IAG results presentation

Quarter Three 2016

28th October 2016

INTERNATIONAL
AIRLINES
GROUP

Q3 financial summary

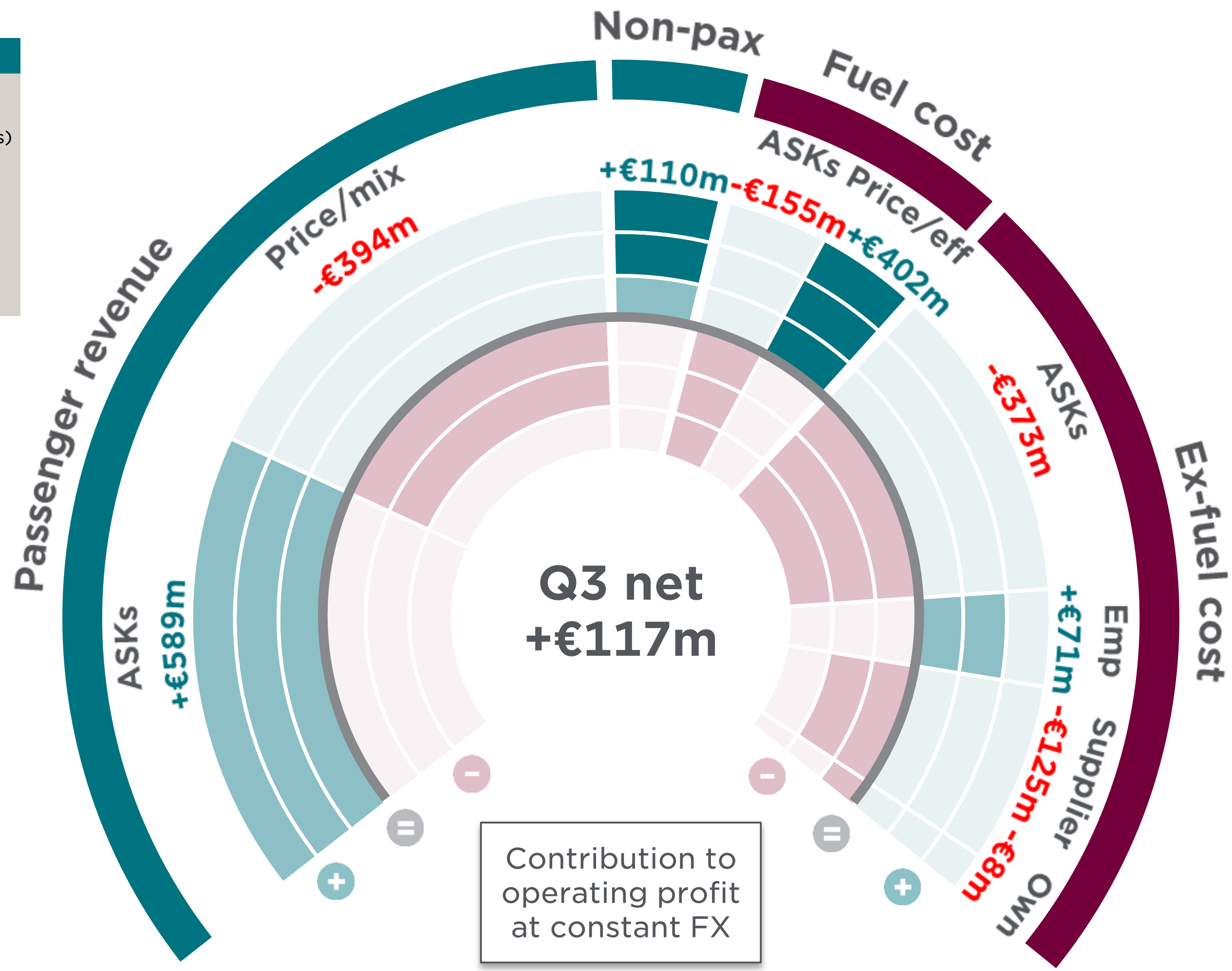
OPERATING PROFIT	TOTAL UNIT REVENUE	PAX UNIT REVENUE
€1,032m (pre-Aer Lingus, pre-exceptional items)	-4.6% (constant FX)	**-5.9%** (constant FX)
€1,205m (reported, pre-exceptional items)	-4.7% (pre-Aer Lingus, constant FX)	-6.5% (pre-Aer Lingus, constant FX)
-€45m (reported change)	**-12.4%** (reported) (€760m Group FX drag) (€186m OpCo FX tailwind)	-13.7% (reported)

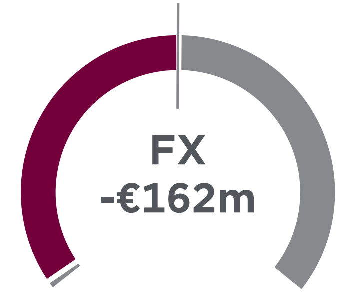
TRAFFIC/CAPACITY	TOTAL UNIT COST	EX-FUEL UNIT COST
ASKs: +4.4% (pre-Aer Lingus)	-5.6% (constant FX)	**+1.4%** (constant FX)
ASKs: +9.6% (reported)	-4.5% (pre-Aer Lingus, constant FX)	+2.5% (pre-Aer Lingus, constant FX)
RPKs: +9.4% (reported)	**-12.5%** (reported) (€624m Group FX benefit) (€212m OpCo FX headwind)	-6.9% (reported)

'Group FX' = drag/benefit from translation of BA GBP profits into EUR; 'OpCo FX' = FX headwind/tailwind at company level

Q3 operating profit drivers

OPERATING PROFIT
€1,032m (pre-Aer Lingus, pre-exceptional items)
€1,205m (reported, pre-exceptional items)
-€45m (reported change)



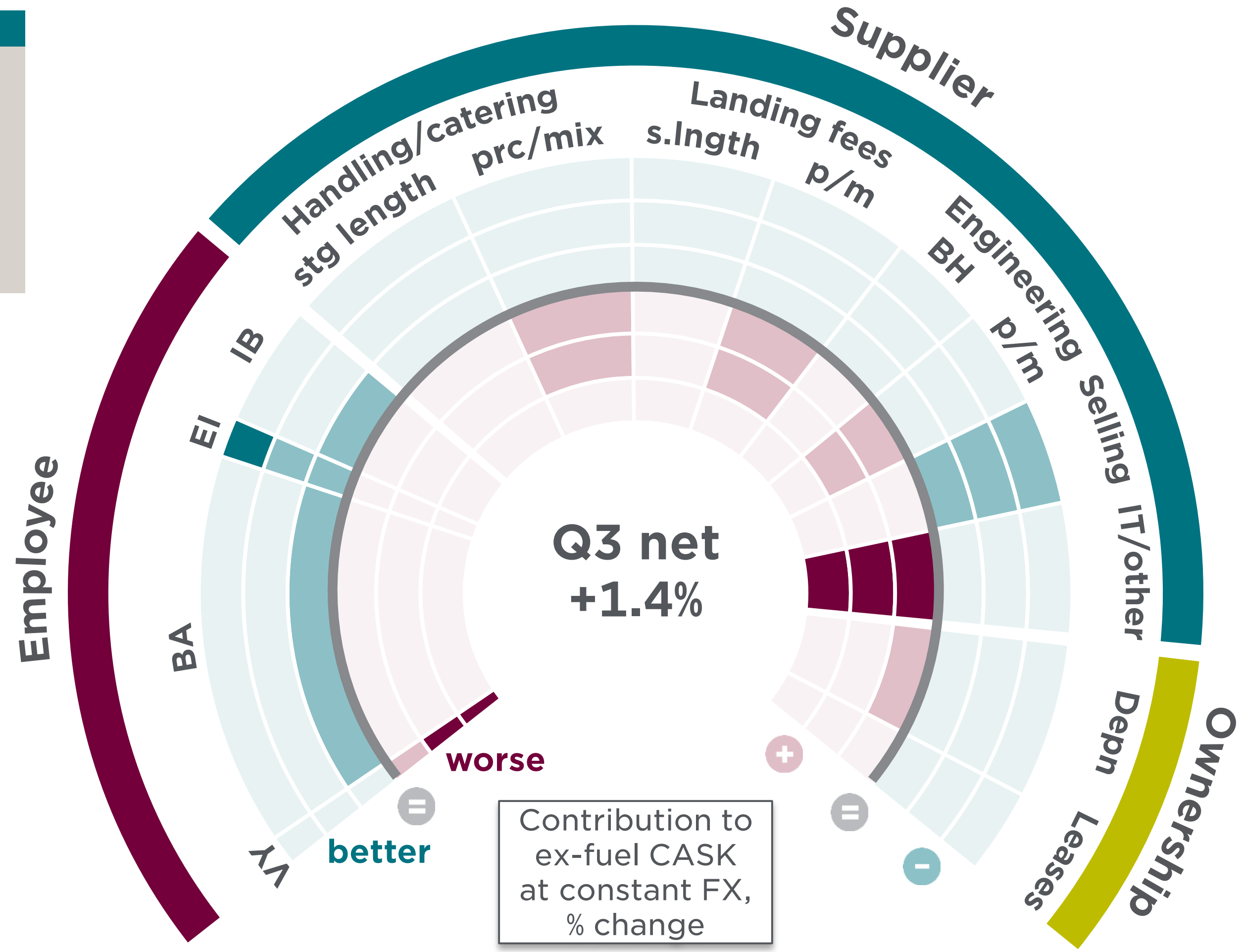


Q3 results

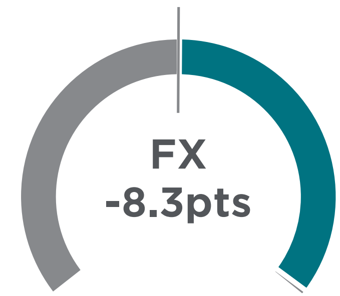
Cost	Ex-fuel cost	Fuel
Fleet	Capacity plan	Capacity changes
Network	ASK by region	RASK by region
Product	Revenue	Brands

Q3 ex-fuel unit cost: employee cost progress

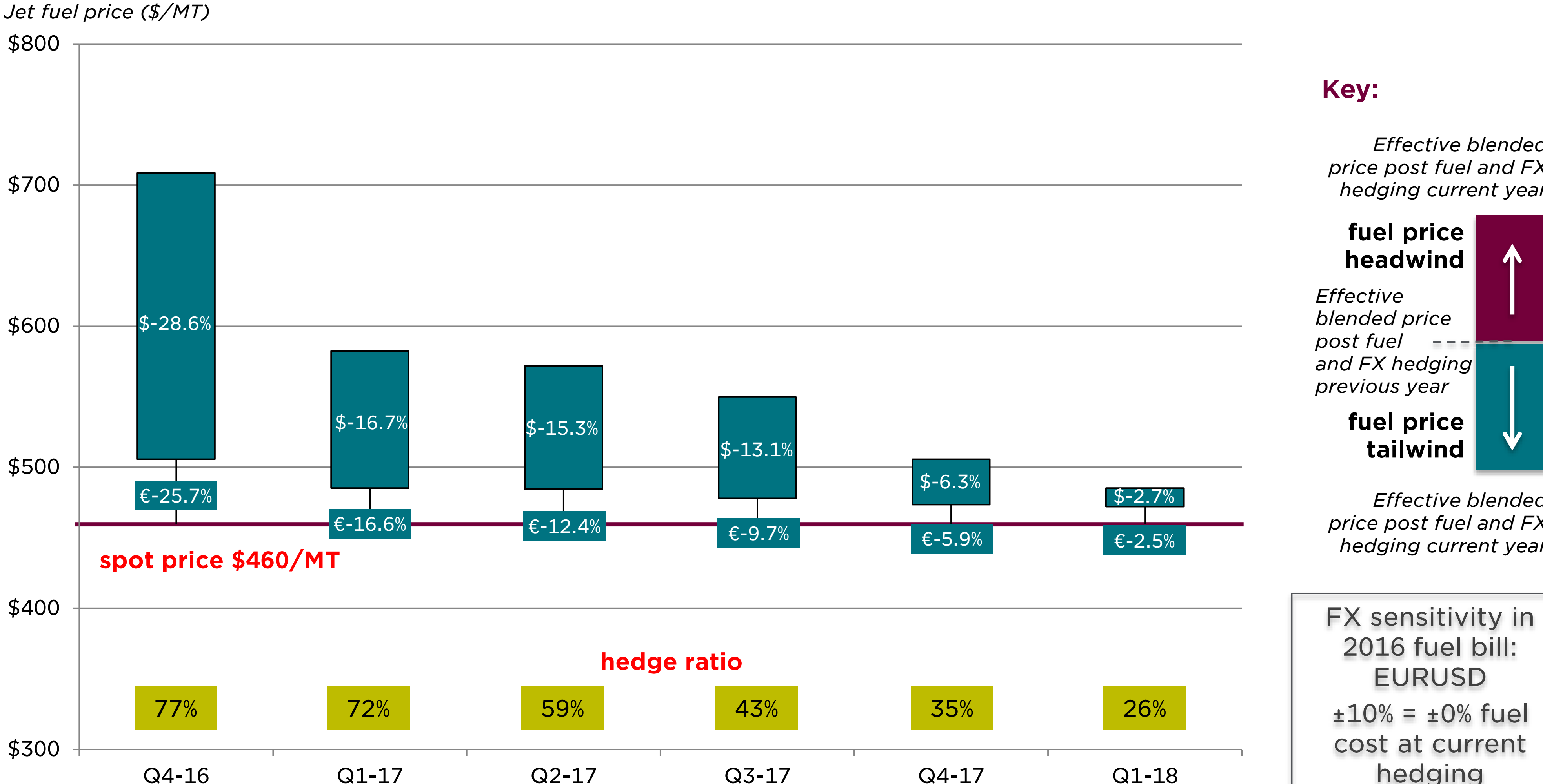
EX-FUEL UNIT COST
+1.4% (constant FX)
+2.5% (pre-Aer Lingus, constant FX)
-6.9% (reported)



Contribution to ex-fuel CASK at constant FX, % change



Fuel scenario: detailed modelling in appendix

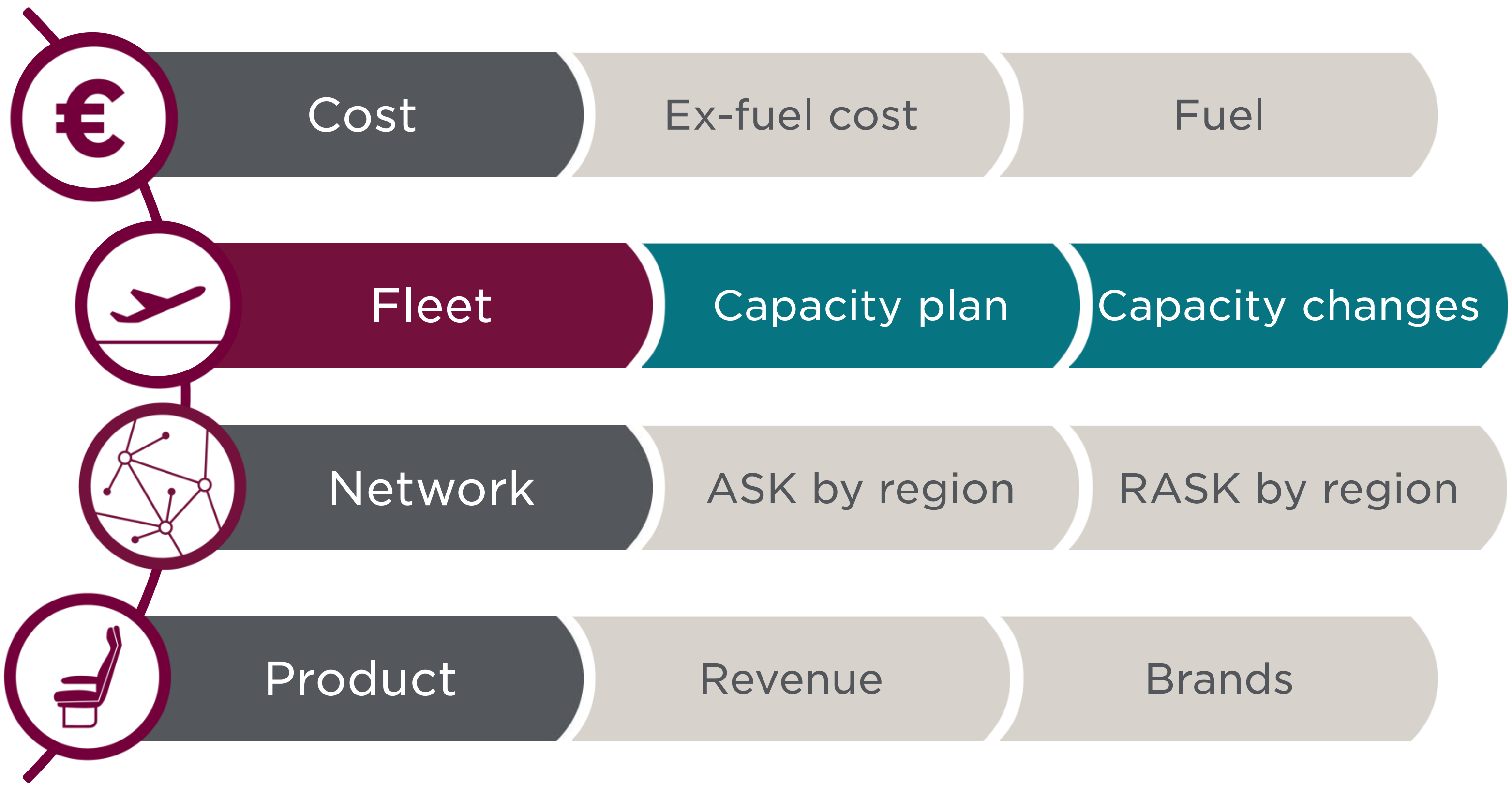


2016 fuel bill scenario - €4.9bn (at $460/MT and 1.09$/€)

FX sensitivity in 2016 fuel bill: EURUSD

±10% = ±0% fuel cost at current hedging

Q3 results


Cost
Ex-fuel cost
Fuel
Fleet
Capacity plan
Capacity changes
Network
ASK by region
RASK by region
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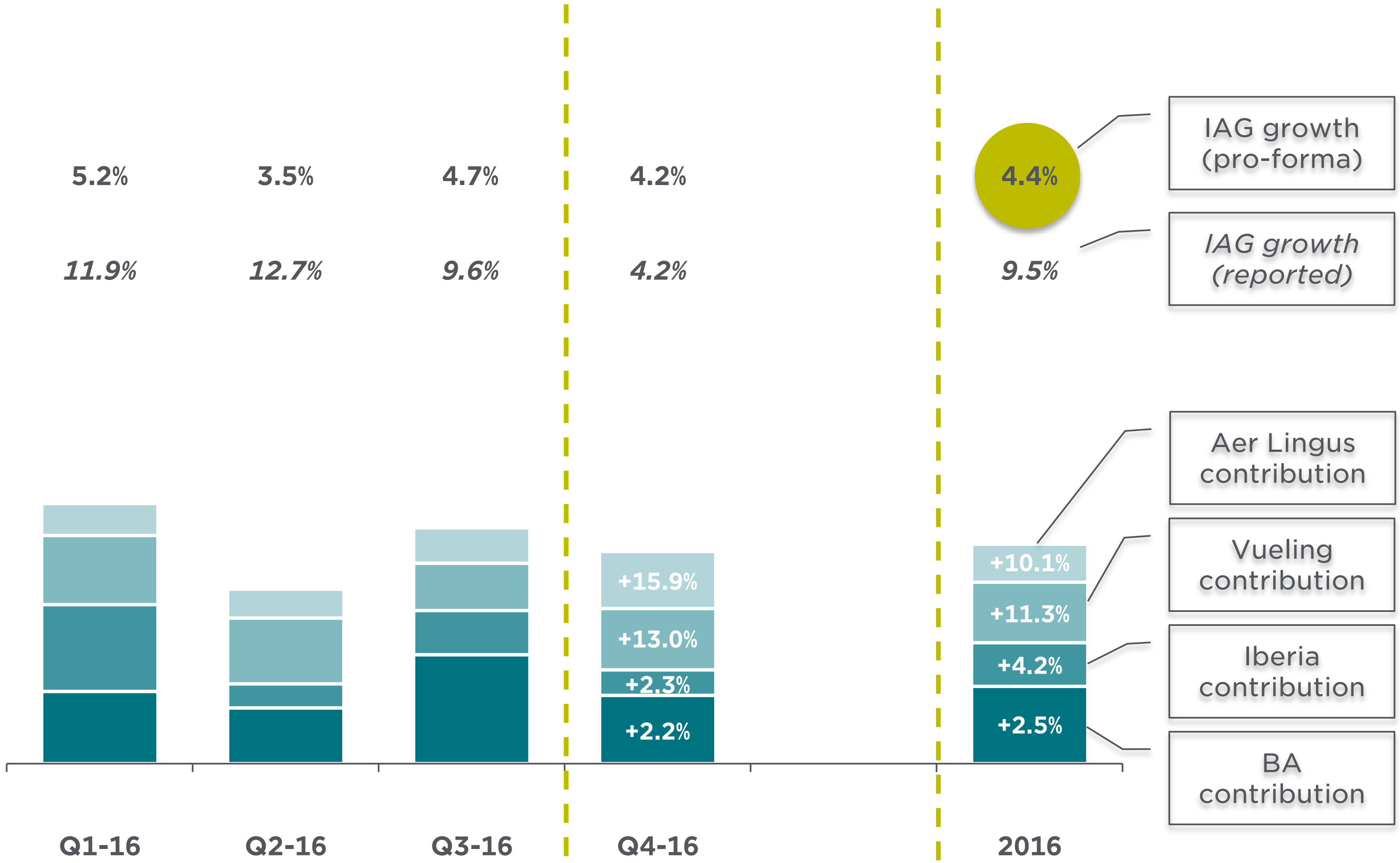
Revenue
Brands

2016 capacity growth and contributions

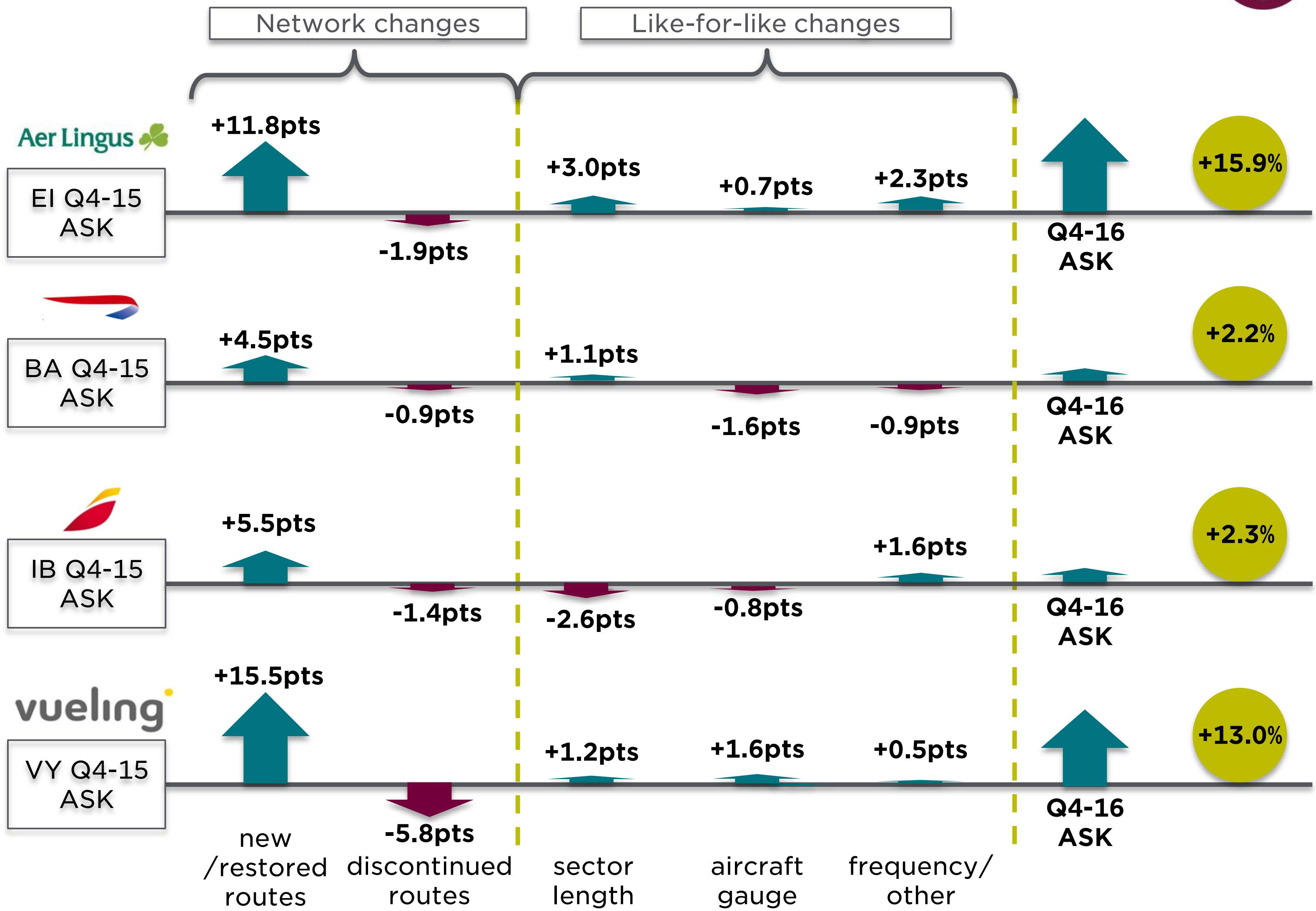
- **Aer Lingus:** Q4-16 and FY2016 capacity planned to be +15.9% and +10.1% respectively
- **Vueling:** Q4-16 and FY2016 capacity planned to be +13.0% and +11.3% respectively
- **Iberia:** Q4-16 and FY2016 capacity planned to be +2.3% and +4.2% respectively
- **BA:** Q4-16 and FY2016 capacity planned to be +2.2% and +2.5% respectively



Pro-forma numbers include Aer Lingus in the base

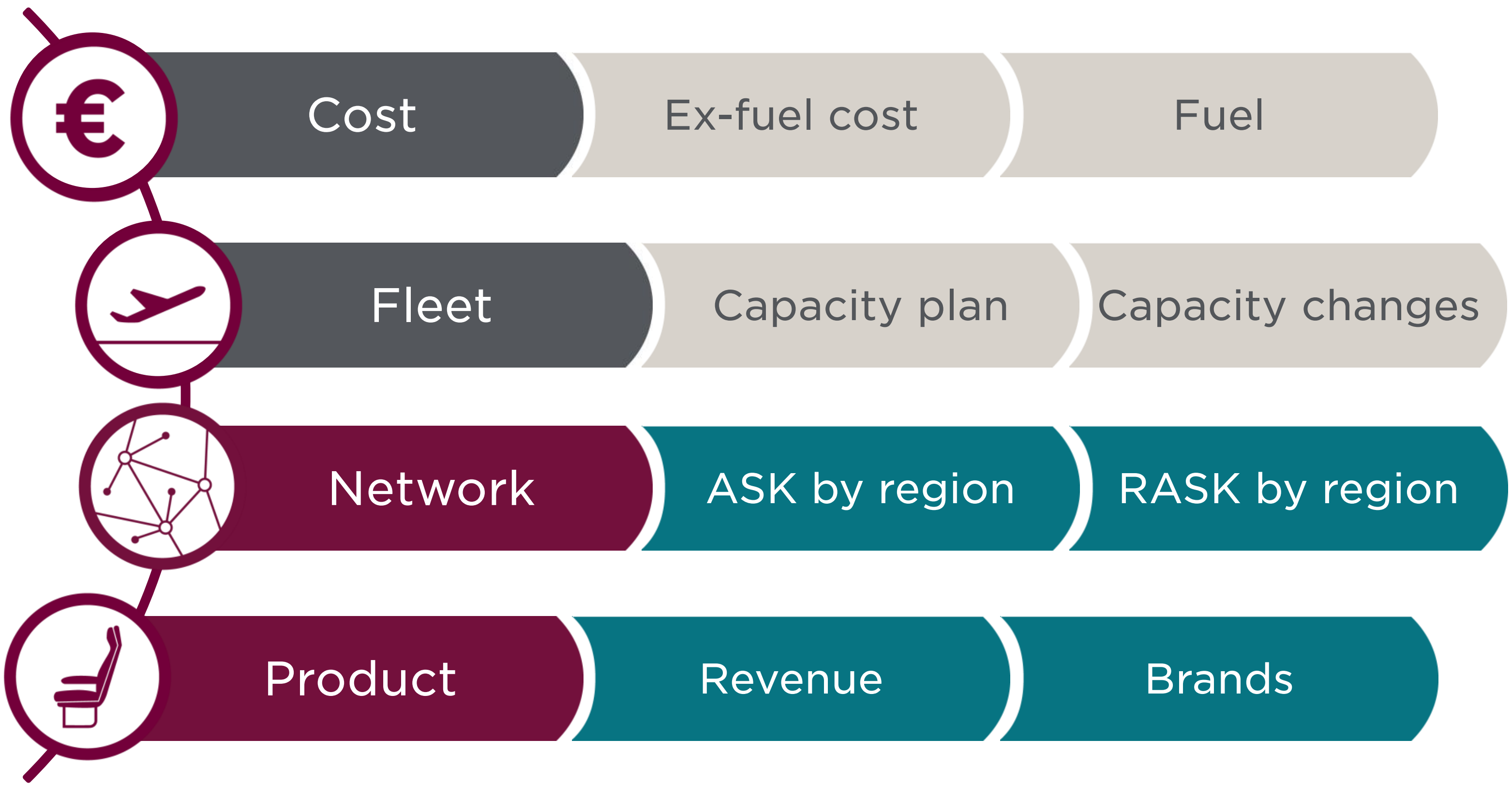
Q4-16 capacity growth drivers by airline

- New routes for EI: EWR, LAX, BDL
- IB restored/new routes driven by Shanghai, Tokyo and Jo'burg
- New BA routes include: San Jose CA, LGWJFK, San Jose CR, Tehran
- New routes for VY driven by CDG, ZRH and AMS
- BA frequency change driven by LHR-Las Vegas, Shanghai, Dubai
- IB frequency change driven by: Havana and Montevideo



New routes are routes that were not operated for the whole period last year

Q3 results


Cost
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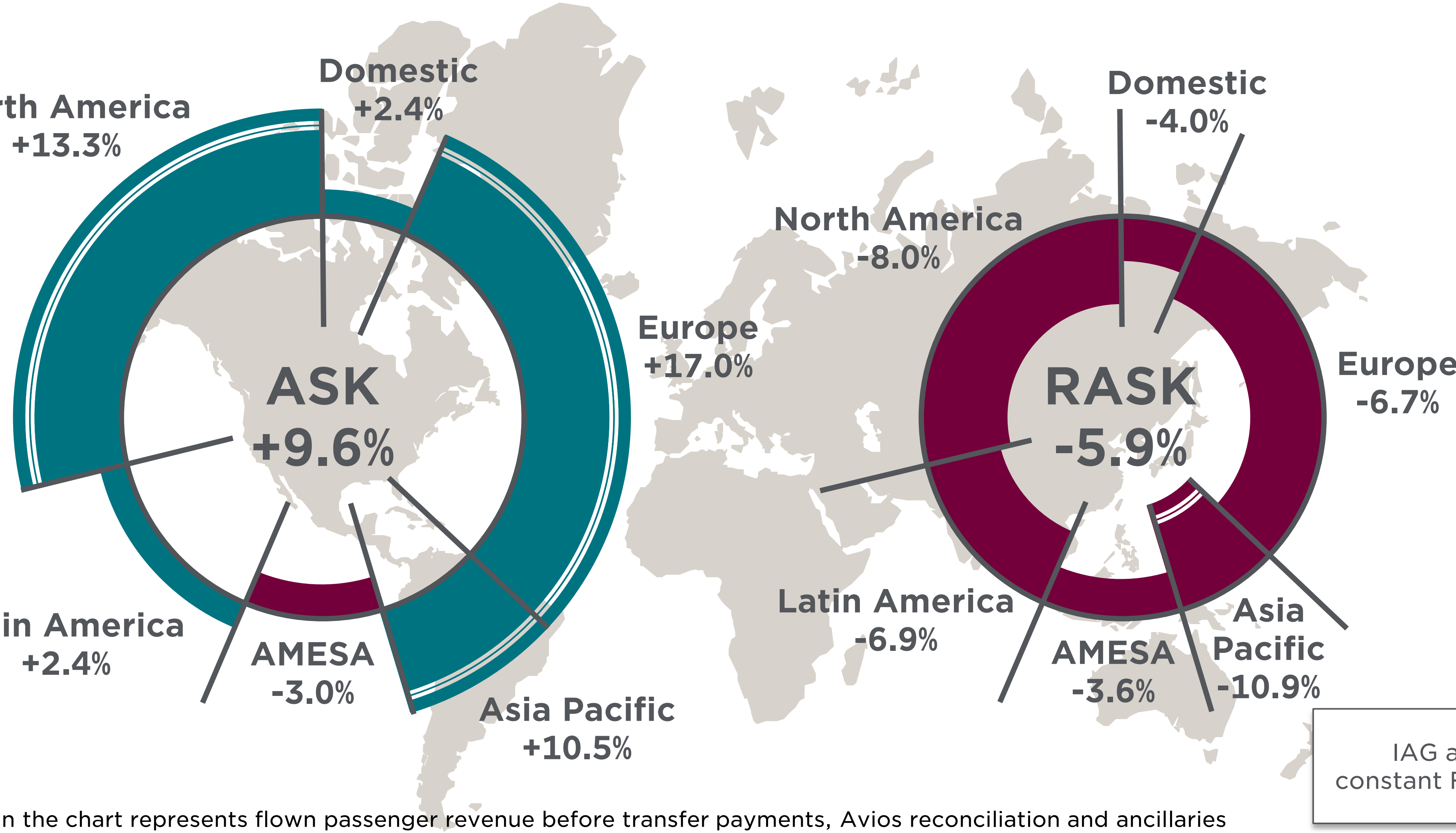
Q3 capacity and passenger unit revenue change

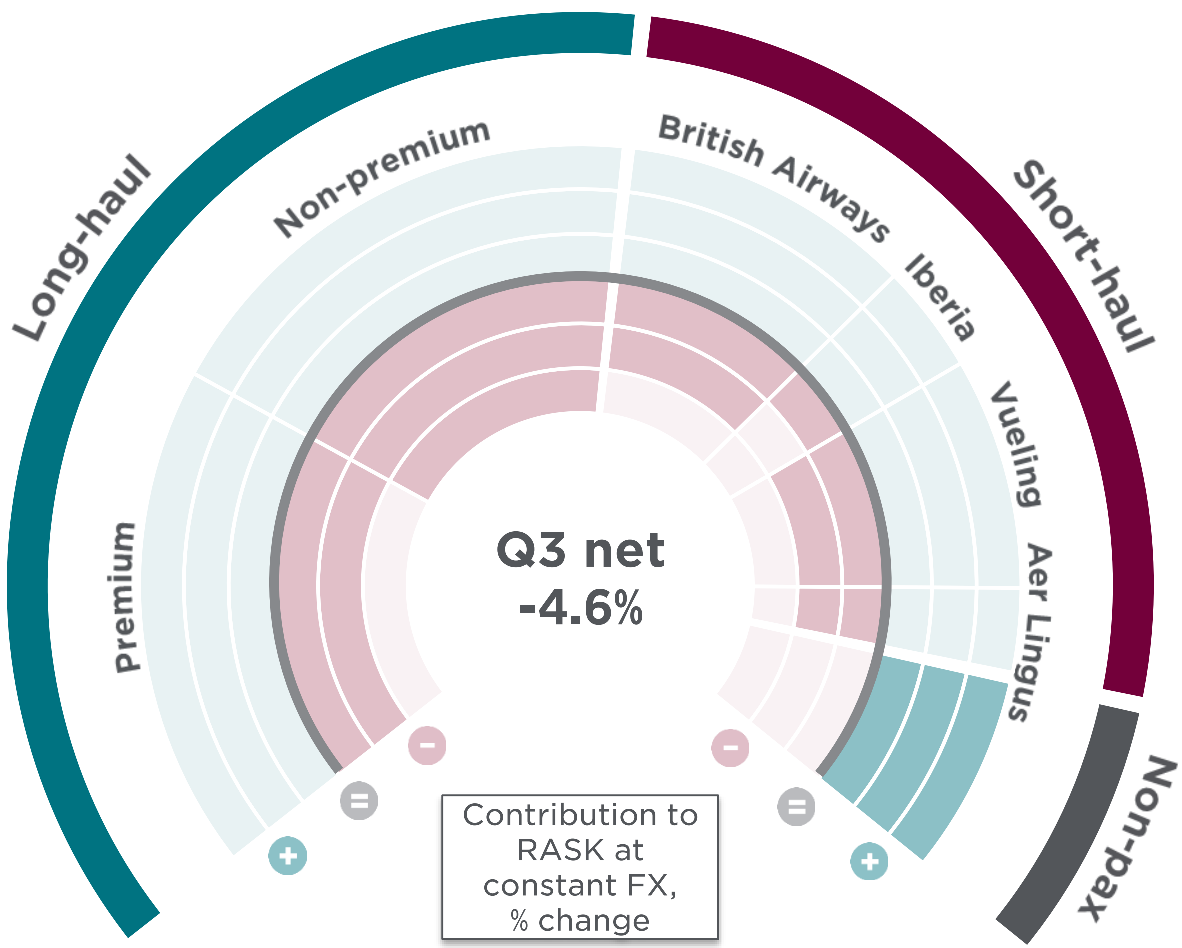


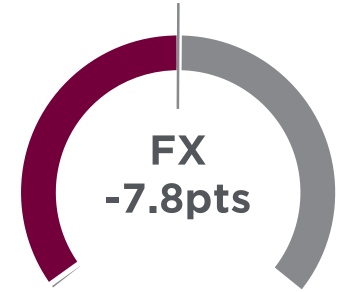
IAG at constant FX vly

Data in the chart represents flown passenger revenue before transfer payments, Avios reconciliation and ancillaries

Q3 products: similar trends to Q2

TOTAL UNIT REVENUE
-4.6% (constant FX)
-4.7% (pre-Aer Lingus, constant FX)
-12.4% (reported) (€760m Group FX drag) (€186m OpCo FX benefit)

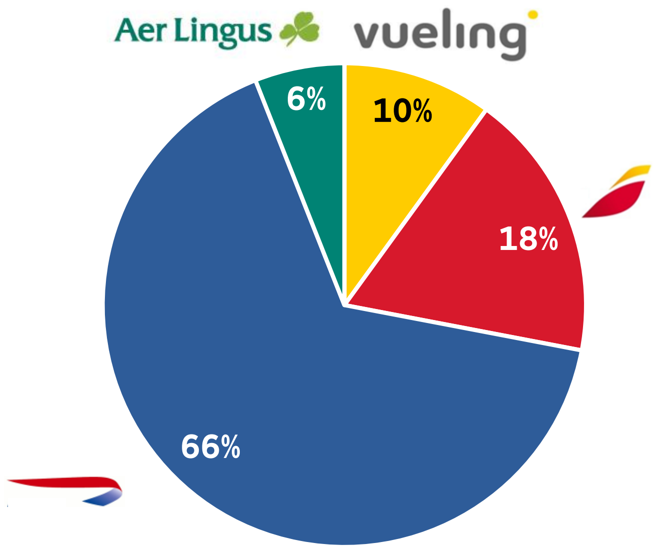




Financial target tracker: profitability trend by airline

Aer Lingus included for 12 months IAG

Op. margin: Q3 2016	19.5%
Op. margin trend vly	-0.1pts.
Nml. margin: last 4Qs	11.2%
RoIC: last 4Qs	13.0%



IAG capital allocation
Q3 2016

vueling

Op. margin: Q3 2016	17.4%
Op. margin trend vly	-7.6pts.
Nml. margin: last 4Qs	6.7%
RoIC: last 4Qs	6.9%

Op. margin: Q3 2016	15.9%
Op. margin trend vly	+0.9pts.
Nml. margin: last 4Qs	6.2%
RoIC: last 4Qs	7.4%

Notes:

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

Aer Lingus

Op. margin: Q3 2016	29.7%
Op. margin trend vly	+6.7pts.
Nml. margin: last 4Qs	12.7%
RoIC: last 4Qs	20.6%

Op. margin: Q3 2016	18.6%
Op. margin trend vly	0.0pts.
Nml. margin: last 4Qs	12.2%
RoIC: last 4Qs	12.5%

From Q1 2016 British Airways and Iberia figures do not include Avios.

Balance sheet

Balance sheet: strong cash position

€m	Jun 2016	Sep 2016
Gross debt	8,818	8,507
Cash, cash equivalents & interest bearing deposits	6,561	6,190
On balance sheet net debt	2,257	2,317
Aircraft lease capitalisation (x8)	5,632	5,720
Adjusted net debt	7,889	8,037
Adjusted net debt / EBITDAR	1.7x	1.8x

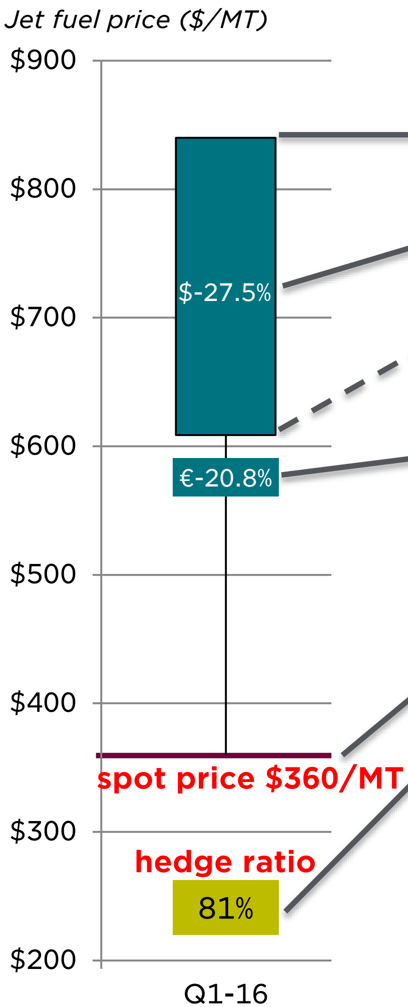
Outlook

Guidance for FY2016

At current fuel prices and exchange rates, IAG expects its operating profit for 2016 to be around €2.5 billion, and has seen no significant change in its short-term trading conditions.

Appendix

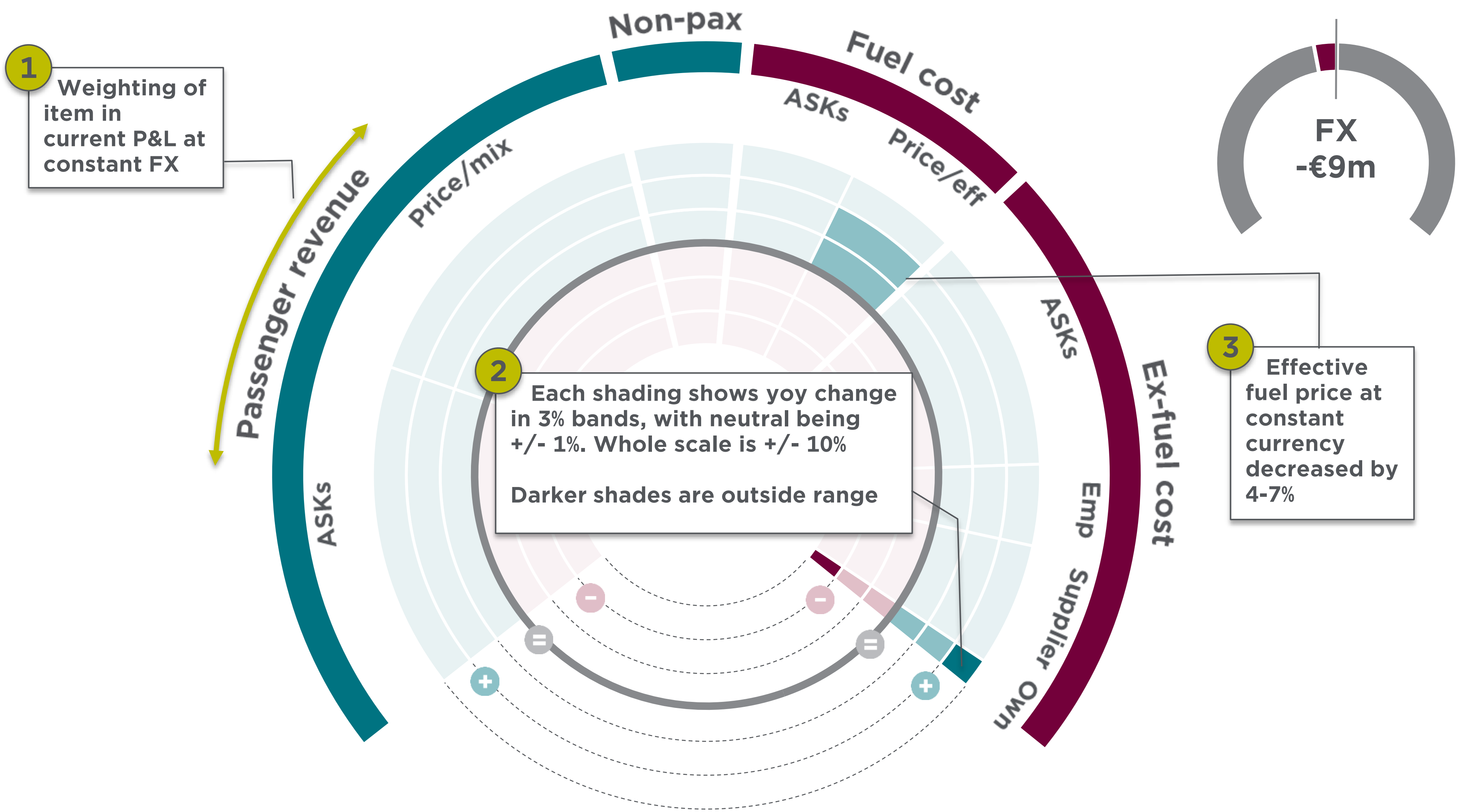
Fuel modelling



$ 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 $360/MT and 1.10$/€)

Contribution heat map – how it works



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 2015; these documents are available on www.iagshares.com.