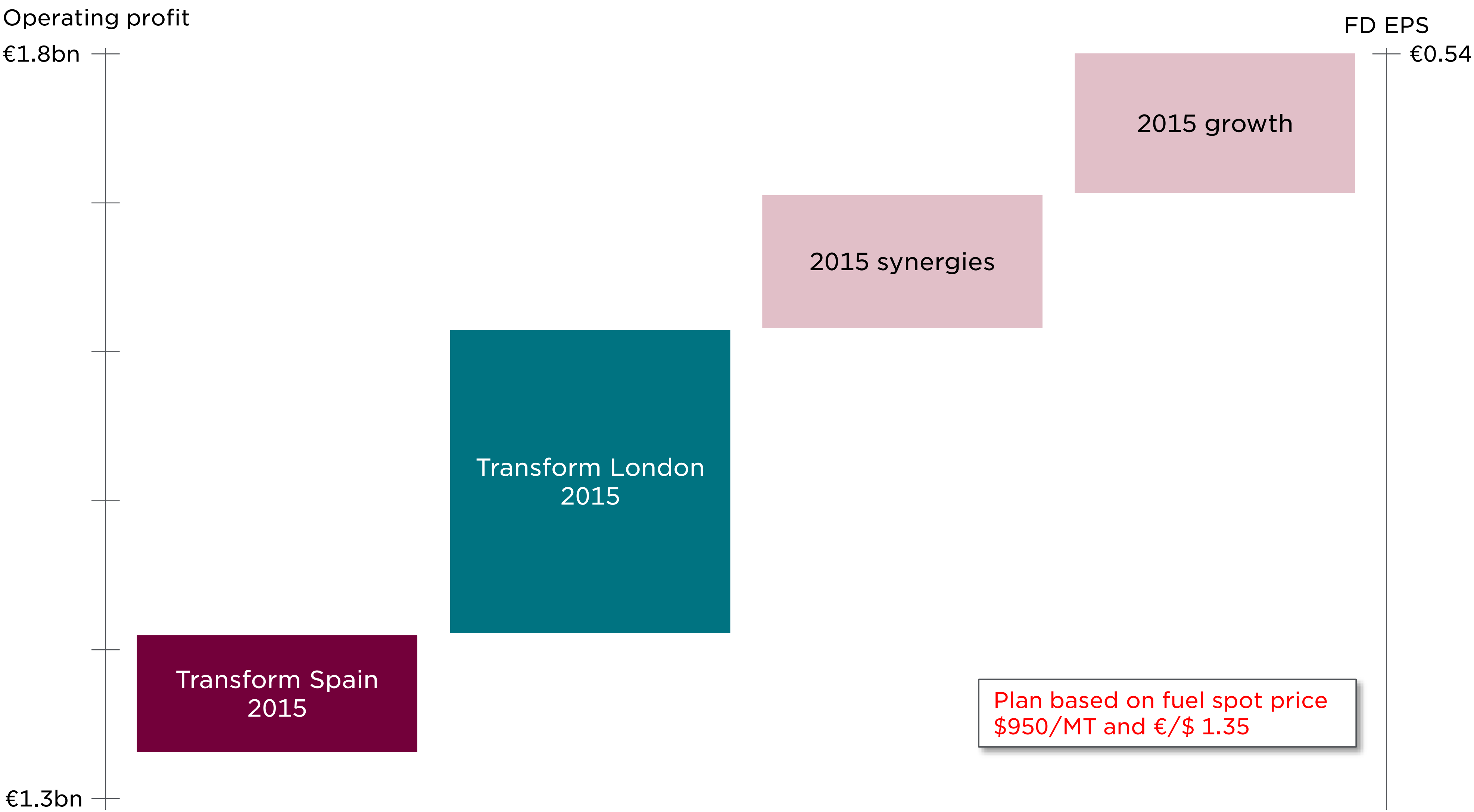
- We are banking very little fuel benefit at this stage
  - Total fuel benefit >€2bn at current fuel and fx over next 3 years as hedges roll off
  - We are focussed on retaining as much as possible
  - We are currently banking only 15% to 20% of that in our targets

- Why are we therefore more confident than last year?
  - Significant progress on "next generation synergies" - the IAG platform
  - Continued progress at OpCo level in efficiency programmes with particular future focus on potential for British Airways

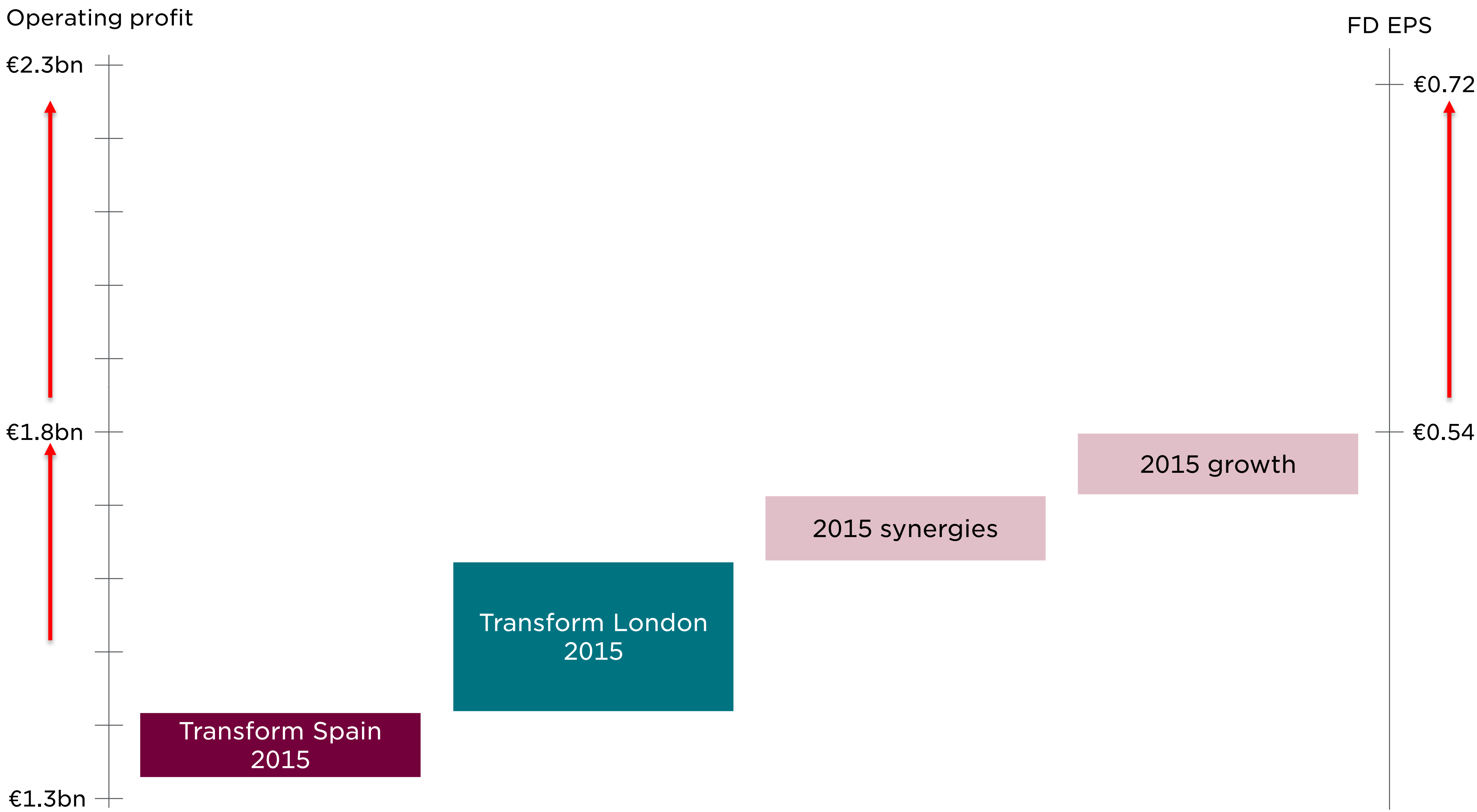
- First dividend announced - now aim to generate much more cash for shareholders

IAG Financial targets before Aer Lingus integration

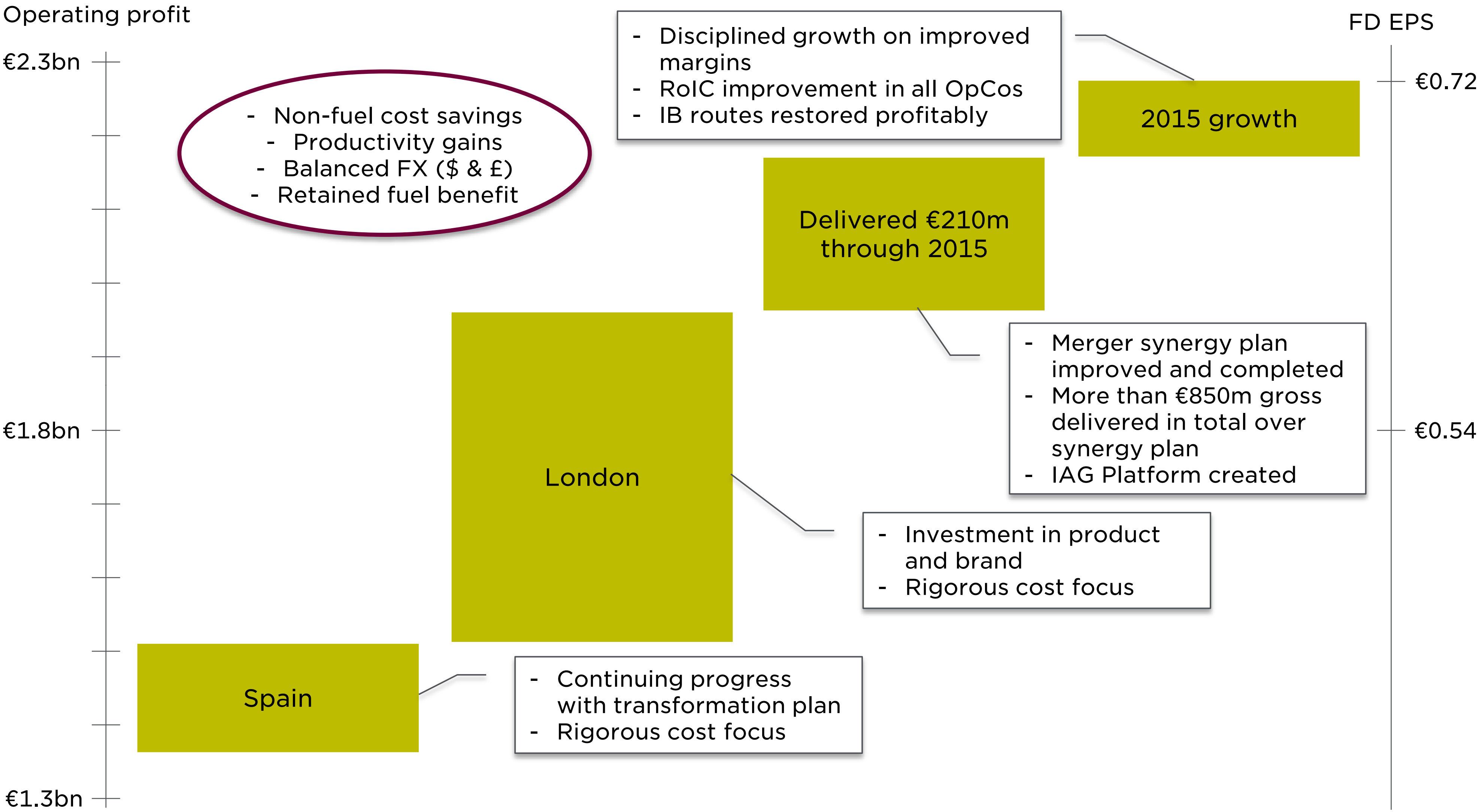
2015 financial targets – CMD 2014



2015 financial targets



2015 financial targets - execution



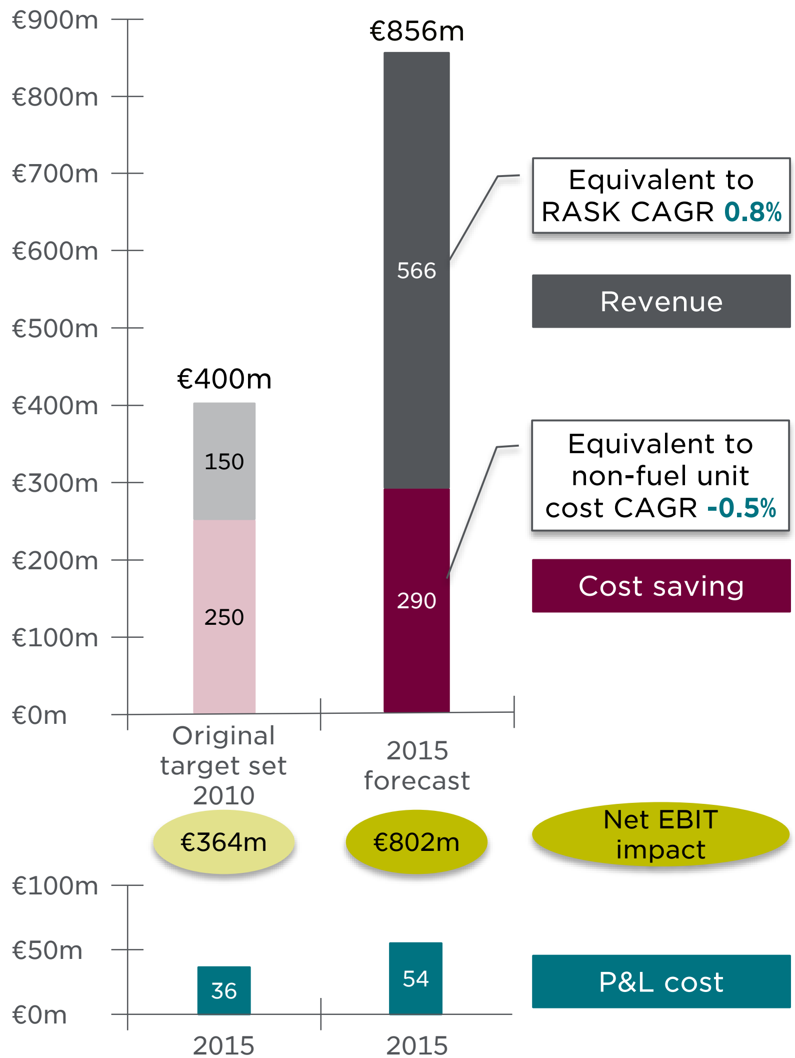
Synergy outperformance in 2015

Exceeded 2015 delivery plan by €120m – reaching c€800m net in total

Passenger Revenue	Avios Frequent Flyer	Passenger Revenue
Revenue Management shared best practice, O&D pricing, common approach to business	Improved access to capacity, governance restructured, increased volumes, new deals with Amex and Chase	Expanded codeshare on existing and new routes, LATAM, HAV, KUL and UK-Spain
exceeded by €35m	exceeded by €20m	exceeded by €15m

IAG Cargo	Information Technology	Maintenance
New IT systems for Revenue Management & Sales, expanded partner network	Reduced application portfolio and facilities, consolidated suppliers and outsourcing	Engine business, insourced activity and group solutions and deals
exceeded by €10m	exceeded by €10m	exceeded by €10m

Merger synergy program complete, target exceeded



Increased synergy value driven by:

- Revenue
  - Combined fare structure
  - Codeshare, cross selling, ancillaries
  - Revenue Management best practice
  - Sales force and **distribution cost savings**
  - Launch of **Avios** single group currency
  - Single integrated **cargo** network

- Costs
  - **Fleet** common specification and volume
  - Global Business Services (**GBS**)
  - Joint **MRO** planning and shared inventory
  - **Procurement** single group solution and volume
  - **IT** standardisation
  - Outsource transactional activity

Beyond synergies

Creation of a new IAG integrated platform

OpCo plug and play for efficiency and higher quality systems

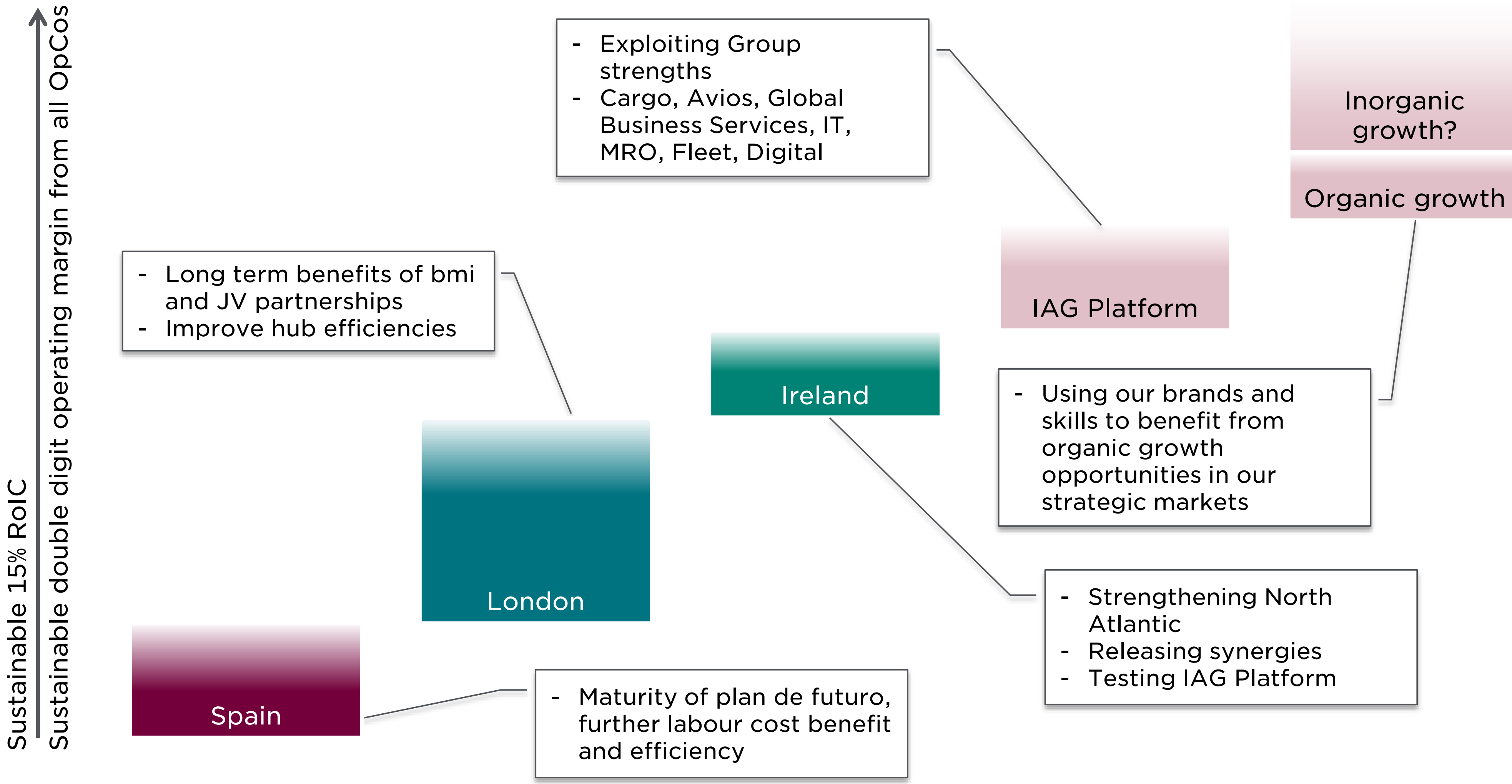
IAG margin expansion

95% complete	45% complete	40% complete	25% complete	5% complete	5% complete
Cargo	**Avios**	**GBS (Procurement + F&A)**	**GBS (IT)**	**MRO / Fleet**	**Digital**

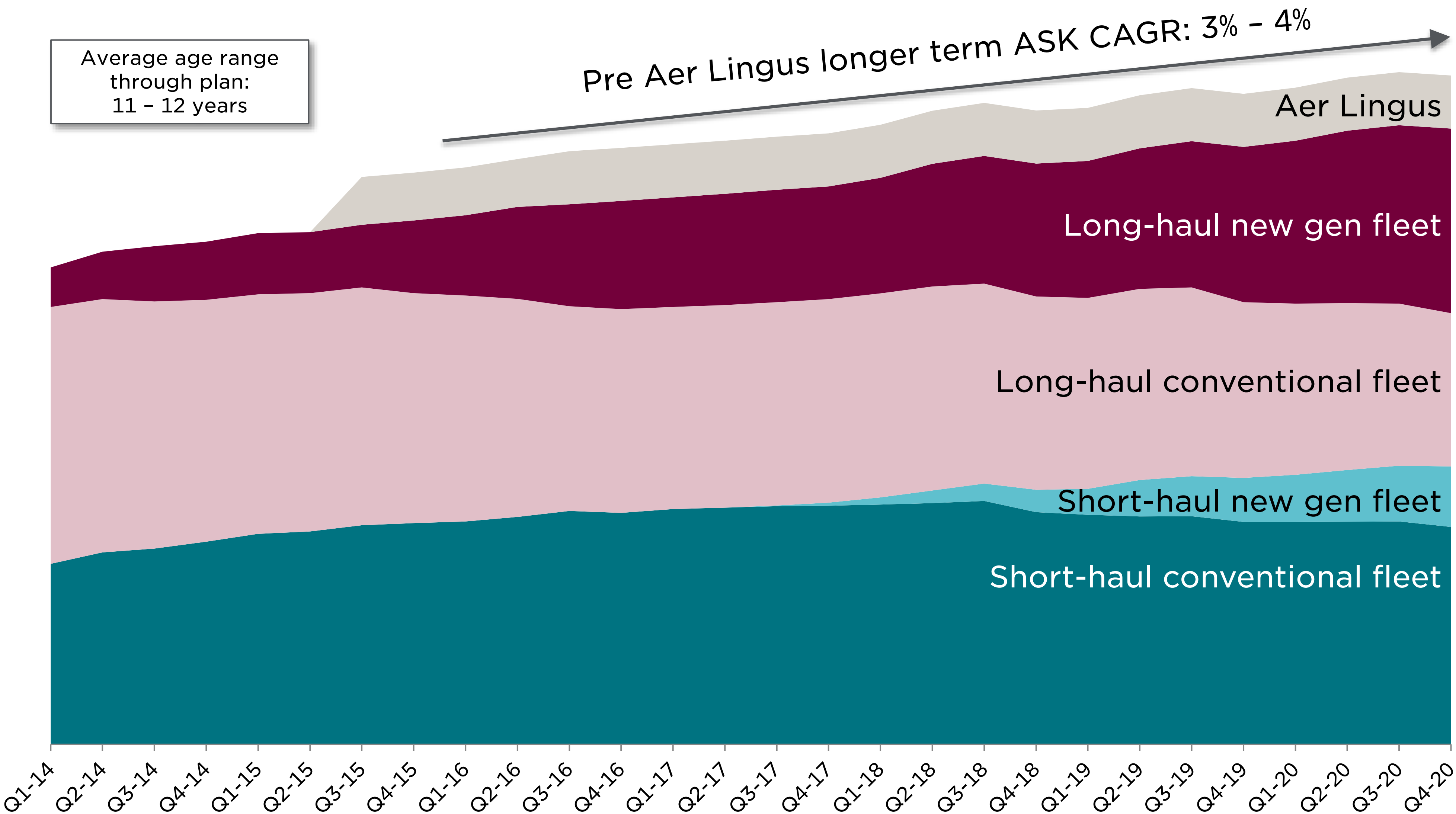
Attracting partners for future growth

Growth opportunities

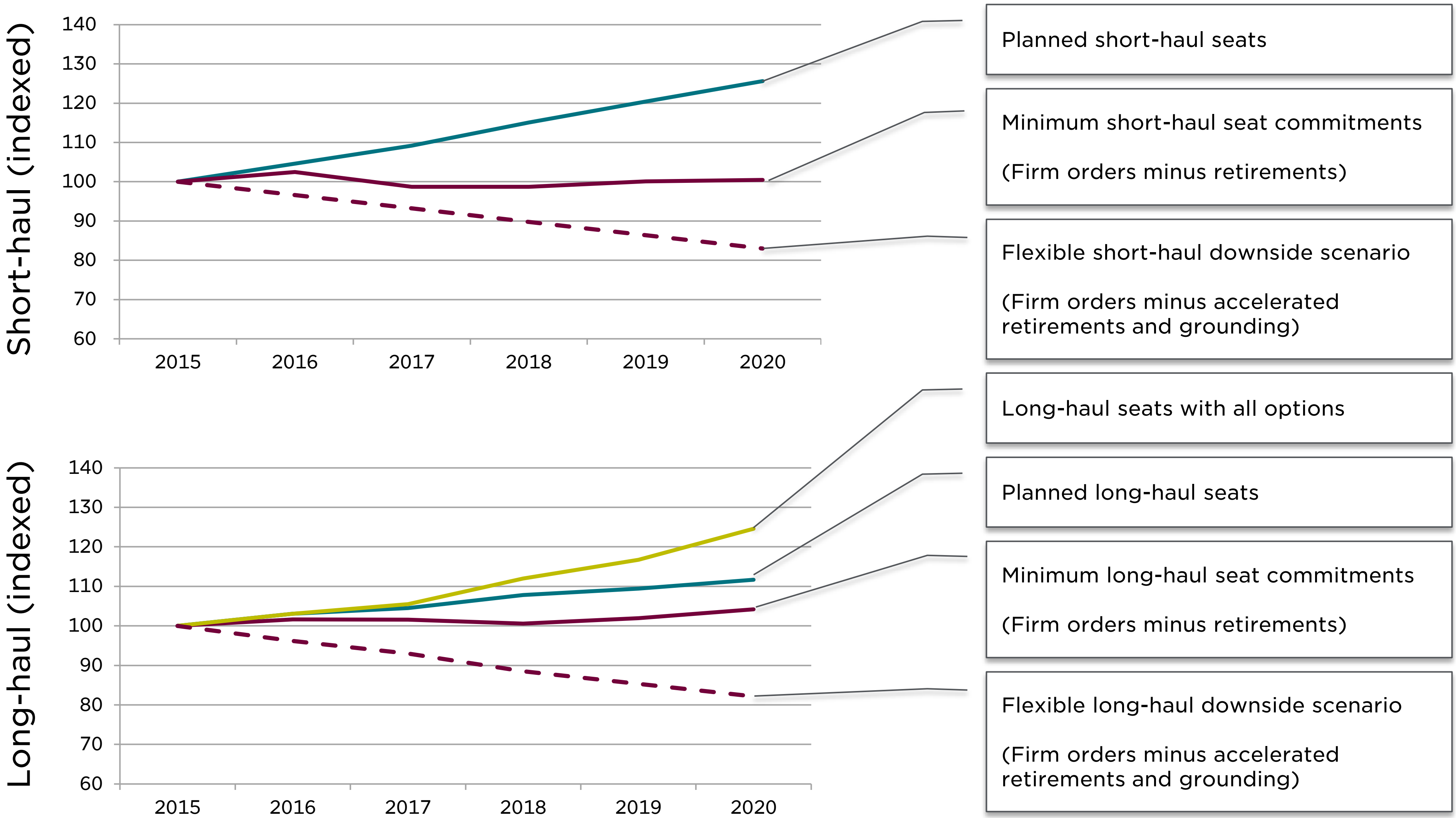
2016 - 2020 planning framework: key IAG projects



Fleet plan 2016 – 2020 ASKs



Fleet plan flexibility – seats in fleet



Aer Lingus not yet included in fleet plan

Fleet plan detail

Aircraft	2015 year end	2016 year end	2020 year end scenario	Outstanding orders post 2020	Current further + rolling options
A330	9	18	21		3 + 4
A340	23	18	11		
A350	-	-	24	10	34 + 18
A380	10	12	12		7 + 0
B747	39	36	19		
B767	5	-	-		
B777	58	58	58		
B787	13	24	39	3	18 + 0
Other	12	10	10		
Total long-haul	169	176	194	13	62 + 22
A320 family	287	298	359	12	61 + 82
Other	27	28	25		
Total short-haul	314	326	384	12	61 + 82
Total fleet	483	502	578	25	123 + 104

Aer Lingus not yet included in fleet plan

Options exercised, but no new orders since CMD 2014

A330 replacing A340

A350 replacing B747 and A340

A380 replacing B747

B747 and B767 retiring

B787 replacing B747 and B767

A320 replacement and growth

Plenty of flexibility embedded

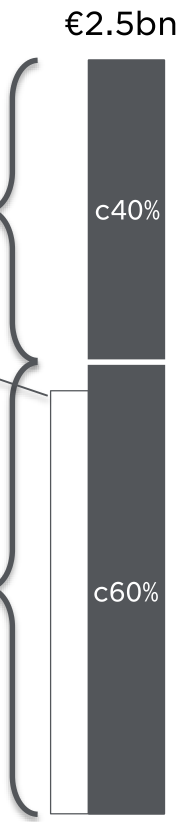
Capex plan 2016 – 2020

Annual capex to be less than €2.5bn, of which c80% will be fleet-related

Asset growth at average 3% per annum

Depreciation

Normalised replacement at 4.5% per annum



2016-20 annual maximum

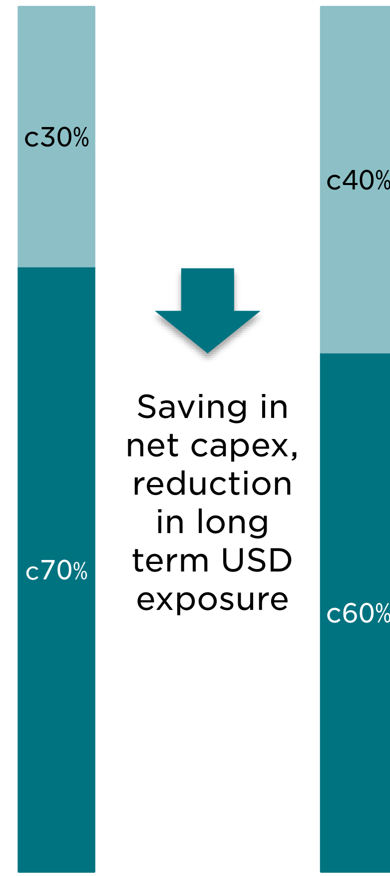
Capex drivers

USD strength

Initiatives (work in progress)

- 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

Fleet financing drivers



Saving in net capex, reduction in long term USD exposure

Leased

Owned

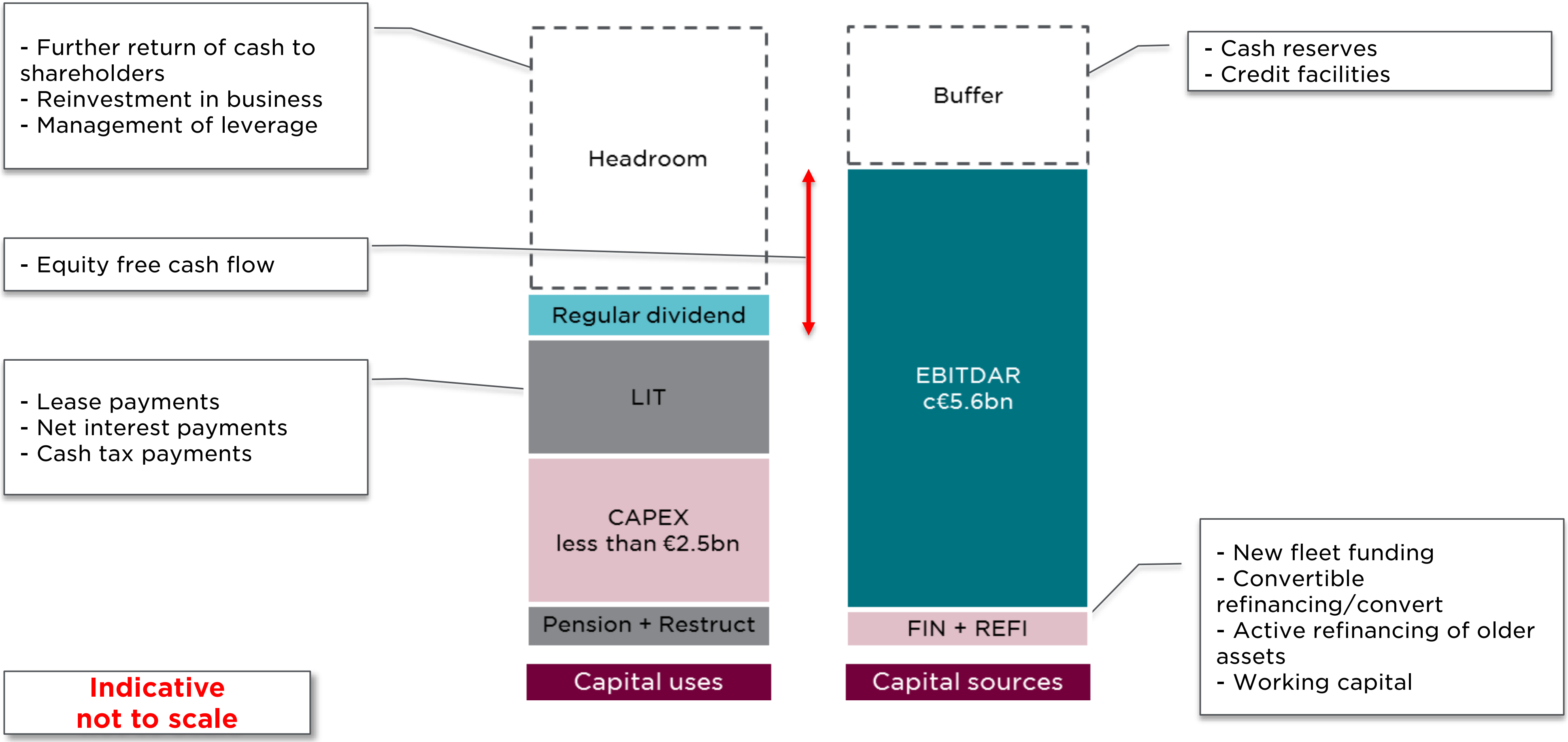
Portfolio optimisation and increase in flexibility

Historic blend in fleet

Future blend in fleet

IAG Financial targets before Aer Lingus integration

IAG corporate finance strategy 2016-2020



IAG Financial targets before Aer Lingus integration

Long term planning goals 2016 – 2020 – CMD 2014

Profitability	RoIC (real terms) 12%+	Balance sheet & cash flow	Gearing: Investment grade zone
	Operating margin 10% - 14%		EBITDAR: ~€5bn average per annum
Average growth	ASK 3%-4% per annum		Capex: €2bn - €3bn per annum
	Average EPS growth 10%+ per annum		Equity FCF €1bn - €1.5bn per annum

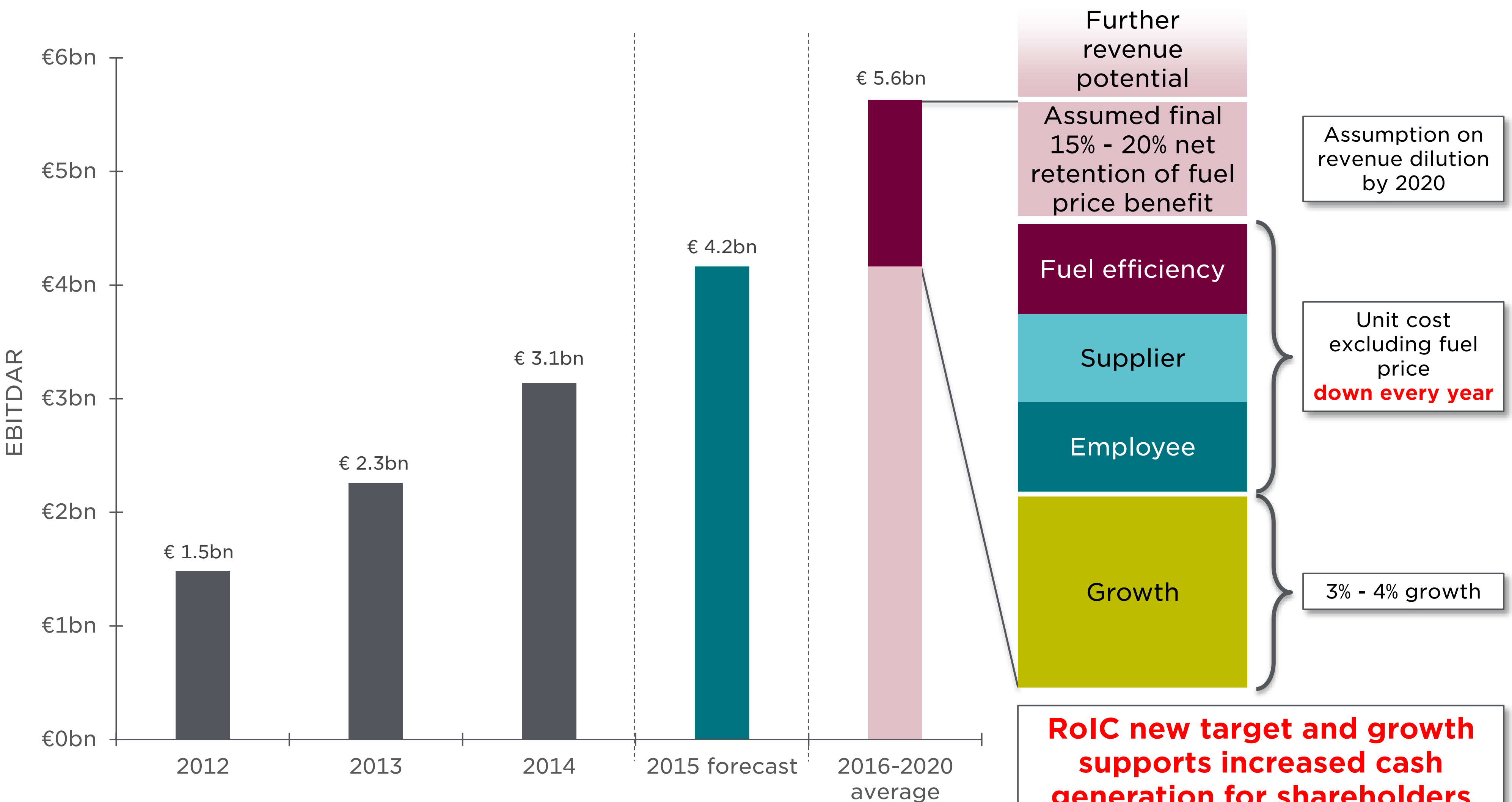
Cash return to shareholders	Sustainable ordinary dividend initially 4x covered by underlying after-tax profit

Long term planning goals 2016 - 2020

IAG Financial targets before Aer Lingus integration

Profitability	RoIC (real terms) targeting sustainable 15%
	Operating margin 12% - 15%
Average growth	ASK 3%-4% per annum
	Average EPS growth 12%+ per annum
Balance sheet & cash flow	Gearing: Investment grade zone
	EBITDAR: c€5.6bn average per annum
	Capex: targeting less than €2.5bn per annum
	Equity FCF €1.5bn - €2.5bn per annum
Cash return to shareholders	Sustainable ordinary dividend initially 4x covered by underlying after-tax profit

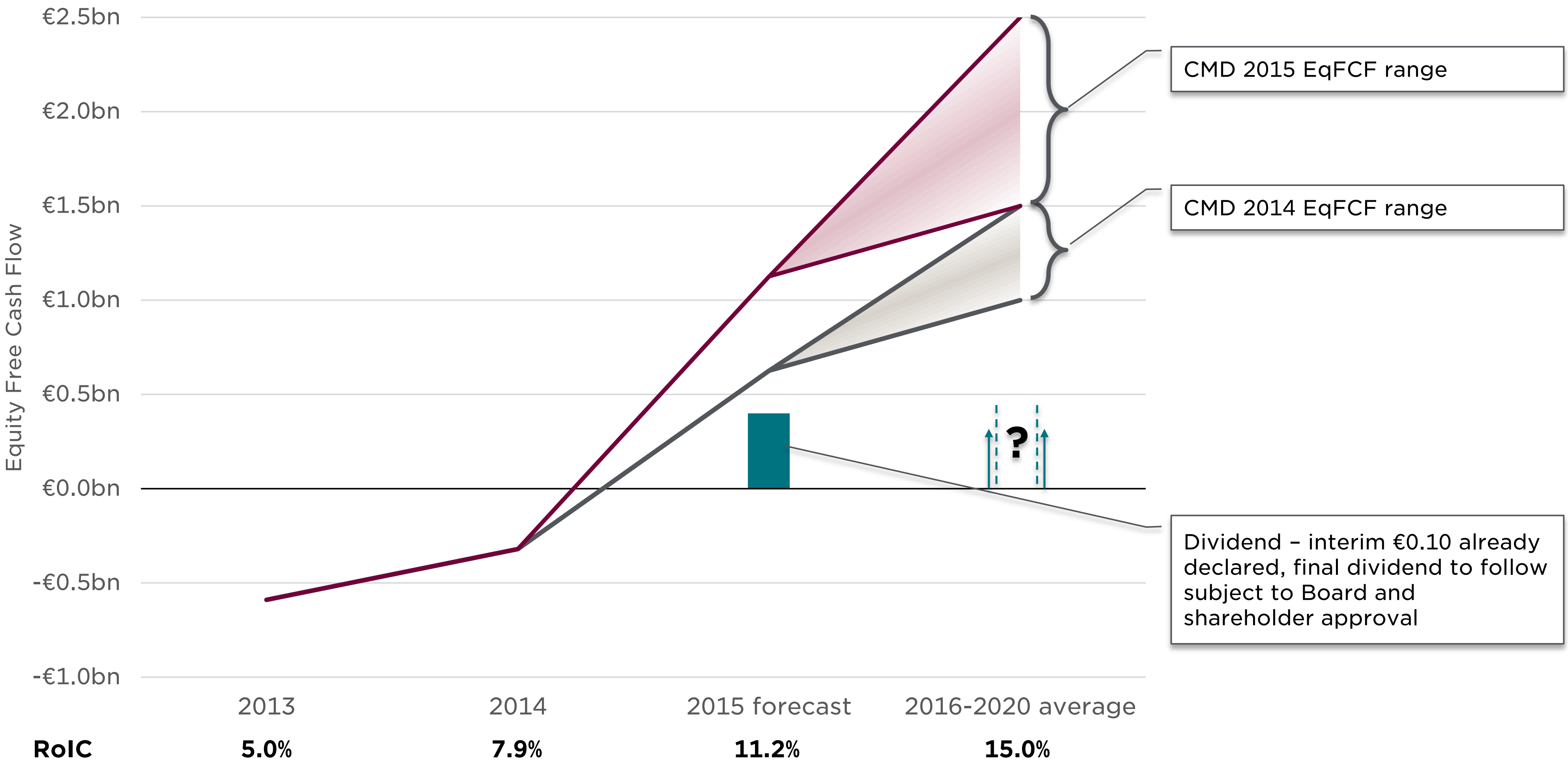
The best is yet to come



IAG Financial targets before Aer Lingus integration

RoIC new target and growth supports increased cash generation for shareholders

Significantly increased shareholder cash potential



Cargo

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Optimising return for IAG

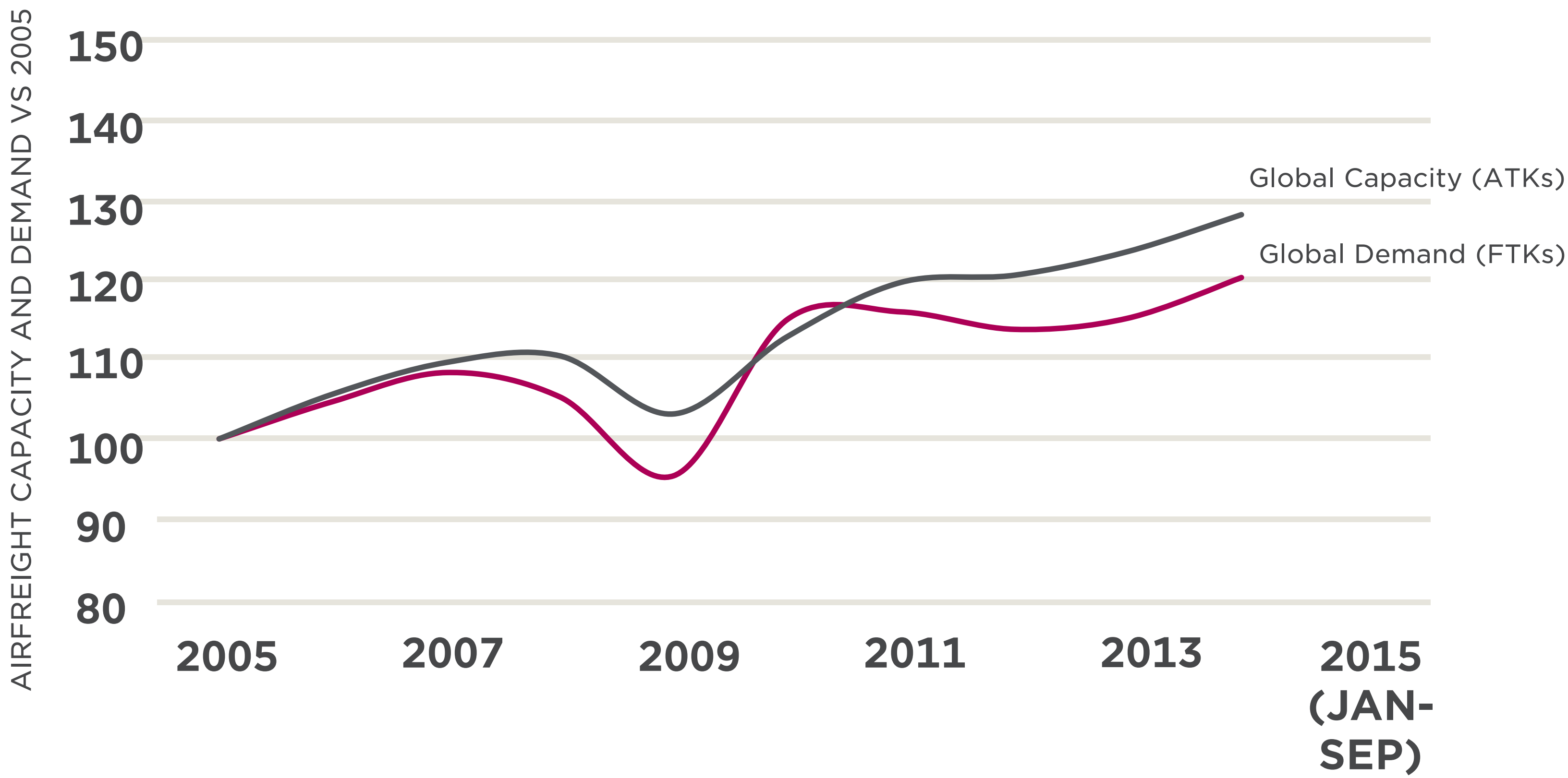
MARKET IMBALANCE PERSISTS

FOCUS ON YIELD AND COST

PLATFORM SUBSTANTIALLY COMPLETE

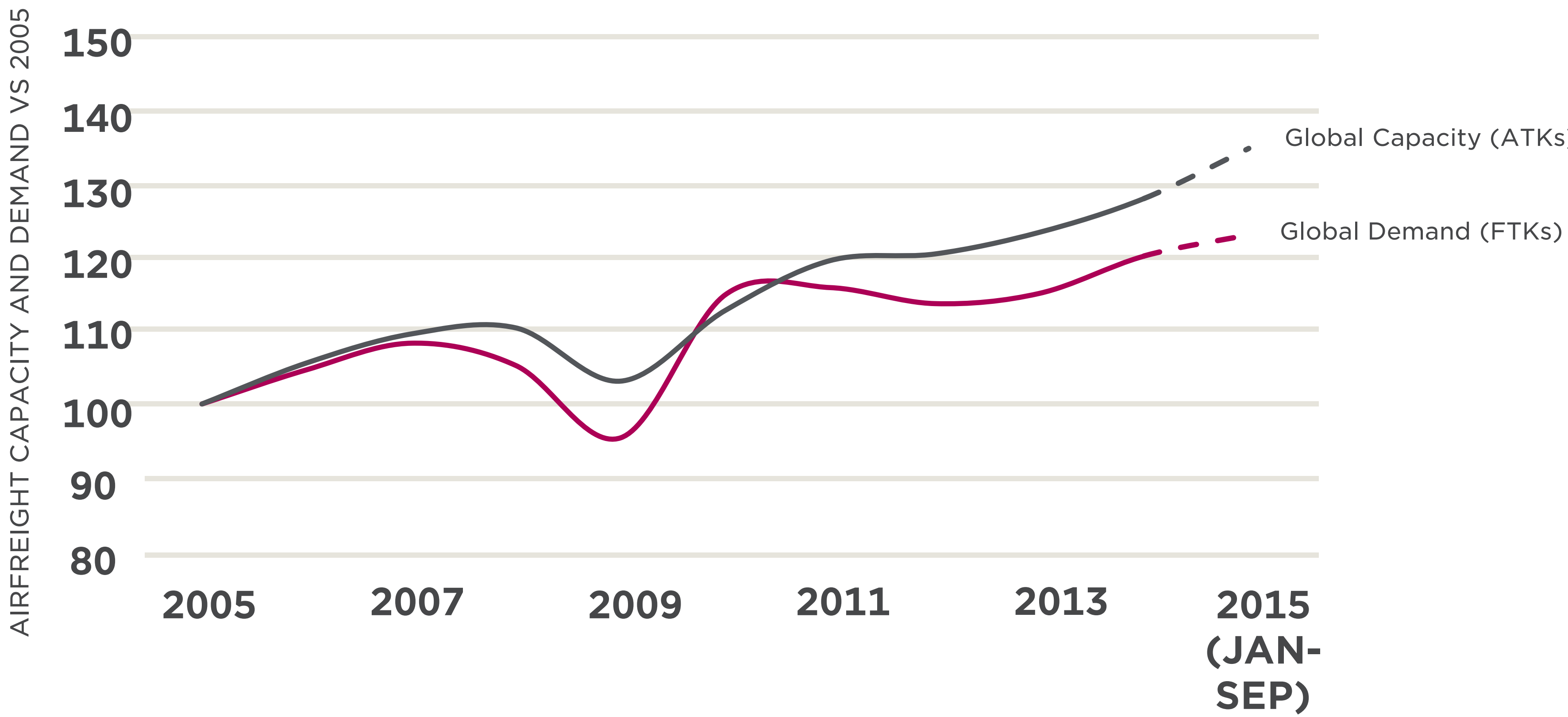
PROGRESS ON STRATEGIC PRIORITIES

Structural change in the market



Source: IATA International Airfreight Statistics

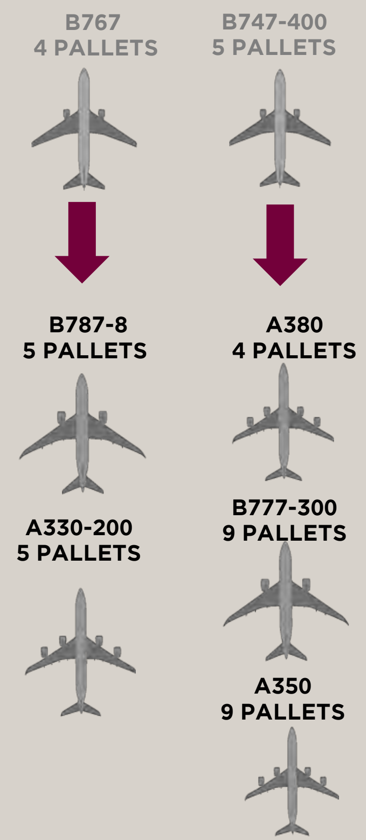
Structural change in the market

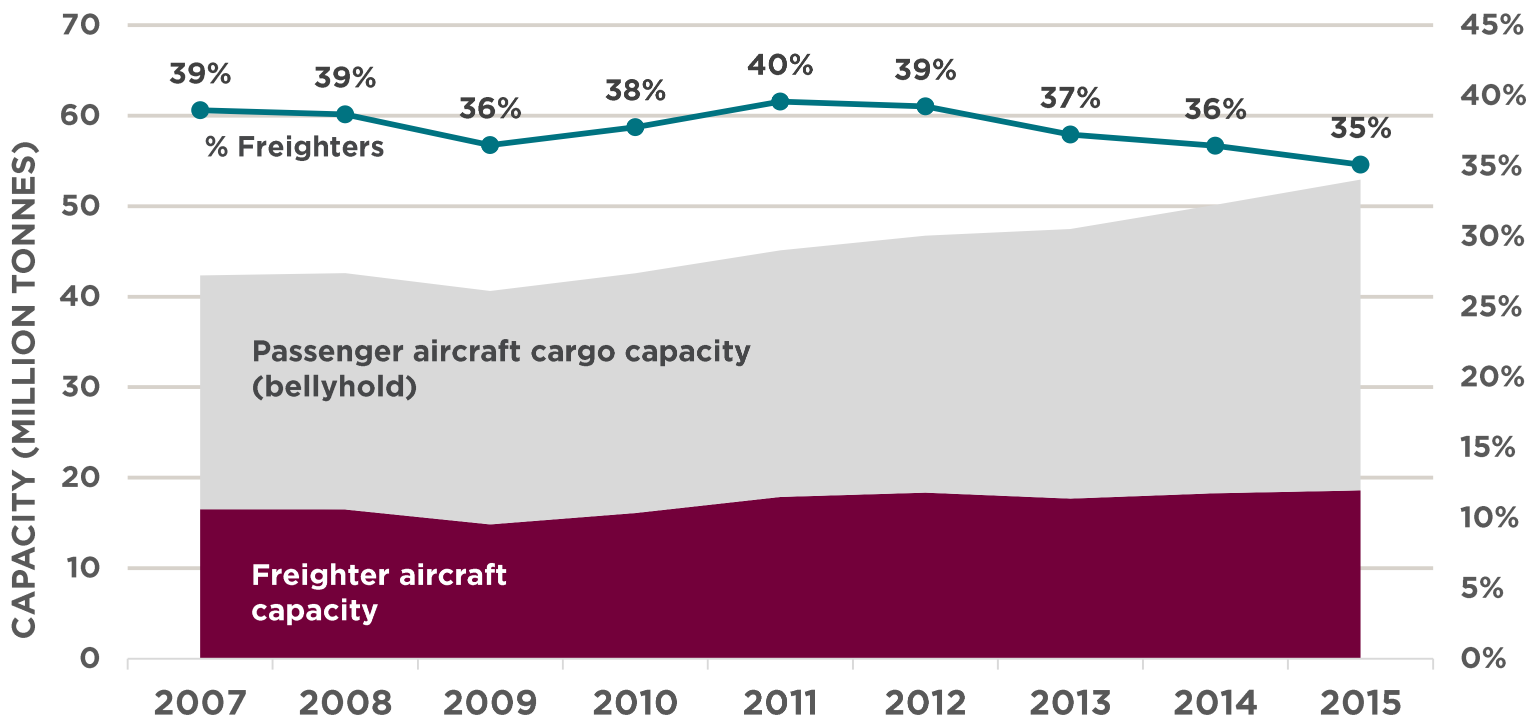


Source: IATA International Airfreight Statistics

Bellyhold capacity driving industry growth

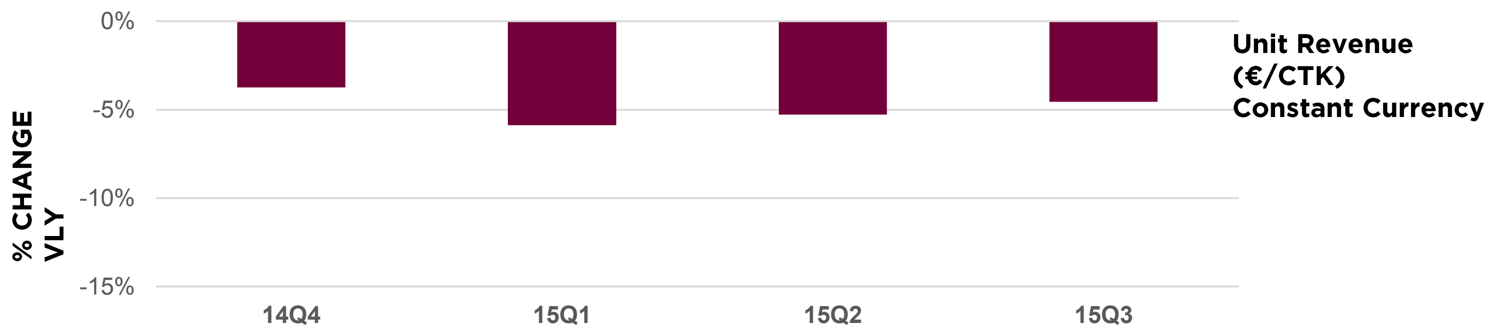
FLEET REPLACEMENTS





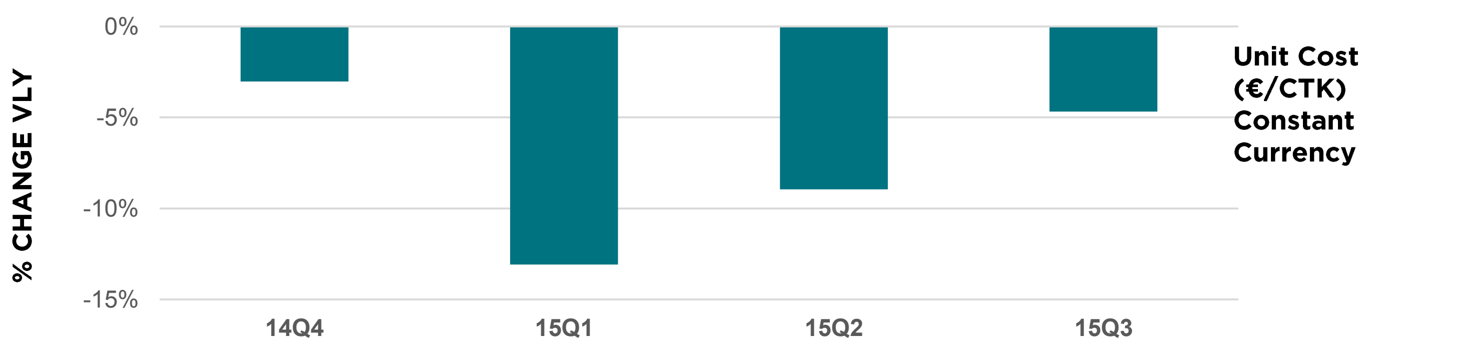
Focus on cost and yield

- Year to date unit revenue €/CTK up 5% vly at outturn
- Year to date unit costs (€/CTK) up 3% vly at outturn



Unit cost control due to:

- management action, e.g. supplier renegotiations and productivity improvements
- low fuel cost net of hedge loss



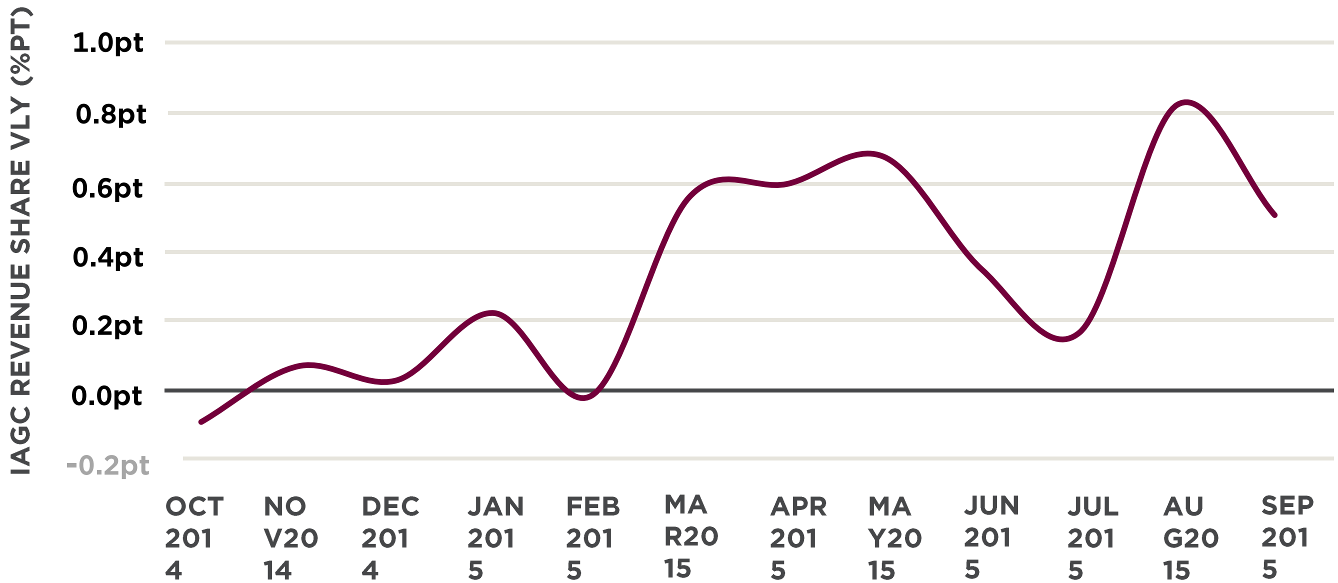
Revenues and costs shown at constant FX and excluding long-haul freighters prior to exit in May 2014

IAG Cargo growing revenue share

Revenue share up vLY with latest position at 7% of addressable market

Revenue share helped by IAGC yields vs market:

- Growth in premium product mix
- Strong revenue management controls aided by new system

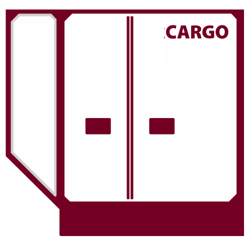


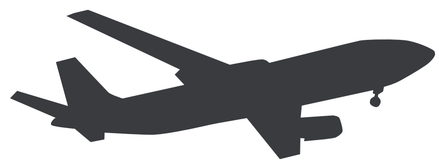
	IAG Cargo	Lufthansa	AIRFRANCE KLM
Revenue/CTK Year to date vLY	5%	1%	2%
Revenue/CTK Q3 vLY	5%	(2%)	(4%)

Source: IATA CASS. Graph shows IAG Cargo's revenue share vLY. Share relates to addressable global market which overlaps IAG Cargo's global network. IAG Cargo data shows like for like performance vLY and excludes long-haul freighters prior to May 2014.

Strategic priorities

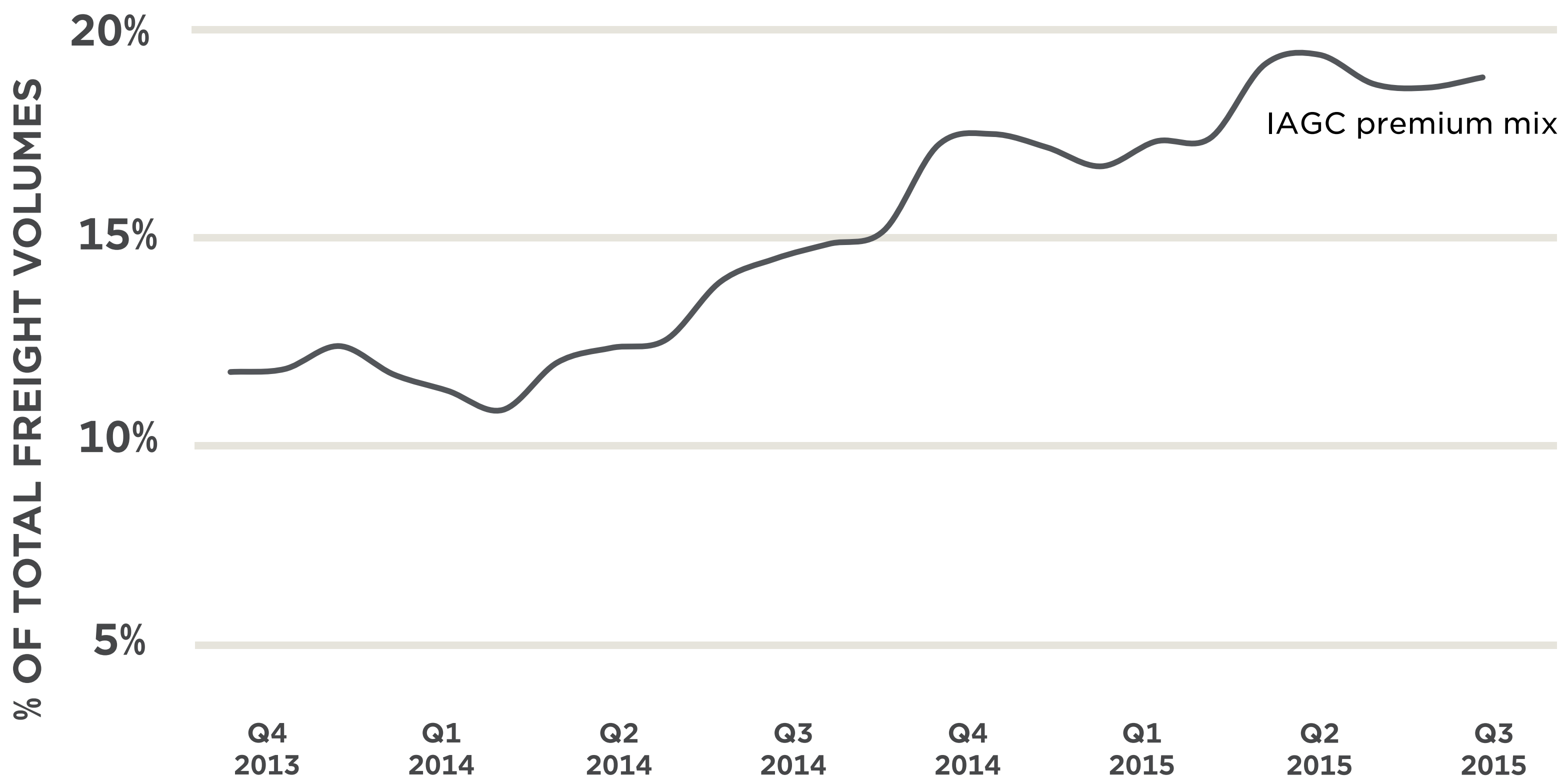
ISSUE	COMMODITISATION	EXCESS MARKET CAPACITY	DIVERGENT MARKETS
STRATEGIC PRIORITIES	DIFFERENTIATION VIA PREMIUM PRODUCTS	COST EFFICIENCY & VOLUME VARIABILITY	FLEXIBLE REGIONAL STRATEGIES & PARTNERSHIPS





Premium product mix reaches 19%

- Premium mix currently at 19% (3pts ahead of 2015 target)
- Constant Climate (pharma) volumes up 48% in 2015
- Prioritise (express) volumes up 41% in 2015



Small and medium-sized forwarders (SME)

- Lower share currently of SME segment than global forwarder market
- SMEs higher yielding than global forwarder
- Market size broadly equally split between SMEs and global forwarders*

- New single loyalty programme
- Increased focus on SME networks
- Online distribution tools
- Directed sales strategy
- Simplified credit and payment processes

*Top 20 forwarders compared to rest of market

Asset light network growth

American Airlines Cargo
Partner Plus member

Aer Lingus Cargo
New Partner Plus member
New Group member

Finnair Cargo
New Partner Plus member. Also launched a shared freighter between Helsinki & London

Avianca Cargo
Partner Plus member

Qatar Airways Cargo
Partner Plus member

Extended & expanded our partnership:

- *Shared Hong Kong to UK freighter extended two years to 2018*
- *Expanded use of Qatar's network, feeding Doha & UK*

China Southern Cargo
New Partner Plus member

JAL Cargo
Partner Plus member

Optimising return for IAG

MARKET IMBALANCE PERSISTS

FOCUS ON YIELD AND COST

PLATFORM SUBSTANTIALLY COMPLETE

PROGRESS ON STRATEGIC PRIORITIES

Avios

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Avios Group Limited (AGL)

Before the merger

After the merger

Creation of AGL

1988
Airmiles launched

1991
Iberia Plus launched

2000
BA Miles launched

2011
Avios currency launched

2013
Avios South Africa launched

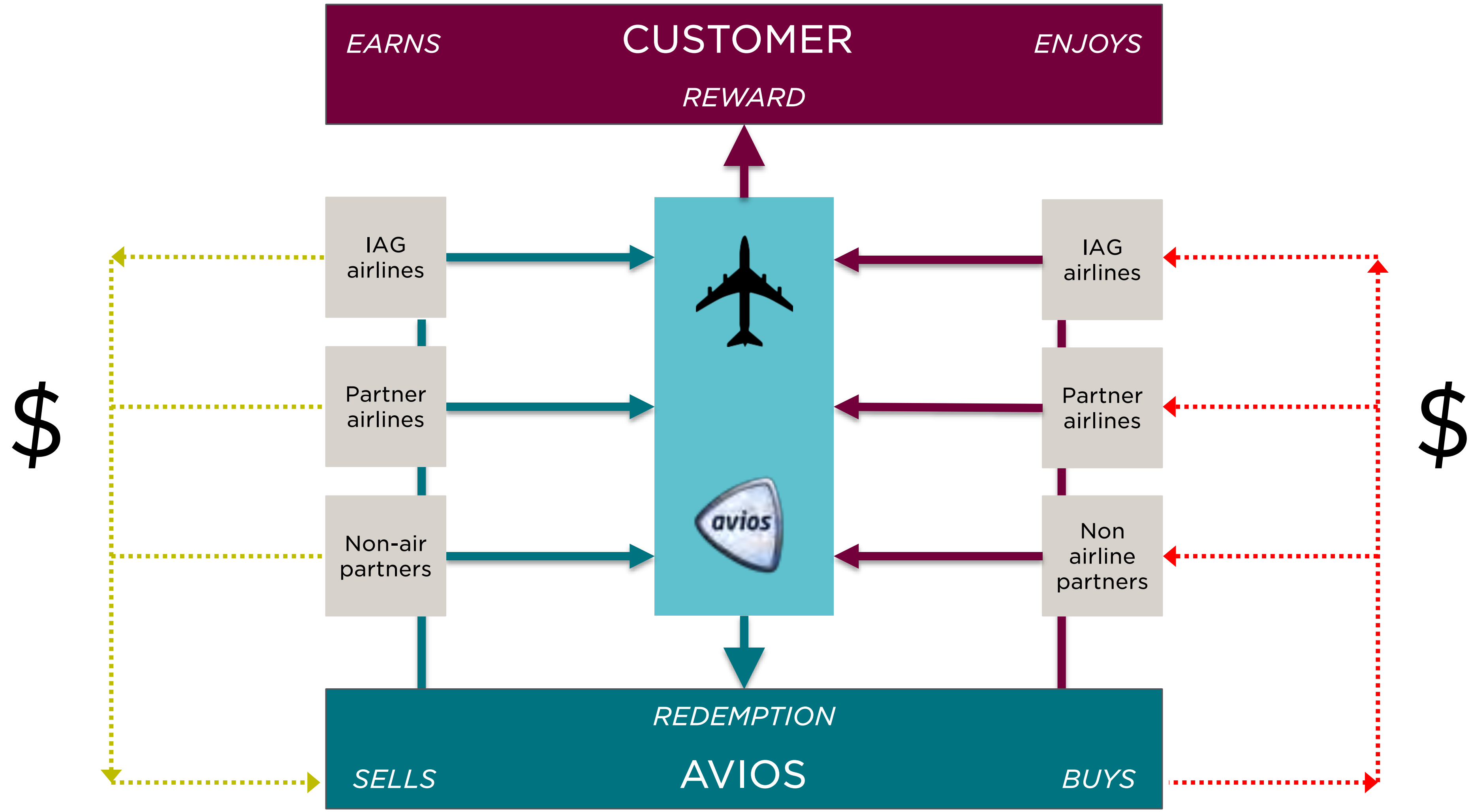
2014
New partnership launched

2015
Creation of AGL

2015
New partnership

Single entity

Avios business model



Key profit drivers

Revenue drivers
Growth in member activity and customer engagement

Growth drivers
New partner pipeline, new markets, increasing points issued

Cost drivers
Any new investment will be offset by increased efficiency to result in costs flat over the life of the plan

Liability management
Industry leading processes and systems created to manage Balance Sheet values over €1bn

Revenue drivers – measuring customer engagement

ACE (Avios Customer Engagement Index) verifies growth in both relevance and engagement

ACE = Avios Customer Engagement Index

Solicited responses from customers – Perception

- Likelihood to recommend (NPS)

Observed customer behaviour – Proprietary data analytics

- % accounts multi-collection in 6 months
- % of accounts collecting in 6 months
- % of accounts redeeming in 6 months
- Speed of collection (>4500) in 6 months

Growth drivers – leveraging airlines network

Every 5 minutes
Over **6 IAG aircraft** depart and AGL issues over **1 million Avios**

Our global currency is constantly connecting our customers with our partners and IAG assets

Regional members

- Greater connectivity and choice prompts more IAG relevance across the UK regions
- 50% of UK collectors now come from the regions
- Aer Lingus will improve this further by adding 18 regional airports

Growth drivers – markets and partners

Markets

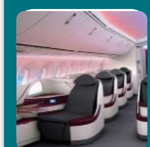
Partners

Reinforced by innovation

Revenue drivers – innovation and engagement

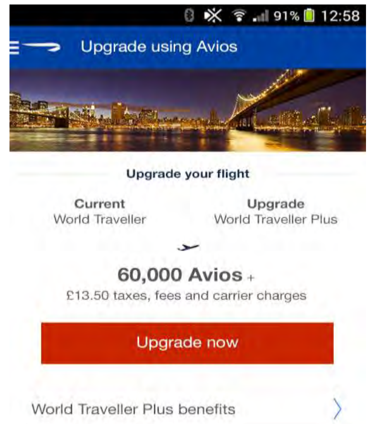
Avios's approach to innovation

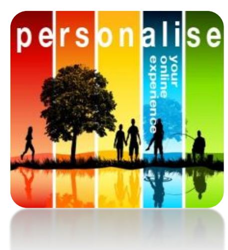

Simplify customer experience


Build experiences for our users


Develop digital channels

TESCO
REPSOL
Collaborate with our partners





Targets focused on business fundamentals

Revenue targets
Significant improvement in customer engagement using proprietary ACE targeting model

Growth targets
Grow the active customer base, from 7m today to over 12m by 2020

Cost targets
Funding investment through efficiency gains

Liability management targets
Manage the sustainability of the currency

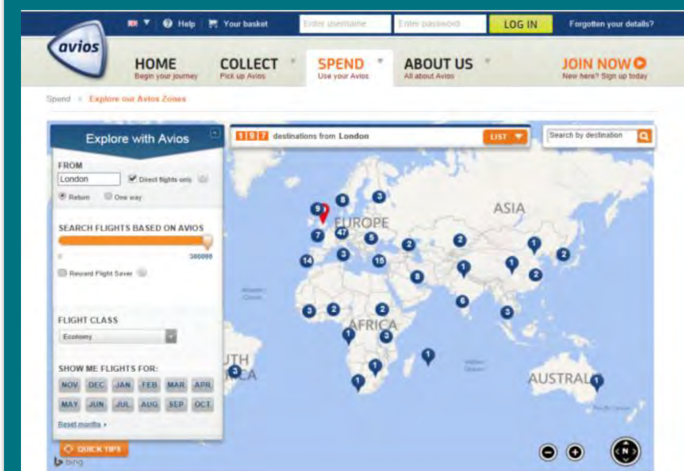
Investor seminar in January to explain business fundamentals, future targets and Group accounting

IAG opportunity

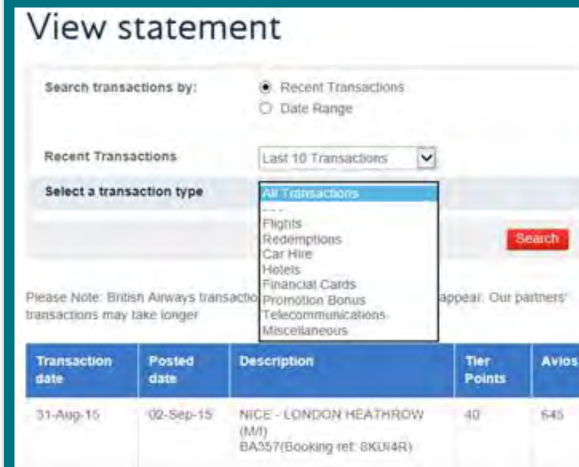
Avios

Facilitating OpCo revenue growth – passenger and ancillary

Distribution channel



Data analytics and insight



Global Business Services

IAG INTERNATIONAL AIRLINES GROUP

Global Business Services (GBS): IAG's back office platform

- GBS is the Group's common IT, Procurement, and Finance function
- GBS is creating a cost effective "plug & play" platform for the Group that is scalable for growth
- GBS is driving standardisation and simplification across the Group
- GBS is significantly enhancing OpCo efficiency
- **GBS is embedding modern working practices and delivering a higher quality of service**

The GBS journey so far

2011
Cost synergy programme initiated

2012
Planning to form a global business subsidiary begins

2013
Transactional finance activities outsourced

2014
Group IT, Finance and Procurement functions formed

Company-wide contracts and specification review launched

2015
Recruitment for Krakow base begins

Group IT transformation programme launched

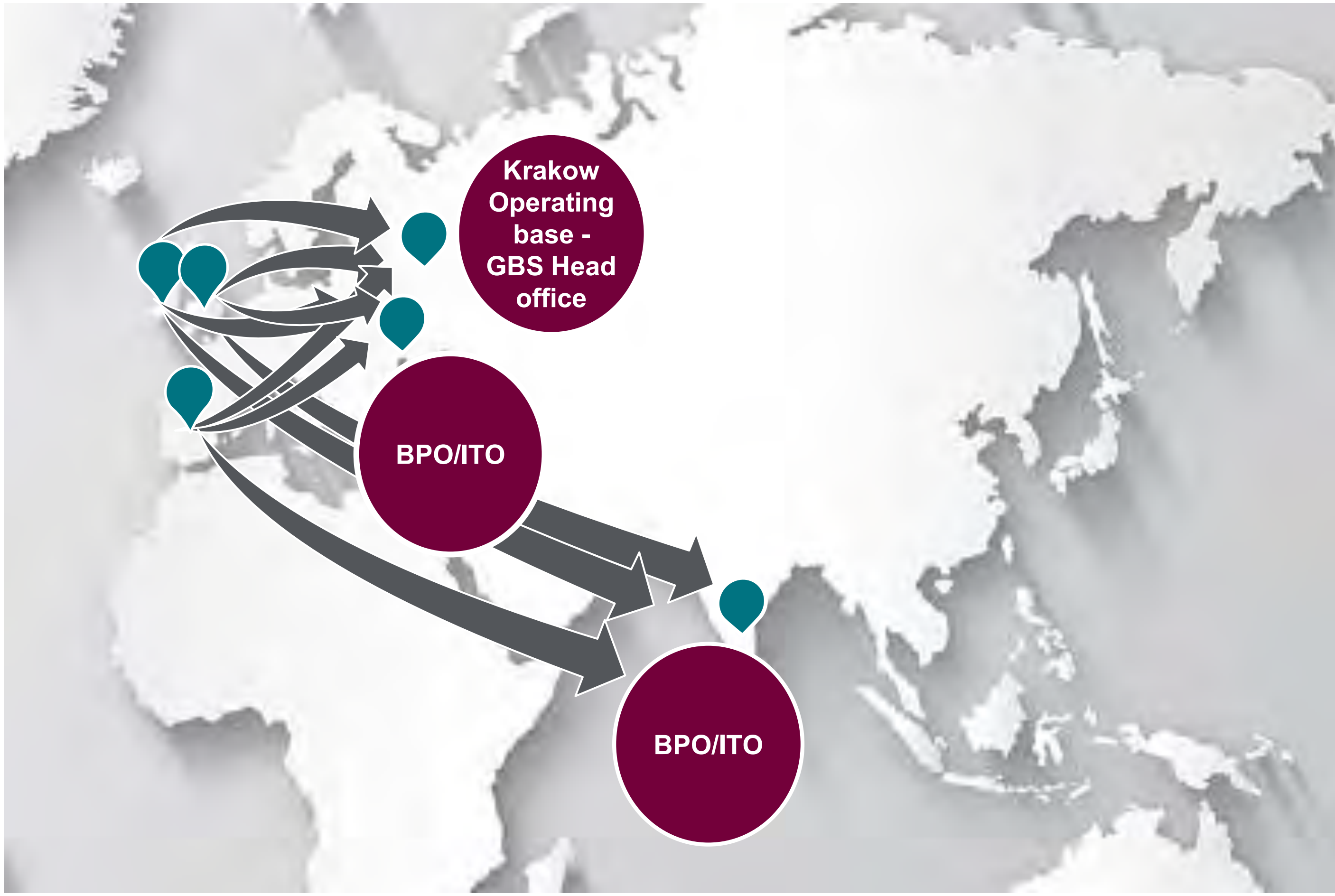
2015
Implemented common finance systems

GBS now responsible for tax, treasury and decision support activities

2015
First significant IT outsourcing contract signed

Group Procurement restructure completed

Multiple sites: flexibility, cost efficiency, and scalability



- Enables resources to be easily increased or decreased in line with business requirements
- Work is transferred to the operation that can deliver the right quality and right price
- Facilitates moving labour to the most cost effective location, that has the required skilled levels
- Multiple sites drives healthy competitive tension: captive vs. outsourced BPO and ITO suppliers

*BPO/ITO – Business Process Outsourcing Centre / I.T. Outsource Centre. Proposal: Subject to Consultation

Modern working practices and higher service quality

New culture

JAGIELLONIAN UNIVERSITY IN KRAKOW

Cracow University of Technology

CRACOW UNIVERSITY OF ECONOMICS

AGH University of Science and Technology

26k Graduates/year ensures a strong talent pipeline

Telefónica · HSBC · Pratt & Whitney · Honeywell · CAPITA · State Street · Infosys · TATA Consultancy Services · Capgemini · Rolls-Royce · UBS · Motorola · IBM · Philip Morris International · TESCO · Valeo · DELPHI · accenture · kemira · HEINEKEN · pwc

Large talent pool to recruit from

MUREX™

ORACLE | Hyperion

Modern working practices

Cost savings achieved so far

Employee

Realised significant reduction in airline operating company headcount of Group Finance, Group IT and Group Procurement activities

Head count reduction
544 – BA
417 – IB

Supplier

How:

- Through demand management
- Specification challenge and management
- Concentration of volume and harmonisation of commercial terms
- Better tendering and negotiation – up weighting our side by bringing in industry / sector specialists for specific projects
- Extension of credible supplier set, improved market management

Major Group deals delivered:

- AIRPORTS
- ENGINES
- BPO/ITO
- FUEL
- CREDIT CARDS
- MARKETING & ADVERTISING

Renegotiating contracts and negotiating new contracts with suppliers = **€100s of millions of savings** over the various contractual terms

Attitude to cost:

- Watching every purchase requisition no matter what the value - and challenging our suppliers where we find cheaper prices
- This is driving a culture change in our attitude to cost

Legacy removed in Group Finance functions

Legacy state	Post transformation	
Different ways of working by each OpCo	**Krakow based**	Common global processes, centrally managed across all OpCos centralise common expertise, leverage outsourcing
Unaligned KPIs and definitions: what's the number?	**Single source of the truth**	Aligned data sets: what's the issue?
Complex systems landscape	**Common global systems**	Simplified systems operating on single platform for processes and information
Large independent finance teams	**Leaner teams**	Smaller connected teams focussed on business partnering
High running costs		Optimal costs, more controllable

28% saving in people costs

Global Business Services (GBS): IAG's platform for growth

- Delivering back office processes at a lower cost and higher quality
- Enabling OpCos to run more efficiently
- GBS is an enabler of future growth
- There is significantly more to come:
  - Transferring additional finance work to Krakow
  - Integrate Aer Lingus, Avios, Iberia Express and Vueling processes into GBS
  - Deliver the next phase of the IT transformation programme

Group IT

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Where we've come from

Positives	Negatives
• High availability of systems (99%+) • Ability to make change happen at any point • Agile application development providing speed to market • A flexible integration platform sitting above our legacy systems • Strong aviation and technical knowledge of existing systems	• Complex systems (2,346 applications) • Over 748 individual suppliers • Fixed cost base with duplication across OpCos within the Group • Heavily customised applications with limited ability to change • Dependency on management consultants and single points of failure • Too many contractors on-shore (35%) • Decentralised project portfolios within each OpCo • Risk of losing control of design and direction

How we're changing

Reducing unit costs	Simplifying systems	Shared solutions
Reduce our unit cost base creating a flexible model	Simplify systems, removing duplication and improving capability	Enable scalable, shared solutions across IAG

Reducing our commodity costs

Reducing unit costs

IT Operations	Tower 1 End user computing *(Desktop, laptops, printers)*	Tower 2 Networks *(Internet, LANs, network security, WiFi, mobile)*	Tower 3 Service operations *(24x7 Service Desk, Ops Monitoring Bridge)*
Action taken	OUTSOURCE*	OUTSOURCE*	OUTSOURCE*
Cost savings	**38%** Annual run rate saving of €4.4m	**21%** Annual run rate saving of €8.4m	**52%** Annual run rate saving of €8.3m
Manpower savings	Manpower reduction from 91 to 15	Manpower reduction from 59 to12	Manpower reduction from 152 to 24

*Proposals subject to legal and local consultation

Consolidating systems, increasing capability

Building a new operations system for Iberia

Simplifying systems

IBERIA

Stand & airport information

Aircraft technical information

Passenger check-in

11 separate applications consolidated into 1 application

- Flight Tracking
- Crew check-in
- Flight info screens
- Crew planning and rostering
- Crew management
- Crew tracking
- Network tracking
- Weather information
- Geographical flight representation
- Web flight tracking
- Slot management

Flight schedule

Crew information / roster

Fuel/flight hours data

Building a platform for future growth

Shared solutions

New common treasury management system	New shared next generation selling platform	Shared and scalable IT Operations	New interface working with industry standard departure control system allowing flexible solutions	New standard IT architecture enabling new digital initiatives

Releasing the business to operate more efficiently

- A third of the way towards cost saving target of €90m by 2018
- Removal of commodity costs taking advantage of scale benefits from specialist providers
- Reducing IT complexity delivers a better quality of service and simplifies business processes
- New IAG IT approach embedding efficiency – based on Vueling's approach
- IT is a key building block of the IAG global platform

Maintenance

INTERNATIONAL
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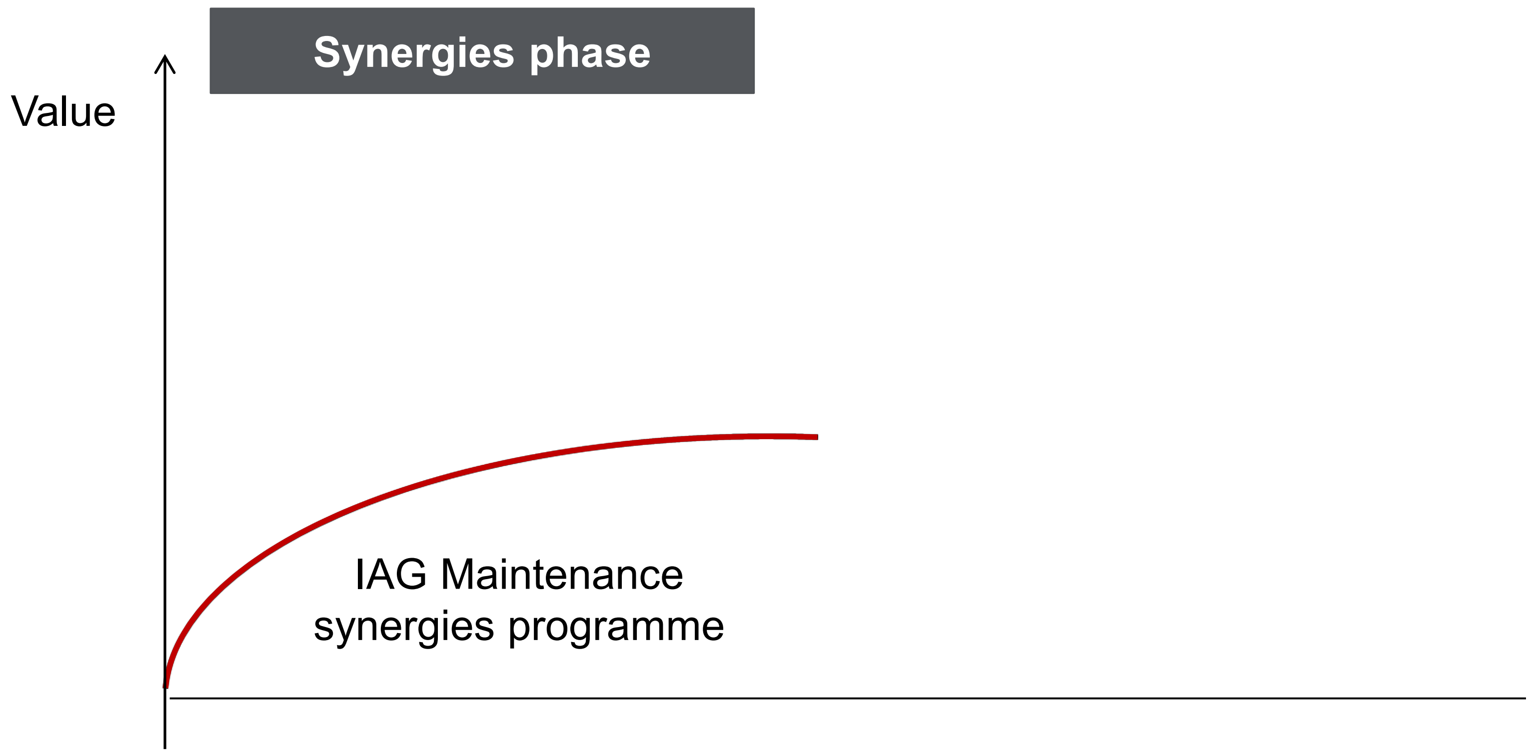
GROUP

IAG has achieved so far significant cost synergies…



… driven by a combination of initiatives and actions

1 Insourcing

- Leveraging and developing internal capabilities
  - License to repair in house V2500 engines at IB MRO
  - Airbus components repair brought in-house
  - Aircraft checks performed in-house

2 Procurement

- Performing joint purchasing of material and benefit from joint negotiations and economies of scale
  - Group new contract with Messier to repair and overhaul landing gears

3 Commercial

- Joint commercial activity bringing new customers to Group MROs
  - Sri Lankan (engines), Thomas Cook (components)

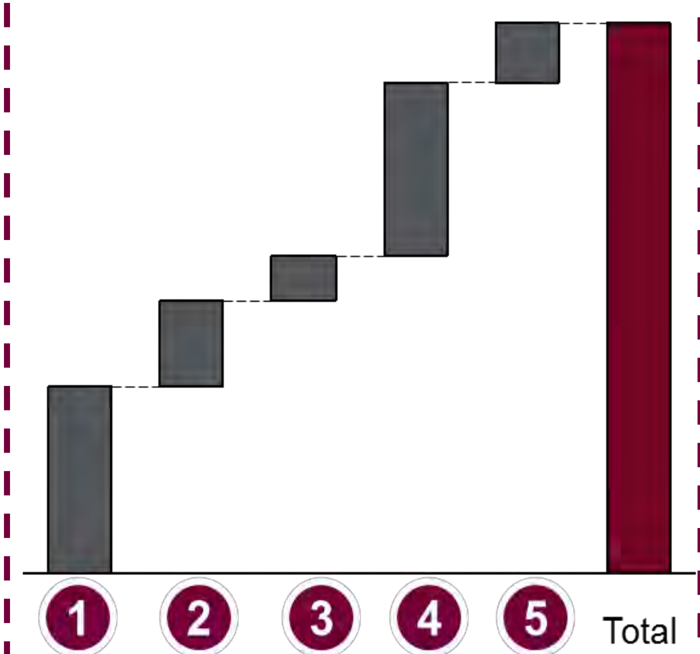
4 Continuous Improvement

- All maintenance areas knowledge and best practice sharing
  - Intra-group best practices
  - Group projects to align with external benchmarks

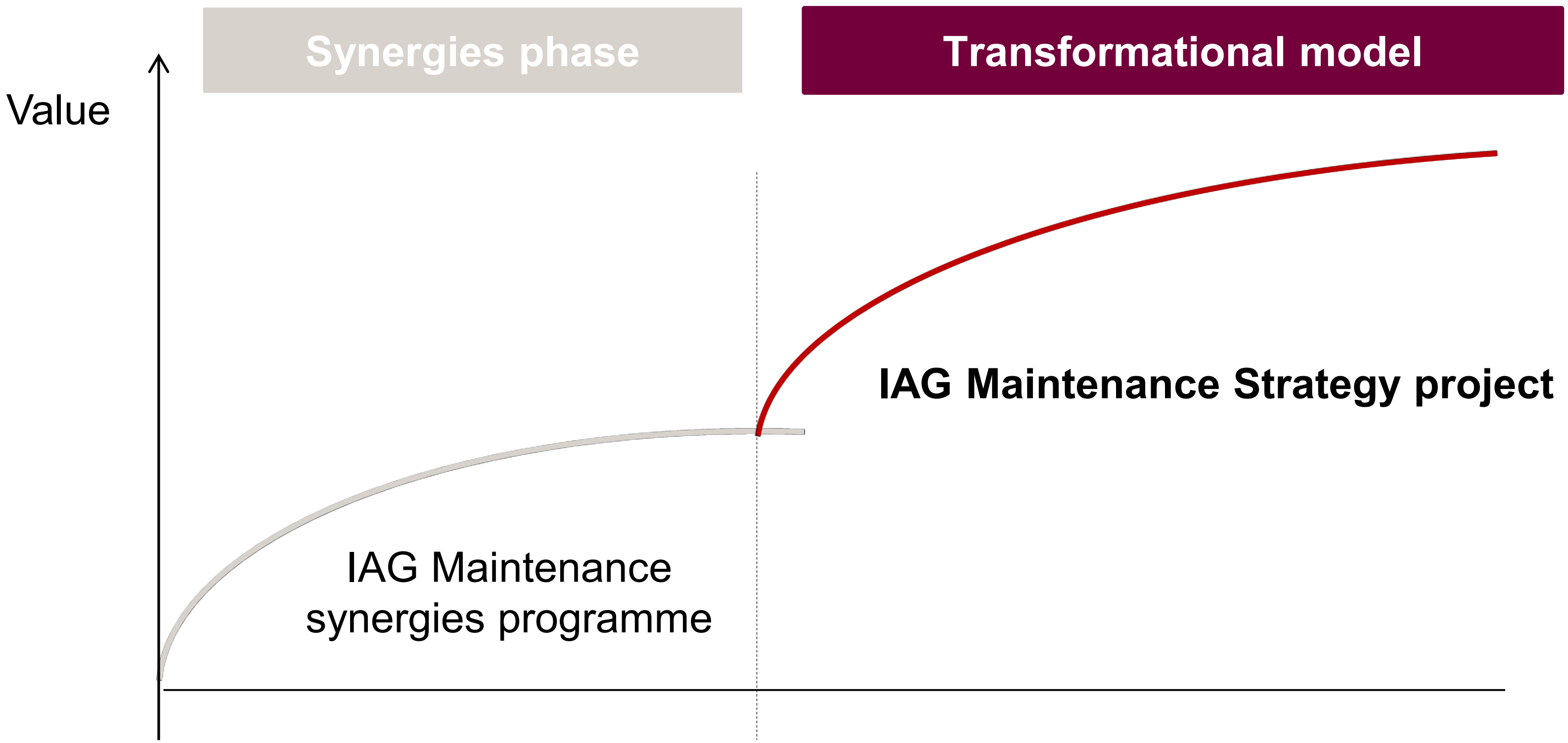
5 Other synergies

- Savings in several business areas and one-off initiatives
  - Inventory and warranty recovery
  - Line maintenance

2015 cumulative maintenance cost synergies breakdown



IAG's new transformation model goes beyond synergies



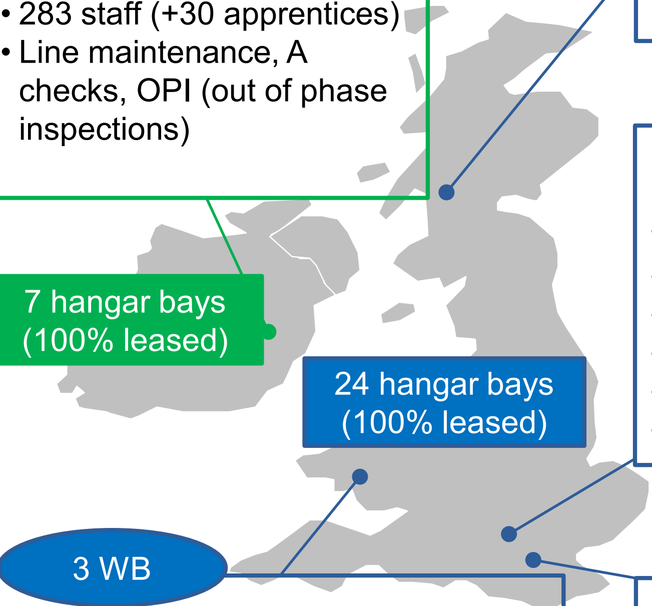
IAG's maintenance activities mainly performed in-house

Aer Lingus

DUB — 2 WB & 5 NB
- 283 staff (+30 apprentices)
- Line maintenance, A checks, OPI (out of phase inspections)

7 hangar bays (100% leased)

British Airways Engineering



GLA — 2 NB
- 300 staff
- C/D chk for A320 family

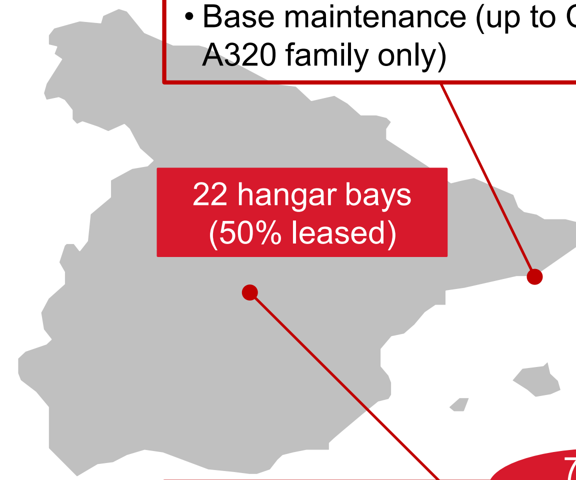
LHR — 8 WB & 8 NB
- 3,150 staff (+100 apprentices)
- Line maintenance
- Base maintenance (up to B chk)
- Paint hangar
- Composites
- Components: mechanical

24 hangar bays (100% leased)

South Wales (BAMC, BAAE, BAIE) — 3 WB
- 1,290 staff
- C/D chk for widebody aircraft
- Components: avionics, safety equipment and cabin interiors

LGW — 1 WB & 2 NB
- 310 staff
- Line maintenance
- Base maintenance (up to B chk)

Iberia Maintenance



BCN — 2 WB or 4 NB
- 310 staff
- Line maintenance
- Base maintenance (up to C chk – A320 family only)

22 hangar bays (50% leased)

MAD — 7 WB & 11 NB
- 2,380 staff
- Line maintenance
- Base maintenance (up to D chk)
- Components
- Engine overhaul
- Paint hangar

WB – Wide Body NB – Narrow Body

BA – additional 500 outstation staff
IB – additional 170 outstation staff
EI – additional 39 outstation staff

IAG's scope and objectives for maintenance

Scope

1. Line maintenance
2. Heavy maintenance
3. Component repair and inventory
4. Engine maintenance
5. Technical and engineering services

Objectives[1]

- OpCos must have the best maintenance market price at the agreed quality and service level

BRITISH AIRWAYS IBERIA
Aer Lingus vueling

- MROs should focus on those activities and facilities that can achieve IAG target profitability levels

BRITISH AIRWAYS ENGINEERING IBERIA MAINTENANCE

[1] Proposals subject to legal and local consultation

All options evaluated to ensure maximised Group returns

Options[1] to be evaluated…

- Full externalisation
- Partial externalisation/ optimisation
- Optimisation of current situation

… to maximise Group returns

- Savings
- Implementation cost
- Timing
- Strategic/operational considerations

[1] Proposals subject to legal and local consultation

Status and next steps

- Strategic assessment already **underway**, with initial focus on **line and heavy** maintenance businesses

- Implementation of **quick-wins for line maintenance** business (non-hub European outstations) targeted for **H1 2016**

- Completion of strategic assessment (**components and engines**) and estimation of **total Group savings during H1 2016**

Fleet

Fleet harmonisation: extending common spec approach to all future fleets

INTERNATIONAL AIRLINES GROUP

Our fleet goals: low capex, flexible allocation

LOWEST COST

Lowest purchase cost

Lowest operating cost

REDUCED CAPITAL INTENSITY

Lower long term maintenance cost

Lower future modification cost

Whilst leaving OpCo brand freedom

GREATEST FLEXIBILITY

Ability to shift assets between

OpCos within minimum time and expense

A320 - standardisation

Cabin configuration

- Door 1 entrance area
- Door 1 lavatory
- Passenger Service Units

Avionics & systems

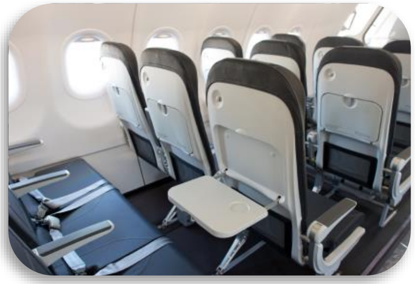
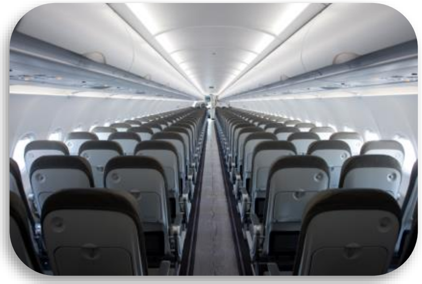
- Cockpit window
- Cockpit avionics (e.g. weather radar)

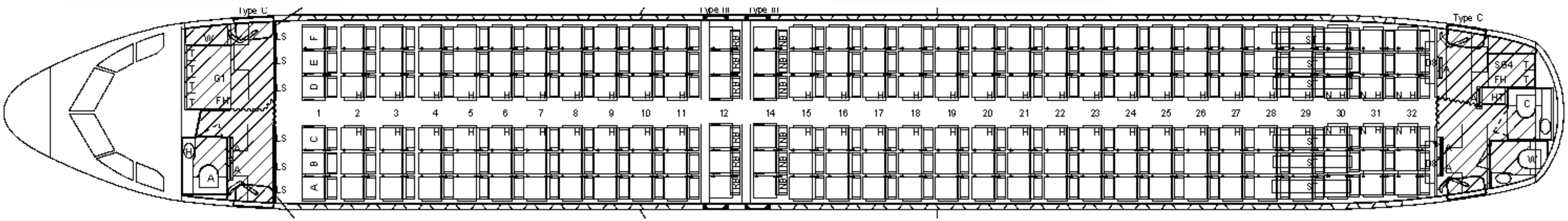
Emergency equipment

- Emergency Locator Transmitter selection
- Signage (pictograms)

HARMONISED ☑

A320 - configuration



Up to 186 seats

All can be interchanged in around 1 week


A320 - scope and impact

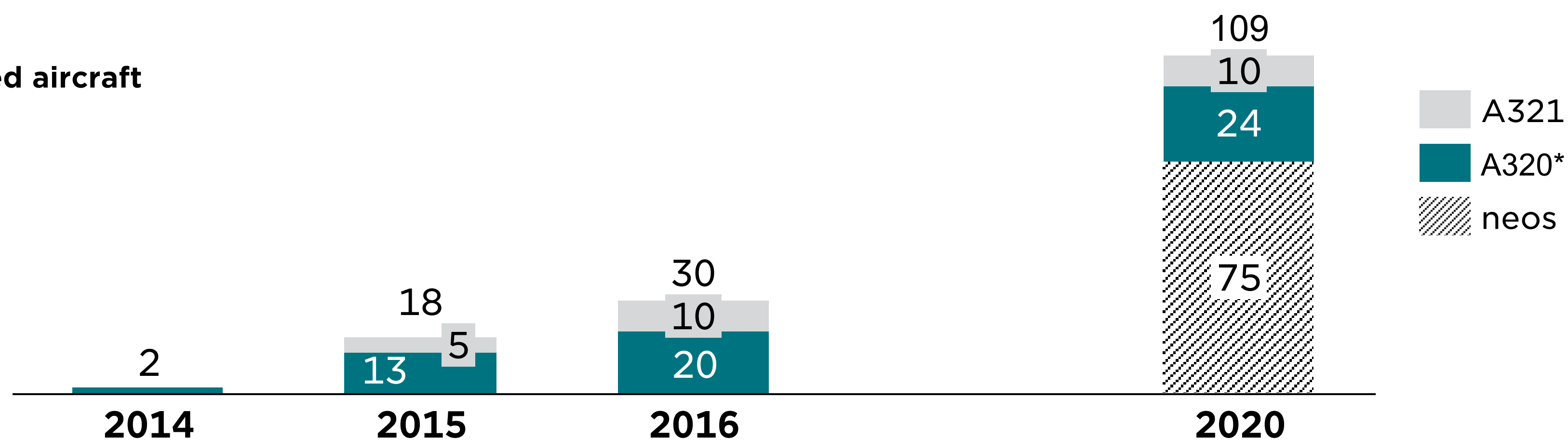
Cost savings

Total cost saving (per a/c)	**€500K - €1M**
Avionics/Systems – removed items	~40%
Cabin definition – removed items	~30%
Group joint procurement savings	~30%
Cabin provisions to allow for inter-brand flexibility	(1%)

Weight savings

Removed items	80kg - 120 kg
Seats: moving to lightest/best-in-class	100kg - 380 kg
Total weight reduction (per a/c)	**220kg – 470kg**

 # harmonised aircraft (year-end)



* Includes leased aircraft (not from IAG order)

A330 - standardisation

Cabin configuration

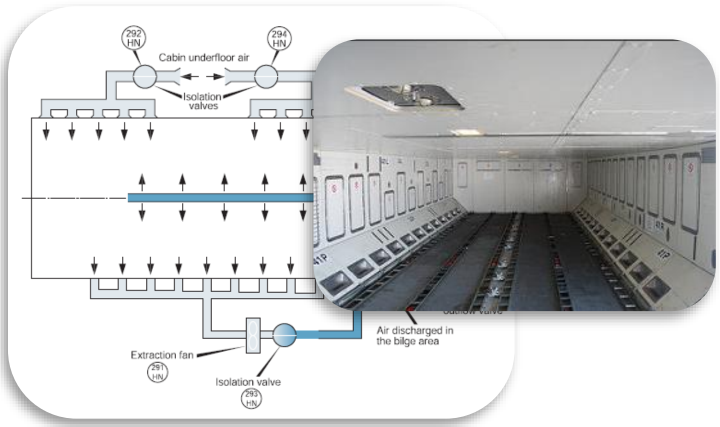
- Economy seats
- Galley supplier
- IFE

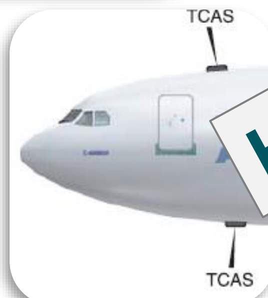
Avionics & systems

- Rear cargo ventilation off
- 3rd water tank out
- TCAS selection

Emergency equipment

- Placard pictograms
- Aligning emergency equipment list



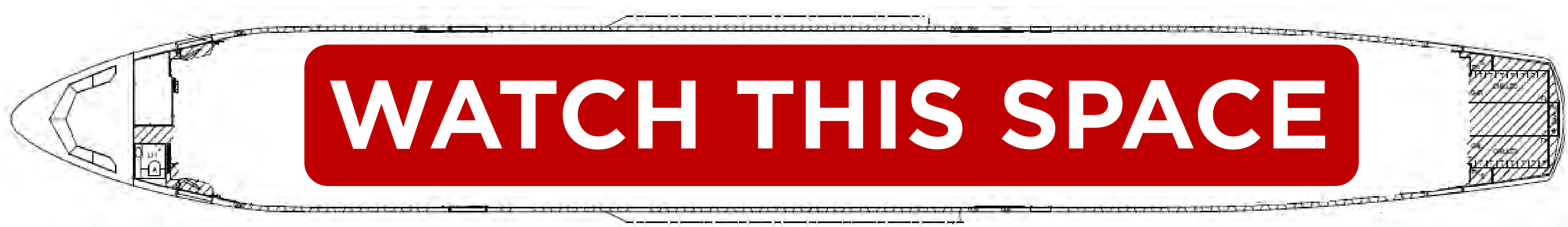


Aer Lingus

IBERIA

Last year the Iberia A330-200 spec was concealed

Reminder: Capital Markets Day November 2014



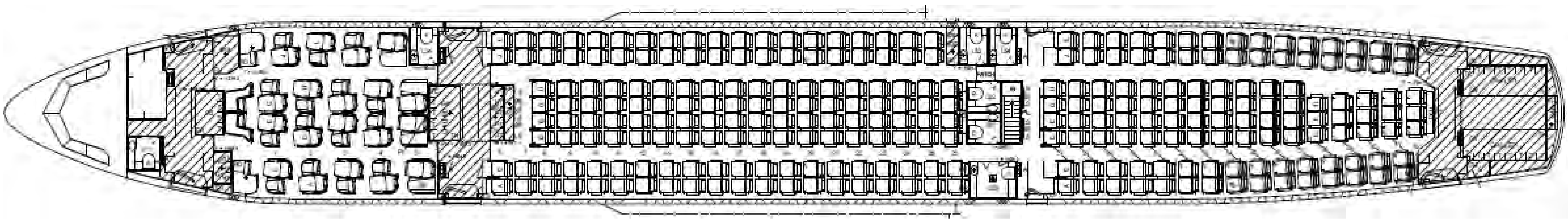
A330 common spec: IB's first delivery Dec 2015

IBERIA

A330 - configuration

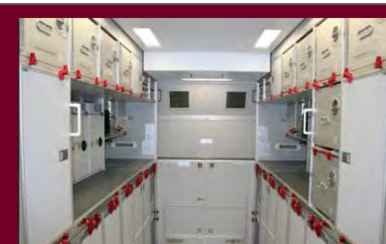
Number and size of cabin classes

Toilets, stowage and cabin attendant seats



288 seats 19 J + 269 Y

Galley space



A330 - scope and impact

Cost savings*

Total cost saving versus budget (per a/c)	**~€3M**
Avionics/systems – removed items	~20%
Cabin definition – removed items	~37%
Group joint procurement savings	~43%
Cabin provisions to allow for inter-brand flexibility	Negl.

Weight savings*

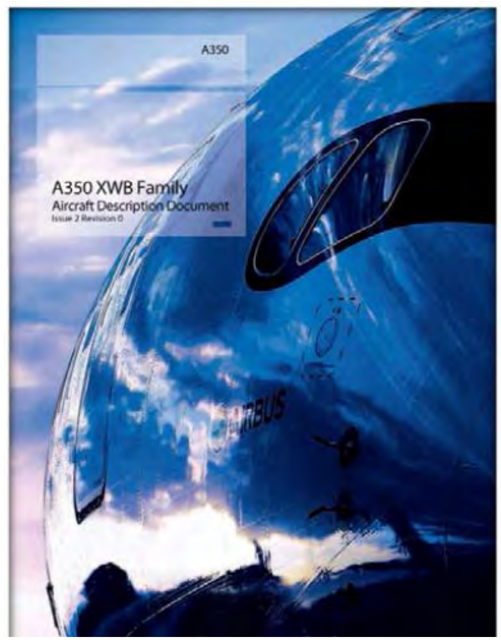
Removed items (vs. A330-300 spec list)	~540 kg
Seats: moving to lightest/best-in-class	~520 kg
Total weight reduction (per a/c)	**~1,060kg**

 # harmonised aircraft (year-end)

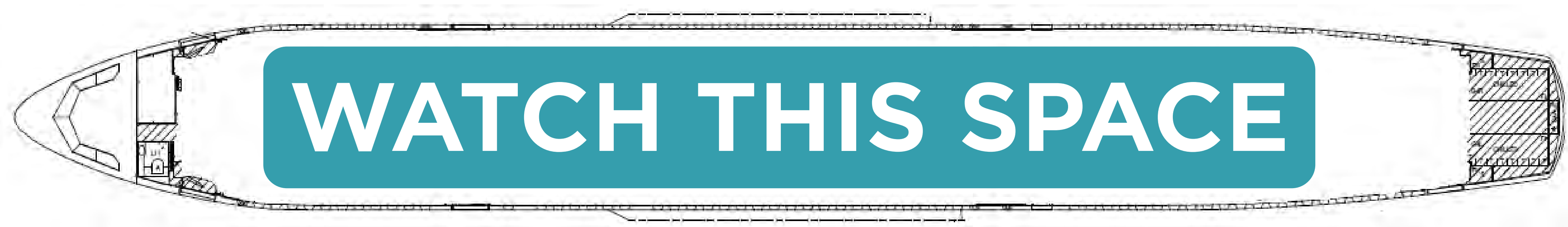
* For Iberia A330-200s only
**A330s from EI and IB are partially harmonised already

A350 - standardisation

Cabin configuration	Avionics & systems	Emergency equipment
• Economy & economy+ seats • Toilets • IFE & connectivity	• Navigation and communication equipment • Wheels, brakes & tyres	• Aligning emergency equipment list & locations • Placards and markings • Emergency Locators (ELT)

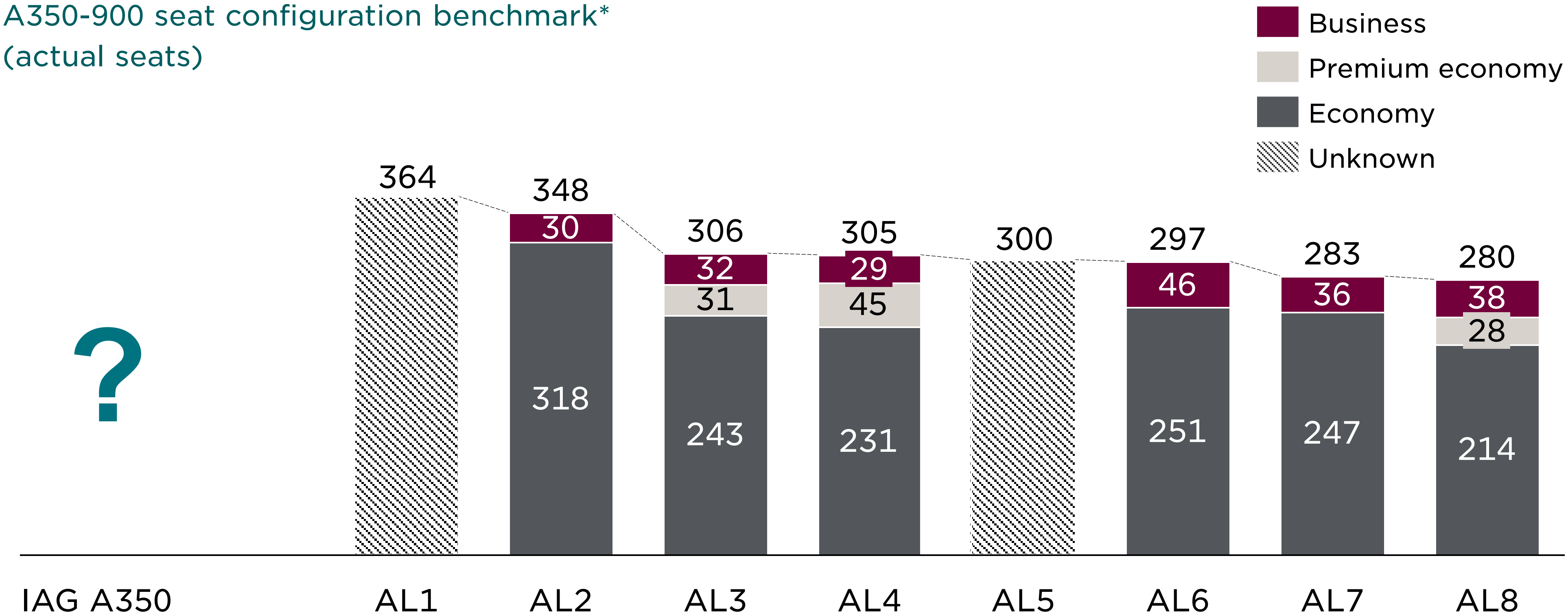


A350 - configuration



A350 - configuration

A350-900 seat configuration benchmark*
(actual seats)



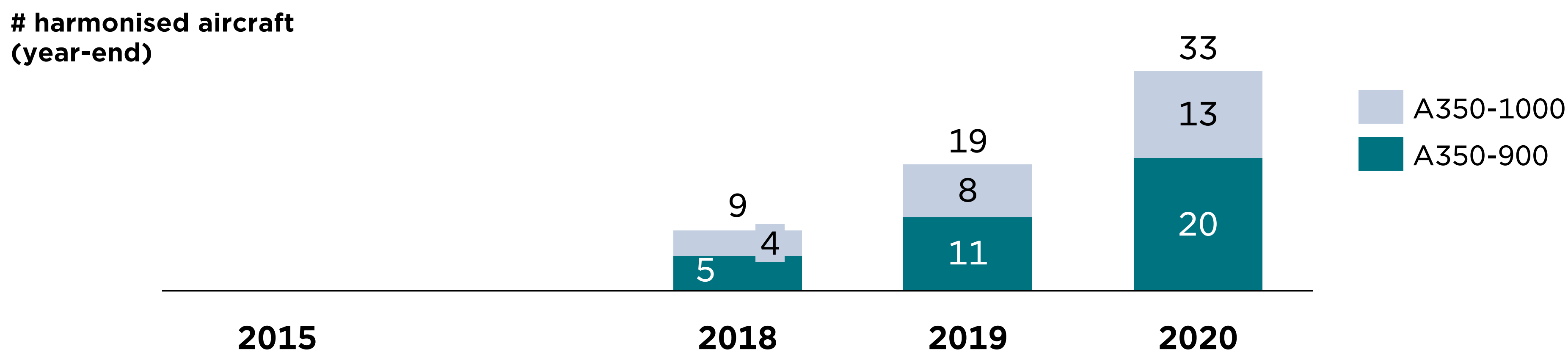
Current config looks one of the best-in-class versus known competitors

*based on market research, delivered or announced A350-900 seat configurations

A350 – scope and impact

Cost savings | **Weight savings**

- Spec configuration process managed similarly to A320 and A330
- First joint configuration of long haul aircraft and with more cabins
- Same focus: a) simplification b) harmonisation c) space efficiency d) weight savings
- Systems configuration has far fewer options and supplier selections



Group onboard Wi-Fi connectivity – current state

Aer Lingus

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IBERIA
IBERIA EXPRESS

vueling

- IAG is developing a connectivity strategy by exploiting OpCo learnings
  - OpCos have trialled connectivity on aircraft since 2010
  - Today 35 Group aircraft are fitted with connectivity
  - Another nine are fitted with onboard streaming
- Up to 60 new long-haul aircraft will be delivered with connectivity (A330s, A350s, B787-10)

Only satellite connectivity offers coverage across the Group's extensive long-haul network

Group onboard Wi-Fi connectivity – future plans

Aer Lingus | BRITISH AIRWAYS | IBERIA | IBERIA EXPRESS | vueling

- IAG currently evaluating onboard connectivity needs across the Group
  - Long-haul - evaluating wi-fi retrofit for over 100 existing aircraft
  - Short-haul - extending Inmarsat's Air-to-Ground (AtG) offer to over 300 aircraft
- On short-haul, faster AtG network speeds and less weight & drag is attractive

- IAG is setting aggressive targets
  - Long-haul - 90% fleet fitted by early 2019
  - Short-haul - first in-service AtG aircraft planned for 2017

Group's connectivity strategy & equipment selections are being harmonised across all OpCos

Digital

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GROUP

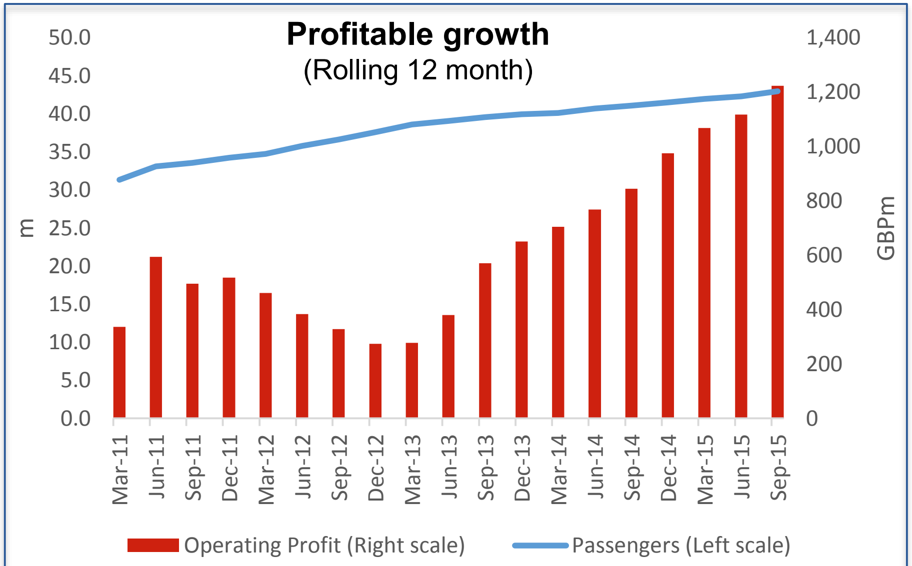
British Airways

INTERNATIONAL AIRLINES GROUP

Stronger brand, strengthened market position…

Slot position at key airports

	2011		2015
Heathrow	42%	↑	51%
Gatwick	17%	~	16%
City	30%	↑	41%



Structural cost change…

- ✓ bmi integration
- ✓ New LHR customer service contracts
- ✓ Gatwick ramp outsourced
- ✓ Worldwide handling outsourced
- ✓ Shared back office (IAG GBS)
- ✓ Consolidation into two terminals at Heathrow

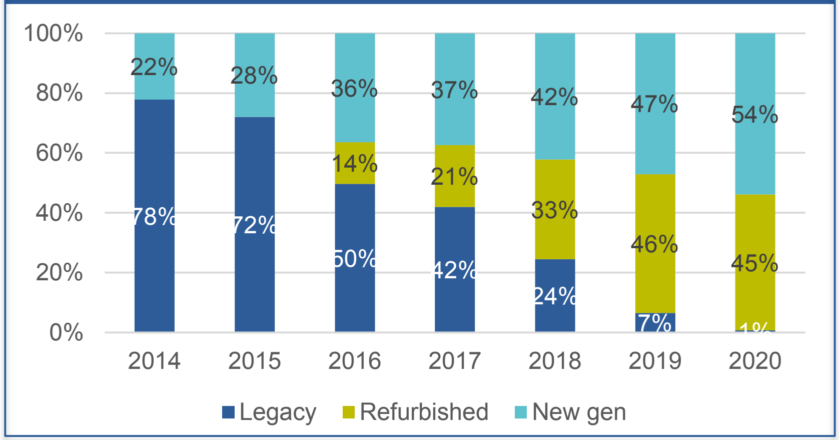
…and delivery of key commercial goals…

- ✓ Short-haul returned to profitability
- ✓ AJB premium share gap (to STAR) closed to 2.8pts compared to 12.7pts gap at launch (Oct 2011)
- ✓ Greater personalisation – 39m ‘known’ customers compared to 10m in 2013
- ✓ Superbrands award in 2014 and 2015

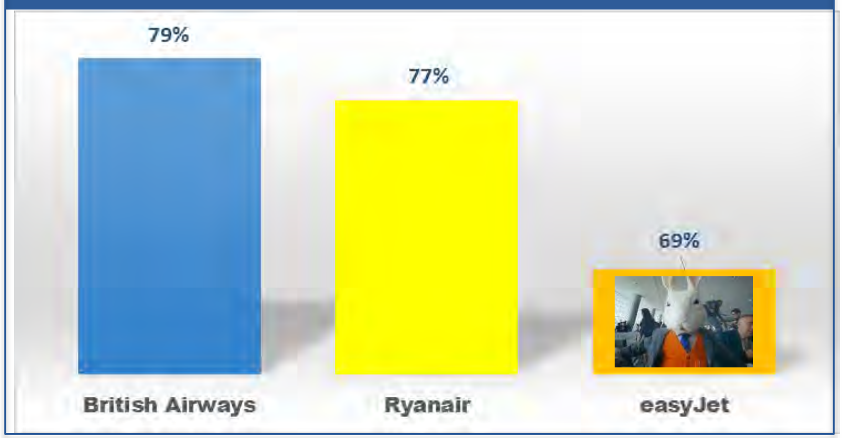
…have set a strong foundation for future growth

Substantial investment in customer product & service

Year end wide-body fleet



Short-haul punctuality (London)*



*Departures within 15mins, rolling 12 months to August 2015, CAA data

Great service, every time

- Additional crew service training planned for 2016
- New technology will enable more joined up personalisation of the customer experience – 50m ‘known’ customers by end 2016

World class service recovery

- New programme to improve service recovery and lower the cost of operational disruption
- Robust customer relations, first contact resolution, online servicing, clear communications

Get the basics right

- New hand baggage and boarding procedures, review of block times and improved turnaround effectiveness
- Working with Heathrow Airport to reduce occurrences of baggage system failure
- ‘Time Based Separation’ ATC at Heathrow has reduced cancellations during high winds

Increasing capital efficiency

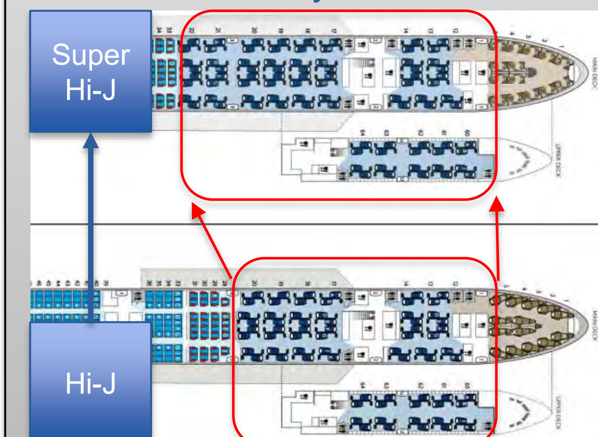
Short-haul fleet densification and up-gauging

- Airbus densification nearly complete
  - Increase of c.1.8m seats p.a. equivalent to 7 aircraft
- NEO aircraft unlocks opportunity for further densification
- Aircraft gauge to increase:

LHR&LGW	2015	2020	%
737	4	-	-
A319	44	28	(38%)
A320	62	83	+34%
A321	11	23	+109%
767	7	-	-
Total	**121**	**134**	**+11%**

Boeing 747 reconfiguration

- 18 B747 aircraft to be converted to 'super Hi-J' configuration to serve high premium demand markets
- Conversion will increase business class capacity on these aircraft by 23%



Boeing 777 reconfiguration

- Driving higher revenue per aircraft by re-configuring cabins to serve markets which have lower premium demand
- Gatwick B777-200s to be re-configured with 10% more seats (smaller Club cabin) better suited for leisure markets
- Heathrow B777-200ERs to be converted from 4-class to 3-class with 25% more seats
- B777 life extended to 30 years

Growth drivers

		Growth contribution
North America	• Targeting No.1 AJB premium market share • Strengthen key markets – A380 on Washington, San Francisco, Miami and Vancouver; Super Hi-J 747 on New York and Chicago. Gatwick-JFK launch • Growth to secondary cities – San Jose, California	● ●
LatAm	• Strong long-haul leisure growth at Gatwick – Costa Rica, Peru • Right sizing capacity to Brazil (in reaction to slowing GDP) • B787-9s create opportunity to open up new Latin American markets	
Short-haul	• Well positioned to hold business share and grow leisure • Capacity from seat densification becomes annualised in 2016 • 9 Heathrow bmi remedy slot pairs returned to BA providing growth	●
Rest of World	• B787-9s deployed to Delhi, Seoul, Kuala Lumpur, Shanghai • China 2020 strategy: Develop airline partnerships, up-gauge commercial presence, tailor customer proposition and reduce visa restrictions • A380 enables strategic growth at slot constrained airports (e.g. HKG, SIN)	●

Margin drivers

		€ margin contribution
Net fuel price benefit* (exc. efficiency)	• Current assumption: banking 25% of the fuel price benefit by 2020 • Majority of demand impacts on oil routes will annualise in 2016 • Competitive markets, but relatively benign capacity outlook at this stage	● ● ●
Fuel efficiency	• 54% of long-haul fleet 'new generation' by 2020 (A380, A350,B787,B777-300) • 11 B787-9 aircraft delivered in 2016 - total B787 fleet of 24 aircraft by Dec-16 • 2 A380 deliveries in 2016 bringing fleet to 12	● ●
Employees	• Ongoing, widespread productivity improvements c15% (technology / process) • Continued narrowing of pay "gap to market" • Back-office (IAG Platform) and engineering transformation	● ●
Suppliers	• Opportunities to consolidate and use Group leverage • Engineering transformation • IAG Platform: Specification optimisation across IAG (e.g. Aircraft, seats, ground handling)	● ●

*Net of revenue dilution

BA targets aligned with IAG targets

	Rolling 12m*	2016-2020
Lease adjusted operating margin (%)	11.0%	12-15%
Sustainable through the cycle RoIC (real terms)	11.4%	Targeting 15%+
ASK growth per annum	2.5%	2-3%
Fleet (period end)	287	310

*Rolling 12-months up to Q3 2015

Iberia

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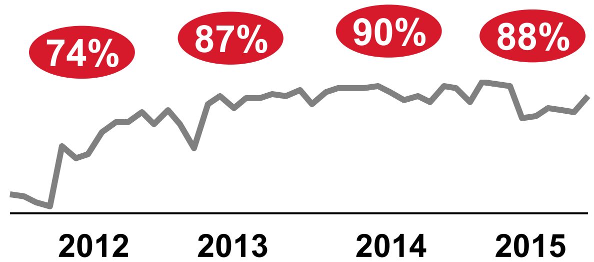
Transforming Iberia's customer proposition

Enhanced customer experience

- "Hoy tú": more than 8,000 employees trained for front-line service quality & consistency
- Customer journey improvement: review of all client touch-points
- New LH product flight experience

100% LH fleet offering new product in 2016

World-class leading punctuality



- Ground / flight process optimisation
- Constant monitoring of KPIs to spot deviations and opportunities
- Full commitment of all Iberia employees with punctuality targets

3rd most punctual in the world[1]

Consolidation of new brand

- A new image for a new Iberia
- Consolidated brand leadership in Spain
- New brand roll-out in Brazil (May'15), Peru (Oct'15) and Mexico (Nov'15)

Brazil: +12 ppt brand consideration[2]

+16 ppt of NPS increase (3Q13 – 3Q15)

1 Source: Flightstats On-time performance awards 2014
2 2014-15 increase of suggested awareness in Brazil from 41 to 60%

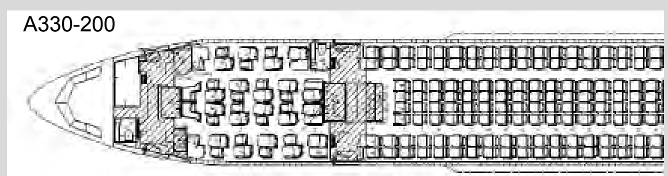
Increasing capital efficiency

IAG harmonisation

- A320 neo family **will be delivered completely harmonised**
- **A330 harmonisation** to reduce purchase and MRO costs
- A350-900: working with Airbus on making **the most efficient configuration in the market**

Long haul configuration & space optimisation

- A330-200: **configuration optimised**, with no compromise on pax comfort: 19J + 269Y = 288 seats
- A330-300: J cabin reduced by 7 seats (from 36 to 29) and **new Premium Economy** cabin will offer 21 seats (+5%). Weight reduction approx. 700 kg
- A340-600: J cabin reduced by 10 seats (from 46 to 36) **and Premium Economy cabin** with +23 seats (+4%). Weight reduction 850 kg aprox.



Aircraft life extension

- Used A320 CEOs from the market **and lease extensions to be used** to meet needs until NEOs from IAG order arrive
- **Exploring options to retain**, at reduced ownership costs, some of the A340-600 due for redelivery in the next three years

Growth drivers

		Growth contribution
North America	• Leverage strength of Joint Business to consolidate existing routes • Develop new markets currently underserved from Madrid … • … which are feasible with lower cost base and introduction of A330-200	●
LatAm	• Consolidate existing routes leveraging lower cost base and LH fleet renewal • Tactical capacity adjustments as macroeconomic environment evolves • Selective growth in new secondary markets utilising strength of the Madrid hub (i.e. Paraguay, Central America and the Caribbean)	● ●
Short-haul	• Growth into key Spanish destinations, including further growth in island markets • Disciplined growth in Europe to right-size long-haul connectivity • Continued development of Iberia Express in new point-to-point markets including Manchester, Birmingham and Reykjavik	
Rest of World	• Explore new markets in Asia (Japan and China) and the Middle East • Develop a sustainable model for North Africa market • Other Africa markets under study including potential re-launch of Johannesburg	●

Margin drivers

		€ margin contribution
Net fuel price benefit* (exc. efficiency)	• Commercial plan on track, minimizing impact of LatAm slowdown • Plan worked on the assumption that markets will remain intensively competitive and therefore we have not yet banked any significant fuel benefit	●
Fuel efficiency	• 70% renewed LH fleet (A330 and A350) by 2020 • 13 A330s delivered 2015-2018 (to a total of 21); 11 out of 16 A350-900 delivered between 2018-2020 • Consolidation of operating best practices (e.g. single engine taxi)	●
Employees	• Onwards headcount reduction in line with plan • Productivity improvements and new entries at market labour cost • **IAG platform:** IAG-led projects to further reduce unit costs (e.g. GBS and IT)	● ●
Suppliers	• Steady implementation of Plan de Futuro measures: operating cost reduction (e.g. selling costs due to channel shift) and G&A optimisation • Improved fleet utilisation (optimised commercial planning and MRO program) • **IAG platform:** Other IAG projects fostering cost reductions (e.g. Procurement)	● ●

*Net of revenue dilution

Iberia targets aligned with IAG targets

	Rolling 12m*	2016-2020
Lease adjusted operating margin (%)	5.9%	8-14%
Sustainable through the cycle RoIC (real terms)	7.5%	Targeting 15%
ASK growth per annum	9.8%	7%
Fleet (period end)	96	122

* Rolling 12 months up to Q3 2015

Vueling

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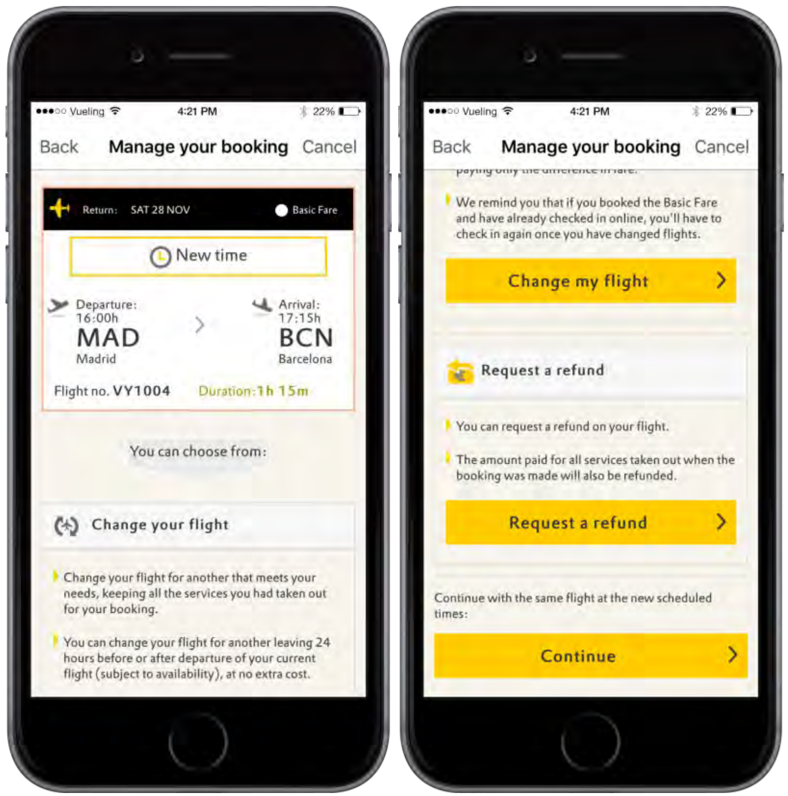
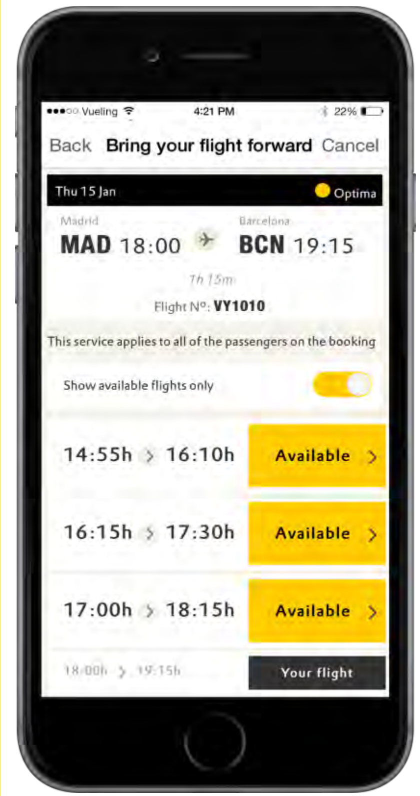
Vueling: Mobile first

Personalisation

Disruption self management



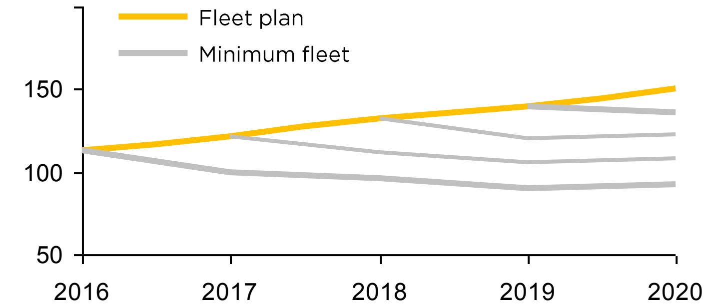
Only mobile products



Increasing capital efficiency

Flexibility

- Flexibility to adjust the fleet size to market conditions
- Fleet flexibility includes lease extensions, short term leases and CEO from the market
- Mix of A320 and A321



Gauge

- A321 with 220 seats
- 10 A321s in the fleet by the end of 2016
- A321 unit cost improvement (-6%)

Harmonisation

- Business cabin harmonisation: more legroom rows 1 to 4, class divider, power outlets, mood lighting
- Introduction of light weight seats
- Cost savings and improved customer perception

Growth drivers

		Growth contribution
Spain	• Barcelona: continue growing BCN as Europe's largest short haul airport • Consolidate new bases and maintain leadership at main bases • Growth driven by Spain-Europe routes and Canary Islands	●
Non-Spain	• Consolidate domestic and international hub at Rome FCO • Selective growth from Florence • Connecting Italian regions from other Vueling European bases • Consolidate presence in Paris, new base at Paris CDG • Grow international routes from Paris Orly • Connecting French regions from other Vueling European bases • Consolidate presence in mature markets (Germany and Belgium) • Increase presence in Amsterdam base • Growth in UK market under IAG umbrella	● ●

Margin drivers

		€ margin contribution
Net fuel price benefit* (exc. efficiency)	• Operating market to remain highly competitive • Current assumption: banking 20% of the fuel price benefit by 2020	●
Fuel efficiency	• New A320 and A321 from IAG order will reduce fuel unit cost • Fleet harmonisation and light seats • More efficient aircraft: A320-NEO	●
Employees	• Crew local hiring in international bases to optimize productivity • Further optimisation of costs via selected outsourcing • New technology aimed to increase efficiency and reduce cost (ex: new rostering system)	
Suppliers	• Darwin saving program will mitigate most of the cost inflationary increases • Initiatives include handling and airport negotiations, MTOW optimisation, etc. • **IAG platform:** Joint tender processes (ex: procurement)	

*Net of revenue dilution

Vueling targets aligned with IAG targets

	Rolling 12m*	2016-2020
Lease adjusted operating margin (%)	12.6%	12-15%
Sustainable through the cycle RoIC (real terms)	13.6%	Targeting 15%
ASK growth per annum	15.5%	10%
Fleet (period end)	101	147

* Rolling 12 months up to Q3 2015

Aer Lingus

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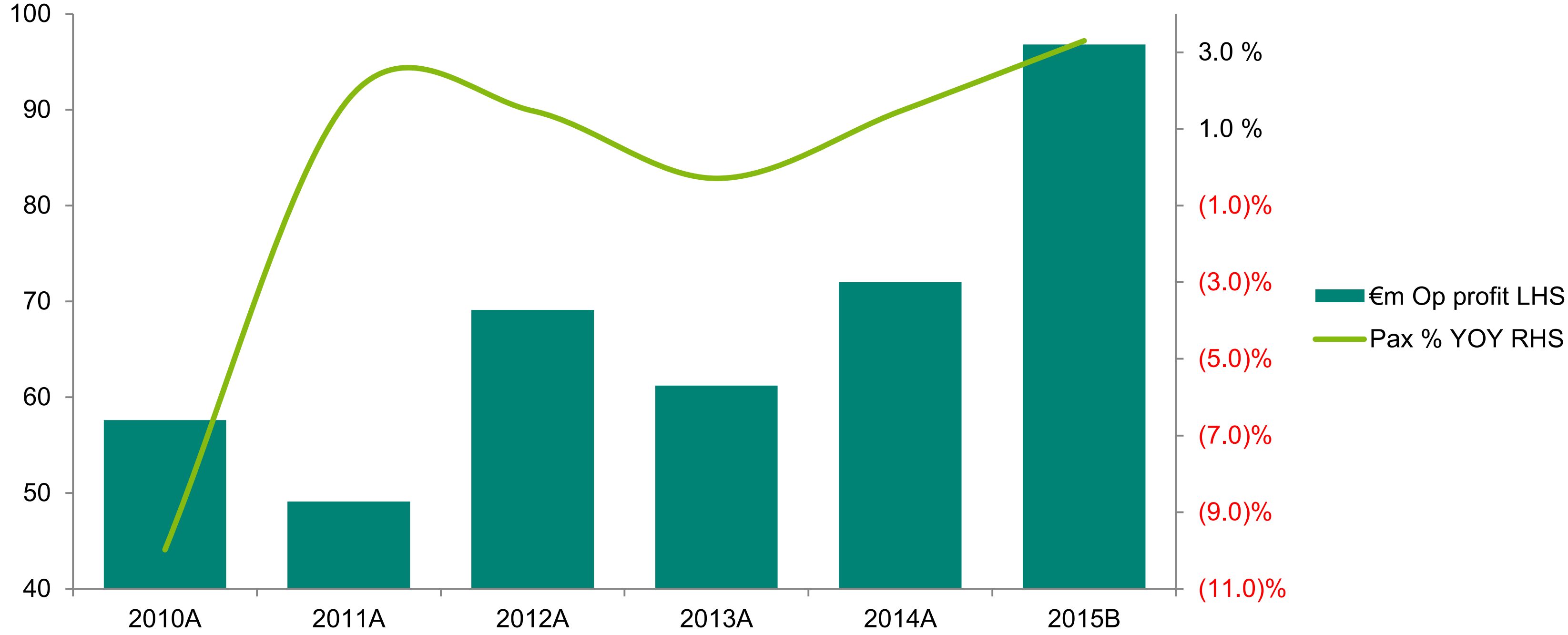
A record of profitable growth



	2011 Act	2012 Act	2013 Act	2014 Act	2015 Bud	CAGR
SH RPS* €	5.5%	3.9%	(1.2%)	2.5%	1.7%	1.7%
TA RPS* €	4.0%	16.6%	(0.2%)	7.2%	2.9%	3.4%

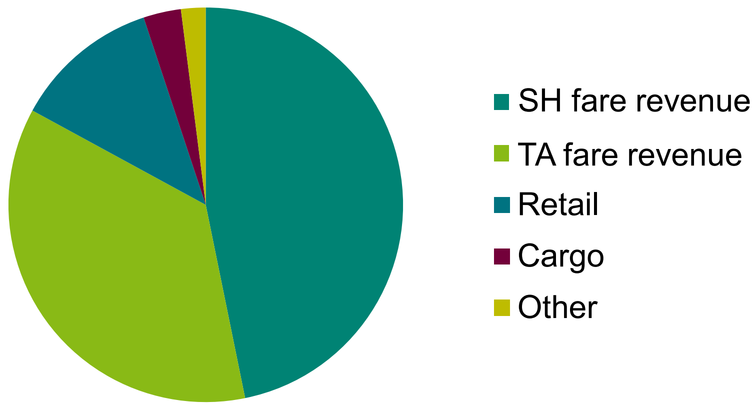
* RPS = Passenger revenue per seat flown

Positive Q3 performance

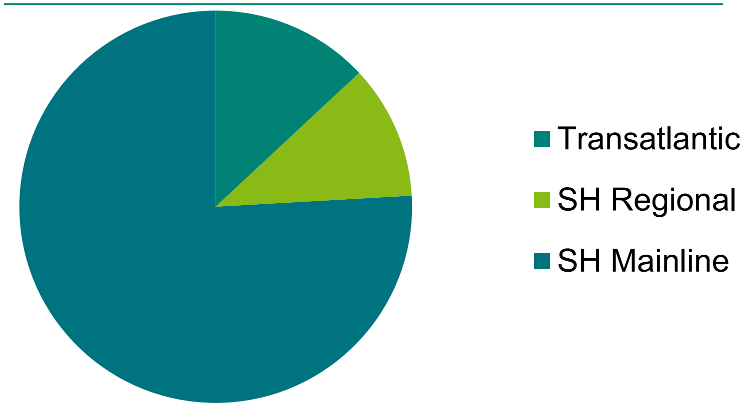
ASKs	RPKs	RASK	CASK
+8.9%	+11.7%	+3.7%	+0.1%

Commercial overview

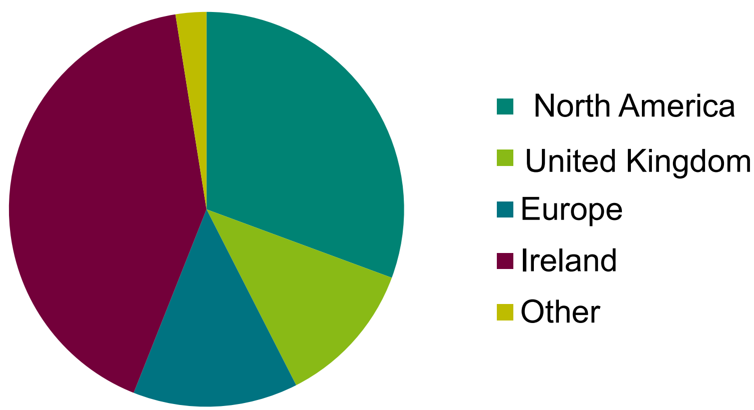
Revenue by segment



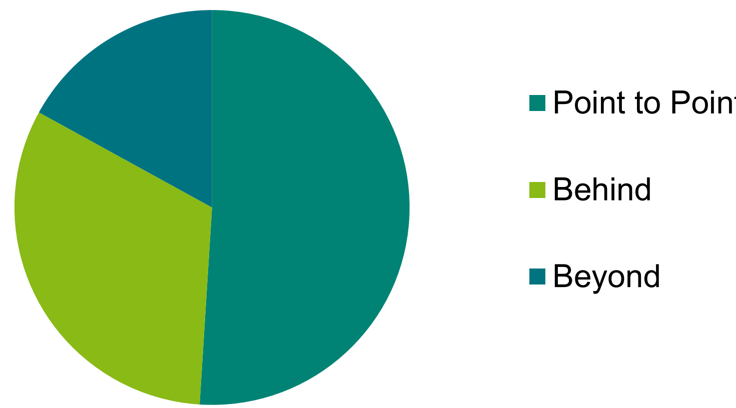
Passengers by network



Fare revenue by sales region



Transatlantic network flow



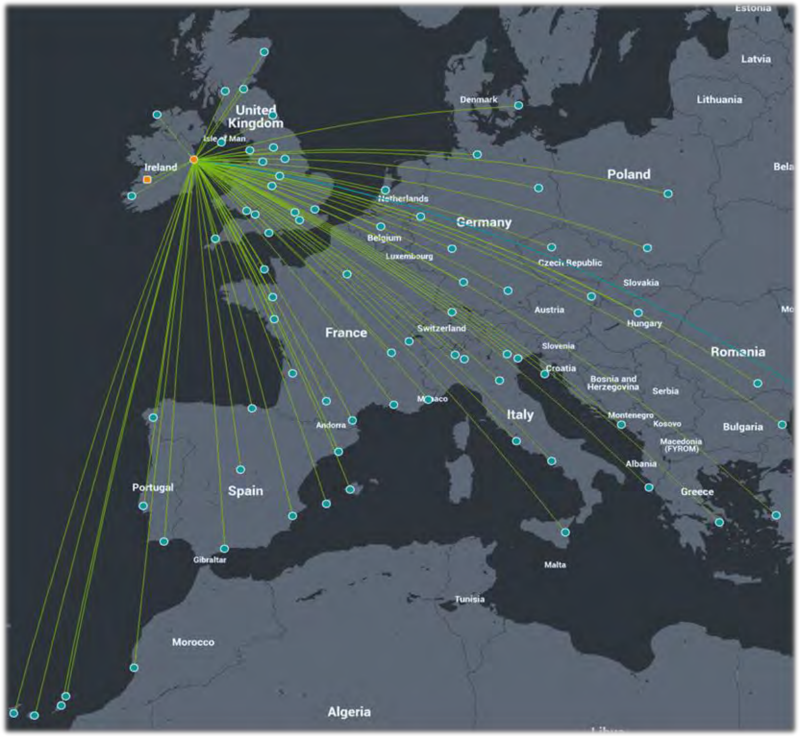
* Data is rolling 12 months to Q3 2015

Positioned as a value carrier

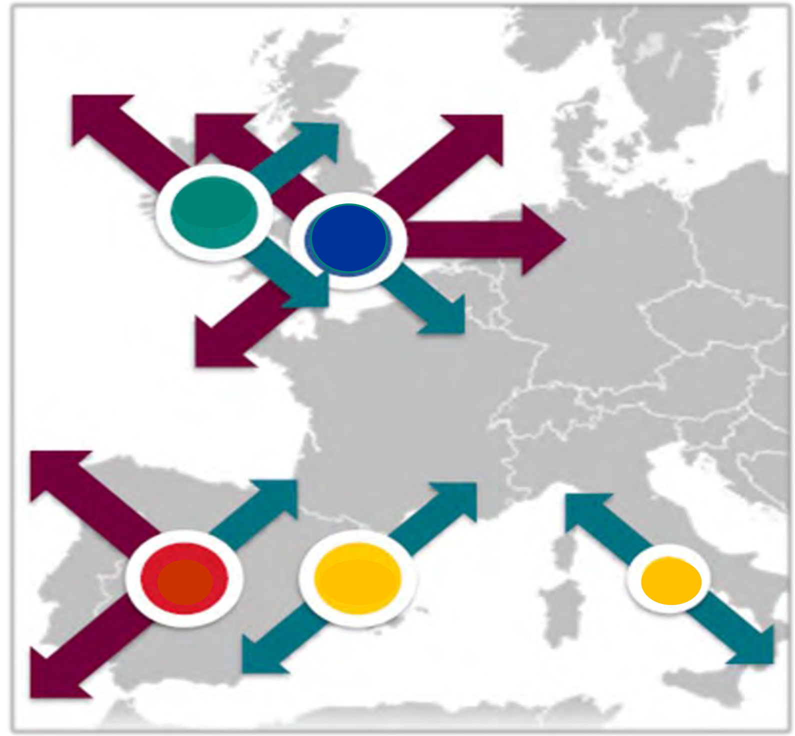
	Price	Distribution	Smart choices
Short haul	Unbundled, competitive core offering	Direct low cost model	Central airports Schedule quality
Long haul	Market leader in both cabins	Selected non direct platforms to drive yield and volume	Pre-clearance and network connectivity Lounges and Inflight experience

Home market strength

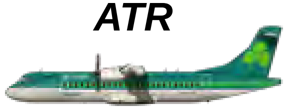
Competitive in scale and scope



Hub to hub coordination will drive additional connecting flows



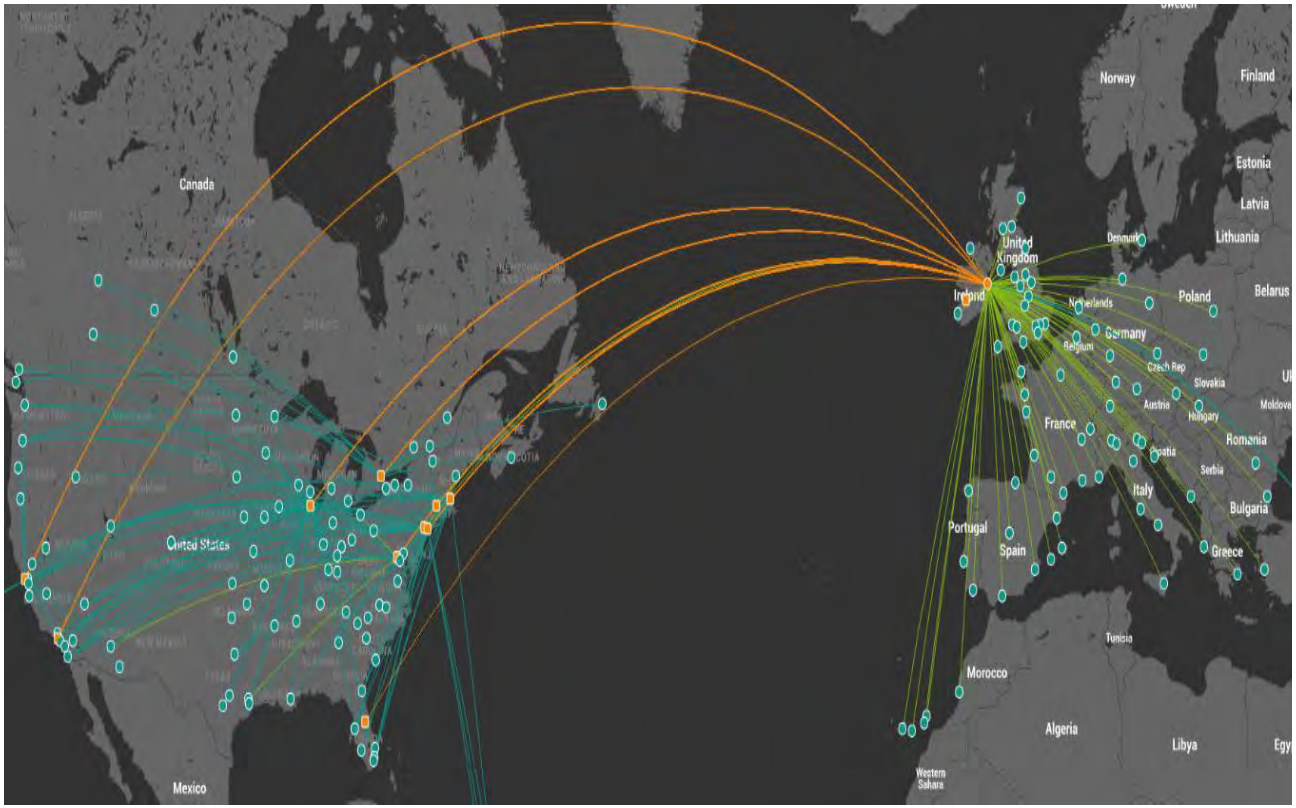
European fleet

	Aircraft	Units	Density	2016 Change
Mainline	*A319* 	4	144	-4
Mainline	*A320* 	30	174	+4
Mainline	*A321* 	3	212	-
Regional	*ATR* 	11	48-72	-

- Commonality with fellow IAG Operating Companies
- Single cabin high density configuration (96% of maximum)
- 53% owned / 47% operating lease with flexibility to respond to opportunities
- Average age 9.6 years
- Regional capacity provided via Franchise Agreement with Stobart Air

A compelling gateway

Powered by geography, cost and opportunity



…. leveraged by IAG

- Enabling accelerated growth
- Network expansion through code and AJB
- Yield opportunity through Avios and expanded Corporate relationships

Efficient Transatlantic production

	Density Business	Density Economy	2015 Fleet	2016 Fleet
 *A330-300*	30	287	4	+2
 *A330-200*	23	247	4	-
 *B757*	12	165	3	+1

- Two cabin high density configuration (79% of max)
- A330 88% owned / 12% operating lease
- Procurement synergies have already been delivered in first transaction
- Flexible B757 solution with capacity damp-leased from Air Contractors Ltd.

Our priorities

RoIC	Efficient growth and appropriate investment strategy will drive improved RoIC
Gateway	Exploit the potential of the Dublin gateway between Europe and North America
Home market	Improve margin per seat by driving load factor supported by per passenger retail revenue and enabling technology
Cost reduction	Benchmarked to market with delivery critical to success

Cost reduction

Context	Opportunities	Deliverables
• Continued short-haul price point and cost pressure from competition • Narrowing points of differentiation • Cost relevance is market relevance	• Airports and ground handling • Fleet • Maintenance • Procurement • Overheads • Labour productivity	• Pre-integration €7 cost per seat target • Efficient growth • Reduced complexity • Improved operational performance

Aer Lingus and IAG

	What we gain	What we deliver
RoIC	Accelerated growth under Group ownership	Immediate return on investment and flexible platform for growth
Gateway	Increased selling power and O&D coverage	Strengthened leadership position on North Atlantic
Home market	Increased feed opportunities between major Group hubs	Coordinated hub to hub flying to optimise flows and home market position
Cost reduction	Access to scale and shared services increases potential savings	Further scale provided by a cost efficient network carrier added to Group

Aer Lingus targets aligned with IAG targets

	Rolling 12m*	2016-2020
Lease adjusted operating margin (%)	10.9%	10%+
Sustainable through the cycle RoIC (real terms)	7.7%	Targeting 15%
ASK growth per annum	4.6%	7.7%
Fleet (period end)	49	58

* Rolling 12 months up to Q3 2015

Appendix

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Definitions

Equity Free Cash Flow:

EqFCF = EBITDA – cash interest – cash tax – CAPEX

RoIC:

Numerator: EBITDAR – inflation adjusted depreciation – (leases x 0.67)

Denominator: fleet tangible fixed assets (inflation adjusted) + non-fleet tangible fixed assets + (8 x leases)

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 2014; these documents are available on www.iagshares.com.