

IAG results presentation

Quarter One 2014

9th May 2014



Q1 financial summary

OPERATING RESULT

-€120m
(pre-Vueling, pre-exceptional items)

-€150m
(reported)

+€128m
(reported change)

TOTAL UNIT REVENUE

-1.2%
(pre-Vueling, constant FX)

-3.8%
(constant FX)

-4.6%
(reported, €34m FX drag)

PAX UNIT REVENUE

-0.5%
(pre-Vueling, constant FX)

-1.4%
(constant FX)

-2.0%
(reported)

TRAFFIC/CAPACITY

ASKs: +3.7%
(pre-Vueling)

ASKs: +11.8%
(reported)

RPKs: +10.9%
(reported)

TOTAL UNIT COST

-4.7%
(pre-Vueling, constant FX)

-6.7%
(constant FX)

-7.6%
(reported, €47m FX benefit)

EX-FUEL UNIT COST

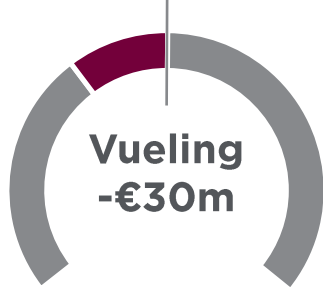
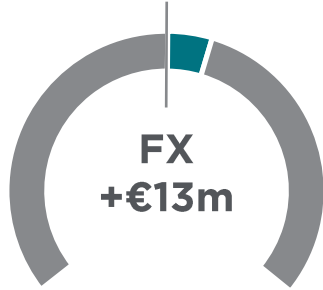
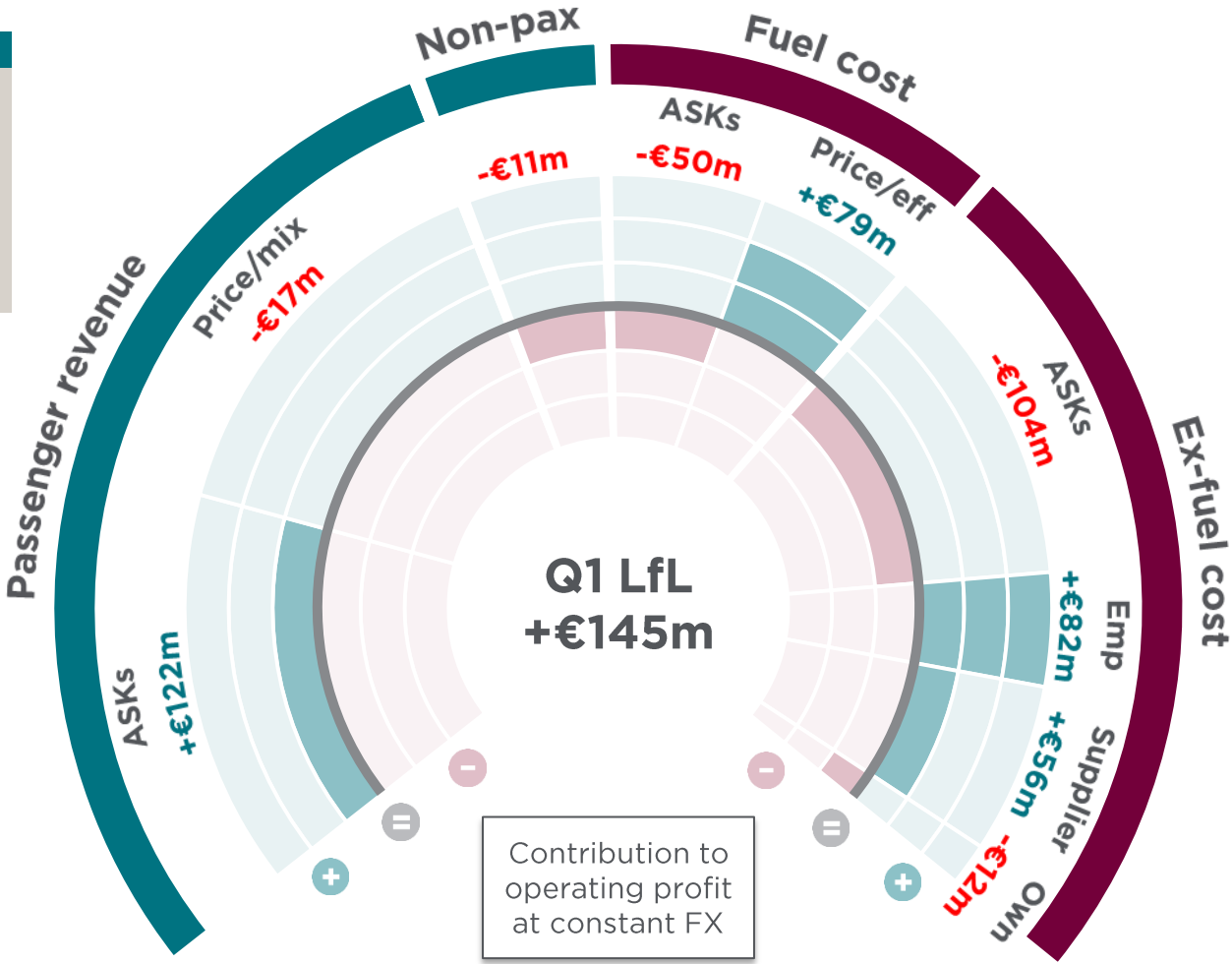
-4.2%
(pre-Vueling, constant FX)

-6.2%
(constant FX)

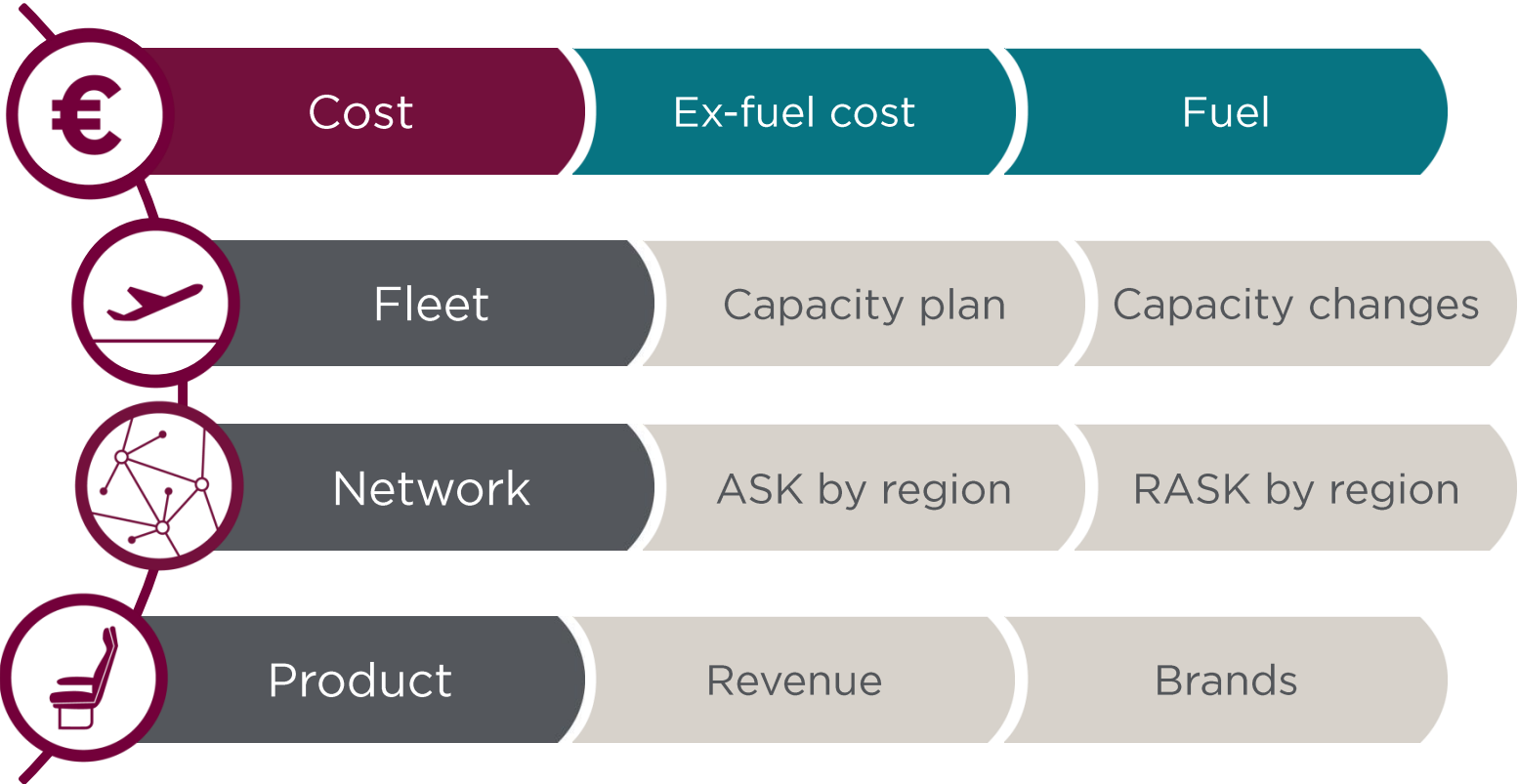
-7.2%
(reported)

Q1 operating profit drivers: strong staff cost reduction

OPERATING RESULT	
-€120m	(pre-Vueling, pre-exceptional items)
-€150m	(reported)
+€128m	(reported change)



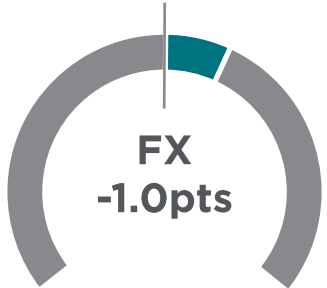
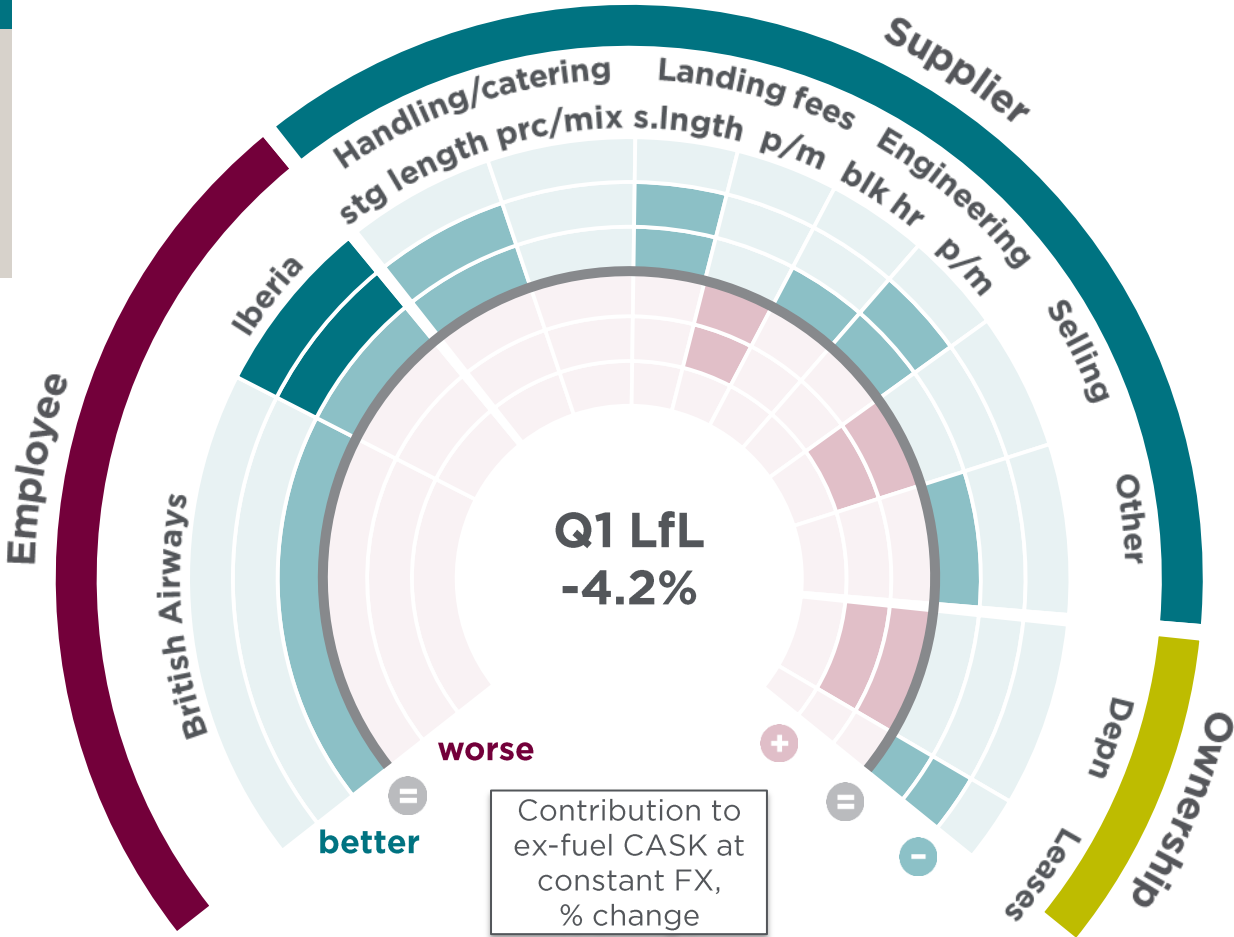
Q1 results



Q1 ex-fuel unit cost: impact of IB transformation



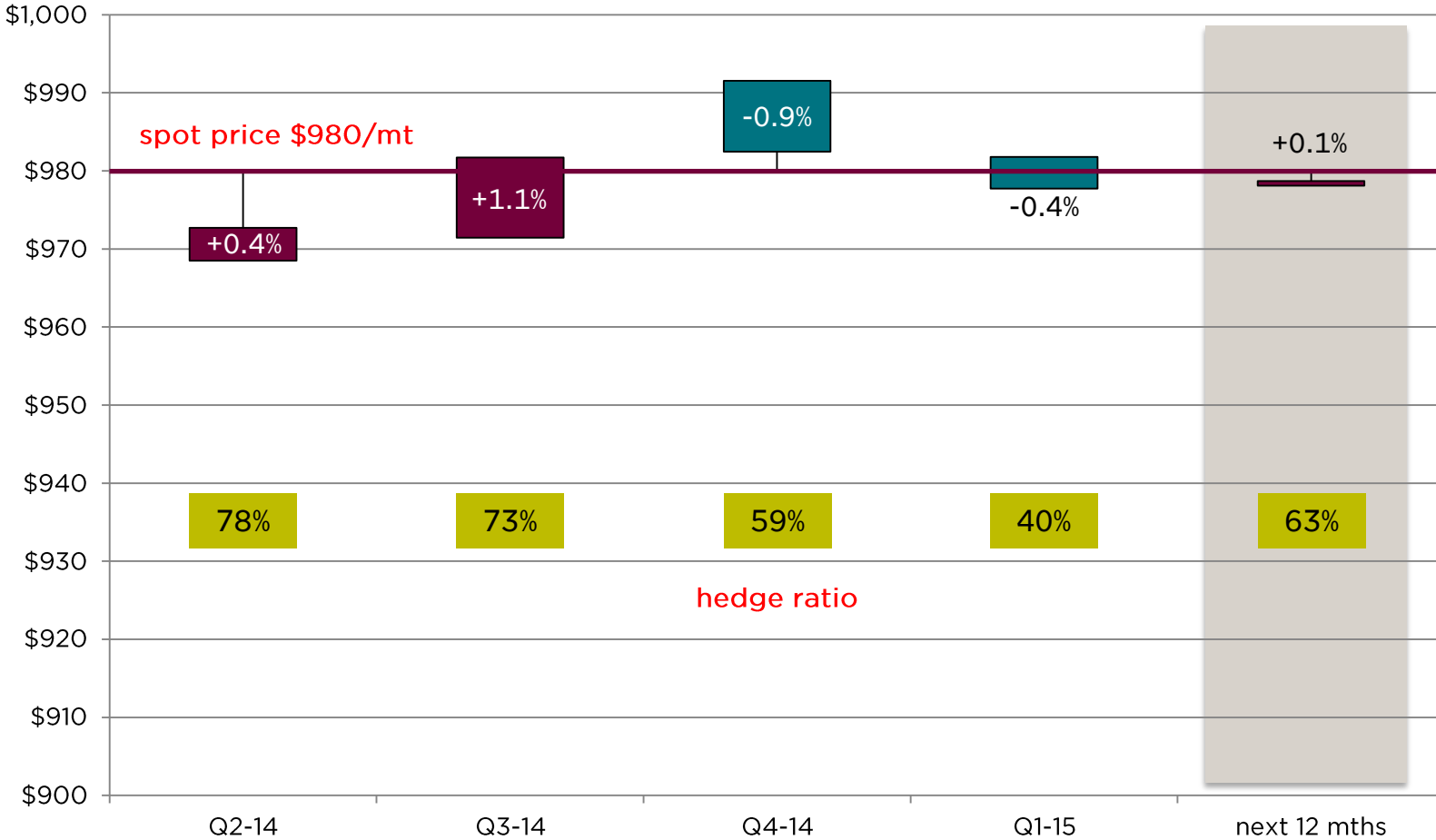
EX-FUEL UNIT COST	
-4.2%	(pre-Vueling, constant FX)
-6.2%	(constant FX)
-7.2%	(reported)



Fuel: relatively stable spot price

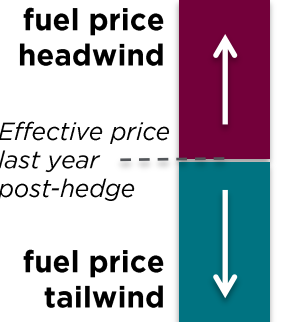


Jet fuel price (\$/mt)



Key:

Current spot / hedge blended price

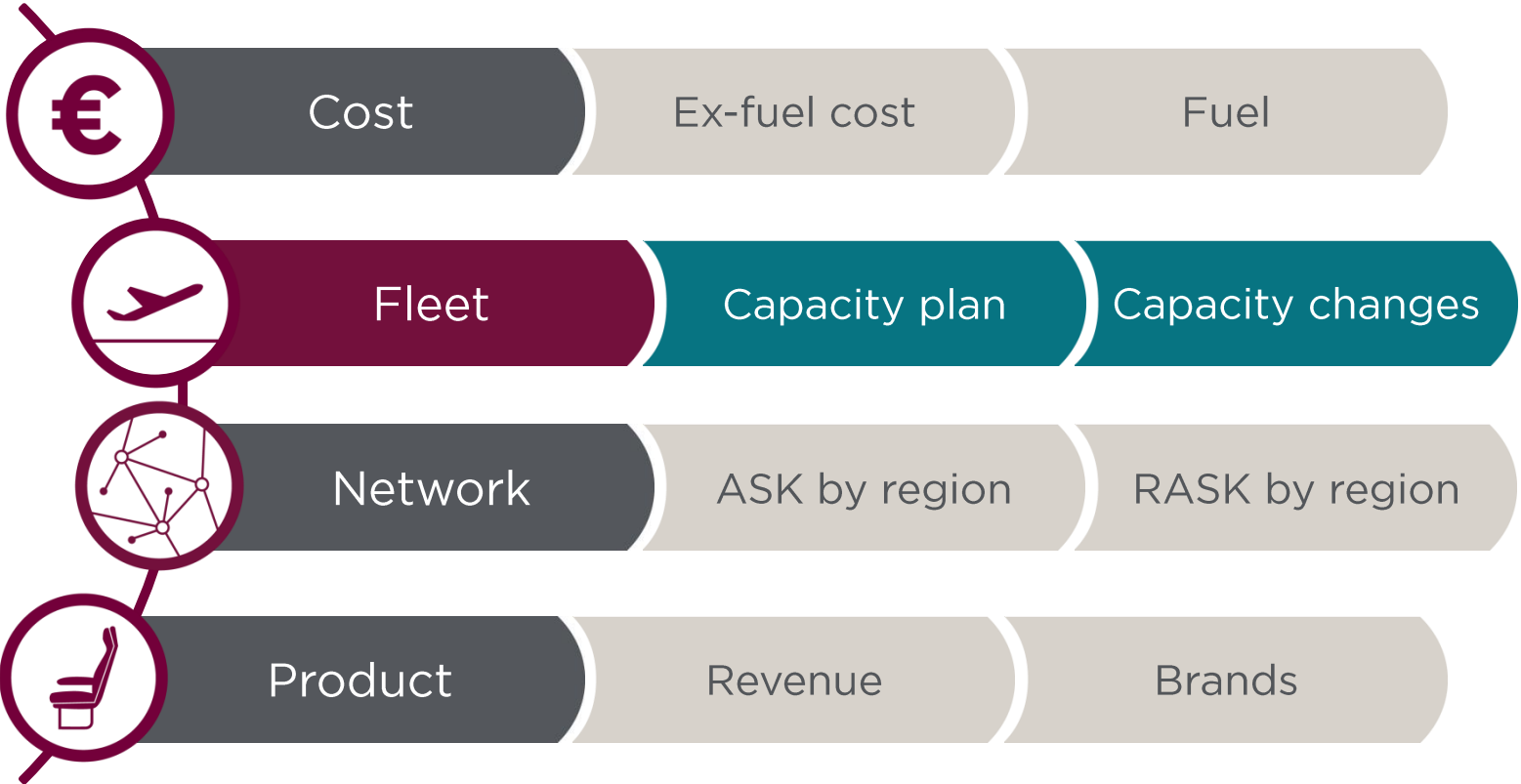


Effective price last year post-hedge

Current spot / hedge blended price

2014 fuel bill scenario - €6.0bn (at \$990mt and 1.35\$/€)

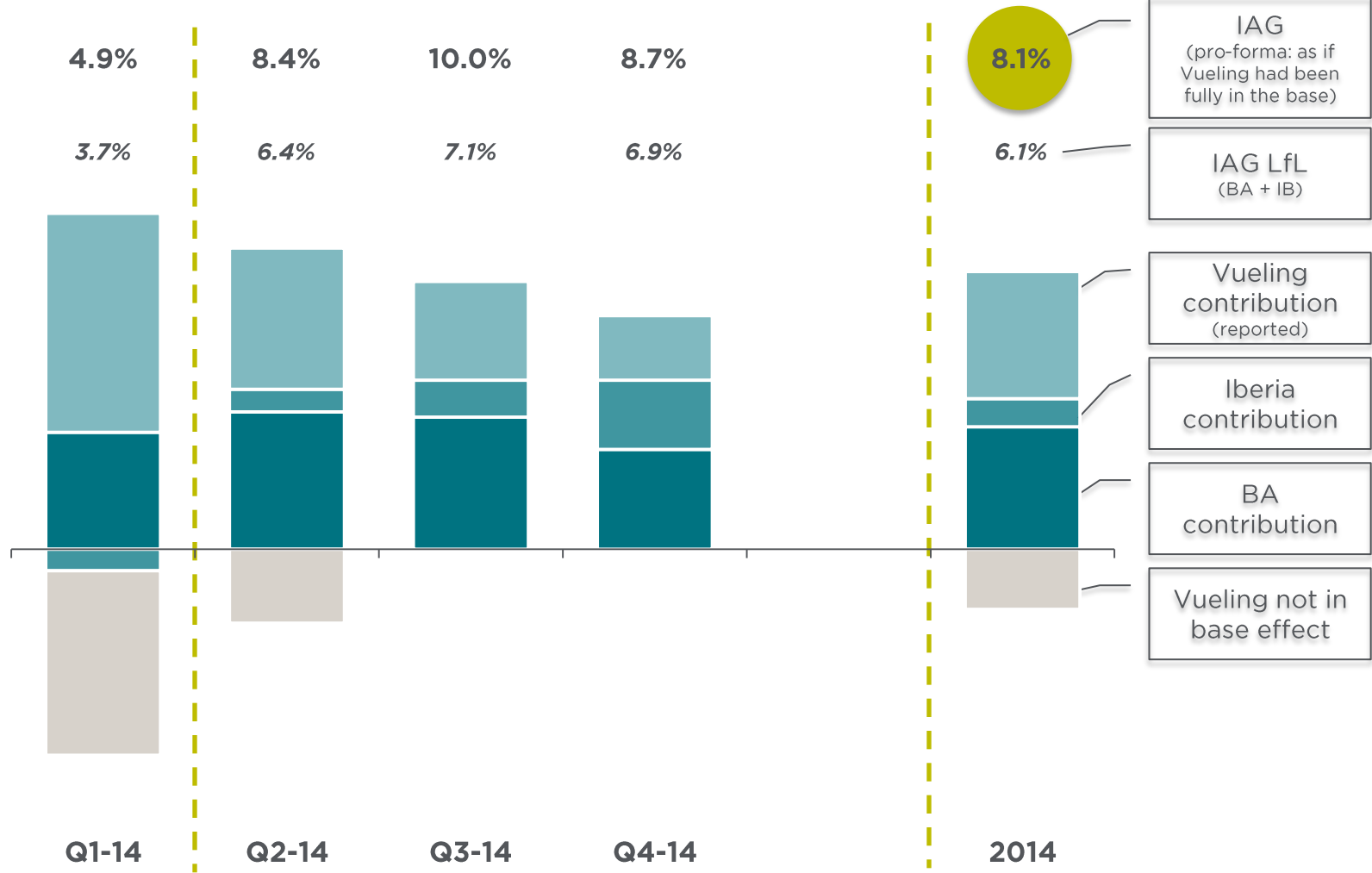
Q1 results



2014 capacity growth and contributions



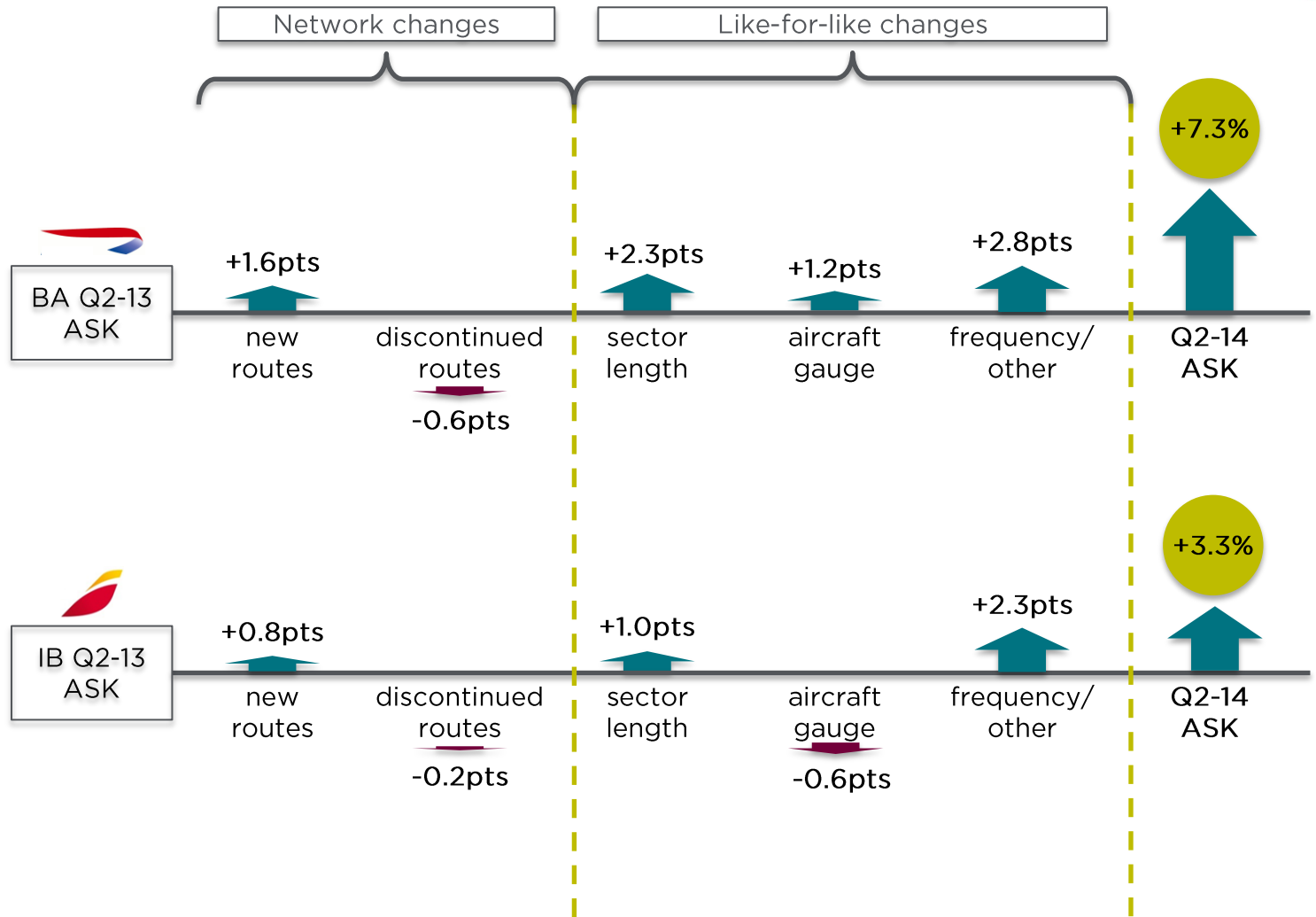
- **BA:** Q2-14 and FY2014 capacity planned to be +7.3% and +6.4% respectively
- **Iberia:** Q2-14 and FY2014 capacity planned to be +3.3% and +4.6% respectively
- **BA + IB:** Q2-14 and FY2014 capacity planned to be +6.4% and +6.1% respectively
- **Vueling:** Q2-14 and FY2014 capacity planned to be +27.0% and +28.6% respectively



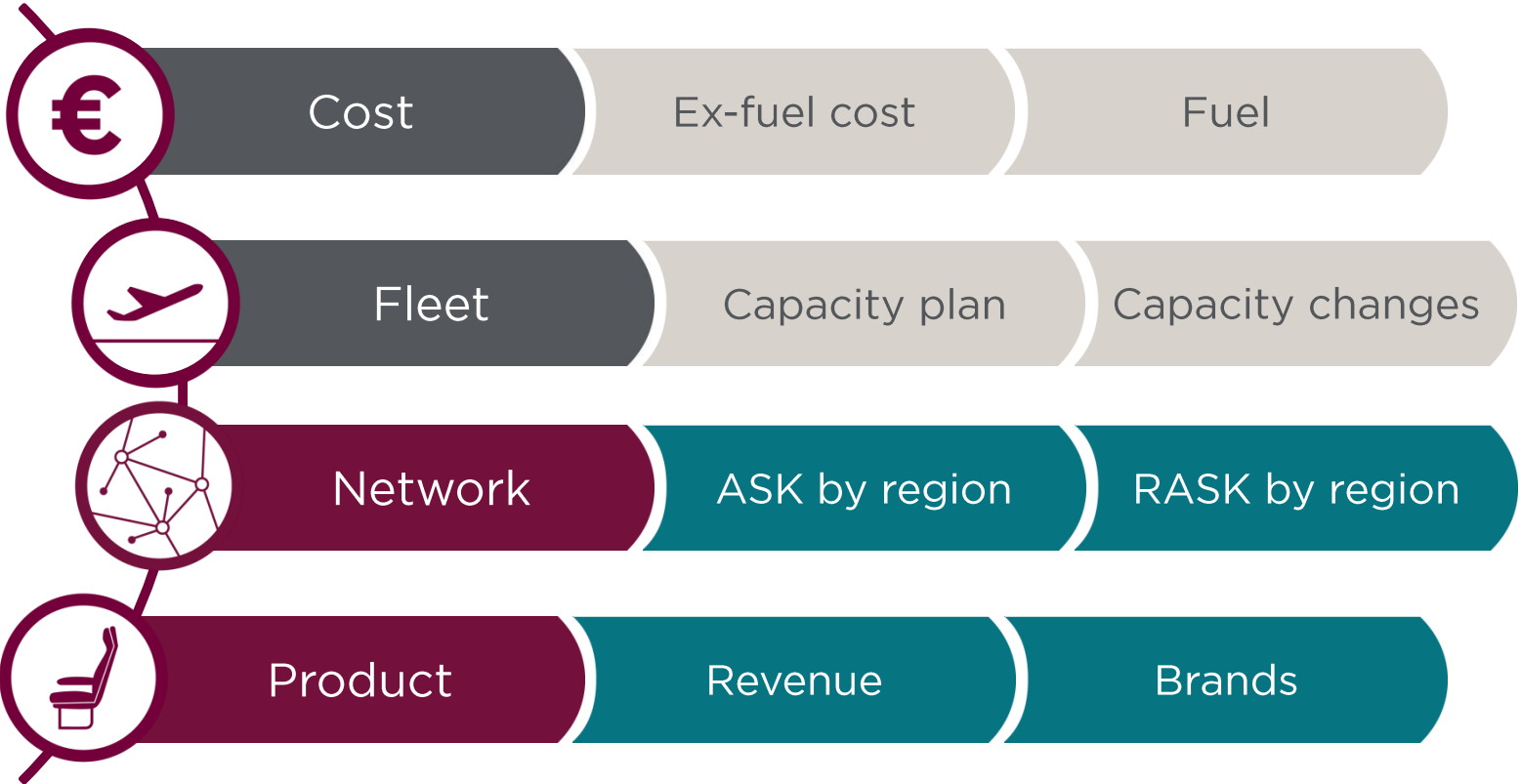
Q2-14 changes: network fine-tuning



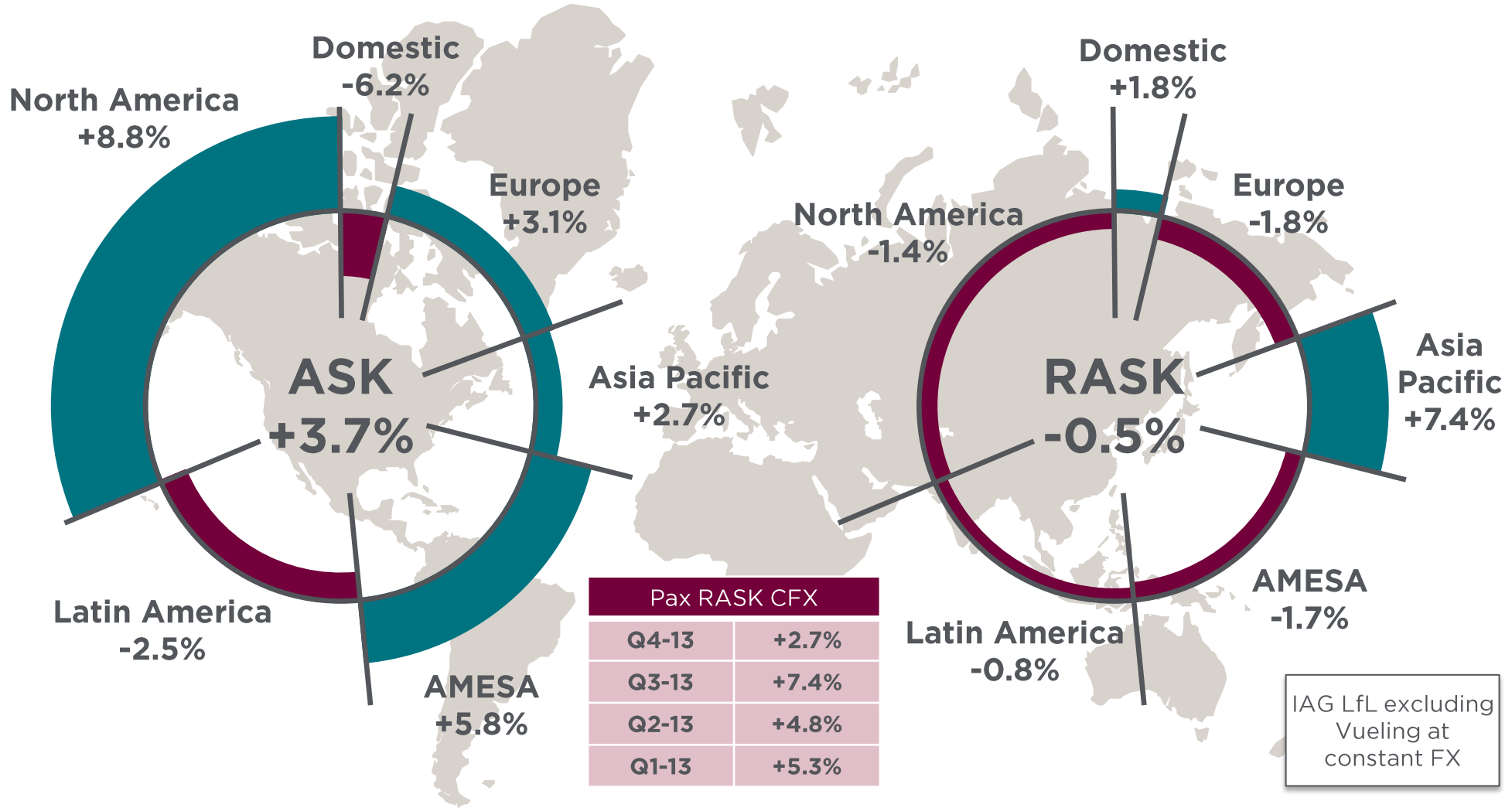
- New long-haul routes for BA are Austin and Chengdu
- New short-haul routes for BA include LHR leisure destinations and new CityFlyer routes
- New routes for Iberia are Berlin and Stockholm
- Main discontinued BA route is Lusaka
- BA frequency change driven by New York, Seattle and LGW long-haul
- IB frequency change driven by Chicago and Mexico City



Q1 results



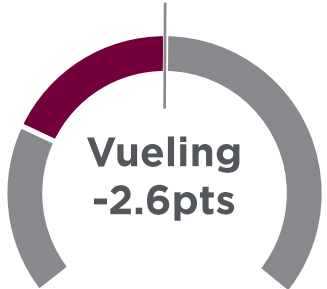
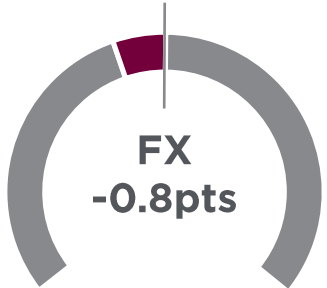
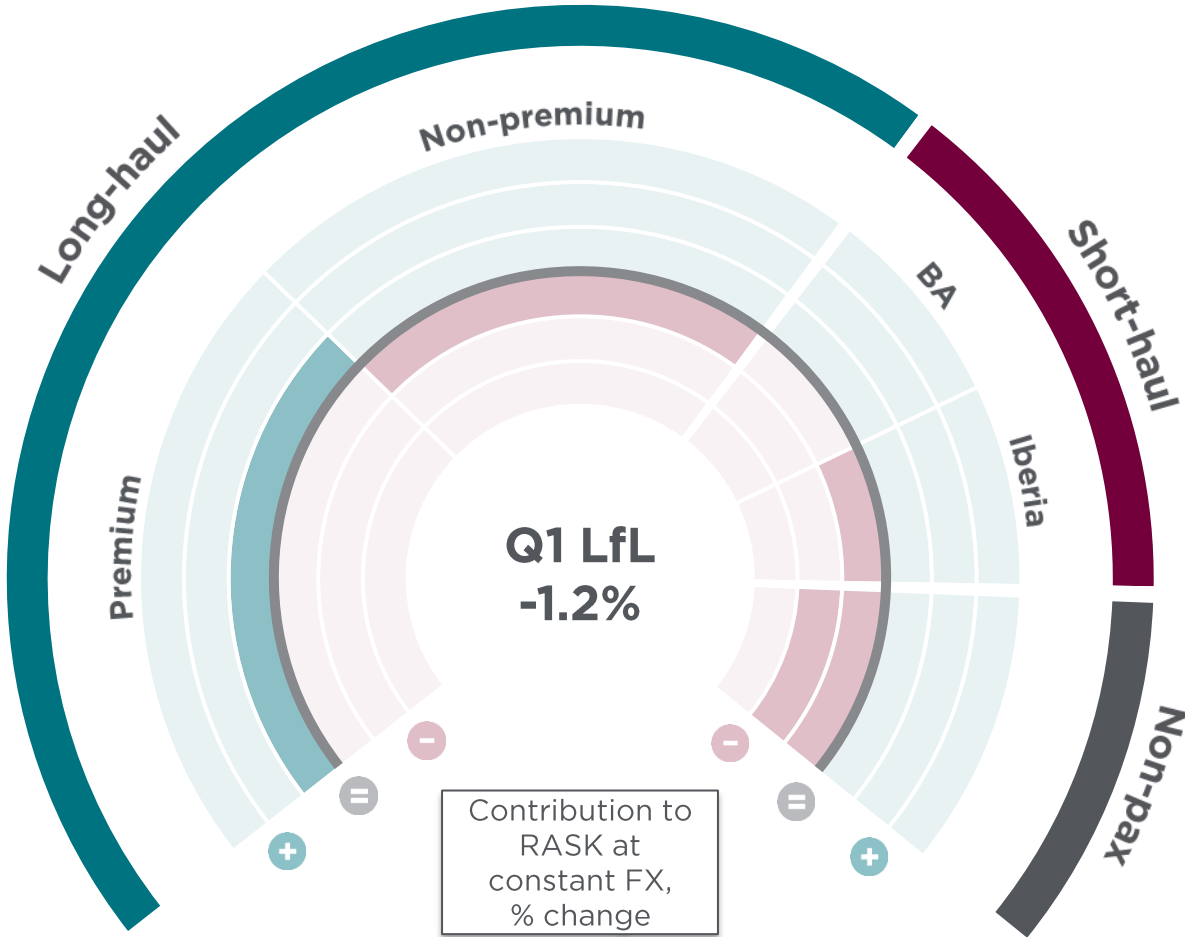
Q1 capacity and passenger unit revenue



Q1 products: stable, but includes Easter effects






TOTAL UNIT REVENUE	
-1.2%	(pre-Vueling, constant FX)
-3.8%	(constant FX)
-4.6%	(reported, €34m FX drag)



Financial performance by brand



						
	Q1 2014 (£m)	v/y	Q1 2014 (€m)	v/y	Q1 2014 (€m)	v/y
Revenue	2,581	+1.8%	899	-3.5%	236	+21.7%
Cost	2,585	-0.3%	1,010	-10.9%	266	+19.8%
Operating result	-4	+54	-111	+91	-30	-2
Operating margin	-0.2%	+2.1pts	-12.3%	+9.3pts	-12.7%	+1.7pts
ASK (m)	40,145	+5.9%	12,055	-3.3%	4,116	+24.5%
RPK (m)	30,736	+4.9%	9,231	-4.6%	3,253	+28.3%
Sector length (kms)	3,215	+6.3%	2,785	-4.0%	969	+3.2%
RASK	6.43	-3.9%	7.46	-0.3%	5.74	-2.4%
CASK	6.44	-5.9%	8.38	-8.3%	6.46	-3.9%
CASK ex-fuel	4.27	-4.8%	6.20	-7.9%	4.66	-3.1%
Employee cost per ASK	1.47	-4.5%	2.10	-17.6%	0.68	-6.8%

Balance sheet






Balance sheet: gearing stable

- Excludes IAS 19 amendments
- Gross debt increase as a result of new fleet deliveries in BA
- Cash: BA £2.1bn (Dec 13: £1.9bn), Iberia €0.7bn (Dec 13: €0.7bn), Vueling €0.6bn (Dec 13: €0.5bn)

€m	Dec 2013	Mar 2014
Adjusted equity	5,772	5,582
Gross debt	5,122	5,300
Cash, cash equivalents & interest bearing deposits	3,633	4,004
On balance sheet net debt	1,489	1,296
Gearing	21%	19%
Aircraft lease capitalisation (x8)	4,212	4,212
Adjusted net debt	5,701	5,508
Adjusted gearing	50%	50%

Outlook

Current trading: no underlying change

	Short-haul	Long-haul
Non premium	 Stable	 Stable
Premium	 Stable	 Stable
Cargo		 Weak

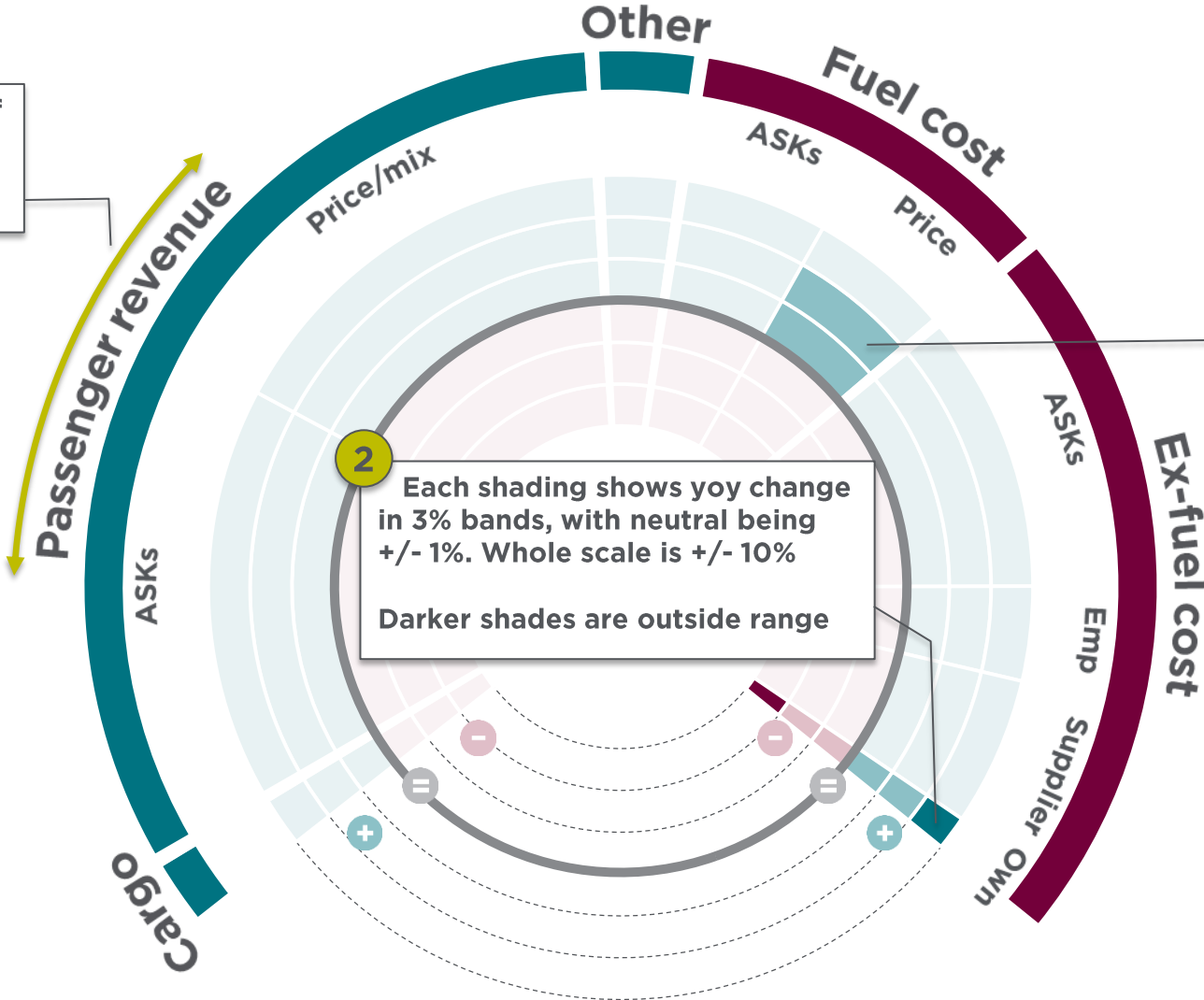
Guidance for FY2014 including Vueling

Operating profit (base = €770m)	Improvement of at least €500m	
Total unit revenue	flat	
Ex-fuel unit cost	down	
Fuel bill scenario	€6.0bn (\$990/MT and 1.35\$/€)	
ASK	+10.3% (reported)	+8.1% (pro-forma)

Appendix

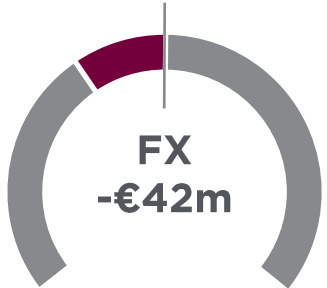
Contribution heat map - how it works

1 Weighting of item in current P&L at constant FX



2 Each shading shows yoy change in 3% bands, with neutral being +/- 1%. Whole scale is +/- 10%
Darker shades are outside range

3 Effective fuel price at constant currency decreased by 4-7%



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 2013; these documents are available on www.iagshares.com.