IAG results presentation

Quarter Two 2013

2nd August 2013

Main events in Q2

- IAG's stake in Vueling increased to more than 90% and Vueling is now in a de-listing process
- IAG Group diversified its financing sources through the launch of a convertible bond and BA launch of the first European EETC
- New management team in Iberia
- Board change following Bankia divestment

Q2 operating result summary

- €245 million Q2 Group reported operating profit before exceptional items (Q2 2012 loss €4 million)
  - impacted by adverse currency effects of €19m
- Vueling consolidated in IAG accounts for the first time, with an operating profit of €27 million from 26th April
- Q2 headlines at constant currency excluding Vueling:
  - Passenger unit revenue up 4.8%
  - Unit cost down 2.1%
  - Unit cost ex-fuel down 0.2% (beginning to see benefits of Iberia cost reduction)

Airline performance: Q2 2013

	BRITISH AIRWAYS Q2 2013* (£m)	vly	IBERIA Q2 2013* (€m)	vly
Revenue	2,940	5.3%	1,076	-11.7%
Costs	2,730	0.6%	1,111	-15.3%
OPERATING RESULT pre exceptional items	**210**	**+132**	**- 35**	**+58**
Operating margin	7.1%	+4.3 pts	-3.3%	+4.4 pts
ASK (m)	40,615	0.1%	13,158	-13.6%
RPK (m)	33,405	2.0%	10,391	-17.9%
Seat factor	82.2%	+1.6 pts	79.0%	-4.1 pts
Sector length (kms)	3,253	-2.6%	2,909	4.3%
Revenue per ASK	7.24	5.2%	8.18	2.4%
Cost per ASK	6.72	0.4%	8.44	-1.9%
Ex-fuel costs per ASK	4.39	1.6%	6.09	0.5%

vueling

Vueling was consolidated from 26th April

* Pre-exceptional items

Q2 financial summary

Reported	Q2-12 (€m)	Q2-13* (€m)	vly
Revenue	4,613	4,768	*+3.4%*
Fuel cost	1,564	1,503	*-3.9%*
Ex-fuel cost	3,053	3,020	*-1.1%*
OPERATING RESULT pre exceptional items	**-4**	**245**	**+249**
ASK (m)	55,820	58,186	*+4.2%*
RPK (m)	45,398	47,230	*+4.0%*
CTK (m)	1,527	1,392	*-8.8%*
Seat factor	81.3%	81.2%	(0.1) pts
Passenger rev per ASK	7.02	7.14	*+1.7%*
Cargo rev per CTK	19.58	19.47	*-0.6%*
Cost per ASK	8.27	7.77	*-6.0%*
Ex-fuel cost per ASK	5.47	5.19	*-5.1%*

Pre Vueling

Q2-13* (€m)	vly
4,489	*-2.7%*
1,423	*-9.0%*
2,848	*-6.7%*
218	**+222**
53,773	*-3.7%*

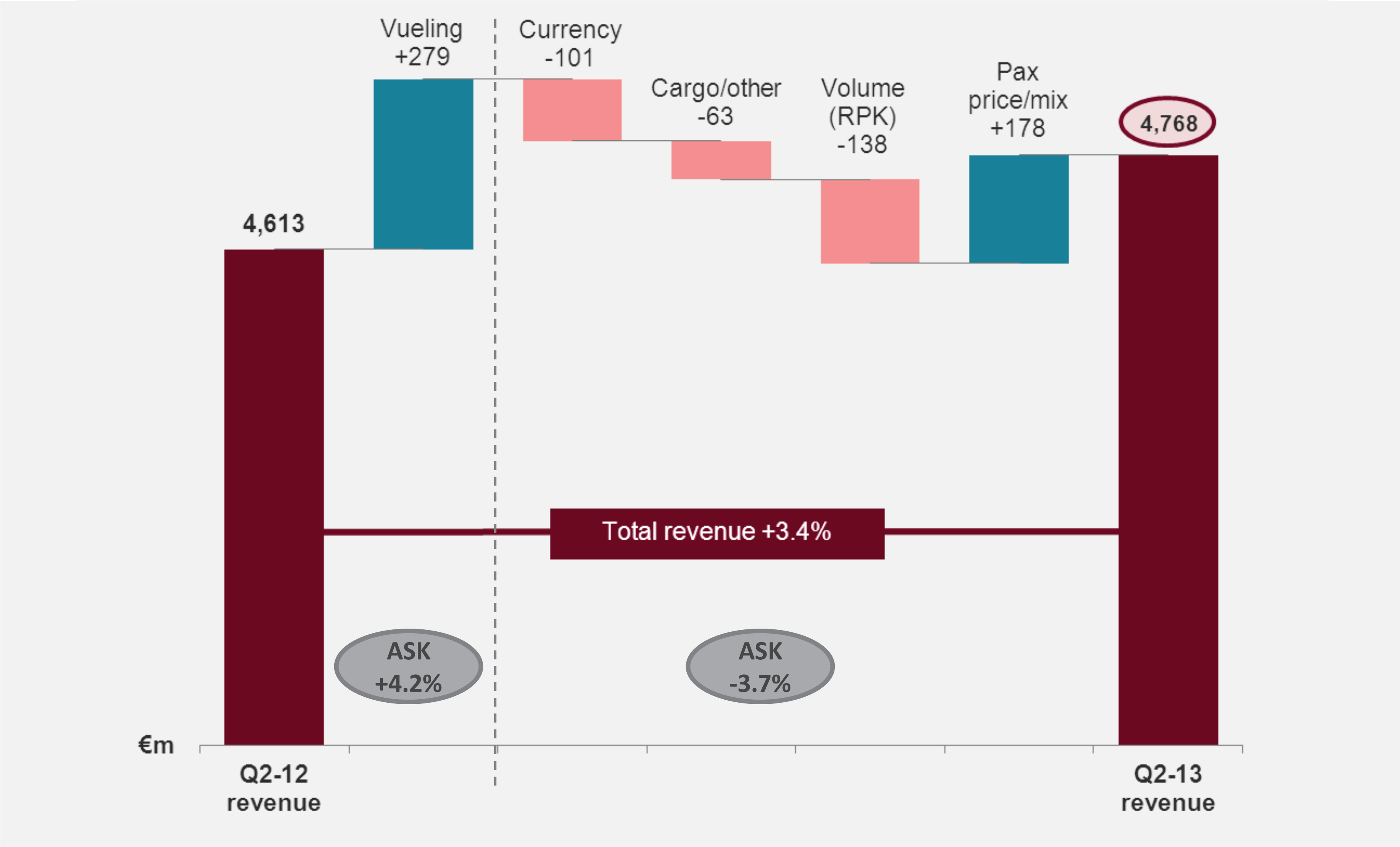
Pre Vueling at constant FX

Q2-13	vly
7.36	*+4.8%*
19.68	*+0.5%*
8.10	*-2.1%*
5.46	*-0.2%*

***IAG Reported:** IB+BA+Vueling (from 26th of April) **IAG Pre Vueling:** IB+BA

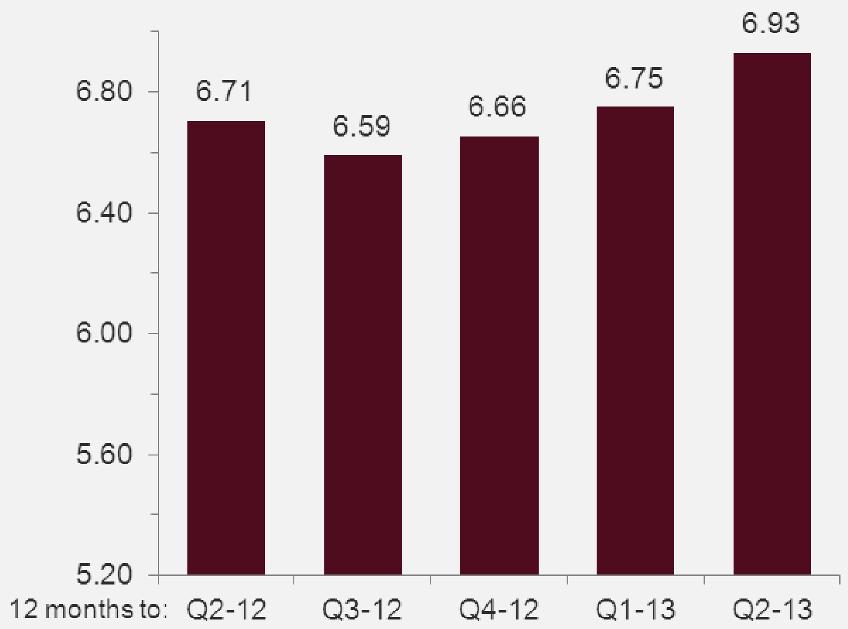
IAG

Q2 revenue development

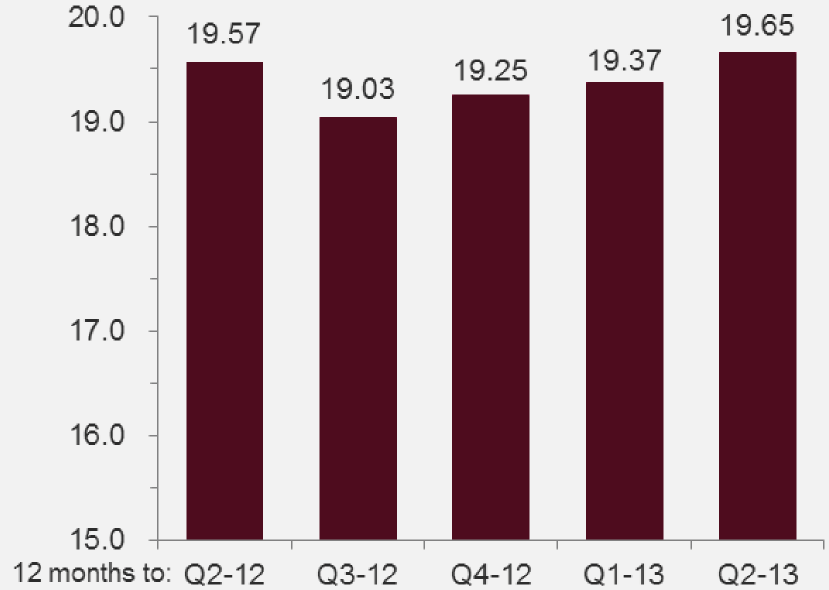


Q2 passenger unit revenue and cargo yield

Unit passenger revenue at constant FX, rolling 12 months, € cents*



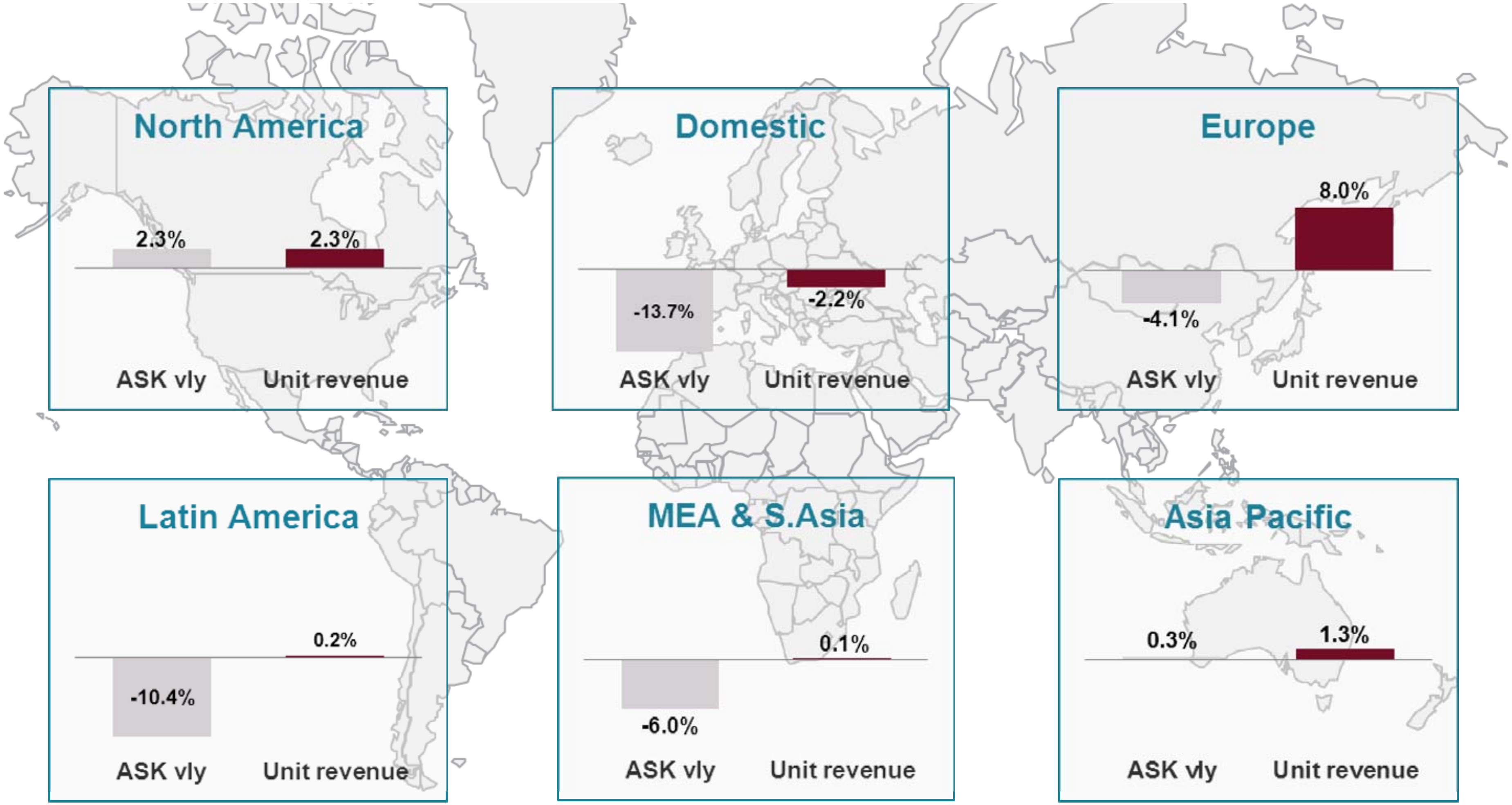
Cargo revenue per CTK at constant FX, rolling 12 months, € cents*



* Vueling figures are not included

Q2 regional performance

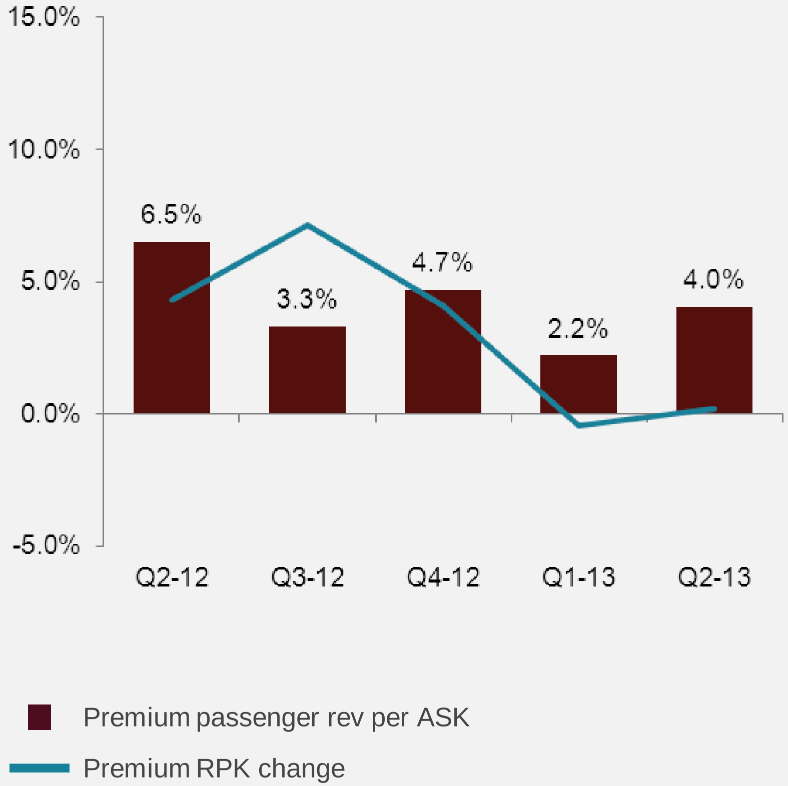
% change in passenger unit revenue at reported currency*



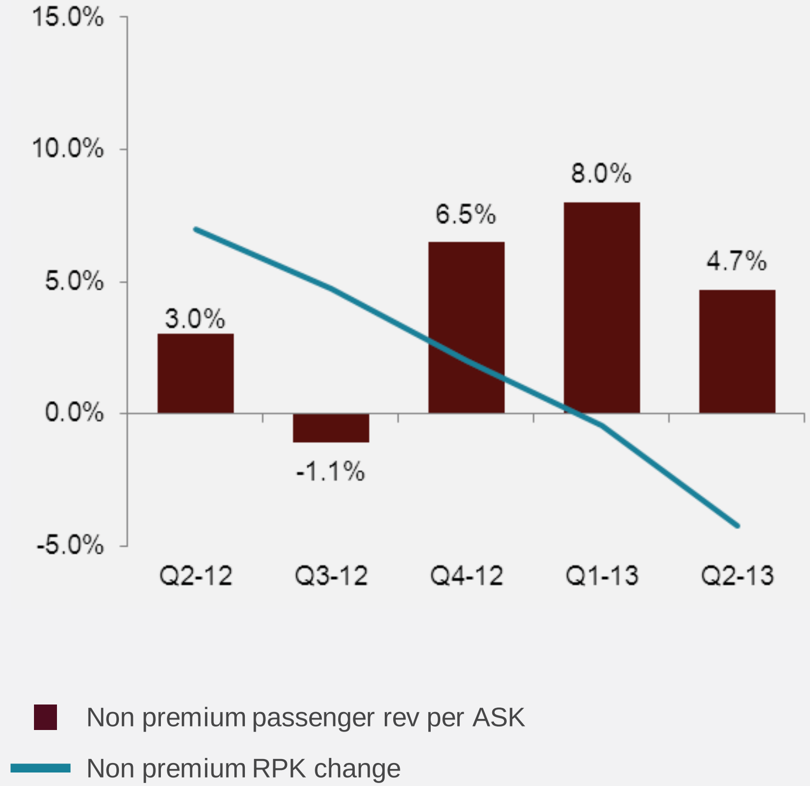
* Vueling figures are not included

Q2 cabin mix development

Premium unit revenue and volume : % vly*

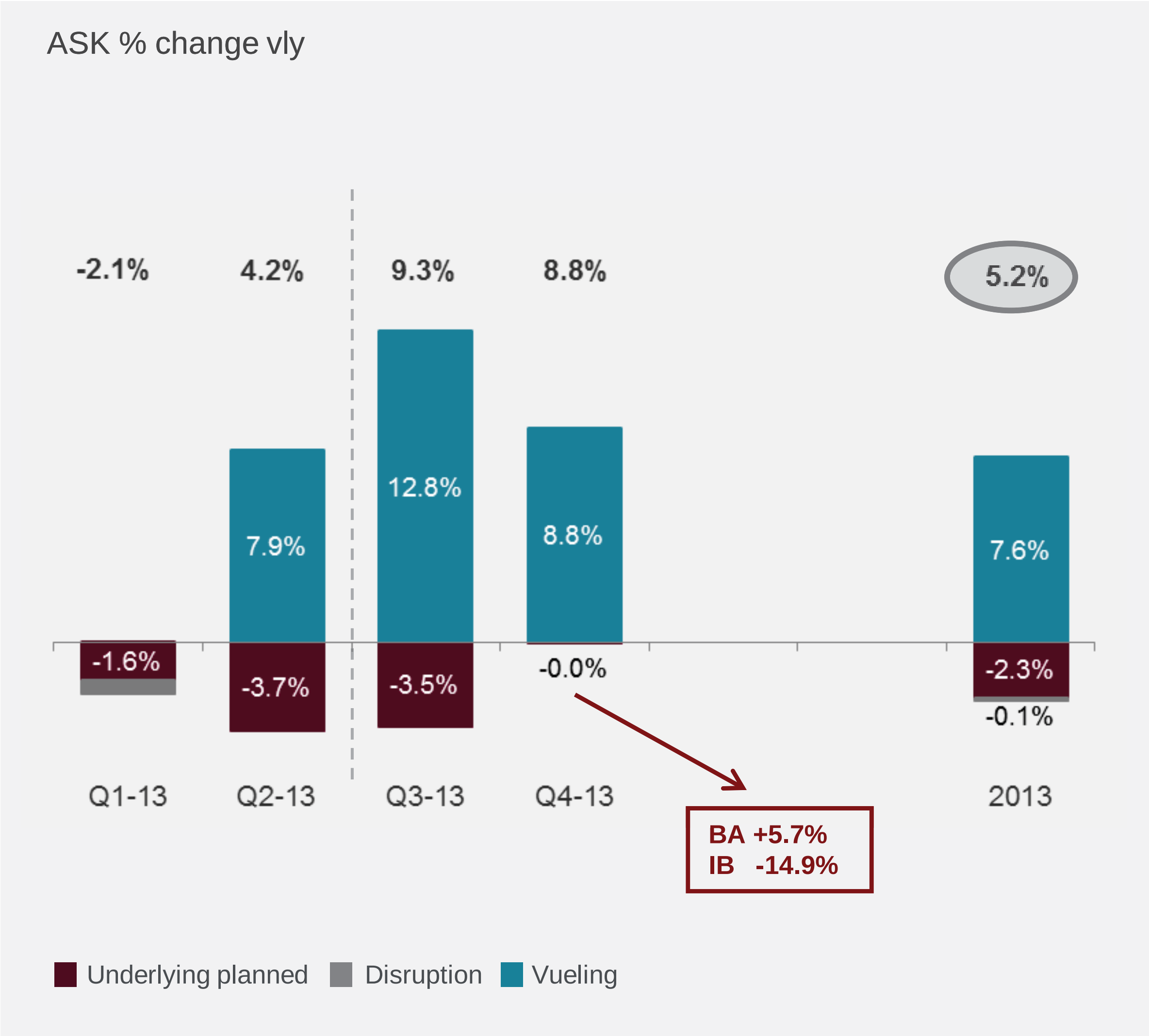


Non premium unit revenue and volume : % vly*



* Vueling figures are not included; revenue at constant currency

Capacity plan 2013



- Underlying planned 2013 capacity reduction around 2% (BA +2.1%, IB -14.0%)
- Underlying planned Q4 capacity flat (BA +5.7%, IB -14.9%)
- BA capacity increase in Q4 due to extra gauge from A380/B787
- No change to long-term BA capacity plan (around 3% per annum growth)

Underlying unit revenue environment

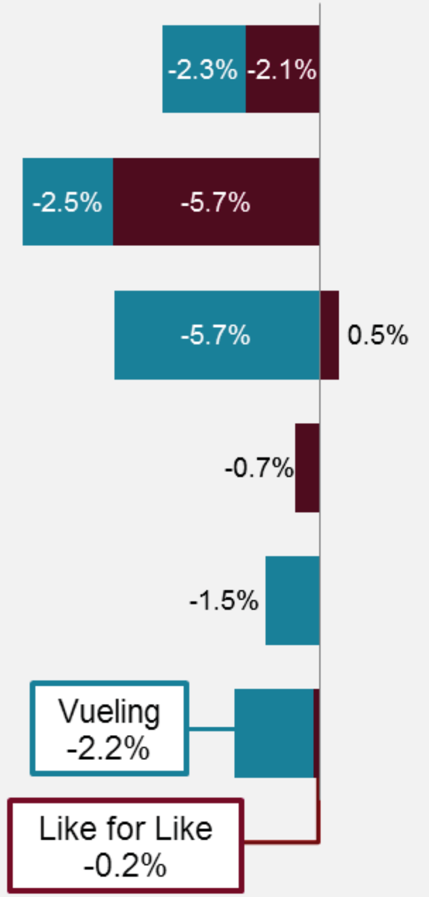
	Short haul	Long haul
Non premium	Stable/ Strong	Stable
Premium	Stable	Stable
Cargo		Weak

Cost and cash flow trends

Q2 unit cost growth

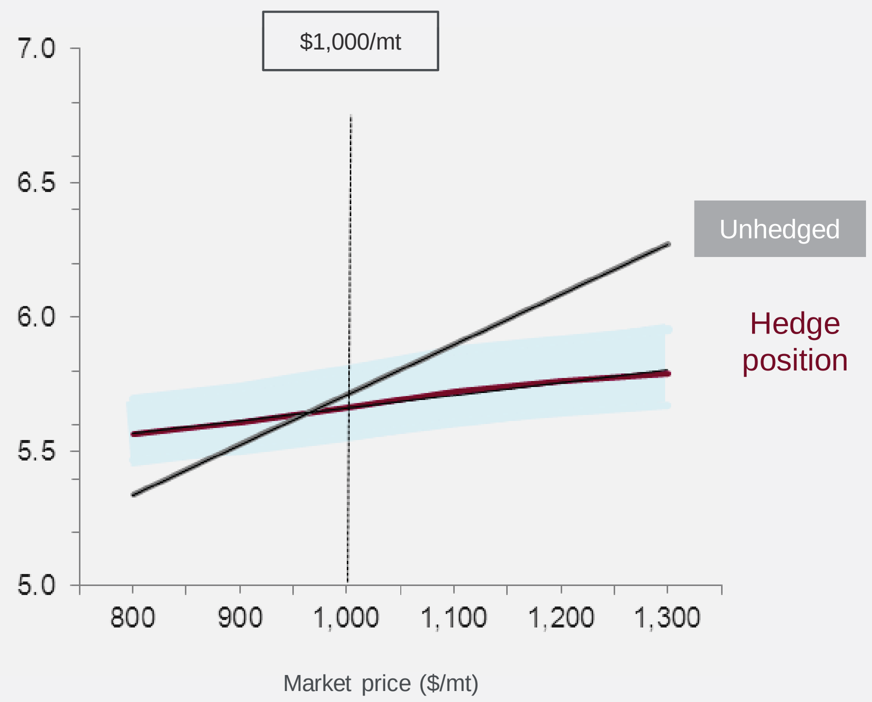
	Q2-13 v Q2-12 €,m	Q2 unit cost reported % change vly	Q2 unit cost constant FX % change vly
TOTAL	-94	-6.0%	-4.4%
Fuel	-61	-7.9%	-8.2%
Employee	-38	-7.8%	-5.2%
Supplier	+5	-3.8%	-0.7%
Ownership	+0	-3.0%	-1.5%
Non-fuel	-33	-5.1%	-2.4%

Q2 unit cost split constant FX % change vly



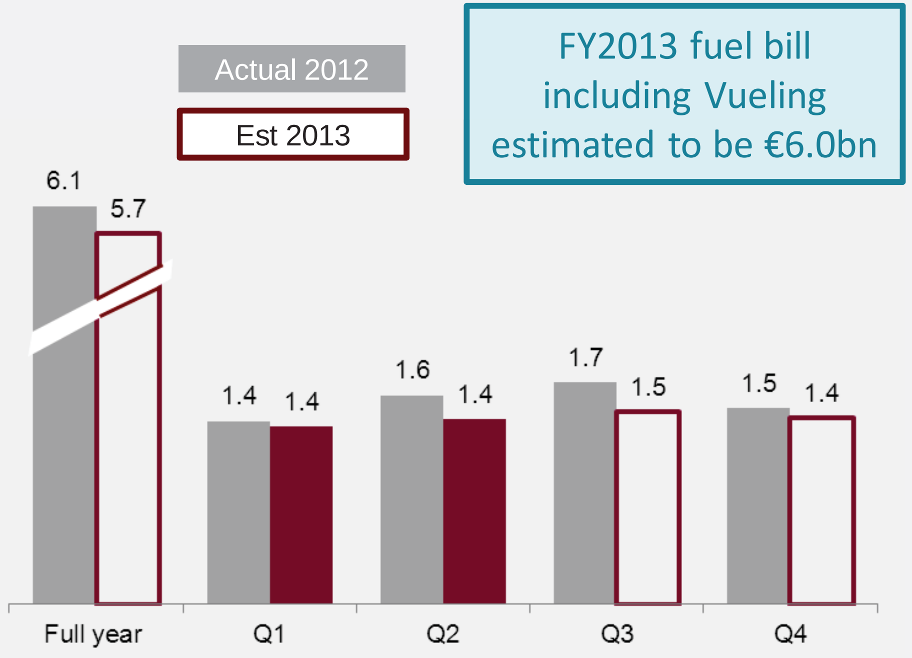
Fuel hedging & guidance: 2013

IAG fuel bill €bn



Currency sensitivity +/- 10%. Base forecast $:€1.30

IAG fuel bill €bn



Base forecast $1,000 /mt and $:€1.30

The fuel guidance for 2013 does not include Vueling

Current fuel hedging (%)

Q3-13	Q4-13	Q1-14	Q2-14	Fwd12m
86%	85%	69%	47%	67%

The fuel hedging 2013 includes Vueling

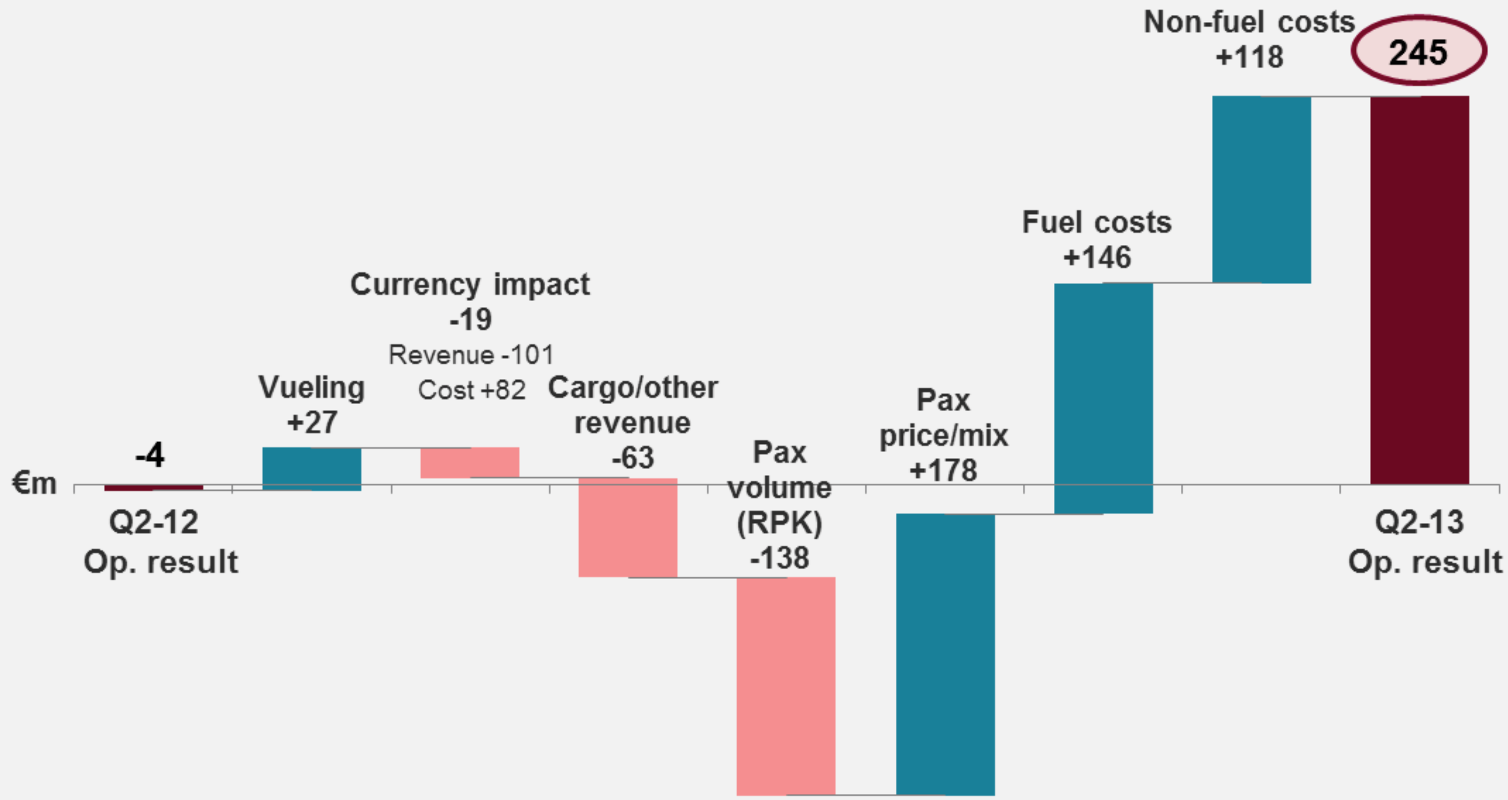
Blended price ($/mt)

Q2-13	Q3-13	Q4-13	FY2013
984	960	954	975

Blended price: average of hedge and spot price

Q2 operating result evolution

Operating result before exceptional items



Balance Sheet

Adjusted balance sheet summary

€m	Dec 2012*	Jun 2013*
Adjusted equity	**5,055**	**4,514**
Gross debt	4,798	4,666
Cash, cash equivalents & interest bearing deposits	2,909	3,627
On balance-sheet net debt	**1,889**	**1,039**
Gearing	**27%**	**19%**
Aircraft lease cap (x8)	3,456	4,181
Adjusted net debt	**5,345**	**5,220**
Adjusted gearing	**51%**	**54%**
Pre- Vueling adjusted gearing		**51%**

* Excludes IAS 19 amendments and includes Vueling

- Excludes IAS 19 amendments
- Cash: BA £1.8bn (Dec 12: £1.6bn), Iberia €690m (Dec 12: €808m), Vueling €549m
- Increase in cash also reflects the proceeds from the €390m convertible bond
- Aircraft lease increase is mainly driven by the inclusion of Vueling

Outlook

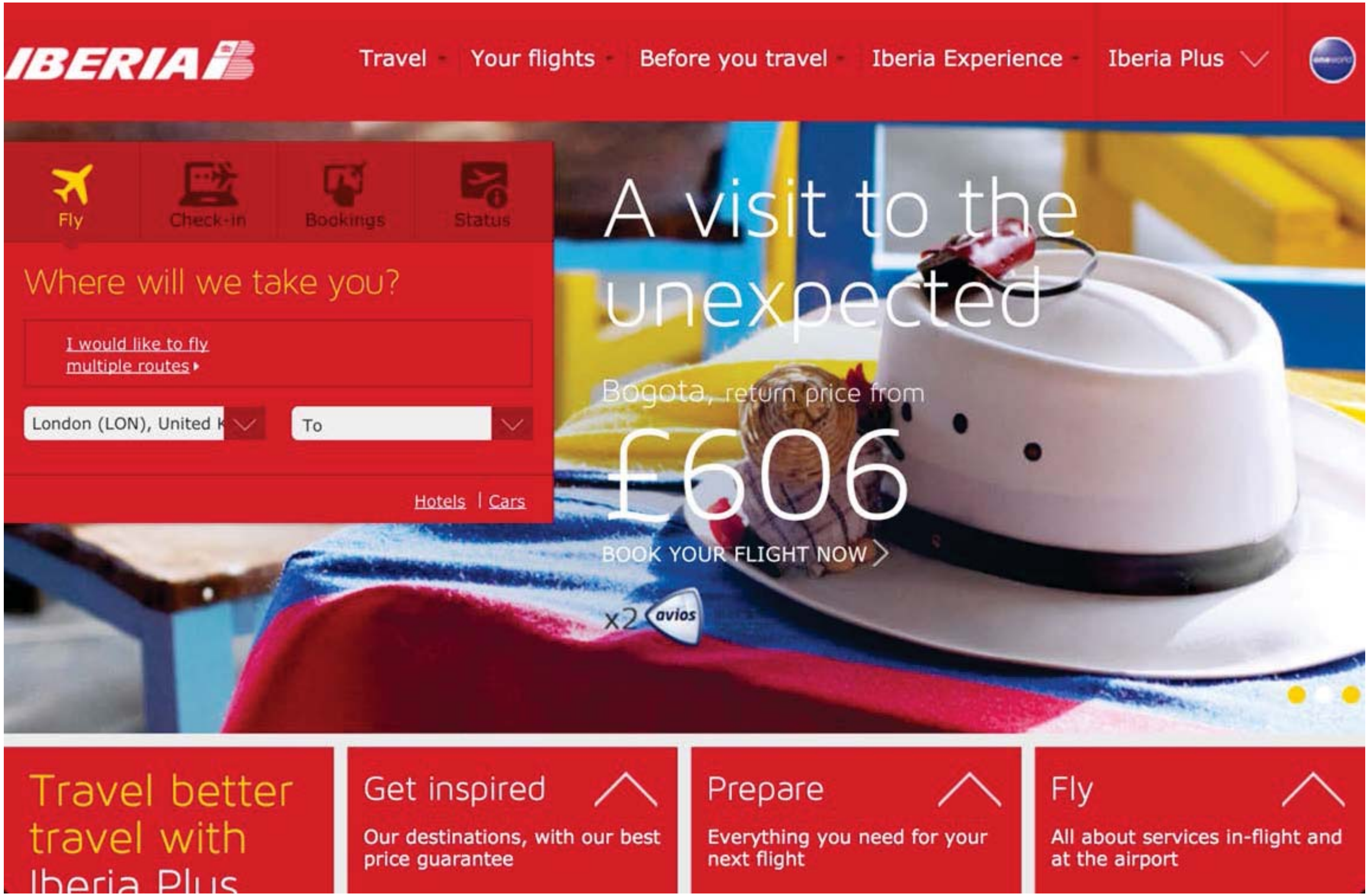
Outlook for 2013

In light of the requirement for the Group to seek shareholder approval for its fleet orders and the consequent requirement to report on any outstanding profit forecast as part of that process, IAG is no longer giving guidance at the operating profit level for 2013. However, it provides the following statement on the outlook:

Current trading is in line with recent trends. For 2013, we expect to grow Group capacity by 5.2% including Vueling (reduction of 2.4% excluding Vueling). We should see a reduction in the Group's non-fuel unit cost (flat excluding Vueling).

Iberia

Building the Iberia of the future



What we have been working on: going beyond the Mediation Agreement

Transformation plan Nov 2012	**Mediation agreement** Mar 2013	**IB new transformation plan** Jul 2013

Transformation plan – Nov 2012

- Short-haul transformation
- Commercial turnaround
- Severe redundancies
- Non-core business restructuring
- 15% capacity cut

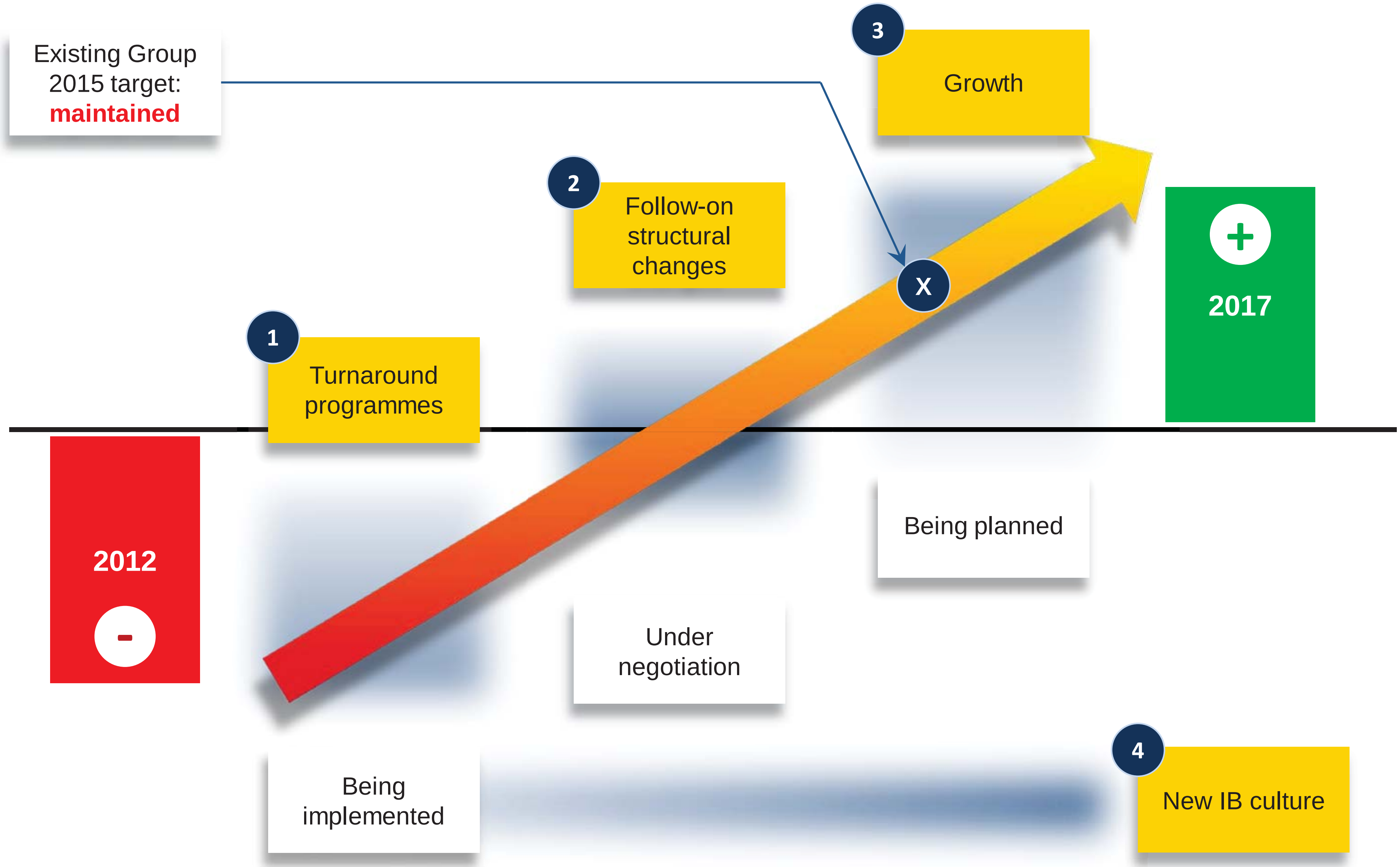
Mediation agreement – Mar 2013

- Redundancy of at least 3,141 employees
- Salary cuts of 14% for flight crew / 7% for ground
- Additional 4% cut until productivity gains agreed
- Salary and tenure freeze 2013-15

IB new transformation plan – Jul 2013

- Continued focus
- Enhanced focus
- All measures stick to Mediation Agreement framework
- Mediation Agreement kick-started turnaround – now negotiating follow-on structural agreements with unions to allow:
  - ✓ Productivity gains / further cost cuts
  - ✓ Further structural changes to the Group
  - ✓ New-generation fleet
  - ✓ Profitable growth
- Management team completely restructured

New transformation plan: phased EBIT roadmap



1 Turnaround programmes: Mediation Agreement

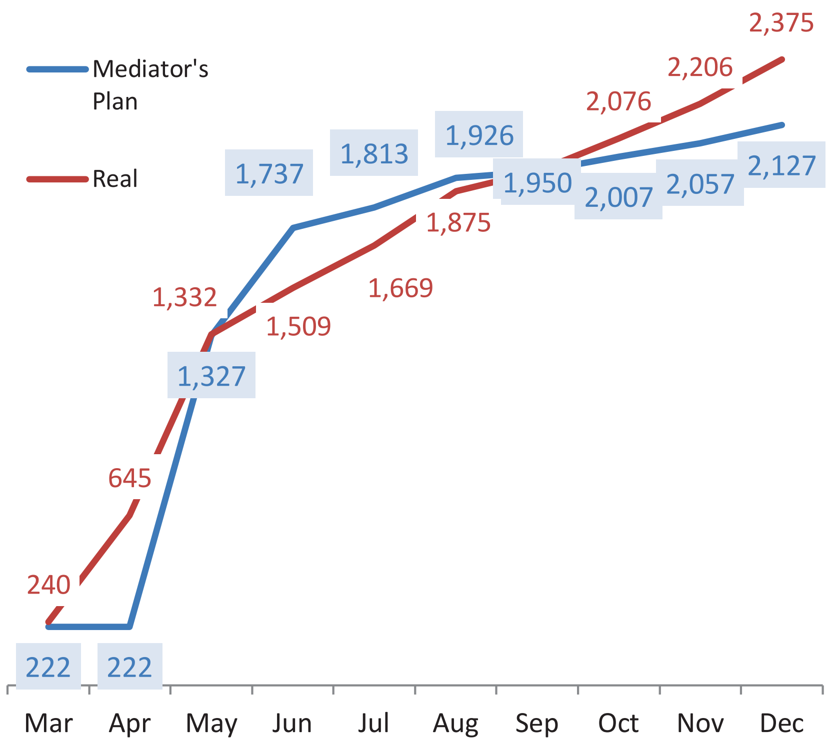
Headcount / salary reductions produce *gross* savings of €360m from 2012 levels by 2015: *net* savings will depend on scale of business at that stage

Headcount: where are we?

	Jun '12	Jun '13	Delta	
• Ground	16,212	14,923	1.289	-8%
• Pilots	1,537	1,435	102	-7%
• Cabin Crew	3,966	3,492	474	-12%
• **Total**	**21,715**	**19,850**	**1.865**	-9%

Headcount reduction had already started before Mediation Agreement

Headcount: what can we expect?



End-13 run-rate ahead of Mediation Agreement, producing higher savings for 2014

1 Turnaround programmes: commercial transformation

Revenue management	Complete re-organisation / strengthening of RevMan team, upgrade of IT systems, launch of new commercial actions / policies - [IN PROGRESS]
Salesforce effectiveness	Complete re-organisation of sales team, upgrade of IT systems, new sales team objectives / tracking, new variable incentives – [IN PROGRESS]
Marketing / new product image	Rebalancing of marketing towards communication of new products, brand support, finalising brand relaunch – [IN PROGRESS]
Online channel	Radical overhaul of online channel, simplified purchase process / new search engine (focusing on conversion / ancillaries), new mobile app – [IMPLEMENTED in July '13]
Product / customer experience	New long haul fleet (8 A330) with new seats, new IFE, future connectivity and retrofit of current long haul fleet – [IN PROGRESS]

1 Turnaround programmes: already investing in IB's future

Investment progressing in A330 fleet / product retrofit:
IAG fleet options give Iberia the potential to acquire **up to 48 next-generation aircraft** for long-term replacement and growth

	Firm orders			Pre-purchase agreements		
	2013		2014	2015-2017	2018-2021	2022-2024
Short haul	Delivered 5 A320	Pending 2 A320	2 A319	4 A320		
Long haul	Delivered 4 A330-300	Pending 1 A330-300	3 A330-300	8 A330		
	New product retrofit 7 A340-600		Retrofit 10 A340-600			

IAG signed options to replace A330 / A340, and grow, with up to 32 A350-900 and 12 B787-9 [SUBJECT TO PROGRESS OF TRANSFORMATION PLAN]

2 Follow-on structural changes: status of union negotiations

- As a result of Audiencia Nacional's recent ruling in our favour (4th July), the Mediation Agreement is applicable to all employee groups
- We are currently negotiating measures to enhance our productivity: should an agreement on real sustainable productivity gains be reached, the 4% salary reduction would no longer apply and would be superceded
- Additionally, we are also negotiating potential structural long-term agreements with the unions, to enable future profitable growth

4 New IB culture: starts with complete management refresh

New CEO
(27th March 2013)

- New leadership team
- 10 people, down from 12
- 4 new, 2 internal promotions and 1 pending
- Announced 10th May 2013

Dedicated Project Management Office set up to manage transformation plan, reporting to new CFO – each individual manager tasked with specific transformation targets

- New top management team
- 35 people, down from 71
- Announced 9th July 2013

Key messages

- **We are focused on capturing all the transformation levers**, both restructuring initiatives and commercial enhancement measures
- Additionally, we are fully committed to **negotiations to reach** agreements with unions that will provide **a stable and healthy cost base**
- **In parallel, the company is designing (**through network and fleet planning analysis) **the future growth profile of Iberia**, once this healthy cost base is attained

In big steps,
building the Iberia
of the future

Vueling

Vueling Airlines
Q2'13 results preview

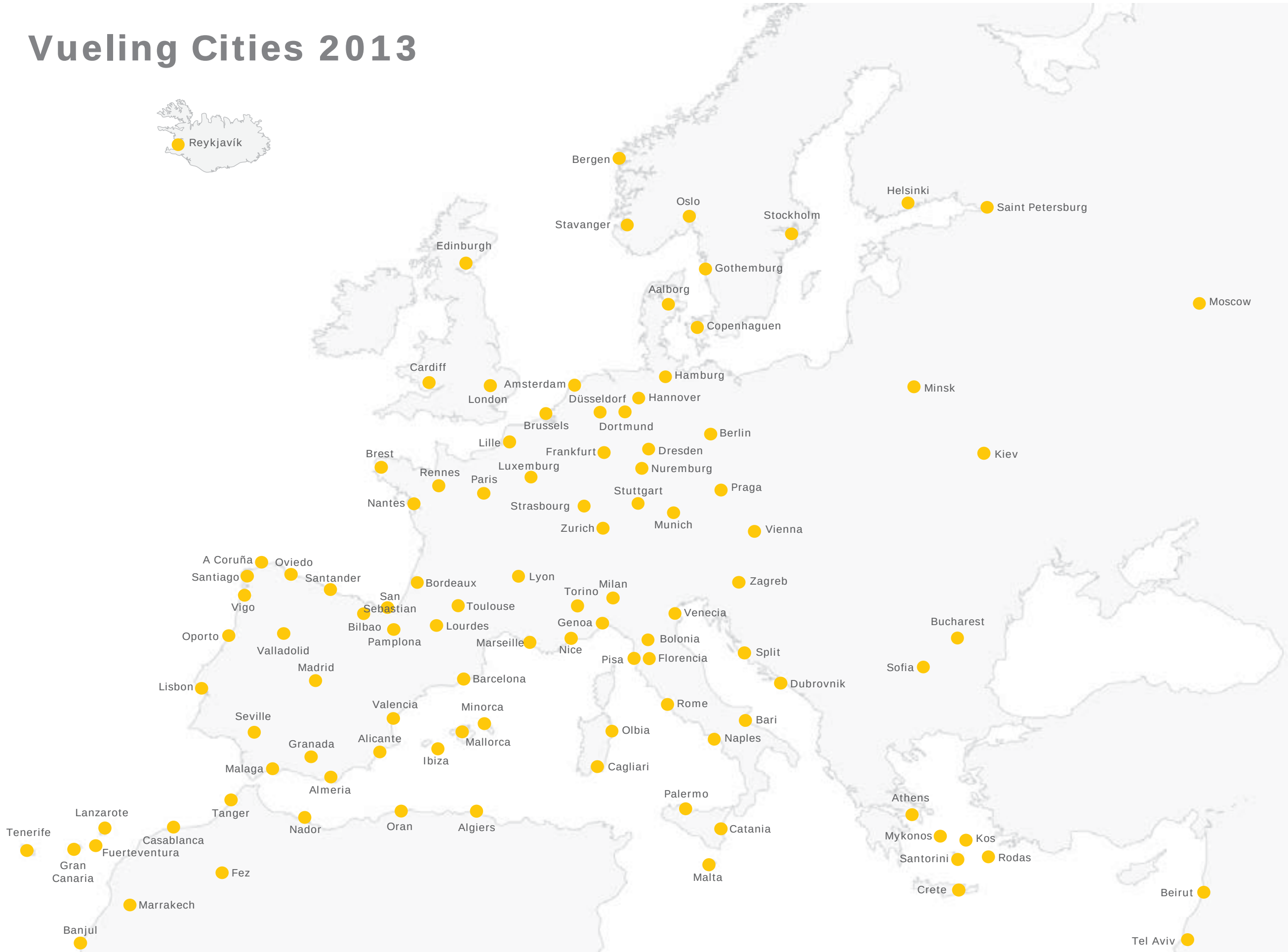
Spanish GAAP presentation

Note: IAG figures are consolidated according to IFRS under Group accounting policies and represents results from the acquisition date (26th April 2013)

Vueling, a growing European carrier

2013e	70 aircraft(1)	212 Routes	111 Destinations	16 M Pax	>50% international traffic

Vueling Cities 2013



- Leader in Barcelona airport with a 33% market share in H1'13
- Significant presence in main European airports: Paris Orly (3rd carrier) and Rome Fiumicino (4th carrier)
- Double digit activity growth: +20% ASKs in H1'13

(1) In Summer peak season

vueling

Vueling's low cost high service model

Low cost

- Single aircraft model
- High fleet utilisation
- Low cost base
- High punctuality
- High crew productivity
- Short turnarounds
- No crew night-stops
- Ancillary revenue

High service

- Business class: VIP lounge, unlimited catering…
- 40% business passengers
- Connecting flights
- Main airports and terminals
- Flexible fares
- Multiple daily frequencies

Highlights Q2 2013

- Vueling achieved a positive EBIT of €23.8m, a 97% increase vs. previous year

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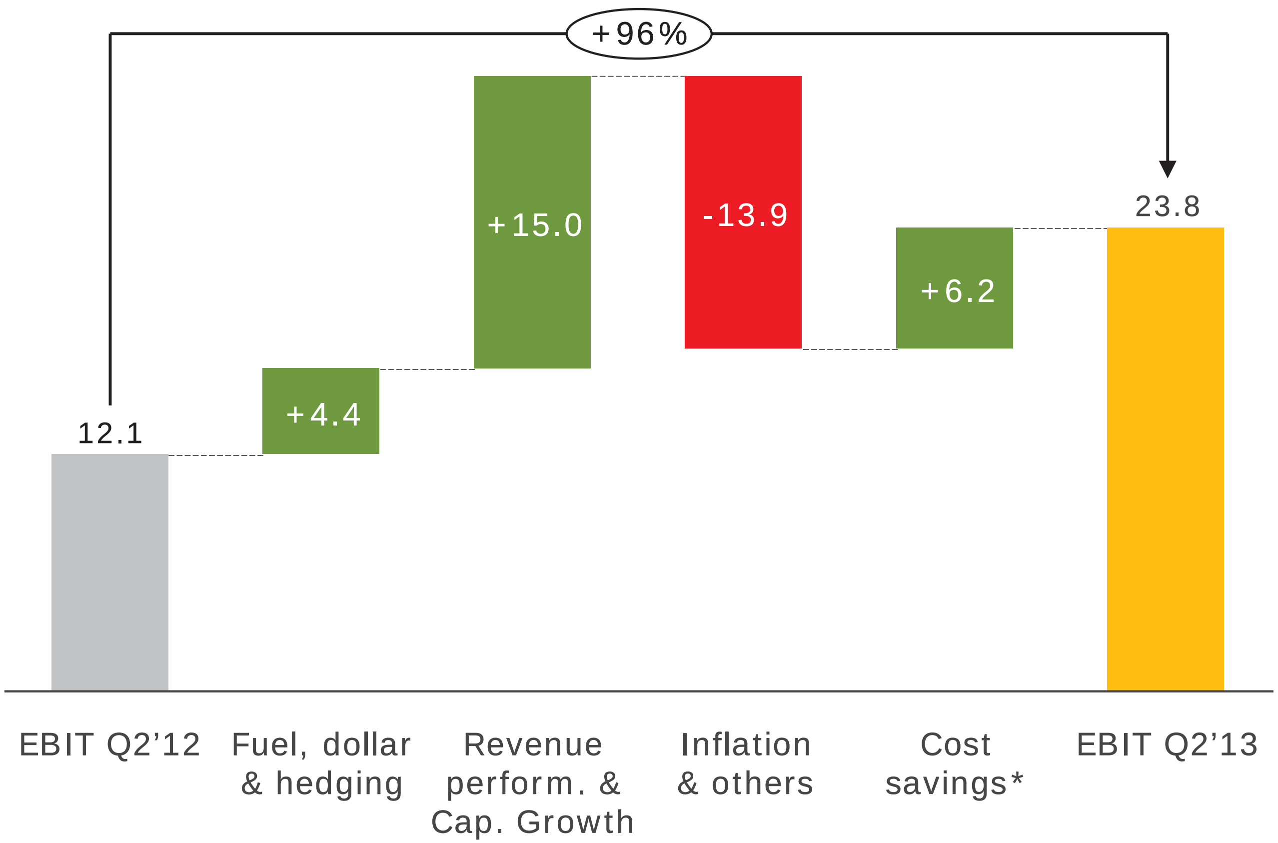
- Capacity in ASKs rose by 25%, driven by a significant increase in stage length (+8%) and seats (+15%)
- Revenue per passenger increased by 5% and the load factor improved by +1.3pp to 76.8%
- Vueling continued reducing its cost base and reached in Q2 2013 a 3.93 euro cents CASK ex-fuel, 3% lower than in the same period last year
- Vueling achieved an EBITDAR of €64.8m, which represents a margin of 18%, compared to a 16% in Q2 2012

- Vueling maintained a strong balance sheet with a net cash position of €549m as of 30th June 2013

Note: The above figures are stated acording to Spanish GAAP

Vueling doubled its EBIT result in Q2 2013

Impact of key factors on Q2 2013 EBIT (€m)

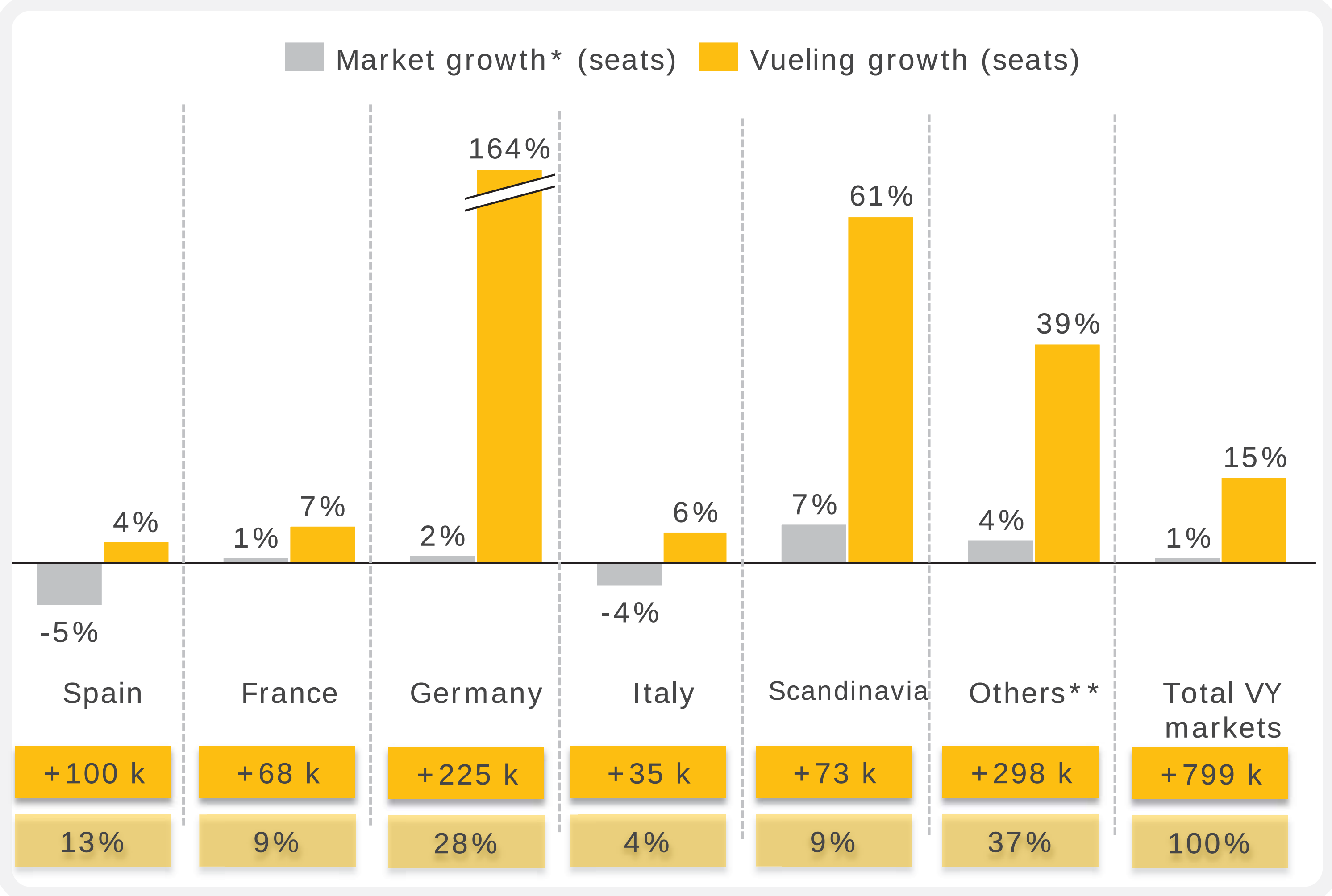


- In Q2 2013 the EBIT result improved by 97% year on year
- More favourable fuel, dollar and hedging costs, and a positive revenue performance contributed to the EBIT improvement

Note: The above figures are stated acording to Spanish GAAP
Source: Vueling *Cost savings ex-fuel

Vueling increased seat capacity by 15%, a higher growth rate than the overall market

Seat growth by market in Q2 2013 vs Q2 2012

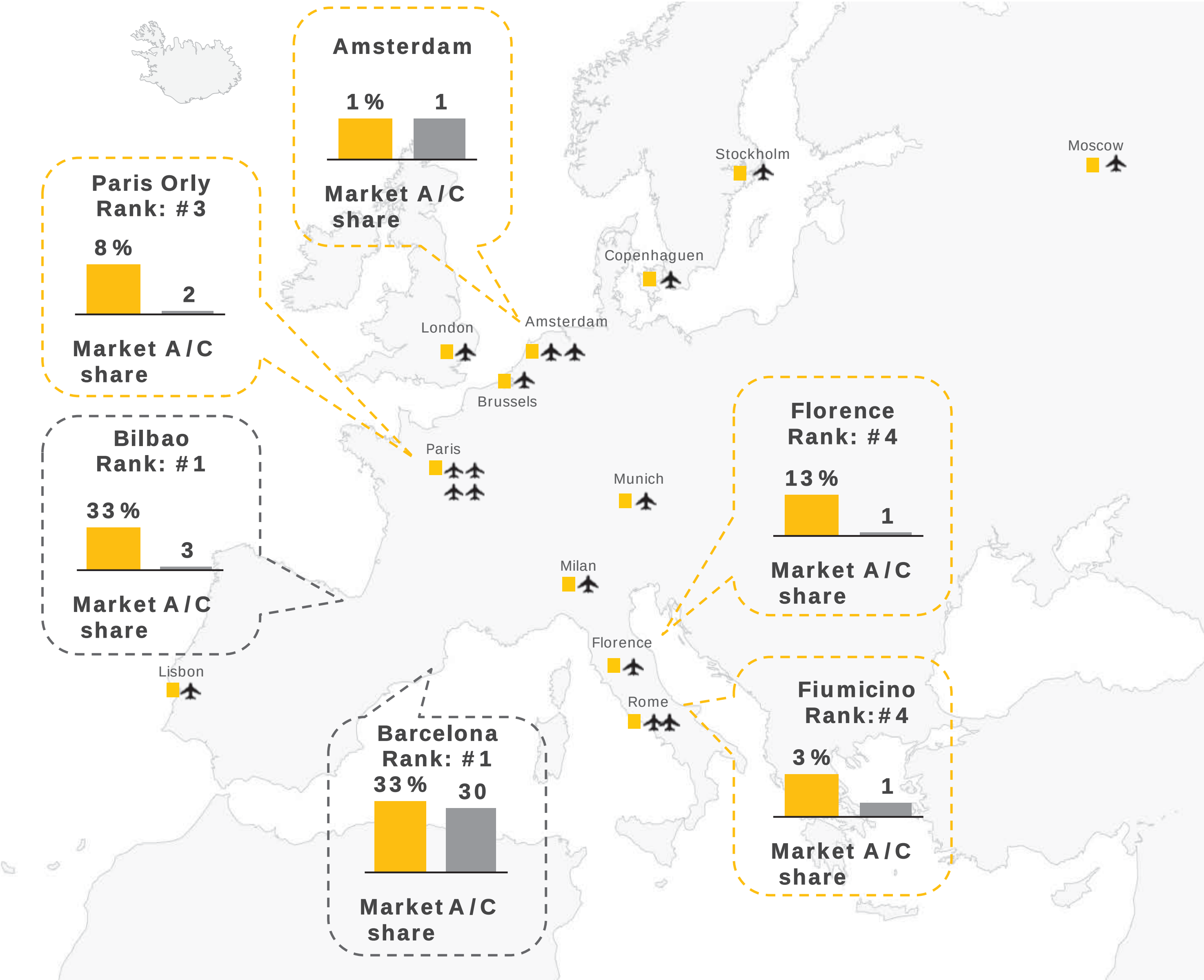


- Vueling increased seat capacity by 15% and grew significantly in Germany (+225k seats) and Scandinavia (+73k seats)
- Vueling grew in the domestic market by 4% while the Spanish market contracted by -5%

Source: SRS and Vueling estimates. .

* Total market growth for each country (in seats). ** Others: Greece, UK, Benelux, Russia, Portugal, Austria, Switzerland, Romania, Czech Republic and North Africa

Vueling increased its presence and market position at the main international airports



- Vueling consolidates its leadership in Bilbao and Barcelona with market share at 33%
- Vueling increased its international presence by adding more destinations and equivalent aircraft

Equivalent aircraft in main European airports

Source: AENA, SRS and Vueling estimates for the period Jan-Jun 2013.

vueling

Key goals: Vueling is on track to achieve its targets for 2013

	Goals	Full year targets	Results
1.	**Growth**: Continued International expansion	o Double digit capacity growth: +(10-15)% in ASKs o 100 destinations from Barcelona o New base in Florence	o Capacity growth: +25% in ASK's o 103 destinations from Barcelona o New base in Florence
2.	**Cost reduction**: Cost reduction program	o Maintain CASK ex-fuel at 2012 level o €17.7m savings target	o Reduction of -3% in CASK ex-fuel in Q2 2013 o €14m already captured in H1'13
3.	**Product**: Innovation + business pax	o Improved connectivity (Wi-Fi, iPad on board, etc.) o Automatic boarding pass delivery o New cabin configuration o Phase II of Excellence business class	o New business class launched in May o Launch of cockpit iPad project o Other initiatives on track
4.	**Partnerships**: Increase connectivity with other airlines	o More Interline agreements and code-shares	o Under negotiation

Questions and Answers

Disclaimer

Certain information included in these statements is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements.

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