IAG results presentation

Quarter One 2017

5th May 2017

INTERNATIONAL
AIRLINES
GROUP

Q1 financial summary

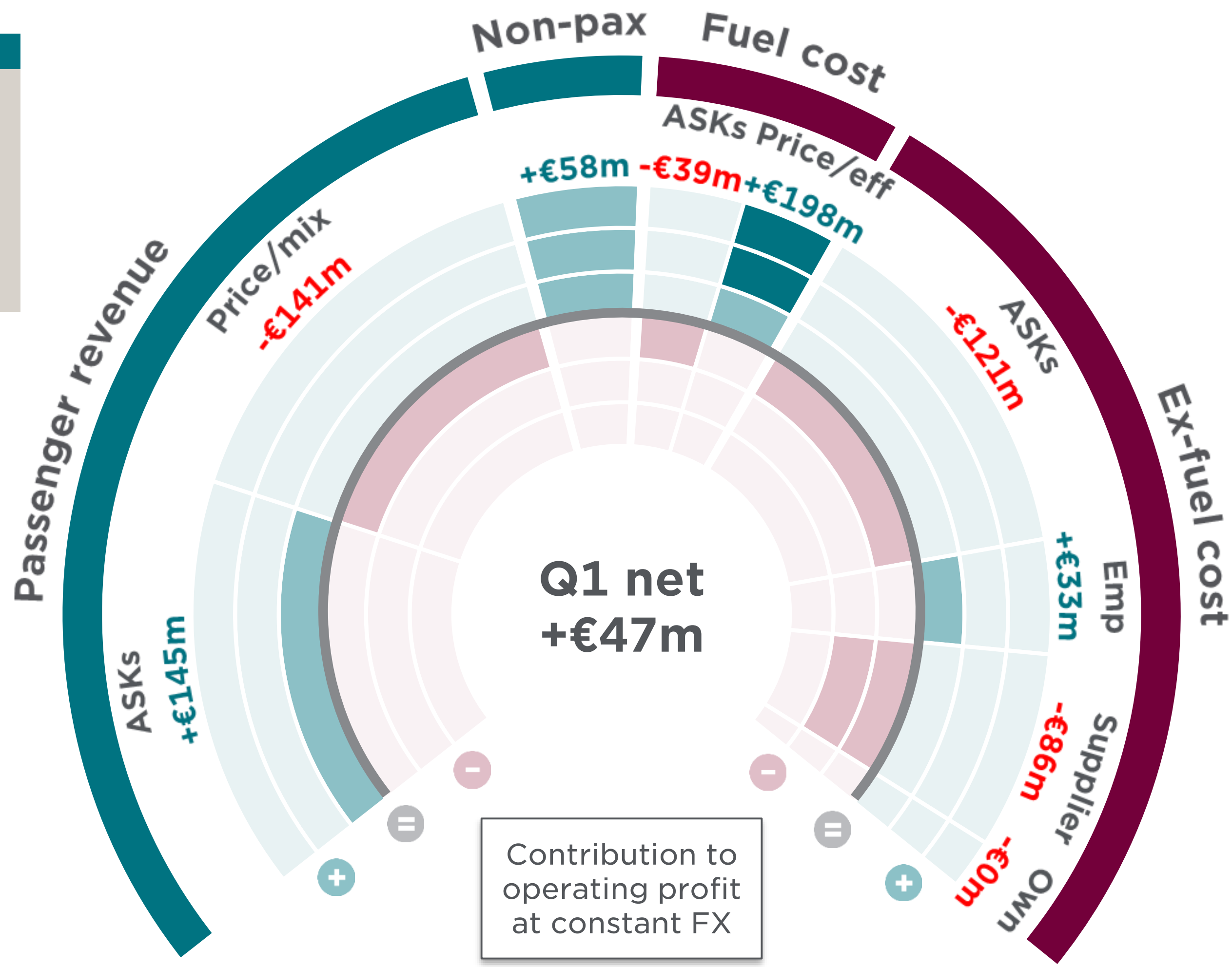
OPERATING PROFIT	TOTAL UNIT REVENUE	PAX UNIT REVENUE
€170m (reported, pre-exceptional) **+€15m** (reported change)	-2.0% (constant FX) -5.9% (reported) (€406m Group FX drag) (€199m OpCo FX tailwind)	**-3.1%** (constant FX) -7.2% (reported)

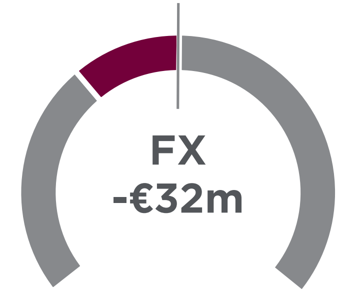
TRAFFIC/CAPACITY	TOTAL UNIT COST	EX-FUEL UNIT COST
ASKs: +3.3% (reported) RPKs: +3.3% (reported)	-2.9% (constant FX) -6.3% (reported) (€374m Group FX benefit) (€199m OpCo FX headwind)	+1.4% (constant FX) **-0.0%** (constant FX, net of other revenue gain) -3.9% (reported)

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

Q1 operating profit drivers

OPERATING PROFIT
€170m (reported, pre-exceptional)
+€15m (reported change)



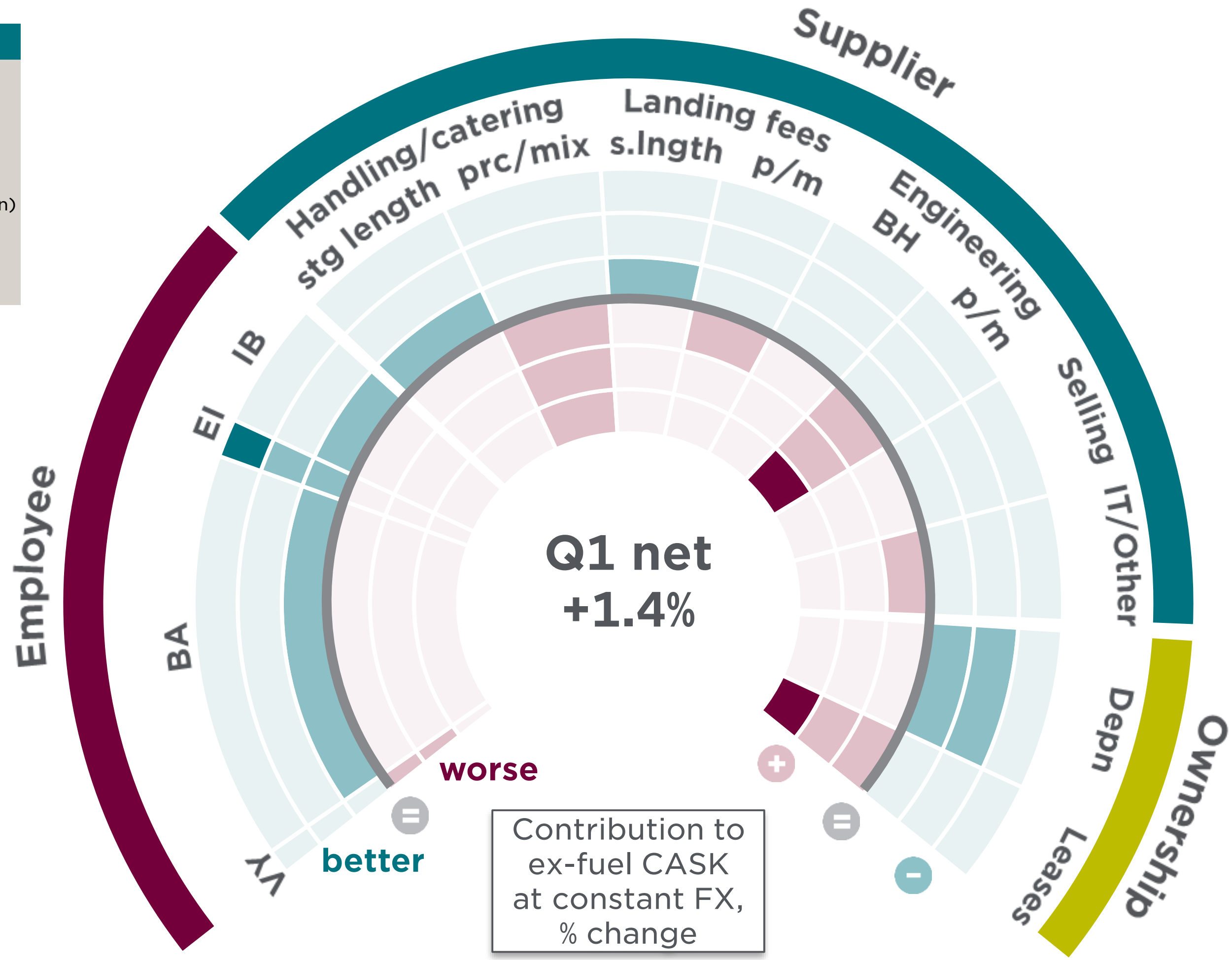


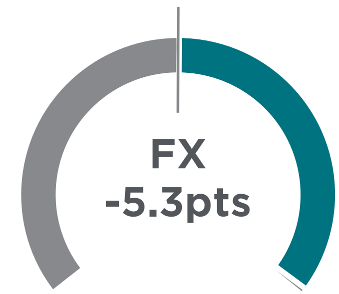
Q1 results

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

Q1 ex-fuel unit cost: further progress

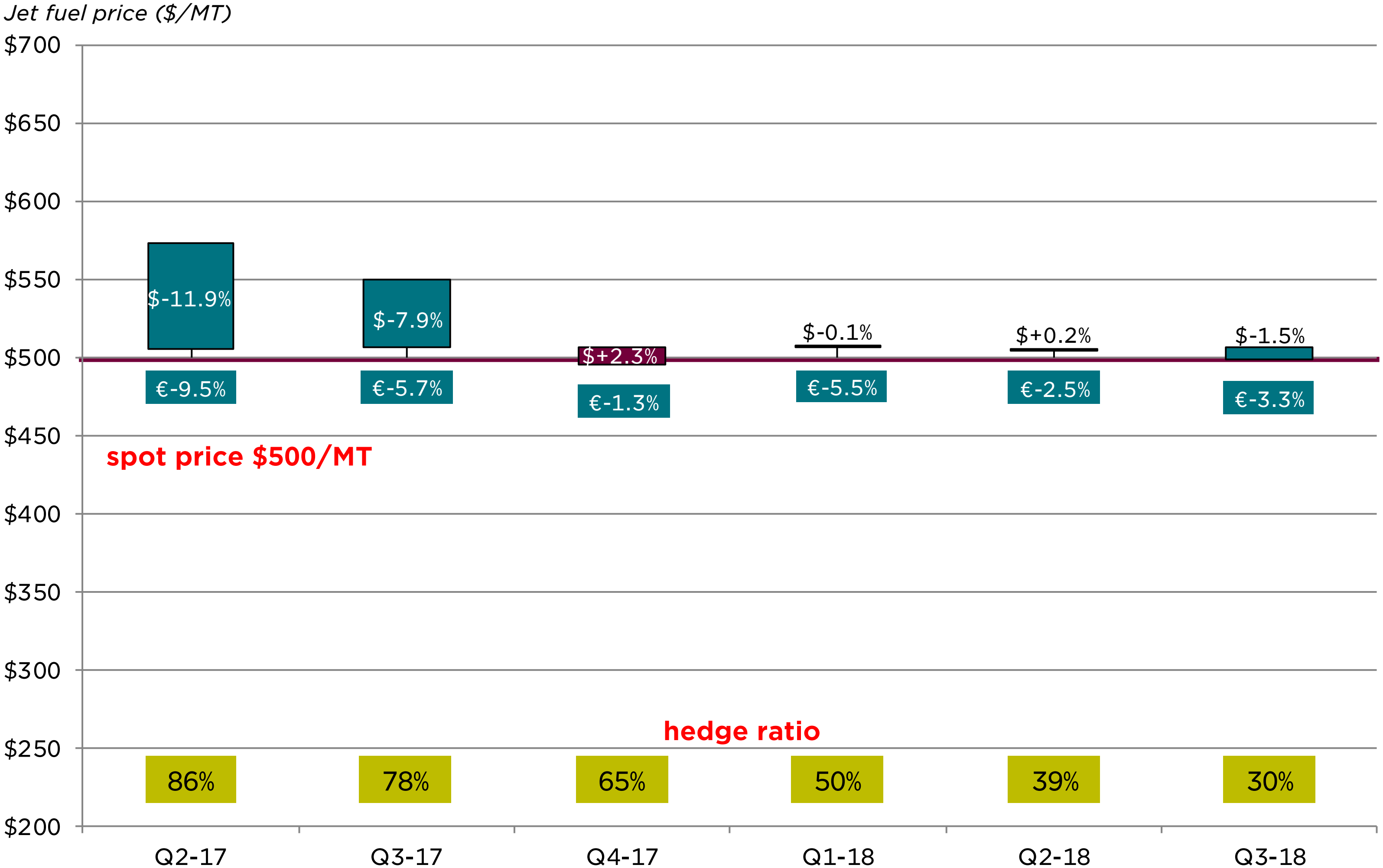
EX-FUEL UNIT COST
+1.4% (constant FX)
-0.0% (constant FX, net of other revenue gain)
-3.9% (reported)





ex-fuel CASK net of other revenue gain: -0.0% yoy

Fuel scenario: detailed modelling in appendix



Key:

Effective blended price post fuel and FX hedging current year

fuel price headwind

Effective blended price post fuel and FX hedging previous year

fuel price tailwind

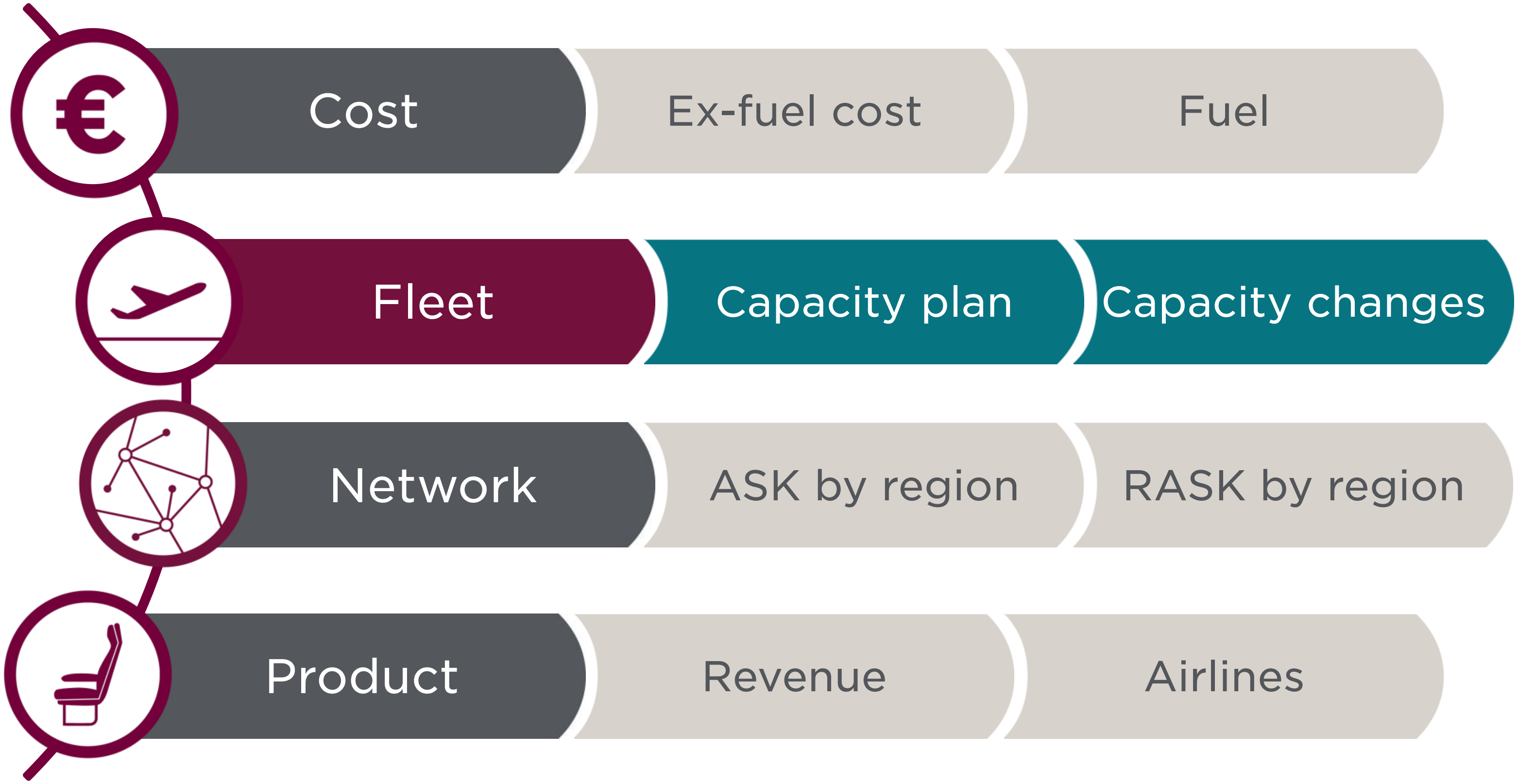
Effective blended price post fuel and FX hedging current year

FX sensitivity in 2017 fuel bill: EURUSD

±10% = ±4% fuel cost at current hedging

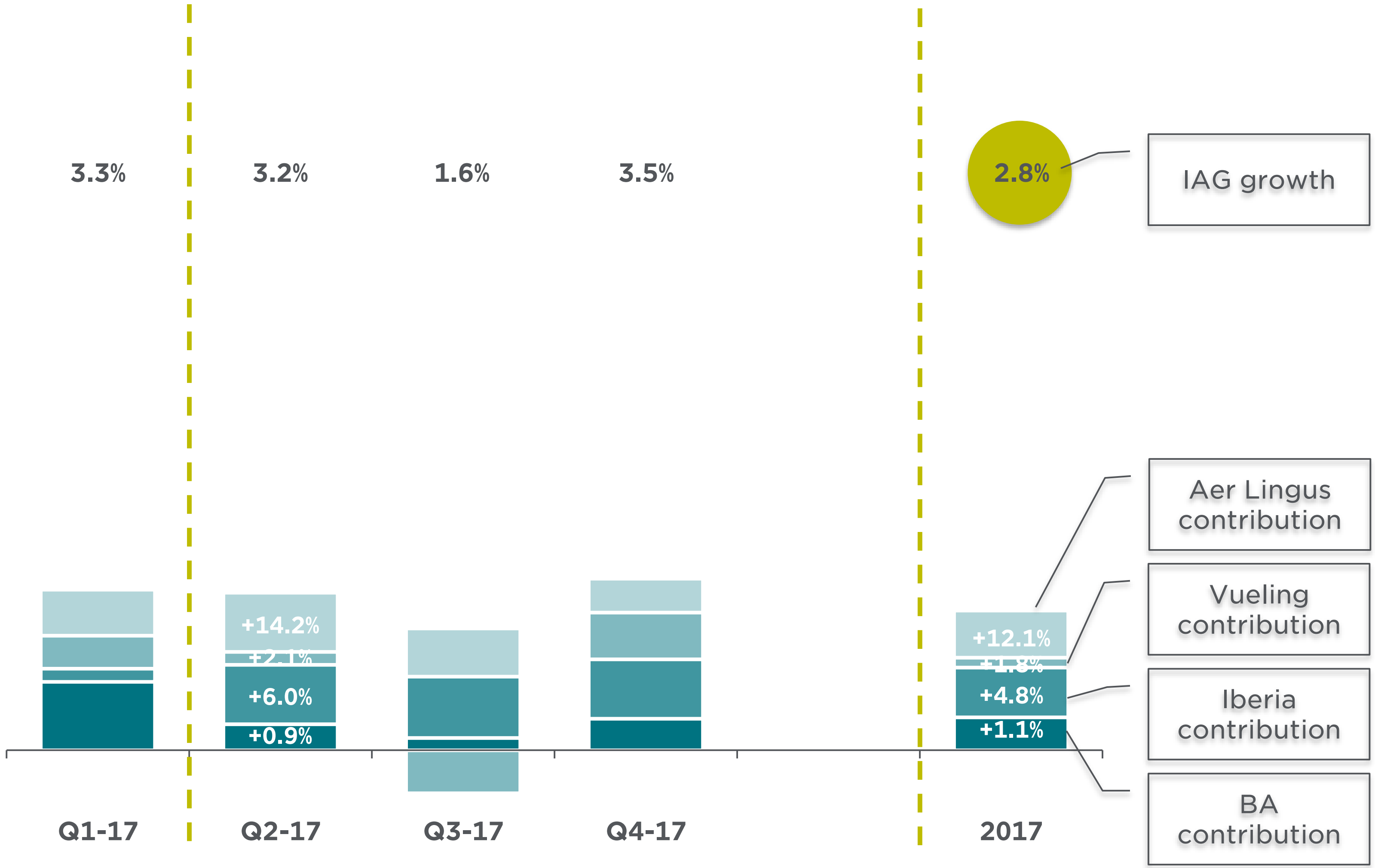
2017 fuel bill scenario - €4.6bn **(at $500/MT and 1.09$/€)**

Q1 results


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

2017 capacity growth and contributions

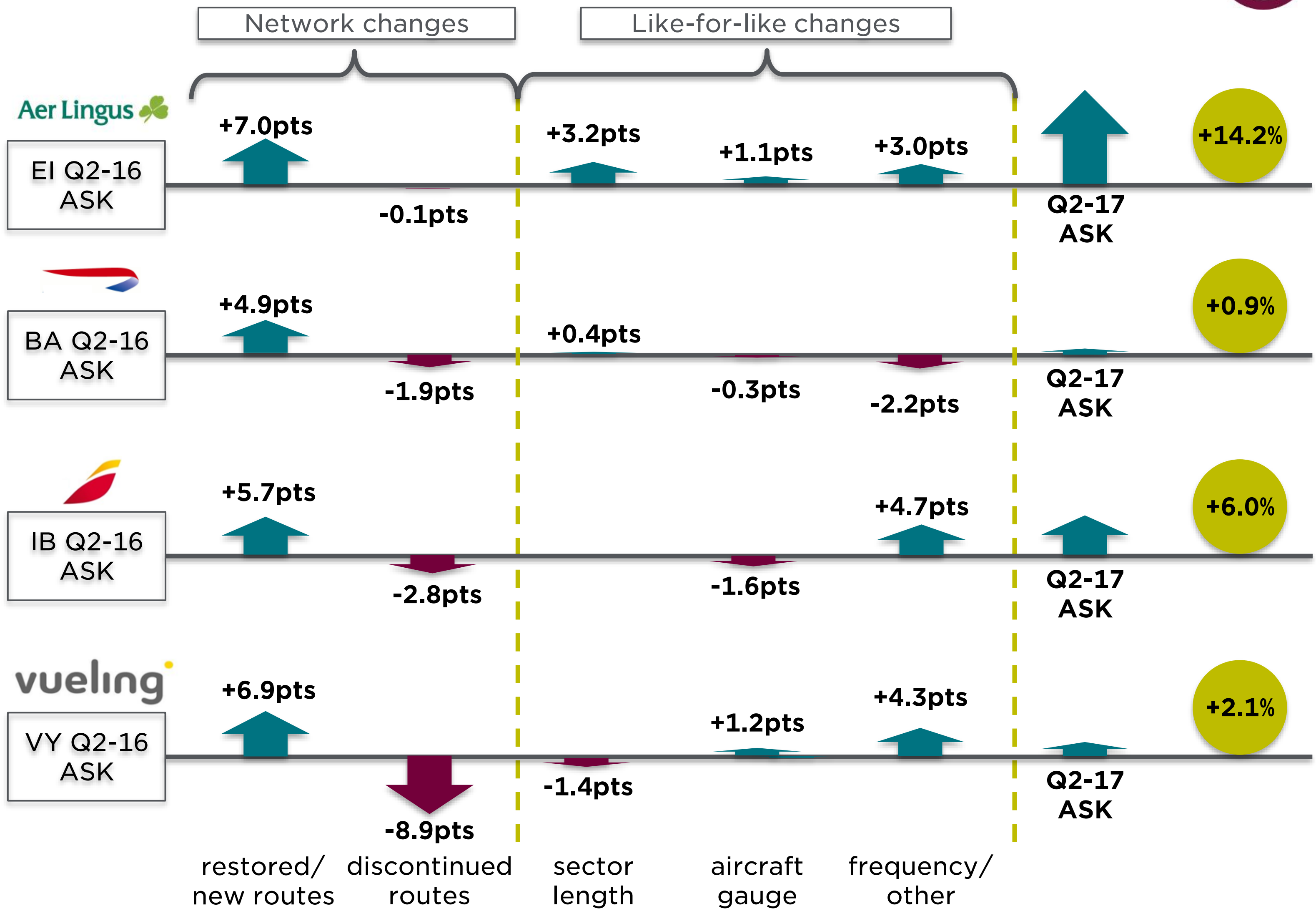
- **Aer Lingus:** Q2-17 and FY2017 capacity planned to be +14.2% and +12.1% respectively
- **Vueling:** Q2-17 and FY2017 capacity planned to be +2.1% and +1.8% respectively
- **Iberia:** Q2-17 and FY2017 capacity planned to be +6.0% and +4.8% respectively
- **BA:** Q2-17 and FY2017 capacity planned to be +0.9% and +1.1% respectively



IAG | Q1 fleet | Capacity plan

Q2-17 capacity growth drivers by airline

- New routes for EI: EWR and BDL
- New BA routes include: Santiago de Chile, Oakland
- IB restored/new routes driven by Tokyo, Shanghai, Johannesburg and LEVEL routes
- New routes for VY focussed on Zurich and Rome
- BA frequency change driven by Philadelphia, BOS and Rio de Janeiro
- IB frequency change driven by Mexico City

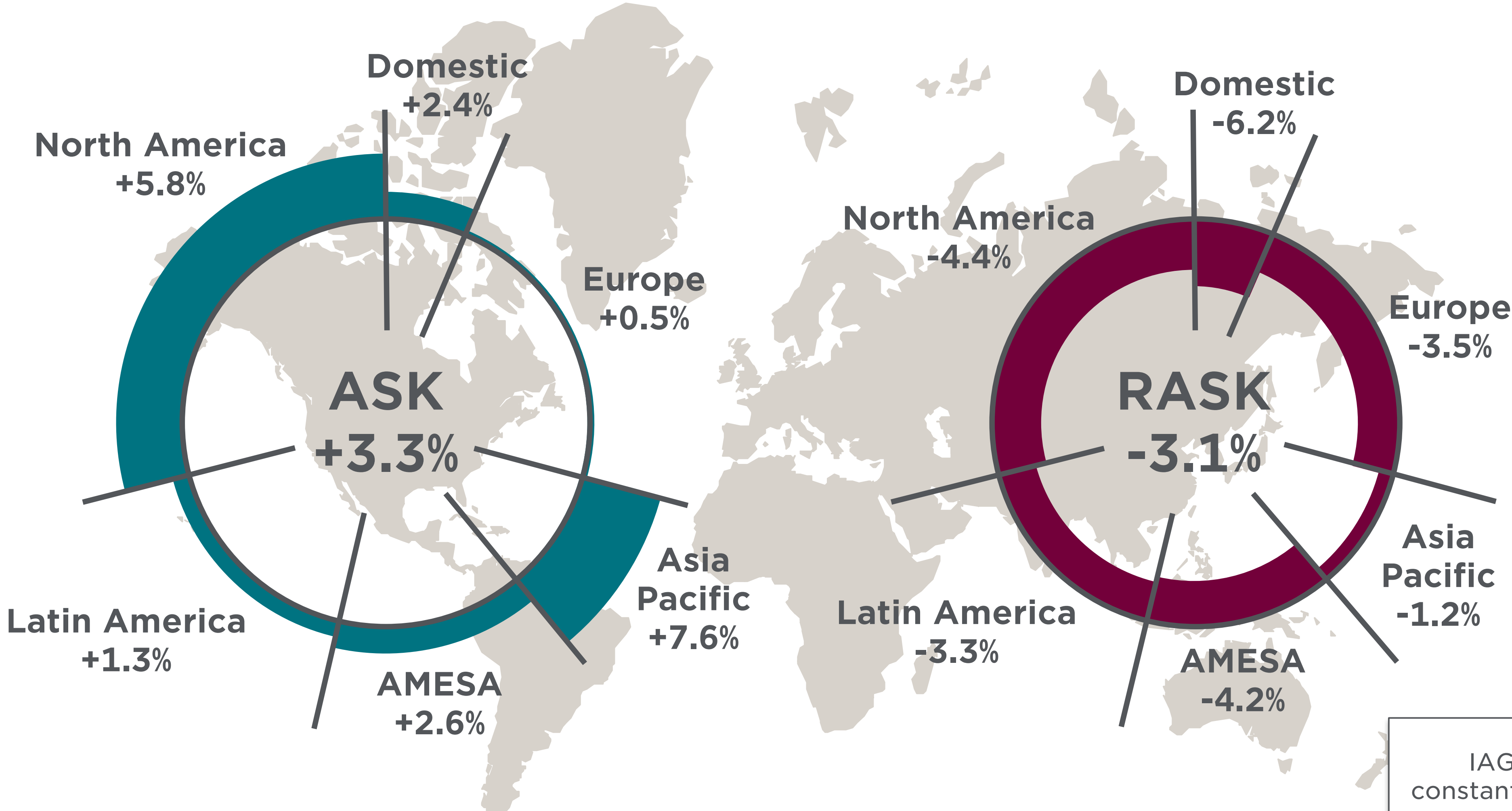


New routes are routes that were not operated for the whole period last year

Q1 results

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

Q1 capacity and passenger unit revenue change



IAG at constant FX vly

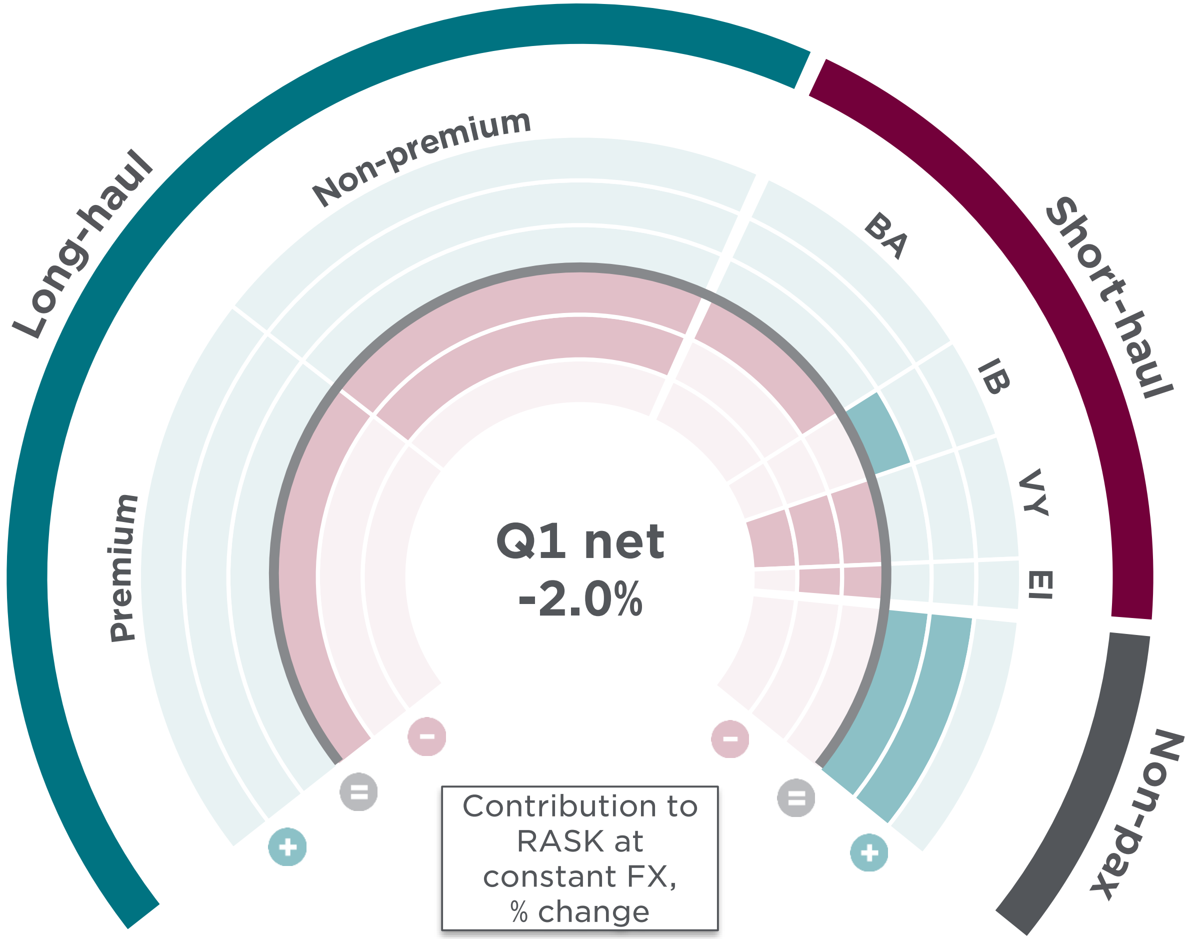
Data in the chart represents flown passenger revenue before transfer payments, Avios redemption and ancillaries

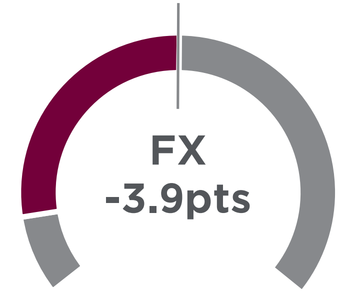
Q1 products: positive non-passenger revenue

TOTAL UNIT REVENUE

-2.0%
(constant FX)

-5.9%
(reported)
(€406m Group FX drag)
(€199m OpCo FX tailwind)

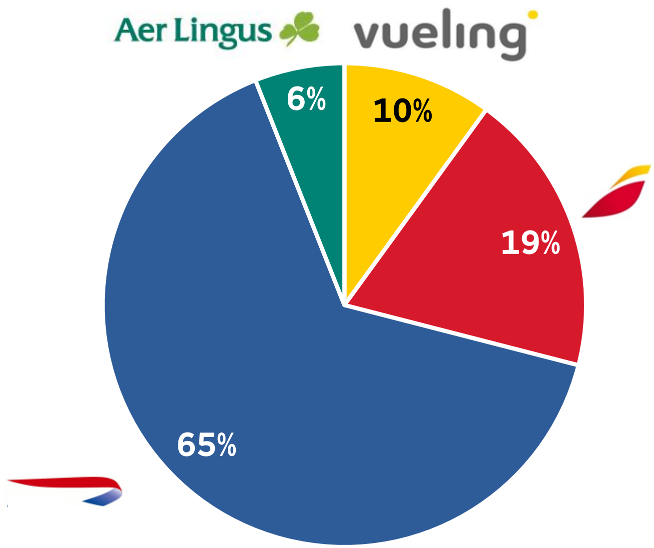




Financial target tracker: profitability trend by airline

IAG

Op. margin: Q1 2017	4.9%
Op. margin trend vly	+0.7pts
Nml. margin: last 4Qs	12.2%
RoIC: last 4Qs	13.8%



IAG capital allocation
Q1 2017

vueling

Op. margin: Q1 2017	-11.0%
Op. margin trend vly	-4.8pts
Nml. margin: last 4Qs	6.5%
RoIC: last 4Qs	6.6%

Op. margin: Q1 2017	-1.2%
Op. margin trend vly	+3.7pts
Nml. margin: last 4Qs	8.1%
RoIC: last 4Qs	9.6%

Aer Lingus

Op. margin: Q1 2017	-8.9%
Op. margin trend vly	-2.0pts
Nml. margin: last 4Qs	13.8%
RoIC: last 4Qs	22.1%

Op. margin: Q1 2017	8.4%
Op. margin trend vly	0.7pts
Nml. margin: last 4Qs	12.7%
RoIC: last 4Qs	13.7%

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.

Below the line

Below the line

€m	Q1 2016	Q1 2017
Operating profit (pre-exceptional)	155	170
Net finance income/expense	-66	-49
Realised losses on derivatives not qualifying for hedge accounting and other	-14	-
Profit before remeasurements and tax (pre-exceptional)	75	121
Unrealised gains/losses on remeasurements	32	-60
Net financing credit/charge relating to pensions	4	-7
Profit before tax (pre-exceptional)	111	54
Tax	-18	-12
Profit after tax (pre-exceptional)	93	42
Fully diluted EPS (pre-exceptional) (€ cents)	4.3	1.7

Balance sheet

INTERNATIONAL AIRLINES GROUP

Balance sheet: continued deleveraging

€m	Dec 2016	Mar 2017
Gross debt	8,515	8,241
Cash, cash equivalents & interest bearing deposits	6,428	7,495
On balance sheet net debt	2,087	746
Aircraft lease capitalisation (x8)	6,072	6,352
Adjusted net debt	8,159	7,098
Adjusted net debt / EBITDAR	1.8x	1.5x

Outlook

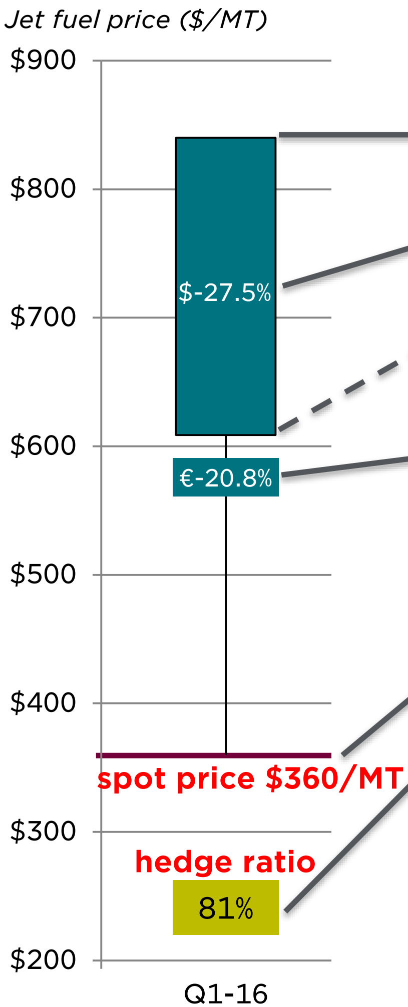
INTERNATIONAL
AIRLINES
GROUP

Guidance for FY2017

At current fuel prices and exchange rates, IAG expects its operating profit for 2017 to show an improvement year-on-year. The Group expects quarter 2 passenger unit revenue (passenger revenue per ASK) to show an increase versus last year, at constant currency.

Appendix

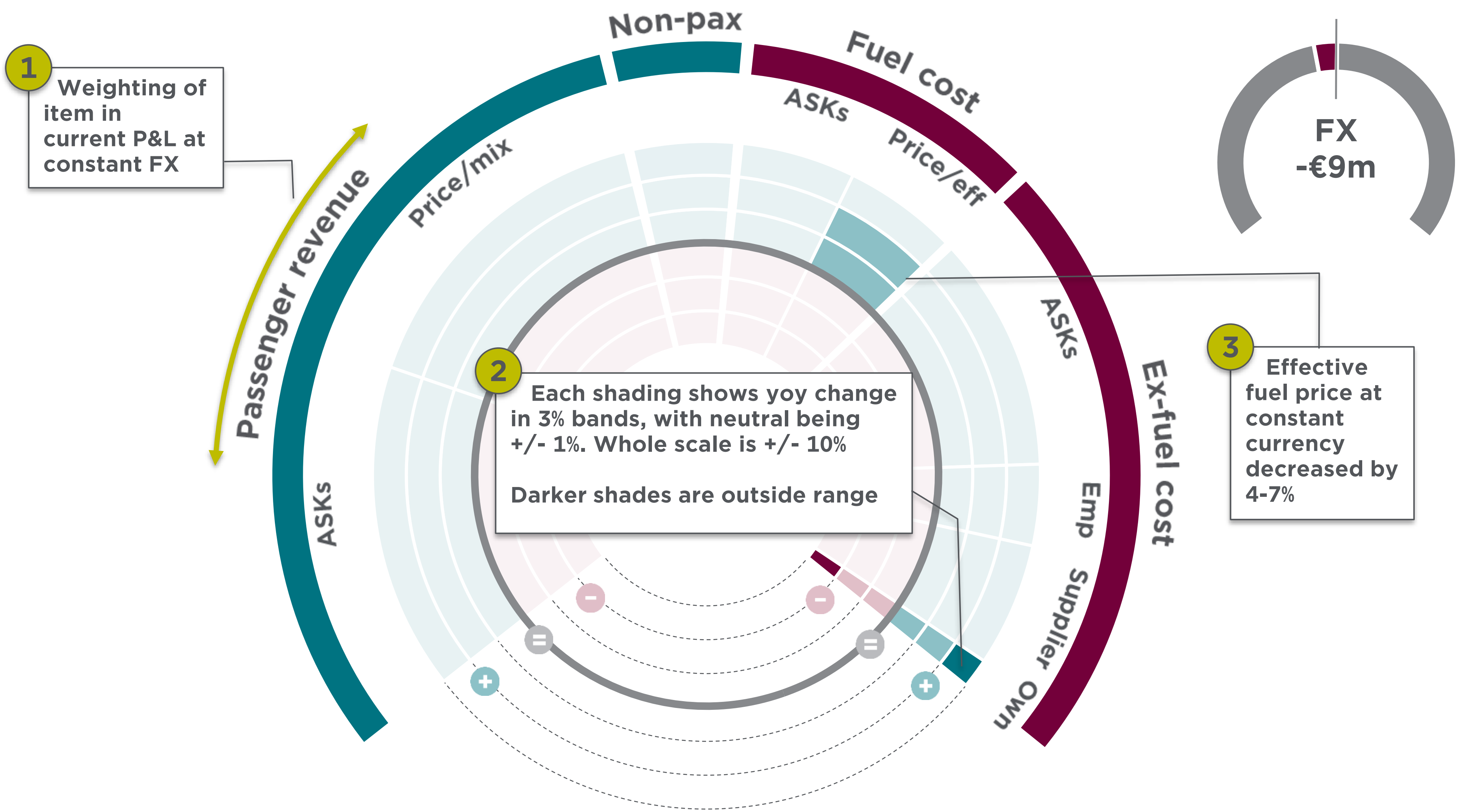
Fuel modelling



$ 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 2016; these documents are available on www.iagshares.com.