IAG results presentation

Quarter One 2018

4th May 2018

Highlights

Willie Walsh, Chief Executive Officer

Highlights

- Another strong quarter performance with an operating profit of €280m (5.6% margin, +2.3pts) vs.€160m last year
  - Better operating result at all operating companies compared to a year ago
  - Continuation of positive trends in unit passenger revenue at constant currency, with every region showing an increase
  - Non-fuel unit costs reduced, in line with our target to lower non-fuel unit cost by 5% by 2022
- Further increases in RoIC for IAG (16.7%, +0.7pts) and every operating company, partly assisted by the timing of Easter
- 2018 full year guidance remains unchanged:

  "At current fuel prices and exchange rates, IAG still expects its operating profit for 2018 to show an increase year-on-year. Both passenger unit revenue and non-fuel unit costs are expected to improve at constant currency"
- A new flexible defined contribution pension scheme has now replaced BA's defined benefit scheme (NAPS)
- IAG intends to return €500m to shareholders via share buybacks in 2018
- On 12 April 2018, IAG announced that it had acquired a 4.61 per cent ownership position (minority investment) in Norwegian Air Shuttle ASA (Norwegian). The minority investment was intended to establish a position from which to initiate discussions with Norwegian, including the possibility of a full offer for Norwegian. IAG confirms that it has had contact with the Norwegian Board regarding a possible offer, without reaching an agreement. IAG is currently considering its options in relation to Norwegian.

Financial results

Enrique Dupuy, Chief Financial Officer

INTERNATIONAL AIRLINES GROUP

Another strong quarter performance with operating profit up significantly

Q1 financial summary

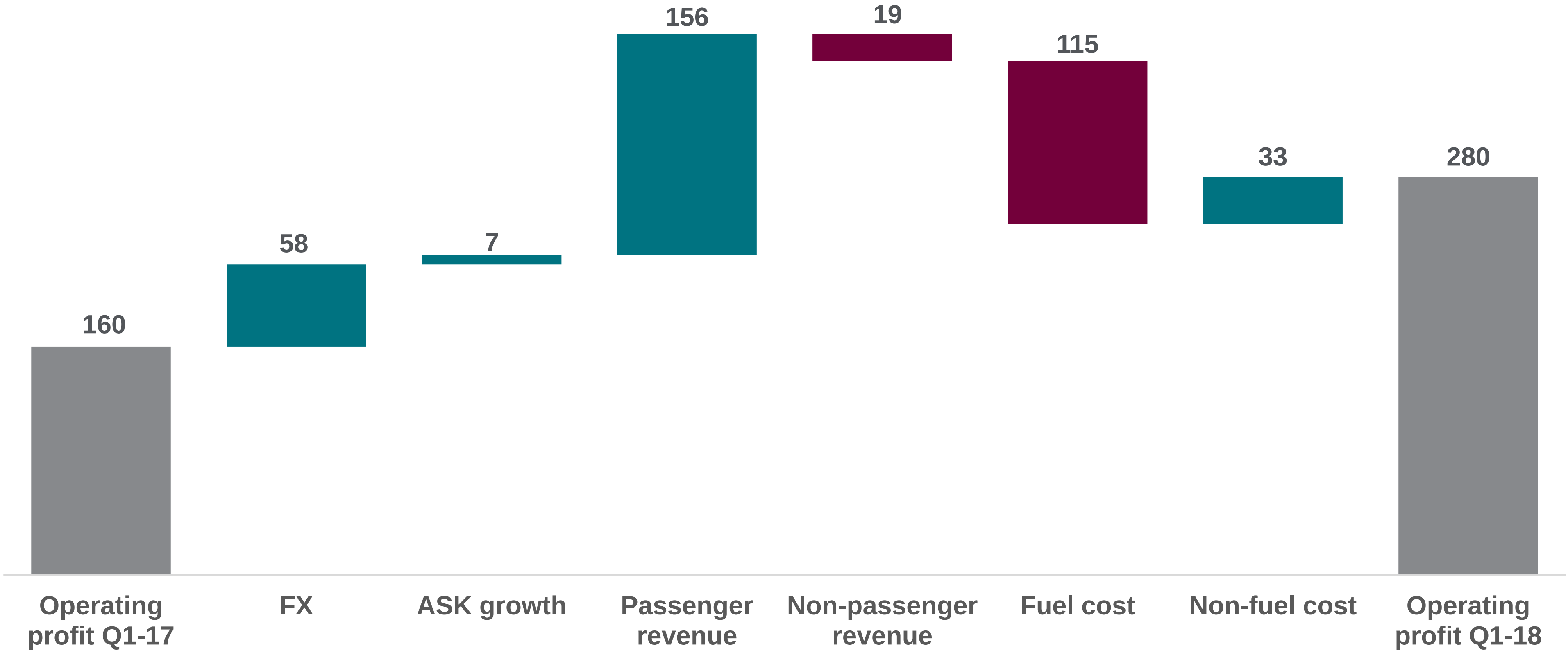
OPERATING PROFIT	TOTAL UNIT REVENUE	PAX UNIT REVENUE
€280m (reported, before exceptional) **+€120m** (reported change)	+2.7% (constant currency) -1.9% (reported) (€128m translation drag) (€108m transaction headwind)	**+3.5%** (constant currency) -0.7% (reported)

TRAFFIC/CAPACITY	TOTAL UNIT COST	NON-FUEL UNIT COST
ASKs: +4.1% (reported) RPKs: +6.1% (reported)	+1.7% (constant currency) -4.3% (reported) (€115m translation benefit) (€179m transaction tailwind)	-0.9% (constant currency) **-0.3%** (constant FX, net of other revenue gain) -5.7% (reported)

‘Translation’ = drag/benefit from translation of British Airways and Avios financial results from GBP into EUR; ‘Transaction’ = FX headwind/tailwind at company level
2017 figures have been restated for IFRS 15

Positive revenue performance more than offset fuel cost headwinds

Q1 operating profit contribution drivers

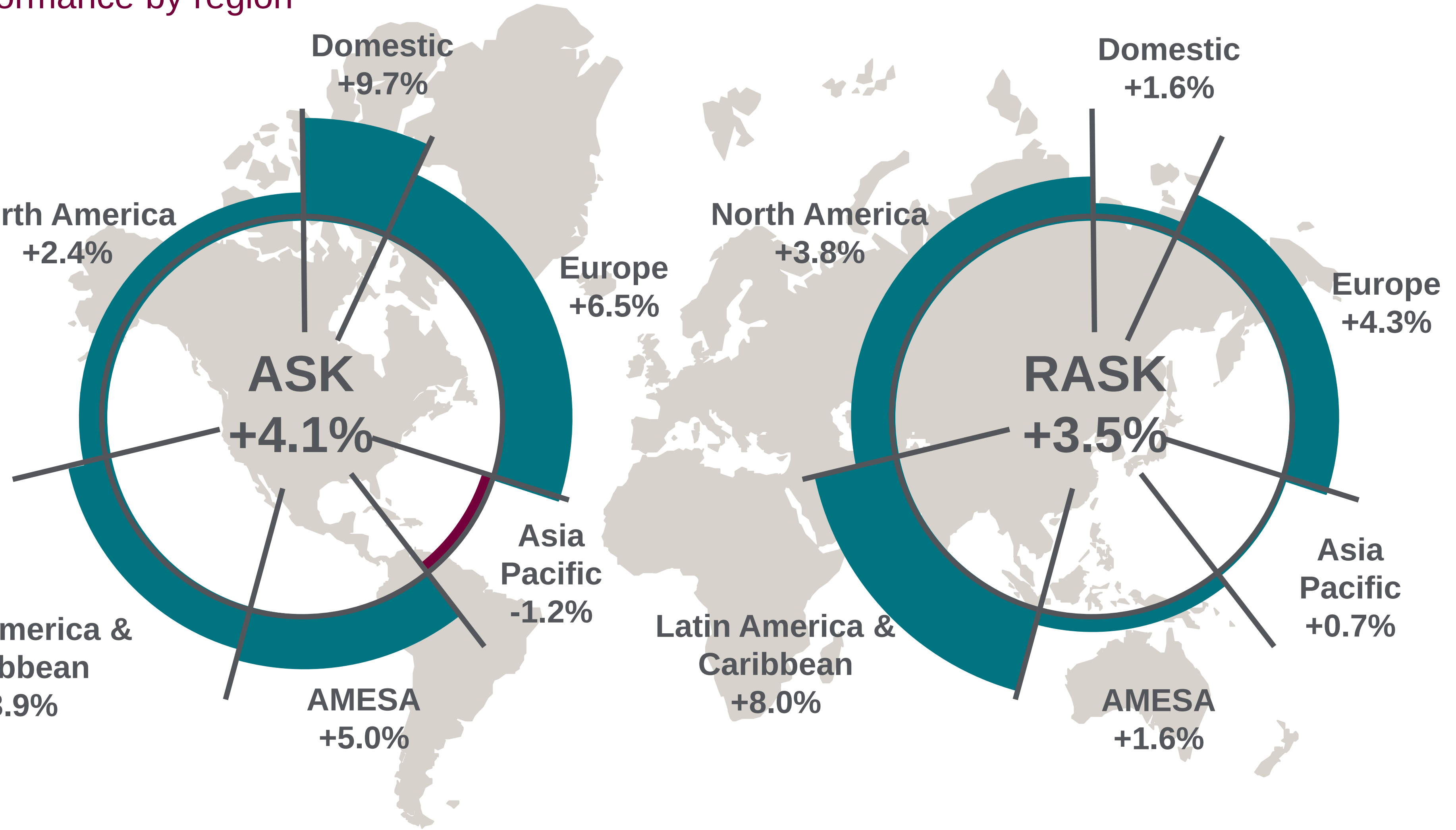


Passenger revenue contribution includes price and mix effects. Fuel cost contribution includes price and efficiency. Non-fuel contribution includes inflation and efficiency.
2017 figures have been restated for IFRS 15

IAG

Unit revenue up in all regions, especially Europe, North & Latin America

Q1 revenue performance by region



Data in the chart represents flown passenger revenue in unit terms at constant currency before transfer payments, Avios redemption and ancillaries
2017 figures have been restated for IFRS 15

IAG

Non-fuel unit costs under control

Q1 non-fuel unit cost performance

	1Q-17 reported unit costs (€ cents)	1Q-18 reported unit costs (€ cents)	% vly reported	% vly constant currency
Fuel	1.55	1.56	0.6%	**10.4%**
Employee	1.69	1.62	-3.8%	**-0.9%**
Supplier	2.96	2.77	-6.5%	**-0.6%**
Ownership	0.77	0.72	-6.8%	**-1.6%**
Non-fuel	5.41	5.11	-5.7%	**-0.9%**
TOTAL	**6.97**	**6.67**	**-4.3%**	**1.7%**

-0.3% net of other revenue gains

2017 figures have been restated for IFRS 15

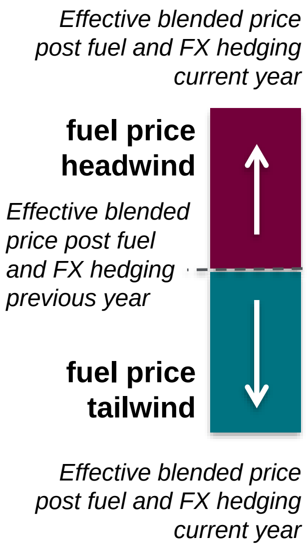
IAG

Fuel headwind for 2018

Fuel scenario: detailed modelling in appendix

2018 fuel bill scenario - €5.4bn (at $700/MT and 1.21$/€)

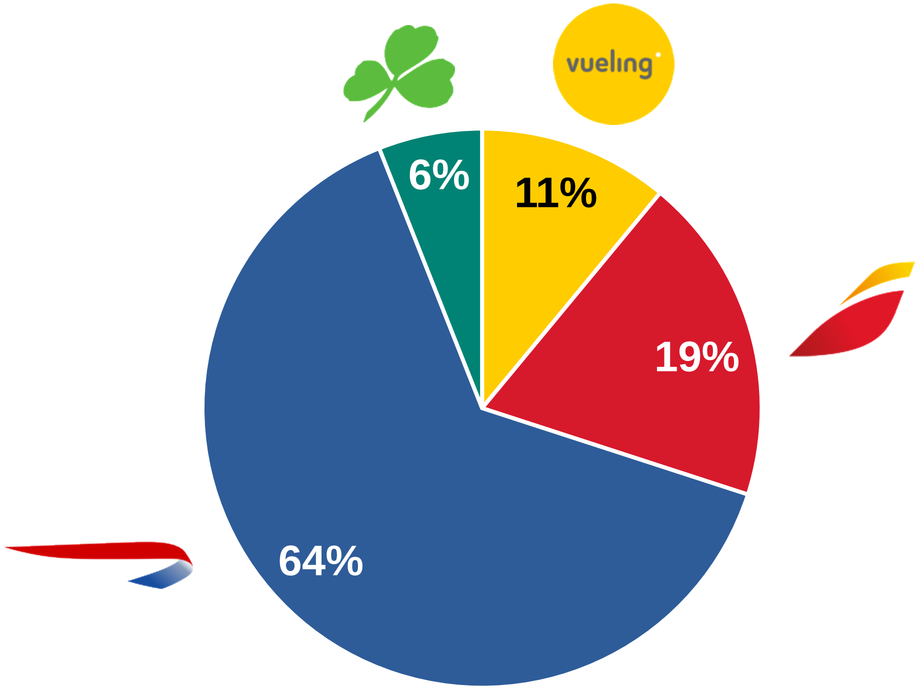
Key:



FX sensitivity in 2018 fuel bill: EURUSD ±10% = ±4% fuel cost at current hedging

Higher RoIC at all airlines

Financial target tracker: profitability trend by airline



IAG capital allocation Q1 2018

2017 figures have been restated for IFRS 15

IAG

Op. margin: Q1 2018	6.9%
Op. margin trend vly	+2.2pts
Nml. margin: last 4Qs	14.4%
RoIC: last 4Qs	16.7%

Aer Lingus

Op. margin: Q1 2018	-0.5%
Op. margin trend vly	+11.0pts
Nml. margin: last 4Qs	17.0%
RoIC: last 4Qs	26.1%

IBERIA

Op. margin: Q1 2018	1.0%
Op. margin trend vly	+2.4pts
Nml. margin: last 4Qs	9.9%
RoIC: last 4Qs	13.2%

Note: Iberia excludes LEVEL

BRITISH AIRWAYS

Op. margin: Q1 2018	9.9%
Op. margin trend vly	+1.8pts
Nml. margin: last 4Qs	14.4%
RoIC: last 4Qs	16.6%

vueling

Op. margin: Q1 2018	-7.8%
Op. margin trend vly	+3.3pts
Nml. margin: last 4Qs	13.2%
RoIC: last 4Qs	13.6%

Op margin: Reported margin, lease adjusted
Nml. Margin: As above, adjusted for inflation, for comparability with Invested Capital
Invested Capital: Tangible fixed assets NBV, fleet inflation and lease adjusted

Improved leverage position

Q1 leverage

€m	Mar 2018	Mar 2017
Gross debt	6,953	8,241
Cash, cash equivalents & interest-bearing deposits	7,442	7,495
On balance sheet net debt / (cash)	(489)	746
Aircraft lease capitalisation (x8)	6,936	6,352
Adjusted net debt	6,447	7,098
Adjusted net debt / EBITDAR	1.2x	1.5x

2017 figures have been restated for IFRS 15

British Airways pension changes – FY2018 impact

- NAPS (DB scheme) closed to future accrual and BARP (DC scheme) to future contributions on 31st March 2018
- New flexible benefit scheme gives employees choice of contribution levels and a cash option
- Next actuarial valuation based on 31st March 2018 will reflect the closures, but will also reflect other actuarial assumptions to be agreed with the trustees
- British Airways current deficit contributions to NAPS will not change as a result of NAPS closure

Income statement	Balance sheet	Cash flow
One-off net exceptional gain (pre-tax) mostly recognised in employee costs of £598m / €678m: • Liability reduction due to closure • Non-cash NAPS transition costs • Cash transition payments • BARP closure costs Pension service cost saving of £80m p.a. recognised in employee costs **FY2018 impact of £60m (Q2 to Q4)**	**Pension liabilities will fall by £770m / €872m – the net impact of:** • Liability reduction due to lower inflation on deferred pensions vs salary growth • Liability increase due to non-cash NAPS transition costs Balance sheet position reported at H1-18 will also reflect changes in asset prices and financial conditions on 30th June 2018	**Cash transition payments to members of £169m / €192m** Ongoing employee costs = cash contributions to new scheme No need for adjustment between IAS19 future service cost and cash contributions Deficit contributions continue unchanged

Outlook

Willie Walsh, Chief Executive Officer

INTERNATIONAL AIRLINES GROUP

Guidance for FY2018

At current fuel prices and exchange rates, IAG still expects its operating profit for 2018 to show an increase year-on-year. Both passenger unit revenue and non-fuel unit costs are expected to improve at constant currency.

Accretive growth justified by high returns

2018 capacity growth and contributions

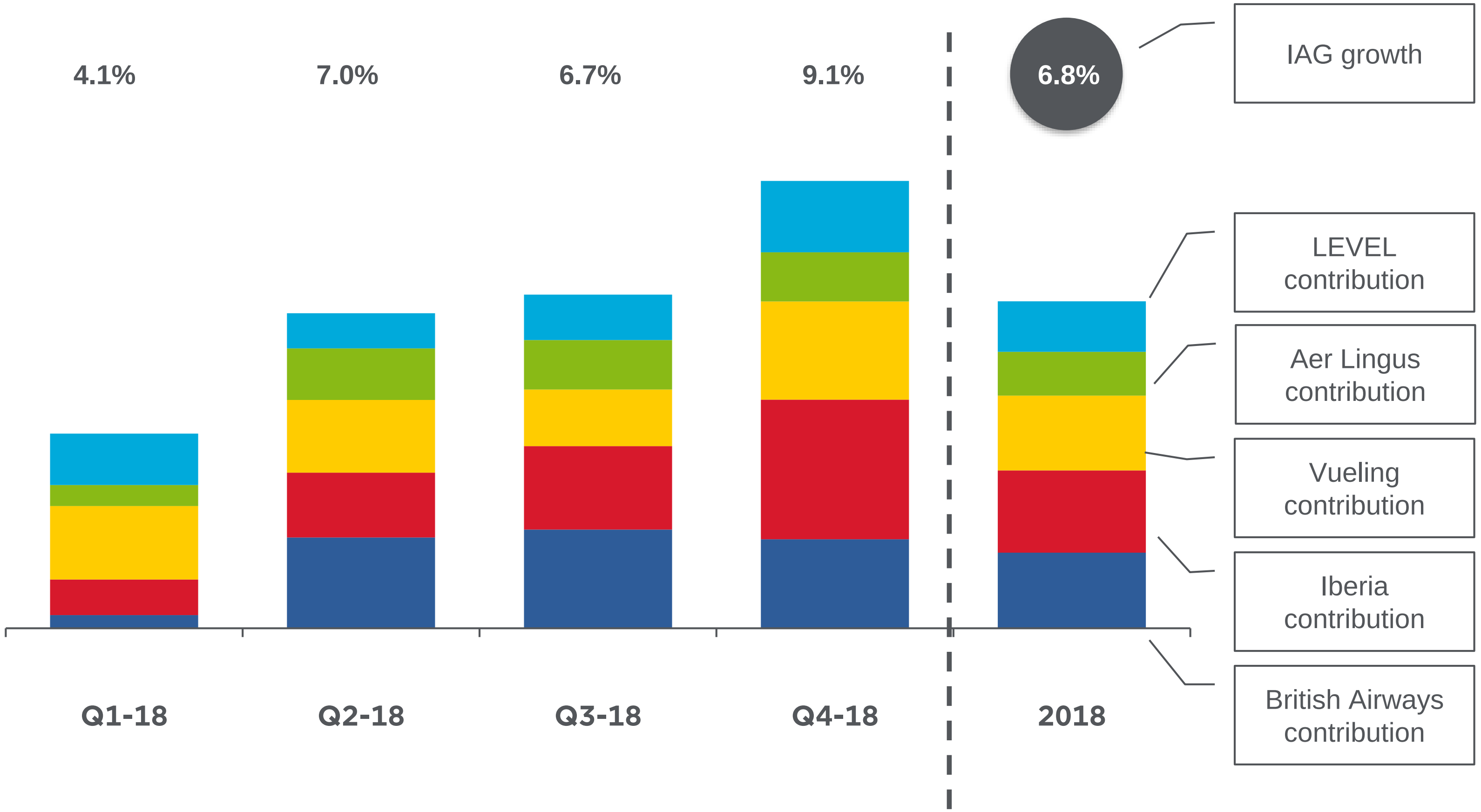
Aer Lingus: Q2-18 and FY2018 capacity planned to be +11.1% and +10.1% respectively

British Airways: Q2-18 and FY2018 capacity planned to be +3.1% and +2.6% respectively

Iberia: Q2-18 and FY2018 capacity planned to be +6.3% and +7.9% respectively

LEVEL: 3 additional aircraft in 2018 to 5 in summer

Vueling: Q2-18 and FY2018 capacity planned to be +12.1% and +13.3% respectively

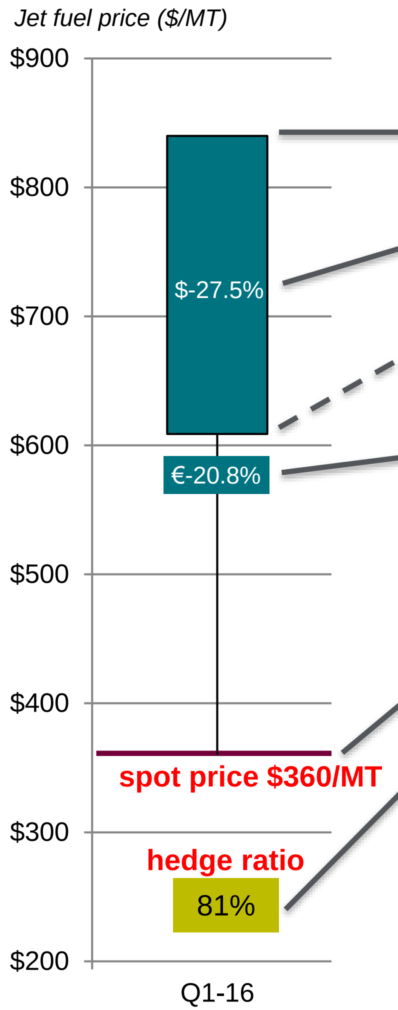


Note: Iberia figures do not include LEVEL in 2017 or 2018

Appendices

INTERNATIONAL
AIRLINES
GROUP

Fuel modelling



$ 50	A	intoplane costs
$ 840	B	Last year blended USD jet fuel price
(27.5%)	C	Latest guidance, current year USD jet fuel price benefit
$ 609	D	calc: D = B x (1 + C) [curr yr blended USD jet fuel price]
$ 1.10	E	Latest guidance EUR/USD scenario
€ 599	F	calc: F = (D + A) / E [curr yr blended EUR jet fuel price]
(20.8%)	G	Previous EUR jet fuel price benefit
€756	H	calc: H = F / (1 + G) [last yr implied EUR jet fuel price]
$ 360	I	Latest guidance jet fuel spot price scenario
81%	J	Current year % hedged
$ 667	K	calc: K = (D - (1 - J) x I) / J [implied hedge price]
$ 400	L	Your chosen modelling assumption for jet fuel spot
$ 617	M	calc: M = K x J + L x (1 - J) [modelled blended USD jet fuel price]
$ 1.15	N	Your chosen modelling assumption for EUR/USD
€ 580	O	calc: O = (M + A) / N [modelled all-in EUR fuel price]
(23.4%)	P	calc: P = O / H - 1 [modelled all-in EUR fuel price change vly]

2016 fuel bill scenario - €4.8bn (at $360/MT and 1.10$/€)

Disclaimer

Forward-looking statements:

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 expenditure 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. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

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 2017; these documents are available on www.iagshares.com.