

SPEECH BY ANTONIO VAZQUEZ,

CHAIRMAN INTERNATIONAL AIRLINES GROUP

Annual General Meeting,

Thursday June 16, 2016

Good morning,

I want to begin by welcoming you to our fifth IAG Annual General Shareholders' Meeting.

It is a source of great pride for us all to celebrate our Group's fifth anniversary, particularly after posting in 2015 an operating profit of 2.3 billion euros (excluding Aer Lingus) and revenue of 22.9 billion euros. This was well above the operating profit target of 1.5 billion euros set for 2015 when IAG was launched. The Group's performance is nothing short of impressive, especially considering that the figure is ten times higher than the joint profit of Iberia and British Airways before we formed IAG.

Moreover, we have unlocked annual synergies of 856 million euros at a Group level, more than double the original target set in 2011. Last year, our four airlines carried around 95 million passengers in 529 aircraft which is double the number of passengers we had in 2011 and well above the 348 aircraft in our 2011 fleet.

Thanks to the enormous efforts of our management team, last December we were able to make good on our commitment to shareholder returns, distributing our first-ever IAG dividend. This dividend was 10 euro cents per share and will be further boosted by our proposal to distribute a final dividend of another 10 cents, also against 2015 profits, from July 4th this year, once it is approved at this meeting. And this is just our first step towards our firm goal of establishing sustainable dividends over the long term.

In short, the tremendous growth of these past five years has shored up the foundations of our company and allowed us to substantially raise our financial targets for the next five years. As we announced on our Capital Market Day last November, the new and ambitious growth targets we have set for earnings, operating margin, free cash flows for shareholders and returns on invested capital reflect our confidence that we will keep growing strongly and profitably in the coming years. When we reach these targets, which our CEO will discuss further, we will be able to meet our commitment to compensate our shareholders continually over time.

OVERCOMING CHALLENGES

The success of IAG is even more impressive if you recall where we started from. In 2011, British Airways had just completed an extremely tough restructuring process and was still reeling from the severe global financial crisis. Iberia, in turn, was in a critical condition, fighting just to stay alive.

As a result of a unique process in European aviation, today both airlines are profitable and undisputed leaders in their respective markets. The intensity of the changes, in such a short span of time, made Iberia a model of comprehensive transformation. After its complete turnaround, the company now boasts excellent operating standards, punctuality, customer satisfaction and financial performance.

At IAG, we have always said that we aim to lead the consolidation of the airline industry. Our one-of-a-kind business model has allowed us to acquire and successfully integrate bmi, Vueling and Aer Lingus over the past few years. Vueling has become an important premium brand in the low-cost section, achieving continual, profitable growth in Europe while Aer Lingus has made a great contribution to the Group, allowing us to grow in our main markets.

At the same time, we have looked for other ways to cooperate through joint business agreements such as that signed between Iberia, British Airways and LATAM airlines, currently awaiting regulatory approval. This agreement will allow the airlines to offer more flight options, more benefits for frequent fliers, and access to the best connections, including 100 destinations in South America and 87 in Europe. This is the first joint business agreement in the Latin American market, again demonstrating our leadership in transforming the industry in one of our strategic markets.

As we carry out our growth strategy, the sector's outlook continues to be positive. The International Air Transport Association recently stated that 2016 will mark the industry's fifth consecutive year of improving aggregate industry profits. This year, IATA forecasts global air transport industry profits of 39.4 billion dollars, for an aggregate net profit margin of 5.6 per cent and a return on invested capital of 9.8 per cent, exceeding the average cost of capital, estimated to be 6.8 per cent.

This means that airlines will be able to meet shareholders' minimum expectations. Without a doubt, the sector is becoming more streamlined in terms of managing investments and controlling capacity, leading it to generate adequate returns above investment levels. This shows that we have acted with tremendous financial discipline and will continue to do so.

CORPORATE GOVERNANCE

I would like to briefly address the most salient corporate governance matters at IAG. This is some of the information which is available to you in our annual report and through other documents posted on our website.

During these past five years, both the governance structure and the composition and operations of our Board have evolved considerably.

When the Group was first created, our structures were inevitably complex, due to airline-specific regulations and the particular circumstances of the two founding airlines, British Airways and Iberia. Since then, the Group has grown to include two new airlines and IAG has evolved as a distinct entity compared to the originally-merged companies. Our job as a Board has been to implement the corporate governance system that we believe to be best for sustaining our business model, led by a parent company that brings together several independent airlines, each with its own brand and operations.

Among the great strides taken since our last general shareholders' meeting, I would like to mention the work carried out to bring the Group in line with the new recommendations published in both Spain and the United Kingdom. We have incorporated several improvements in our Board regulations, approved a number of corporate policies and continued to enhance our internal audit and risk management procedures.

I would also like to note the efforts of the Nominations Committee, and of the Board as a whole, in creating sound succession plans. In 2015, we found an optimal solution to the tricky problem of seamlessly replacing key members of the executive team without disrupting any of our airlines. This means that the processes under way have worked well and that, within the Group, there is a great deal of talent to be developed in any of the companies.

Turning now to the Board of Directors, I cannot emphasise enough how extraordinary our team is, with its diverse range of talent and its extremely broad international experience in the different aspects of our business activity. It is a pleasure and a great honour to work with this team.

Today, we bid farewell to two exceptional members: Martin Broughton and César Alierta. I would like to speak about each of these men briefly.

Although we had previously crossed paths in the tobacco industry, I met Martin properly when he was already Chairman of British Airways. From our very first talks about merging the two companies, we shared not only the same vision of the industry but also of the values needed to complete such a complex operation, namely commitment, professionalism and mutual respect. Since then, we have worked together in the mutual understanding that while we may have our own ideas and criteria, we must always place the interests of the company, its shareholders and its employees above any personal preferences. Thank you, Martin.

When IAG was first created, British Airways proposed César Alierta for the Board, knowing that he represented, like nobody else could, the Spanish business segment that can access the global market and had

valuable experience in such an important market for our Group as Latin America. César's contribution has always been essential to this endeavour, particularly in those touch-and-go moments when Iberia's transformation required us to think bigger than the misguided patriotism that threatened the very existence of the company. We thank you as well, César.

Although some people can never be replaced, it is our duty as a Board to ensure that our team continues to function at optimal levels. To this end, we are pleased to propose today the appointment of Marc Bolland and Emilio Saracho.

Although shareholders have already seen all the information concerning these appointments and the selection process followed, I would like to emphasise the great experience of the two people that today, with your approval, will join the ranks of our Board of Directors. Both Marc and Emilio have had brilliant careers in different business arenas and will strengthen the make-up of our Board by contributing broad knowledge in consumer product manufacturing and distribution companies, in Marc's case, and solid experience in international corporate operations and financial markets, in the case of Emilio.

In 2015, IAG met virtually all the recommendations set out in the new Spanish Corporate Governance Code, with the sole exception of two recommendations with which we partially complied:

- One case of partial compliance is because the Safety Committee is chaired by IAG's CEO, instead of an independent director. The Board came to this decision after taking into account that IAG is the parent company, that the responsibility for safety falls to the airlines and that, in view of the technical nature of the issues analysed in this Committee, the Board member with the best knowledge of operations should be at its helm.
- Secondly, we have not yet finished including specific non-financial criteria in the variable remuneration system for the executive team. This is currently under consideration.

SUSTAINABILITY

One of our fundamental objectives has always been the ongoing improvement of our airlines' environmental performance. In 2015, we centralised our sustainability efforts at a Group level, setting new and demanding carbon dioxide emissions and noise level reduction targets. We also established a specific programme to meet these goals before 2020.

We are determined to use all the resources available to us to reduce our carbon footprint. This year we set the goal of becoming the leader in

airline sustainability. Accordingly, we continue to invest in latest-generation aircraft, promote the development of sustainable fuels, and apply operating procedures that will lower emissions and noise levels.

At the same time, we will continue to collaborate with the rest of the industry and governments in order to build a sustainable future for our sector. 2016 will be a critical year for the airline industry, given that this October the International Civil Aviation Organisation will meet to agree on a common measure based on the global emissions trading market.

This agreement is critical for the sector to meet its target of securing neutral carbon growth from 2020 and cutting carbon dioxide emissions in half by 2050. These ambitious goals can only be reached if the governments of all the countries involved agree to a global emissions trading system.

We are determined that both our Group and the industry as a whole contributes decisively to meeting international objectives to combat global warming, as defined at the Paris Climate Change Conference held last year.

I am extremely pleased to inform you that in 2015, our airlines posted very positive results in fuel consumption efficiency, at 95.4 grams of carbon dioxide per passenger-kilometre. Yet, as we intend to make our operations even more efficient, we have established a target of 87.3 grams of carbon dioxide per passenger-kilometre by 2020, which is a 9 per cent performance improvement.

Last year, our airlines also improved their performance in respect of noise levels. At present, 99 per cent of our fleet meets the International Civil Aviation Organization's noise standards which is a 0.3 per cent improvement compared to 2014.

Over the next five years, we will invest in over 168 new aircraft allowing us to cut noise levels per flight by 10 per cent by 2020. At the same time, our airlines will continue developing more efficient flight procedures in order to reduce the noise impact in the airports we serve.

CORPORATE SOCIAL RESPONSIBILITY

Lastly, I would like to address our corporate social responsibility commitment. This aspect is of utmost importance for IAG.

All our airlines actively contribute to social and community development in the markets and destinations they service, through their respective social responsibility programmes.

Among these initiatives, I would like to cite Iberia's work to collect funds to finance UNICEF's programmes such as the "100 percent - Let's vaccinate every child" campaign, with 500,000 euros collected from

passengers last year; British Airways' Flying Start programme in collaboration with Comic Relief, which has raised a total of 15.6 million euros for charity work; Vueling's project inviting passengers to donate to several social initiatives; and Aer Lingus' long-time support for UNICEF's Change for Good programme, collecting 900,000 euros a year.

CONCLUSION

I would like to finish today by emphasising that these past five years have been crucial for IAG, and that it's incredibly satisfying to see that we got to where we are today because we adopted the right strategy at the right time. We have faced our challenges head-on, with the determination needed to ensure the Group's success.

The transformation of our airlines' business models was an unprecedented process in European aviation. It has led us to set new and ambitious profitable growth targets and we will continue to further develop our companies on the solid foundations we have laid.

We are deeply satisfied to see the distribution of our first shareholder dividend, as a first step in establishing a sustainable dividend policy. Undoubtedly, this clearly demonstrates our confidence that we will continue to meet our objectives.

I cannot stress enough how truly grateful I am to all the Group's employees, to IAG's executive team and to the Board of Directors for their support and dedication during these years.

IAG is a creative, innovative, unique success case. Our vision is clear and solid. Rest assured that we will continue working together to reach the goals we have set, and we will not falter in our effort to lead the transformation of our industry.

Thank you very much.