

SPEECH BY ANTONIO VAZQUEZ,

CHAIRMAN OF INTERNATIONAL AIRLINES GROUP

Annual General Meeting,

Thursday June 18, 2015

Ladies and gentlemen,

I would like to start by warmly welcoming you to the annual general meeting of shareholders.

Our Chief Executive Officer, Willie Walsh, will speak to you in more detail about IAG's performance in 2014 later on. For now let me say that we posted an operating profit of €1,390 million, up €620 million on the previous year, and revenue of €20,200 million. We are proud of these results, which undoubtedly reflect the important progress made by the Group.

As we mentioned last November during our Capital Markets Day, the Company has not only made significant progress in 2014, but we are also confident of meeting the financial targets set for 2015.

In light of the above, we anticipate, as a first step in our sustainable dividend distribution plan, that we will announce a dividend before year-end, based on a pay-out ratio of 25 per cent of underlying profit after tax.

2014: A SUCCESSFUL YEAR

2014 was a successful year for the Group as a whole and certainly an important year for Iberia in terms of sustained, profound change and a return to profitability - a far-off prospect just two years ago.

However, thanks to the hard work and dedication of the management team, and the commitment of our employees, Iberia is a different company today. The airline reduced its cost base and is now competitive. It is successfully re-launching its brand across all its markets, increasing its fleet and offering new routes and products to its customers. The recovery of the Spanish economy will only serve to help Iberia's positive performance.

British Airways has made significant progress with its long-term objectives. It posted an operating profit of 1,215 million euros, up 762 million euros on the previous year. The introduction of Airbus 380 and Boeing 787 aircraft was very well received by customers, enabling British Airways to lay the foundations for progress in 2014.

Vueling consolidated its position as our premium low-cost brand in European markets. The company continued to grow, operating out of new bases in Rome and Brussels. It also benefited from the addition of new aircraft to its fleet.

In short, the Group's three airlines, together with our Cargo and Avios operations, recorded significant progress despite a number of challenges and opportunities. They are continuing to work diligently to achieve their ambitious goals for the future. It is this, and their strict cost and capacity base, that will allow them to continue to expand.

Our Chief Executive Officer, Willie Walsh, will speak about this in more detail. However, allow me to say that we have already expressed a firm commitment of a formal offer for Aer Lingus. The airline's solid brand and efficient cost base will allow the Group to grow in strategic markets.

INDUSTRY POSITION

The performance of our airlines needs to be put into the context of the industry. Recent estimates by the International Air Transport Association (IATA) put airlines' net profit at approximately 29 thousand million dollars worldwide this year. Based on estimated earnings of 727 thousand million dollars, the industry could obtain a net profit margin of 4.0 per cent.

In line with what the IATA has said, 2015 will be a good year. The load factor for 2015 is expected to reach a record 80.2 per cent and airlines will have the opportunity to earn an average 8.27 dollars per carried passenger.

Notable regional differences persist despite the airline industry being in clearly a much better position today than it has been for a long time. Following a long period of consolidation the outlook for the US is solid ,while in Europe, the complex regulatory environment is persisting at the same time as competition becomes increasingly tough, making it much more difficult to achieve the same levels of return.

However, thanks to the work of British Airways some years ago, and Iberia more recently, we are now in a much stronger position which gives us a competitive advantage over the other airlines in the region.

And although the opportunities for increased cross border consolidation are still limited, our own business model, which lets Group companies operate independently and harness considerable savings through synergies, puts us in a unique position at the helm should any additional opportunities for consolidation arise.

We have repeatedly shown that we want to be the number one airline in the industry. We have been staunch defenders of the liberalisation of the airline

industry because we are convinced that it works better when competitors can prosper, so benefitting consumers and businesses alike. Liberalisation is key to ensuring progress is made in our sector.

CORPORATE GOVERNANCE

In accordance with the recommendation included in the new Corporate Governance Code published in Spain in February, I would like to briefly summarise the most important corporate governance features of IAG, knowing that more detailed information is available in our annual corporate governance report and updated information is available on IAG's corporate website.

We believe - as we have committed to since the Group was created - that IAG has a very solid corporate governance structure that is perfectly aligned with the best corporate governance standards.

- IAG, which is listed in both Spain and the UK, complies with the main corporate governance recommendations of both countries.
- IAG complies with Spanish legal disclosure standards and has also voluntarily agreed to follow legal disclosure requirements applicable to UK companies.
- The Board has a well-defined supervisory responsibility and a significant amount of non-delegated matters reserved for its consideration.
- The Board has an overall majority of non-executive directors, nearly all independent and including only two executive directors - the Chief Executive Officer and the Chief Financial Officer of the Company.
- The Board has a broad range of knowledge, and personal and professional profiles.
- The role of the Chairman of the Board is separate from the Company's executive leadership.
- Board committees follow all international best practices.
- The Board is open to dialogue with our shareholders and investors.

With regard to the changes which have taken place since the previous annual general meeting, please allow me to refer to what has already been explained in our annual report, since there has not been any substantial change since the publication of this report.

During 2014, IAG met all the corporate governance recommendations in the Spanish Unified Code, with the sole exception of two recommendations that were partially complied with:

- Firstly, in relation to the rules on the number of boards on which board members can sit, because we consider it inappropriate to set fixed rules of this nature. Our corporate governance system already includes clear requirements regarding our directors' commitment and about the information they need to provide in the event that they have other occupations.
- Secondly, in relation to the chair of the audit, nominations and remuneration committees, the only one that was not chaired by an independent director was the Nominations Committee, which I myself chaired in line with the UK practice of having the Chairman of the Board of Directors chairing this Committee. In this regard, this situation has been changed for 2015 so that the Nominations Committee is also chaired by an independent director in line with the latest Spanish legislative reforms.

ENVIRONMENT

Our firm commitment to managing our environmental impact is fundamental for our Group. It is an ongoing task, which we work at on a daily basis.

In this context, I would like to reiterate that we continue to press for a global agreement on emissions trading. We have strongly supported the efforts made by the UN to this end through the International Civil Aviation Organisation. Aviation is a global industry and as such requires a global solution, which is why reaching such an agreement is vital for the sustainable development of our sector.

As I have said previously, our commitment to the environment is absolute. For this reason, fuel efficiency, amongst other considerations, were fundamental factors in the selection of the new fleet for the Group's airlines. The 38 aircraft added to the fleet in 2014, including three Airbus A330s, four Boeing 787s and five Airbus 380s, are much more efficient than the planes they replaced.

Thanks to the incorporation of these new latest generation aeroplanes and the adjustments we have made to operations, our airlines reduced emissions by 2.2 per cent in 2014. We are extremely proud of this result and it is our firm intention to continue improving in the future.

At the same time, we have continued to promote the development of sustainable, low-carbon fuels through the project which British Airways is developing along with Solena, with a view to starting production at the world's first aviation biofuel plant. The company has committed to purchasing all the fuel produced at this facility, which is being constructed by Solena Fuels just outside London, and which will go into production in 2017.

Iberia for its part continues its active collaboration in IAGOS, the European Union's research project on the quality and composition of the atmosphere. In March 2014, the airline completed the installation in one of its long-haul aircraft of equipment to measure the chemical and particulate make-up of the air, in order to assess the quality and composition of the atmosphere at high altitude. Over the year, the aircraft made 270 flights, the majority to Central and South America, collecting data to be used by the scientific community, enabling a better understanding of aircraft emissions and their impact on the environment.

Likewise, amongst the multiple environmental initiatives carried out by Vueling, it is worth mentioning the launch of specific procedures near certain eligible airports. Since 2010, Vueling has been applying procedures to taxi aircraft on the ground using just one engine, which has proved particularly effective in congested airports where movements on the ground can last more than 20 minutes. These innovations have led to fuel savings and a significant reduction in CO2 emissions and in the noise from various airports operated by the company.

CORPORATE SOCIAL RESPONSIBILITY

I don't want to end my speech without mentioning one aspect which is extremely important for IAG and which complements what I have just pointed out with regard to the environment. Namely, our commitment to social responsibility.

All our airlines implement their own corporate responsibility programmes, enabling us to support significant initiatives in their respective markets and destinations.

These initiatives include the work done by Iberia to raise money for Unicef's programmes for disadvantaged children, British Airways's Flying Start programme with Comic Relief, which raises money for charitable causes worldwide and the Vueling project which invites its passengers to make donations to various community-project organisations.

CONCLUSION

Ladies and gentlemen, I will now wrap up my speech by stressing that the results we have the pleasure of sharing with you today are the product of having made the right decisions at the right times and of having acted on these accordingly since the start of the crisis.

Our companies, particularly in Europe, are facing fierce competition not only in short- and medium-haul flights but also long-haul.

The companies belonging to our Group have successfully tackled and overcome their respective challenges with a sense of responsibility and complete determination and now, as we look ahead to the future, they find themselves in a much healthier position than they were in towards the start of the crisis.

Thanks to the importance and priority we attach to our products and customers, coupled with our cost discipline, we are confident that we are now on the right track.

Our share price climbed by 27.9 percent in Spain and 21.1 per cent in London during 2014, comfortably outpacing the reference stock indices and showing us that the markets now place their trust in the company.

We have always maintained, from the time IAG was founded, that our intention was to pay out dividends as soon as our companies were able to do so. We are now in a position to honour our commitments and will release further details in the coming months.

Lastly, I would like to express my deepest appreciation for the huge effort made by all Group employees and I would also like to thank the management team and the Board of Directors for their ongoing support and dedication.

... and on that note, goodbye for now and thank your trust.

Many thanks.