Capital Markets Day

3rd November 2017
# Agenda

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

Alex Cruz – Chairman and CEO
Carolina Martinoli – Director of Brand and Customer Experience
Steve Gunning – CFO
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
- 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)

Source: OAG, departing seats
...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

CAA short-haul punctuality from London (within 15 mins)

<table>
<thead>
<tr>
<th>Year</th>
<th>British Airways</th>
<th>easyJet</th>
<th>Ryanair</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>81%</td>
<td>62%</td>
<td>71%</td>
</tr>
<tr>
<td>2017</td>
<td>98.7%</td>
<td>98.5%</td>
<td>98.1%</td>
</tr>
</tbody>
</table>

Source: latest CAA punctuality; BA internal data

Short-shipped baggage

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017 (to Sept)</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Airways</td>
<td>-30%</td>
<td>-30%</td>
<td>-30%</td>
<td></td>
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</tbody>
</table>

Aircraft technical ‘ready to go’

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Airways</td>
<td>97.7%</td>
<td>98.2%</td>
<td>98.6%</td>
<td>98.5%</td>
<td>98.7%</td>
</tr>
</tbody>
</table>
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**
New senior management team spearheading change

British Airways Management Committee

Alex Cruz
Chairman and Chief Executive Officer

Maria da Cunha
Director of People & Legal

Adam Daniels
Chief Commercial Officer

Klaus Goersch
Chief Operating Officer

Sean Doyle
Director of Network & Alliances

Jason Mahoney
Director of Engineering

Steve Gunning
Chief Financial Officer

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

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

<table>
<thead>
<tr>
<th>Basics</th>
<th>Enabling seamless, stress-free travel through world class digital experiences, driven by data &amp; insight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide a reliable and consistent digital experience across multiple devices</td>
<td></td>
</tr>
<tr>
<td>Brilliance</td>
<td>Digital capabilities enable customers to travel the way they want to travel</td>
</tr>
<tr>
<td>Differentiation</td>
<td>BA.com/app is first port of call, providing an unrivalled level of service and support</td>
</tr>
</tbody>
</table>

### Digital and technology delivering for BA’s customers

- Automation at the airport allowing staff to focus more on customer service
- BA app updated
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

- **1919**: World's first daily international flight
- **1958**: World's first transatlantic flight to New York
- **1976**: World's first supersonic passenger flight
- **1983**: ‘World's favourite airline’ campaign launched
- **1995**: First airline loyalty programme outside the US
- **2000**: World's first Club World fully flat bed launched
- **2000**: World Traveller Plus brand launched
- **2010**: Joint Business with American & Iberia launched
- **2011**: ‘To Fly. To Serve’ campaign launched
- **2014 - 2017**: #1 Consumer Superbrand four consecutive years
- **2015 - 2017**: #1 Business Superbrand three consecutive years

Our core values remain the same: BA is a premium brand for all customers
Preparing for the future: unprecedented investment over 5 years

<table>
<thead>
<tr>
<th>Brand</th>
<th>Product</th>
<th>Service</th>
</tr>
</thead>
</table>
| - Premium positioning for all customers  
- Evoke the emotional  
- Centenary in 2019 | - New and refurbished aircraft  
- Overhaul of lounges  
- Improved catering in every cabin  
- £200m additional investment in Club World (up to £600m) | - 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

<table>
<thead>
<tr>
<th>Model</th>
<th>In service</th>
<th>On order</th>
</tr>
</thead>
<tbody>
<tr>
<td>B787</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A350</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B777-300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A321Neo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A320Neo</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

2018
## 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

<table>
<thead>
<tr>
<th>Updated service style</th>
<th>Consistent service</th>
<th>Exploiting data and digital</th>
<th>Training and engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New service design and guidelines</td>
<td>• Connected crew devices</td>
<td>• Enhanced customer intimacy</td>
<td>• Training for frontline colleagues</td>
</tr>
<tr>
<td>• Updated and modern service style</td>
<td>• Use of automation where appropriate</td>
<td>• Customer segmentation</td>
<td>• Engagement programme for all our people</td>
</tr>
<tr>
<td>• Excellent customer care</td>
<td>• Consistency across all channels</td>
<td>• Understanding what matters most</td>
<td>• Beyond the Flight Deck</td>
</tr>
</tbody>
</table>

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Using technology and training to empower and enable frontline colleagues.
Committed to reducing underlying non-fuel unit costs by 1% per year

Restructuring programme launched in 2016

- 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

<table>
<thead>
<tr>
<th>Check-in</th>
<th>Connections</th>
<th>Ramp &amp; baggage</th>
<th>Boarding</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 24 bag drops live, 20 more arriving Q2 2018</td>
<td>• 18 automated gates in T5 connections</td>
<td>• 6 stands using Mototok for push-back</td>
<td>• 9 domestic boarding gates - 47 flights/day</td>
</tr>
<tr>
<td>• Transaction time c. 50% quicker than desk</td>
<td>• Elimination of queuing for most customers</td>
<td>• 75% reduction in push-back delays</td>
<td>• Boarding times reduced by a third</td>
</tr>
<tr>
<td>• ‘Welcome Hosts’ at T5 introduced</td>
<td>• Service touchpoints screens rolling out 2018</td>
<td>• Robotic baggage arms being trialled</td>
<td>• To be rolled out on international flights</td>
</tr>
</tbody>
</table>
**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
- **4,684** to **4,147**
- c.23% delivered

### 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

**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

<table>
<thead>
<tr>
<th>Region</th>
<th>Growth Drivers</th>
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</table>
| North America   | • 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           | • 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      | • 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   | • 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

Unit revenue
- 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
- 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
- Restructuring programme to deliver £250m of benefits
- Formal consultation on proposal to close BARP & NAPS pension schemes

Suppliers
- 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

<table>
<thead>
<tr>
<th>Metric</th>
<th>Rolling 12m</th>
<th>2018-2022</th>
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<tbody>
<tr>
<td>Lease adjusted operating margin</td>
<td>15.0%</td>
<td>15%+</td>
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<tr>
<td>Sustainable through the cycle RoIC (real terms)</td>
<td>16.0%</td>
<td>15%+</td>
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<tr>
<td>ASK growth per annum</td>
<td>1.1%</td>
<td>2-3%</td>
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<tr>
<td>Fleet (period end)</td>
<td>291</td>
<td>299</td>
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British Airways

Alex Cruz – Chairman and CEO
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%
- **Δ NPS 2013-2017 YTD**
  - +29%pts
- **Renewed brand**

### In our costs

<table>
<thead>
<tr>
<th>Year</th>
<th>CASK exFuel IB Group (€c)</th>
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<tbody>
<tr>
<td>2013</td>
<td>6.14 -13.4%</td>
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<tr>
<td>2016</td>
<td>5.32</td>
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### And as a result, in our financials

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT (€m)</th>
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<tbody>
<tr>
<td>2012</td>
<td>-351</td>
</tr>
<tr>
<td>2016</td>
<td>271 +622</td>
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</table>
Last year we launched Plan de Futuro Phase II in response to a challenging environment

**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...

- RASK IB Group (€c)
  - H1 2016: 7.20
  - H1 2017: 7.44
  - South America RASK improvement of 8%

- EBIT (€m)
  - H1 2016: -6
  - H1 2017: 84
  - +90

- ROIC last 4Qs (%)
  - Q2 2016: 8.7%
  - Q2 2017: 12.0%
  - +3.3pp
… which makes us confident to return to the growth plan of 2015
... 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
A reduced cost base plus a continued evolution of our customer proposition will support our growth plans: product transformation

- **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**
- **Arrival of first A320 NEO and A350** in our fleet
- **A350 linefit** with **Premium Eco** and **high speed inflight connectivity**
- **All WB fleet in scope**¹ 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
A reduced cost base plus a continued evolution of our customer proposition will support our growth plans: Customer Journey full review

**Dreaming**

**Planning**

**Check-in**

**Pre-Flight (before CKI)**

**Pre-Flight (after CKI)**

**Lounge**

**Boarding**

**In-flight**

**Arrival**

**Post-flight**

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**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

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**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

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

- Customer knowledge
- Network breadth
- New segmentation and personalisation
- Crew App
- EXPERIENCIA REDONDA
- Crew training
- E-learning/gamification
- MSO HUB
- New connected VIP lounge
- Crew devices
- Digital transformation
- HDL Digital transformation
- SHOPPING PORTAL
- CONNECTED AIRCRAFT
- Customer Disruption Platform
- New offering
- Operational Cockpit
- Disruption elimination program
- Baggage tracking
- Digital Premium Lounge
- New connected aircraft
- Automatic boarding
- Zero AOG AI
- Experience customisation
Growth drivers

North America
- 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
- 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
- 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
- Consolidate Tokyo route with additional frequencies up to 5 weekly
- Operate Widebody to Tel Aviv
- Moderate growth in Africa (further opportunities under study)

Note: Growth contribution assumes CBA final conditions support further growth
Margin drivers

**Unit revenue**
- 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

**Fuel efficiency**
- 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**
- 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**
- 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

<table>
<thead>
<tr>
<th></th>
<th>Rolling 12m¹</th>
<th>2018-2022²</th>
</tr>
</thead>
<tbody>
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<td>10.6%</td>
<td>10-14%</td>
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<td>15%</td>
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<td>ASK growth per annum</td>
<td>3.7%</td>
<td>c. 8%</td>
</tr>
<tr>
<td>Fleet (period end)</td>
<td>100</td>
<td>126</td>
</tr>
</tbody>
</table>

Note: ¹Rolling 12m includes LEV\EL; 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

<table>
<thead>
<tr>
<th>Identified gap from market 2015</th>
<th>Initiatives delivered to close gap 2017</th>
<th>Current gap closure</th>
<th>Full gap closure 2018 - 2021</th>
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<tbody>
<tr>
<td><strong>Heavy Maintenance</strong></td>
<td><img src="image" alt="Best in class performance" /></td>
<td><img src="image" alt="Footprint reduction" /></td>
<td><img src="image" alt="External spend optimisation" /></td>
</tr>
<tr>
<td><strong>Line Maintenance</strong></td>
<td><img src="image" alt="Best in class performance" /></td>
<td><img src="image" alt="Footprint reduction" /></td>
<td><img src="image" alt="External spend optimisation" /></td>
</tr>
<tr>
<td><strong>Components &amp; Inventory</strong></td>
<td><img src="image" alt="Best in class performance" /></td>
<td><img src="image" alt="Footprint reduction" /></td>
<td><img src="image" alt="External spend optimisation" /></td>
</tr>
<tr>
<td><strong>Engines</strong></td>
<td><img src="image" alt="Best in class performance" /></td>
<td><img src="image" alt="Footprint reduction" /></td>
<td><img src="image" alt="External spend optimisation" /></td>
</tr>
<tr>
<td><strong>Planning &amp; Engineering</strong></td>
<td><img src="image" alt="Best in class performance" /></td>
<td><img src="image" alt="Footprint reduction" /></td>
<td><img src="image" alt="External spend optimisation" /></td>
</tr>
</tbody>
</table>
**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

### 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)

### 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)

---

**Headcount reduction**

10%

**Building surface reduction**

80,000m²

(13 football pitches)

**Supplier spend reduction**

10%

¹run rate figure
Vueling

Javier Sánchez-Prieto - Chairman and CEO
Returning to controllable and profitable growth

1. We delivered...

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

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

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

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

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

Creation of Vueling

Vueling and Clickair merger

IAG integration

2004 - 2008

2009 - 2010

2011 - 2015

2016 - 2017

2018 - 2022

Fix the basics

Resume growth

+10% p.a.

Strengthen all dimensions to fit the current company size

Sustainable and profitable growth for our core

We delivered…
Vueling NEXT: what we have done so far …

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

Significant customer satisfaction improvement

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

31M Passengers Transported in LTM

+ 7 pp EBIT Margin

13,7% RoIC

Note: Rolling 12 months for OTP, EBIT, RoIC & LF results.
Our early results have shown dramatic improvement: better OTP than main competitors in our main airports.

**Summer '17 OTP**

- **BCN**: #1
  - VY: -5
  - DY: -14
  - FR: -15

- **ROM**: #1
  - VY: -5
  - AZ: -12
  - FR: -21

- **PAR**: #1
  - VY: -9
  - AF: -10
  - U2: -14

**BCN OTP**

- **Summer'16 disruptions**
- **New hand-luggage policy**
- **New turnaround model**
- **New buffer policy**

**Note:** D15 OTP for all network. For Summer '17 June, July and August have been included. Datasource: Flightstats.
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**

**Market Development**

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

**Winning Value Proposition**

Reliable and consistent

Low prices built from low cost base

Service leadership - delivering with care
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
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**

<table>
<thead>
<tr>
<th>An improved organisation more oriented to Innovation, Digital and Data</th>
<th>Working on how to improve the customer experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Creation of Data &amp; Analytics Team (30+ people): tools for fuel efficiency, reduction of queues in main airports, sales management</td>
<td>• Ease of customer management: Artificial intelligence and natural language processing for automated messaging (BOTs)</td>
</tr>
<tr>
<td>• Adoption of AGILE methodology: +100 releases per year, +2 per week</td>
<td>• Continuously improving user experience: EVA virtual assistant</td>
</tr>
<tr>
<td>• Innovation LAB</td>
<td>• Greater accessibility by the use of mobile: leveraging best-in-class booking process (+37% in the LTM)</td>
</tr>
<tr>
<td>• Continuous collaboration with start-ups (150+ people / 10+ Co. in two sites)</td>
<td>• 1st adopter in automatic payment methods: Amazon Pay, Android Pay and Apple Pay</td>
</tr>
<tr>
<td></td>
<td>• Customer data insights: Loyalty Program Vueling Club by AVIOS</td>
</tr>
<tr>
<td></td>
<td>• Better use of information to help customers: Crew connectivity</td>
</tr>
</tbody>
</table>

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**Hangar 51**

---

IAG  Vueling  Digital / Innovation
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%)

**Note:** Cost per seat @ ccy
After fixing the basics we are returning to Growth
We have started the second phase

Strategic priorities 2016-2022

Resume growth

Strengthen the base

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 cites 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

IAG

Vueling

Growth

Growth contribution
## Margin Drivers

| 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

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

<table>
<thead>
<tr>
<th>Cost efficiency</th>
<th>Revenue model</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 - 20% lower cost per flight vs FSC</td>
<td>80% - 90% revenue per flight vs FSC</td>
</tr>
<tr>
<td>Greenfield labour costs</td>
<td>Demand stimulation through fare discounting</td>
</tr>
<tr>
<td>Simplified commercial model</td>
<td>High density configuration</td>
</tr>
<tr>
<td>High aircraft utilisation</td>
<td>High seat factors - “price to fill”</td>
</tr>
<tr>
<td>High crew utilisation</td>
<td>Customer led ancillary product offerings</td>
</tr>
<tr>
<td>Less complex product offering</td>
<td>Connections without complexity</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Share of Market</th>
<th>Demand segments</th>
<th>IAG brand positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>~30%</td>
<td>Premium front cabin</td>
<td>BA and IB</td>
</tr>
<tr>
<td>~40%</td>
<td>Trade-up back cabin</td>
<td>LEVEL</td>
</tr>
<tr>
<td>~30%</td>
<td>Trade-down back cabin</td>
<td></td>
</tr>
</tbody>
</table>

- 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

- 15-30 Range of fleet size by 2022
- c.15% Expected RoIC at maturity

Range of fleet size by 2022

<table>
<thead>
<tr>
<th>Year</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2</td>
</tr>
<tr>
<td>2018</td>
<td>5</td>
</tr>
</tbody>
</table>
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.”

NATL

Short-haul

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

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

With an Operating Model that is simple by design

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

1. ROIC
2. Cost reduction
3. Growth opportunity
4. Price competitiveness
5. Margin
Our value model continues to perform

Consistently strong NPS

ASK growth indexed to Q4 2014
Our value model continues to perform
Fleet growth

- 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

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

Creating Value
Drives aircraft utilisation benefits and opens up crew efficiency opportunities

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

To Europe
Enhanced commercial offering

- Deliver a minimum of 80% and a maximum of 85% direct distribution
- Retail initiatives to increase APS by €1 per year led by introduction of Saver fare
- Operate a volume active strategy for both long haul (85%) and short haul (85%)
- Continue to increase North American point of sale
- Deliver lowest cost direct distribution (transactions/payments/messaging)
Brand resonance in our home market and North America

• Core brand values:
  o Value for money
  o Empowerment
  o Guest choice and guest permissive
  o Consistent process and service delivery
  o ‘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
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**

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

Europe

- 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

- 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

<table>
<thead>
<tr>
<th>Unit revenue</th>
<th>€ margin contribution</th>
</tr>
</thead>
</table>
| • Value proposition  
• Digitally enabled retail initiatives used to partially offset pressure on unit revenue impacts  
• Exploiting AerClub with Avios  
• Developing Partner relationships | X |

<table>
<thead>
<tr>
<th>Capital efficiency</th>
<th></th>
</tr>
</thead>
</table>
| • Opportunistic fleet strategy  
• Appropriate mix of owned vs leased aircraft  
• Driving asset utilisation  
• Optimal aircraft configuration |  |

<table>
<thead>
<tr>
<th>Employees</th>
<th></th>
</tr>
</thead>
</table>
| • Building critical skill sets  
• Efficient ASK growth and asset utilisation  
• Containing investment in support activities |  |

<table>
<thead>
<tr>
<th>Suppliers</th>
<th></th>
</tr>
</thead>
</table>
| • 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

<table>
<thead>
<tr>
<th>Category</th>
<th>Rolling 12m</th>
<th>2018-2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease adjusted operating margin (%)</td>
<td>15.0%</td>
<td>15%+</td>
</tr>
<tr>
<td>Sustainable through the cycle RoIC (real terms)</td>
<td>22.9%</td>
<td>15%+</td>
</tr>
<tr>
<td>ASK growth per annum (CAGR)</td>
<td>12.8%</td>
<td>c.5%</td>
</tr>
<tr>
<td>Fleet (period end)</td>
<td>52</td>
<td>61</td>
</tr>
</tbody>
</table>

*ASK = Available Seat Kilometers; RoIC = Return on Invested Capital*
IAG Cargo

Lynne Embleton - CEO
IAG Cargo

**Introduction**

Moving life’s essentials
- Pharmaceuticals, perishables, technology

Delivering value from the belly hold of group airlines
- €1bn revenue

Single IAG Cargo brand
- Top 12 carrier
- 350 Global destinations
  - Aer Lingus integrated
A dynamic, global air freight market

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

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

Earn through operational performance

- Optimised planning
- Acceptance & scanning
- Service recovery

IAG Cargo
Customer loyalty
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

Premium performance

20% by Weight

2017 Jan-Sept

Critical, Constant Climate Critical, Aerospace
Securing growth through partnerships and infrastructure

Feeding IAG OpCo capacity through partnerships

- American Airlines
- Avianca
- Qatar Airways
- Finnair
- JAL
- China Southern
- Air New Zealand
- LATAM

Partner Plus
Partner Plus and freighter capacity

Targeting infrastructure bottlenecks

- Hoist balancing
- Additional storage
- Airside interface capacity
- Maintenance & obsolescence
- Optimise ground floor

Ascentis at Heathrow
Exploiting technology across the business

Better asset utilisation

Scanning and unit build optimisation

Tracking

Enable
customer
devices

Ancillaries

Finding
freight
tfaster

Hub asset
utilisation

Support yields

Dynamic pricing and upselling

Reduce costs

Dynamic pricing and upselling

<table>
<thead>
<tr>
<th>Arrives</th>
<th>PROMO</th>
<th>CPA</th>
<th>PREFERENTIAL</th>
<th>MARKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>17:20pm Thu 09 Dec</td>
<td>Not available</td>
<td>Not available</td>
<td>Not available</td>
<td>Not available</td>
</tr>
<tr>
<td>21:00pm Thu 09 Dec</td>
<td>Not available</td>
<td>Not available</td>
<td>Not available</td>
<td>Not available</td>
</tr>
<tr>
<td>13:55pm Fri 09 Dec</td>
<td>Not available</td>
<td>Not available</td>
<td>Not available</td>
<td>€2,610</td>
</tr>
<tr>
<td>11:05am Fri 09 Dec</td>
<td>Not available</td>
<td>Not available</td>
<td>Not available</td>
<td>€1,960</td>
</tr>
</tbody>
</table>

eFreight

Driverless trials
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
Digital Transformations

**MARKETPLACES**
- LEVEL
- ZENDA
- COMMERCIAL IN-FLIGHT

**SHOP ORDER PAY**
- NEW DISTRIBUTION CAPABILITY (NDC)
- ONE ORDER PAYMENTS

**DATA**
- ON-DEMAND ANCILLARIES
- MACHINE DRIVEN PRICING
- AUTONOMOUS BUSINESS

**AUTOMATION**
- AIRPORTS
- IDENTITY
- ARTIFICIAL INTELLIGENCE

**DIGITAL MINDSET**
- HANGAR 51
- ALPHAS
- HACKATHONS
PROBLEMS

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.

ANTQUATED 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

CUSTOMER-CENTRIC

IAG Digital Shop Order Pay
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

NPS: Net Promoter Score
NDC BOOKING PORTALS NOW LIVE
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)

TOP HIGHLIGHTS

DATA
ON-DEMAND ANCILLARIES
MACHINE DRIVEN PRICING
AUTONOMOUS BUSINESS

LEVERAGING IN-FLIGHT SENSOR DATA FOR PREDICTIVE MAINTENANCE

REAL-TIME ANOMALY DETECTION

INTEGRATING DATA TO DRIVE BAGGAGE PERFORMANCE

A spike in bookings alerts Revenue Management

IAG
Zenda e-commerce is now shipping

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 simple affordable carbon cost and end-to-end tracking from your fulfillment center to your customer’s front door.

Why Zenda?
You own the flights
Zenda is partnered with Ferntodo to deliver a full international e-commerce experience. Contact us to discuss integrating the Zenda API.

Built for e-commerce
Zenda under the world’s leading online groups onto a single e-commerce shipping platform. We bring the mobile into the checkout for a better shipping experience for your customers.

LEVEL new in-flight experience

www.zenda.global
BENEFITS of automating ABOVE & BELOW the wing

- Operational performance
- NPS
- Aircraft damage
- Carbon efficiency
- Workplace safety and security
- Personal injury
## USE CASES

### 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

### 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

### 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

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

### 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
DIGITAL MINDSET
HANGAR 51
ALPHAS
HACKATHONS

UNIVERSITY COLLABORATION
The Alan Turing Institute
Berkeley University of California
ie business school

DRIVING INDUSTRY TRANSFORMATION
Leading industry change at international bodies

IATA
Airports Council International
ACI

HANGAR 51
PROGRAMME 2 LAUNCHED
Accelerating new start-ups in Programme 2
- destygo
- SeatAssignMate
- Inflight VR
- aplazame
- MIGACORE
- volantio
- Airstripe

Incubating successful start-ups for scale
- mototok
- Stealth partnerships

Invested in start-ups from Programme 1
- CHAIN
- esplorio
IAG GLOBAL BUSINESS SERVICES PLATFORM

2015 - 2017

COST

TODAY

COST

REVENUE

RESILIENCE

Transparent Performance
Service Effectiveness
Plug and Play New OpCos
Hybrid Cloud

Digital Global Business Services

104
LEVERAGING WORLD CLASS PARTNERS

<table>
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<tr>
<th>TODAY</th>
<th>2018 - 2022</th>
<th>CO-LOCATION</th>
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End user devices
Security and identity
Network
Application
Integration/Middleware
Database
Operating System
Server
Storage
Data Centre

Digital Global Business Services
THE HYBRID CLOUD SUPPORTS THE DIGITAL BUSINESS

- Blockchain
- Smart Things
- Adaptive Security
- Event-driven
- Edge Computing
- APIs
- AI and Analytics
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

DIGITAL

IAG GBS PLATFORM

HYBRID CLOUD

COST

REVENUE

RESILIENCE

BI-MODAL IT

MARKETPLACES

DIGITAL MINDSET

AUTOMATION

DATA

SHOP ORDER PAY

NEW DISTRIBUTION CAPABILITY (NDC)

ON-DEMAND ANCILLARIES

MACHINE DRIVEN PRICING

AUTONOMOUS BUSINESS

COMMERCIAL IN-FLIGHT

LEVEL

SECURITY

IDENTITY

ARTIFICIAL INTELLIGENCE

PAYMENTS

HANGAR

AI-POWERED

DIGITAL MINDSET

HANGAR

AI-POWERED

DIGITAL MINDSET

HANGAR

AI-POWERED

DIGITAL MINDSET

HANGAR

AI-POWERED

DIGITAL MINDSET

HANGAR

AI-POWERED

DIGITAL MINDSET

HANGAR

AI-POWERED
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

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

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

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

Financial targets
IAG Platform
Our long term planning framework

- **Total shareholder return**
- **Dividends and share buybacks**
- **Earnings per share**
- **Return on Invested Capital**
- **EBITDAR / Operating profit**
  - Margin
  - Growth
- **Asset base**
  - Capex efficiencies
  - Asset utilisation

External drivers:
- Economic drivers
- Other market level impacts/drivers

Consistent leverage: Investment grade

**Market level**

**Corporate level**

**Financial targets**

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

**Financial targets**

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>€5.3bn</td>
<td>€5.5bn</td>
<td>€6.5bn</td>
</tr>
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</table>

**What we said last year**

- Growth
- Unit revenue
- Unit employee
- Fuel
- Supplier (net of other rev)

**This year’s updated view**

- Incremental ASK growth 2%pts

**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**

**Growth c.5%**

**Fuel**

**Supplier**

**Employee**

**Net growth and unit revenue**

---

**Planning goals**

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

---

**Indicative not to scale**
Increase in growth driven by Iberia and LEVEL

Rebase to 18-22

Financial targets
Planning goals
Fleet plan information
Fleet plan split by aircraft category

longer term ASK CAGR: c. 5%

Long-haul new gen fleet

Long-haul conventional fleet

Short-haul new gen fleet

Short-haul conventional fleet

Average IAG fleet age (unweighted)

Average age 18-22
10.9 years
## Fleet plan detail

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

**Financial targets**
Fleet plan flexibility

- Short-haul (indexed)
- Long-haul (indexed)

**Fleet plan flexibility**

- **Current plan**
- **Flexibility from 2018**
- **Flexibility from 2019**
- **Flexibility from 2020**
- **Flexibility from 2021**
- **Flexibility from 2022**

**Flexibility is contractual deliveries minus planned retirements and lease breaks**

**Maximum flexibility (accelerated retirement of 747)**

**Financial targets**

- **Fleet**
An eseat, or equivalent seat, is a standard measure of maximum aircraft configuration. It can be used as a proxy for invested capital.
Structural capex saving retained

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

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

BA: 3x 777-200 replaced with 777-300

Utilisation improvement
777-200 reconfig
747 reconfig
other longhaul
shorthaul densification
efficient config on new aircraft

3%pts
1.5%pts
0.5%pts
0.5%pts
1%pts

Last year plan

Financial targets
Capex

120
What we’re planning now: capex plan

### Financial targets
- **Capex**
  - **Year**
    - 2016-2020
    - 2016-2020
    - 2018-2022
  - **CAPEX last year**
    - Maximum: €1.9bn
    - Average: €1.7bn
    - Minimum: €1.3bn
  - **CAPEX current plan**
    - Maximum: €2.4bn
    - Average: €2.1bn
    - Minimum: €1.4bn
  - **CAPEX current plan**
    - Maximum: €2.4bn
    - Average: €2.1bn
    - Minimum: €1.6bn

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

What we gave you last year

**Rebase to 18-22**

**€2.1bn avg.**

**Last year plan capex 16-20**

**This year plan capex 16-20**

**€1.8bn avg.**

**This year plan capex 18-22**

**FX**

**Product/other**

**IT investment**

**Equipment**
Last year plan: IAG corporate finance strategy 2016-2020

- Further return of cash to shareholders
- Reinvestment in business
- Management of leverage

- Equity free cash flow

- Lease payments
- Net interest payments
- Cash tax payments

**Indicative not to scale**

- Cash reserves
- Credit facilities

**Regular dividend**

**LIT**

**CAPEX average €1.7bn**

**Pension + Restruct**

**Capital uses**

**Capital sources**

**FIN + REFI**

**EBITDAR c.€5.3bn**

**Headroom**

**Buffer**

**Indicative not to scale**

- New fleet funding
- Convertible refinancing/convert
- Active refinancing of older assets
- Working capital
This year plan: IAG corporate finance strategy 2018-2022

- Further return of cash to shareholders
- Reinvestment in business
- Management of leverage

- Equity free cash flow

- Lease payments
- Net interest payments
- Cash tax payments

Indicative not to scale

- Cash reserves
- Credit facilities

- New fleet funding
- Convertible refinancing/convert
- Active refinancing of older assets
- Working capital

Financial targets

Finance strategy

- Capital uses
- Capital sources

- Regular dividend
- LIT
- CAPEX average €2.1bn
- Pension + Restruct
- Capital uses

- EBITDAR c. €6.5bn
- FIN + REFI

- Headroom
- Buffer

- Indicative not to scale
This year: Long term planning goals 2018 - 2022

IAG financial targets

Profitability
- RoIC (real terms) targeting sustainable 15%
- Operating margin 12% - 15%

Average growth
- EPS growth 12%+ average per annum
- ASK 5% per annum

Balance sheet & cash flow
- Gearing: Investment grade zone
- EBITDAR: c€6.5bn average per annum
- Capex: €2.1bn average per annum
- Equity FCF €2.5bn average per annum

Cash return to shareholders
- Sustainable ordinary dividend initially 4x covered by underlying after-tax profit
- • Targets re-confirmed
- • Scope for upside
Significantly increased shareholder cash potential

IAG continues to have a strong balance sheet

IAG reinforces its strong free cash flow targets

Financial targets

EqFCF

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<th>RoIC</th>
<th>EqFCF</th>
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<td>5.0%</td>
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<td>2014</td>
<td>7.9%</td>
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<td>2015</td>
<td>12.5%</td>
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<td>2016</td>
<td>13.6%</td>
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<td>2018-2022</td>
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CMD 2017 EqFCF range

Dividend - €415m in 2015

Share buyback - €500m
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.