

IAG results presentation

Quarter Three 2014

31st October 2014



Q3 financial summary

OPERATING PROFIT

€900m
(reported, pre-exceptional items)

+€210m
(reported change)

TOTAL UNIT REVENUE

-1.9%
(constant FX)

-0.5%
(reported, €86m FX benefit)

PAX UNIT REVENUE

-0.9%
(constant FX)

+0.4%
(reported)

TRAFFIC/CAPACITY

ASKs: **+9.0%**
(reported)

RPKs: **+8.1%**
(reported)

TOTAL UNIT COST

-5.7%
(constant FX)

-3.5%
(reported, €112m FX drag)

EX-FUEL UNIT COST

-4.5%
(constant FX)

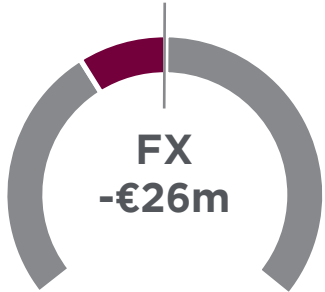
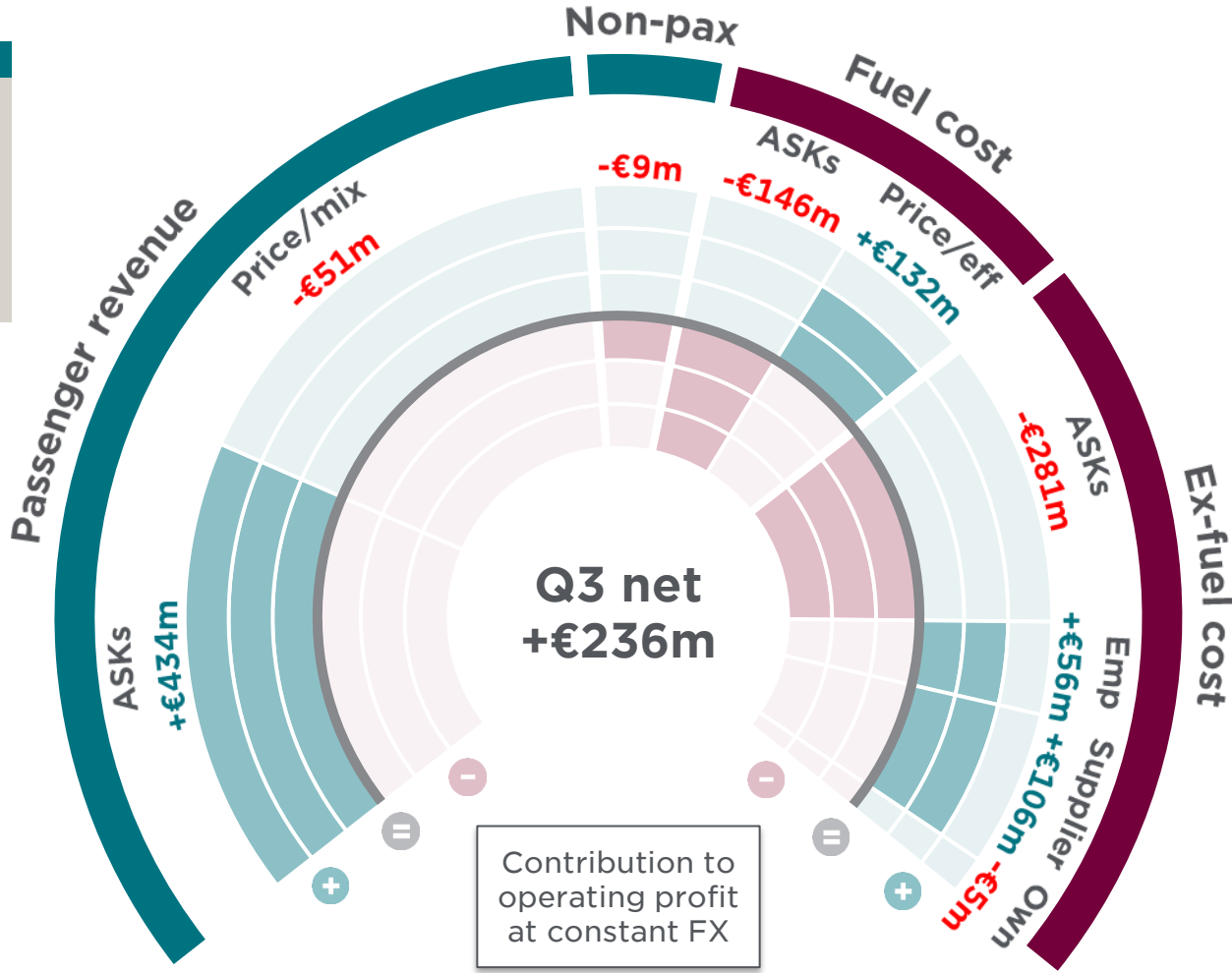
-1.0%
(reported)

Q3 operating profit drivers

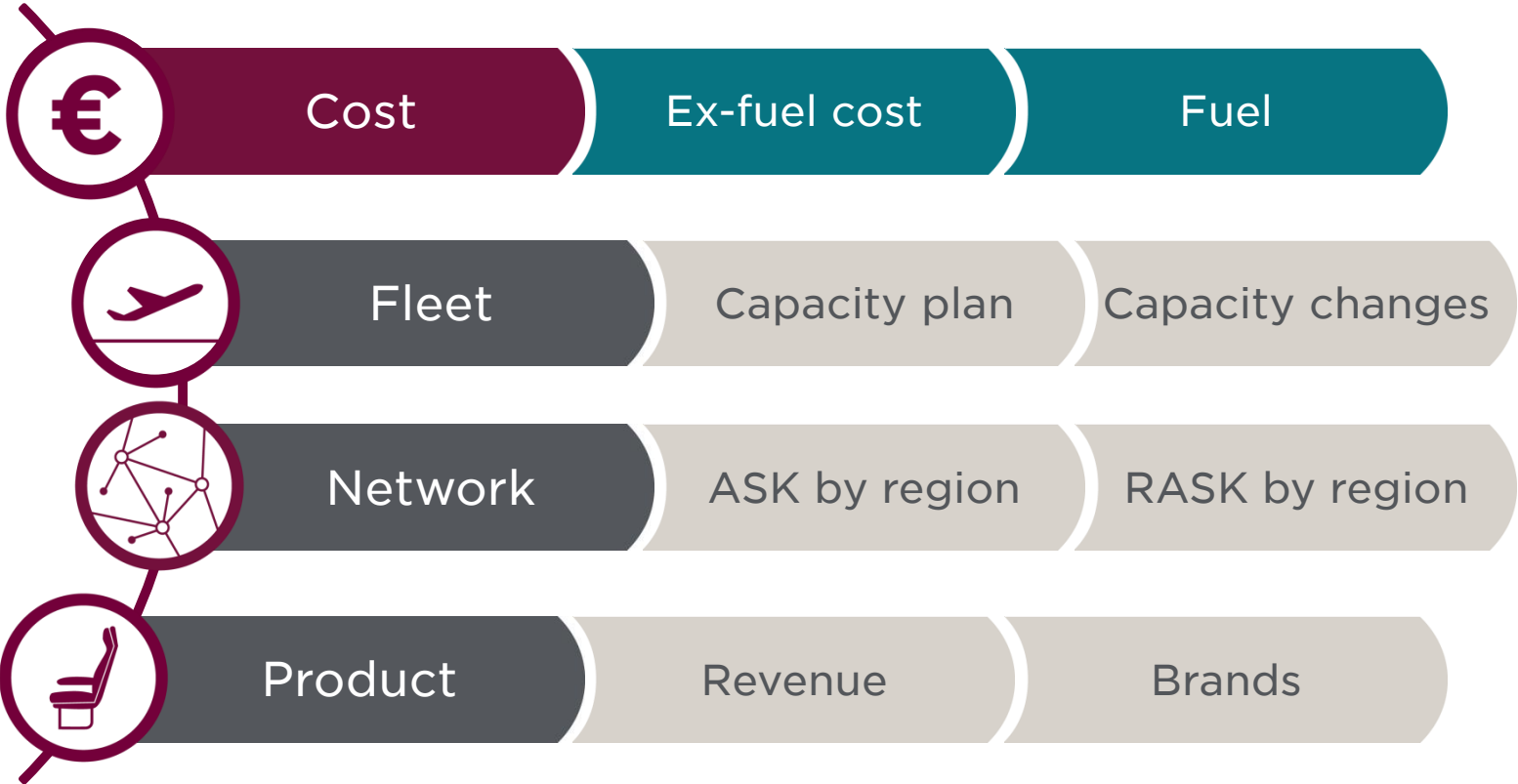
OPERATING PROFIT

€900m
(reported, pre-exceptional items)

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Q3 results



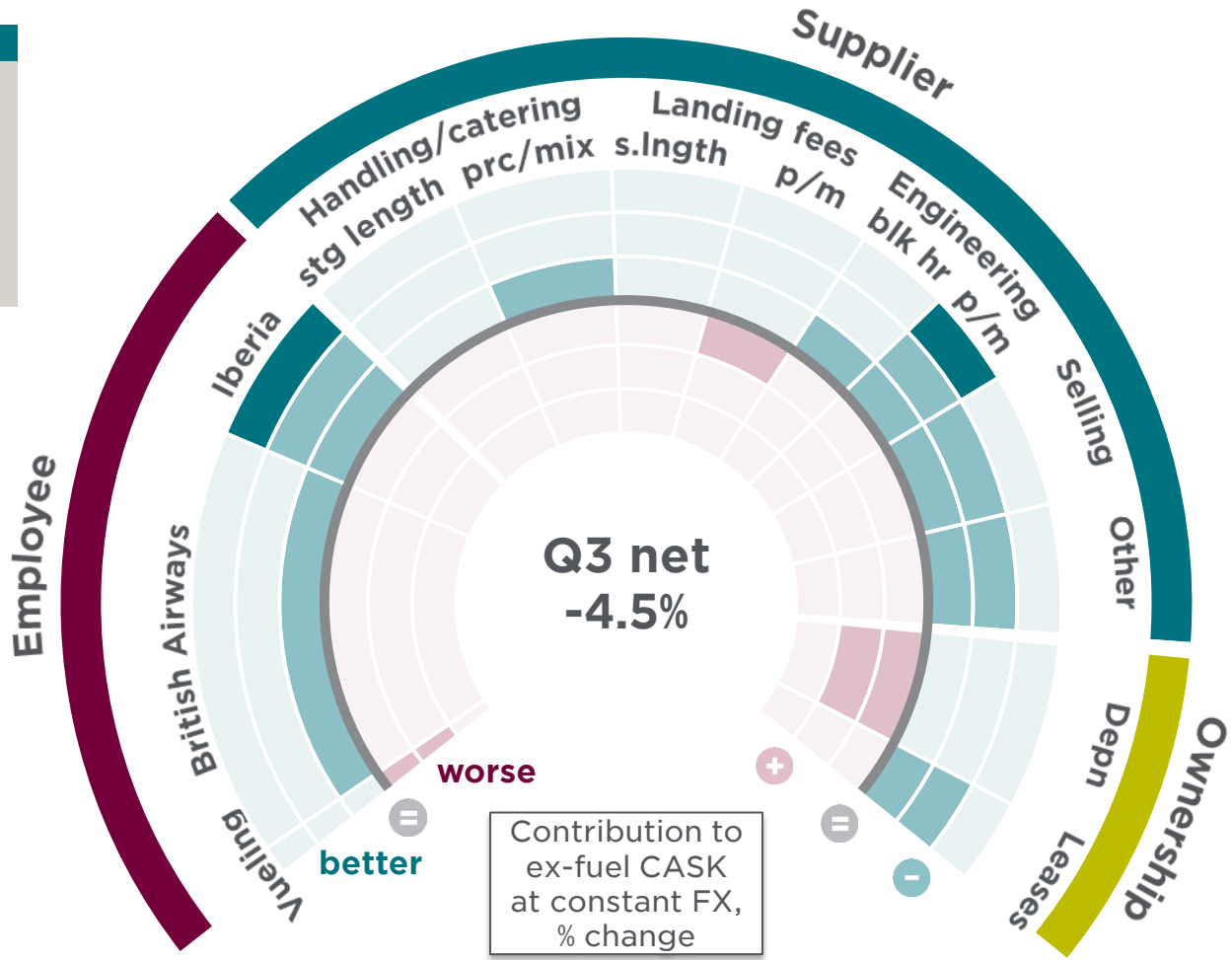
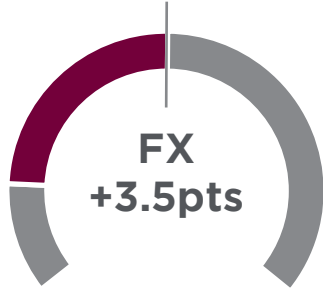
Q3 ex-fuel unit cost: further progress from Iberia



EX-FUEL UNIT COST

-4.5%
(constant FX)

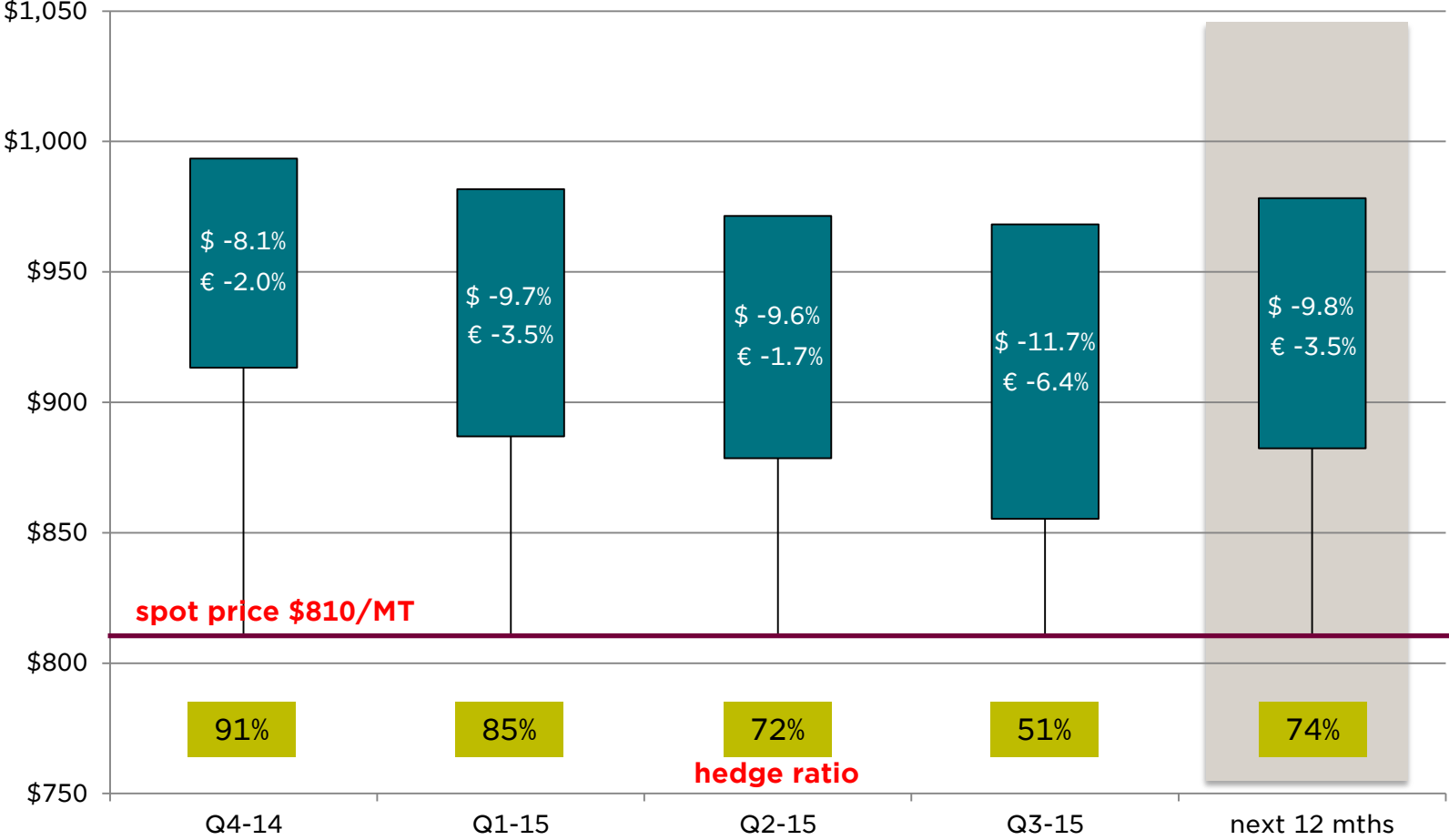
-1.0%
(reported)



Fuel: price tailwind offset by Dollar strength



Jet fuel price (\$/mt)



Key:

Current spot / hedge blended price

fuel price headwind



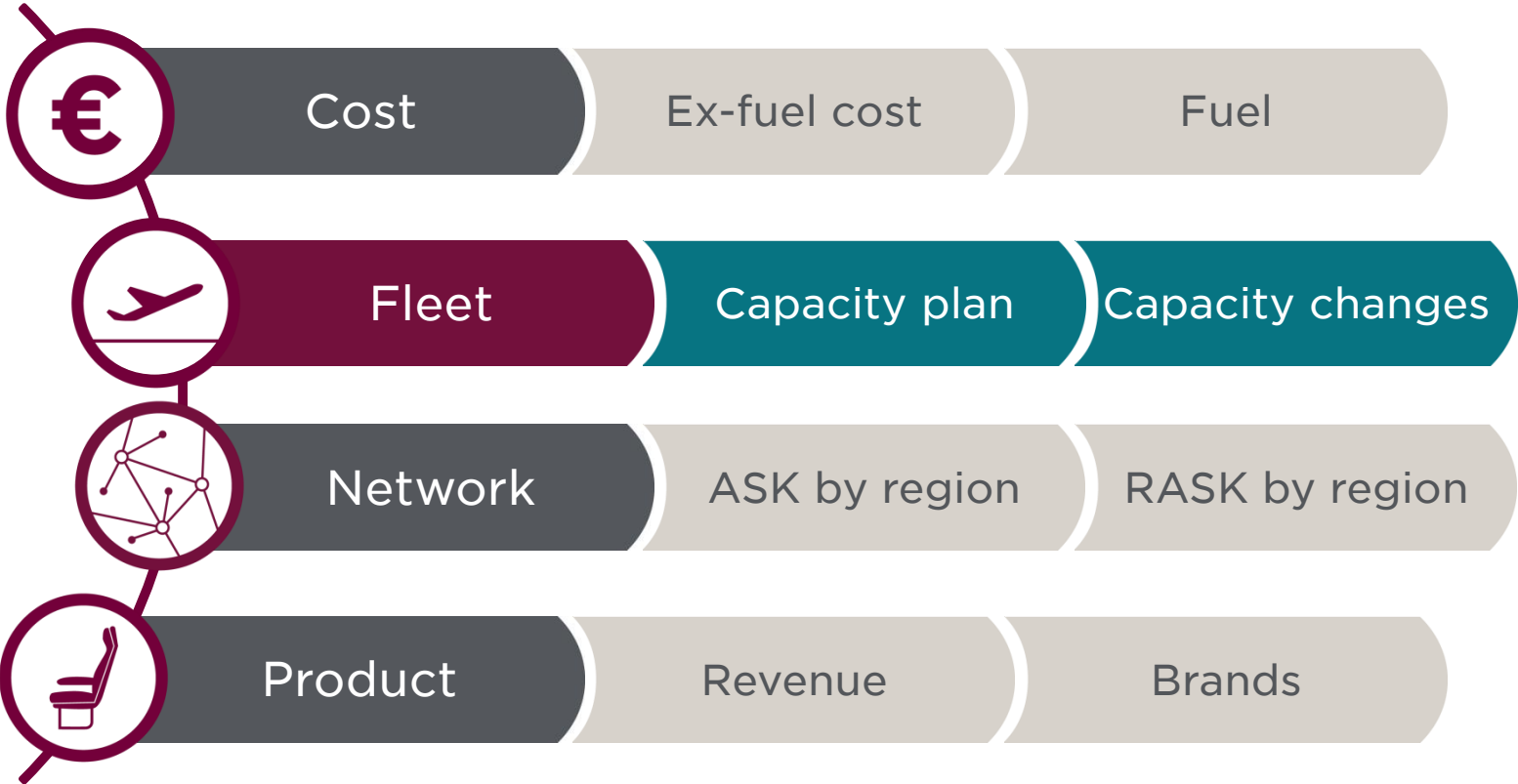
Effective price last year post-hedge

fuel price tailwind

Current spot / hedge blended price

2014 fuel bill scenario - €6.0bn (at \$810/MT and 1.27\$/€)

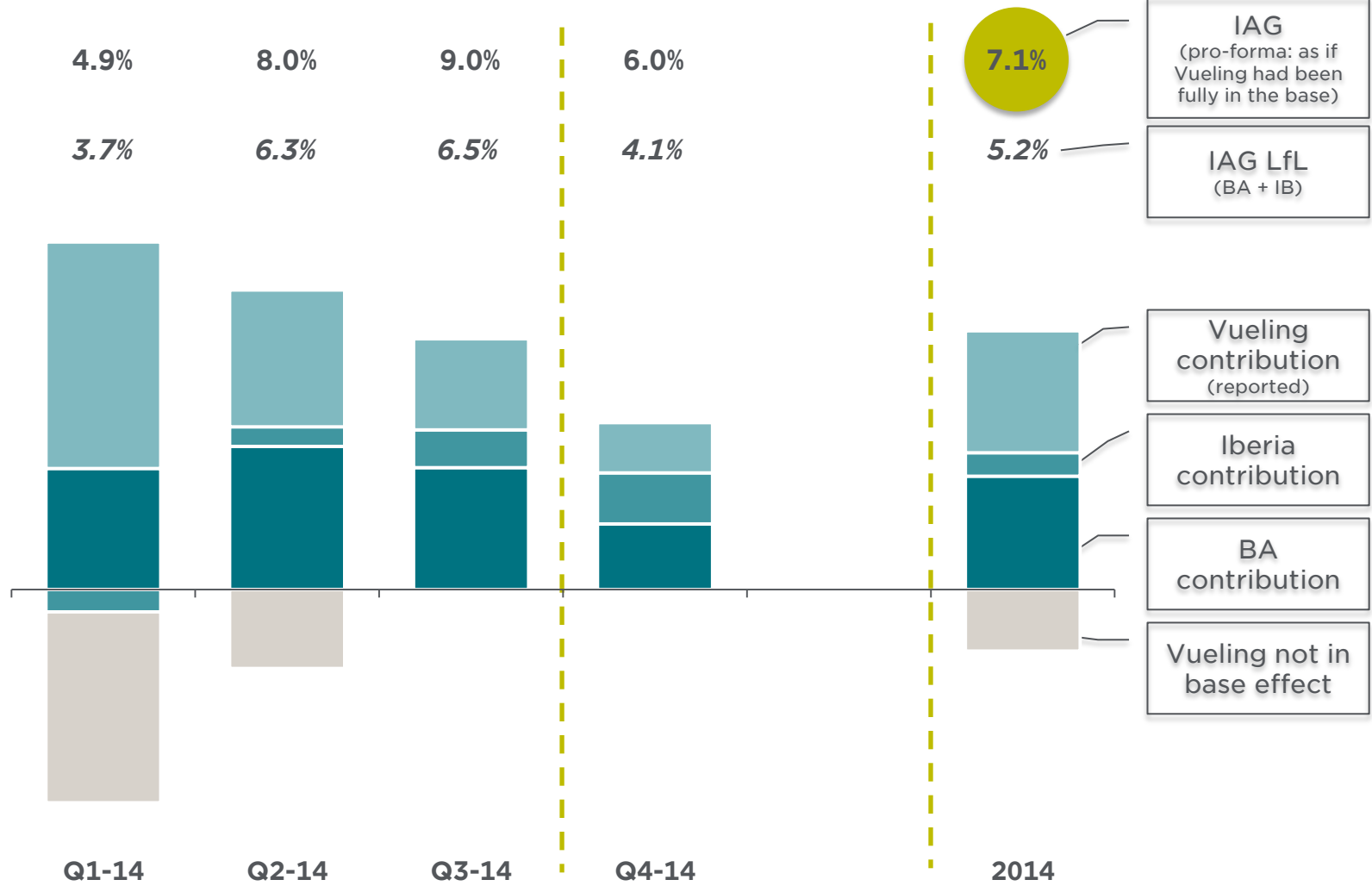
Q3 results



2014 capacity growth and contributions



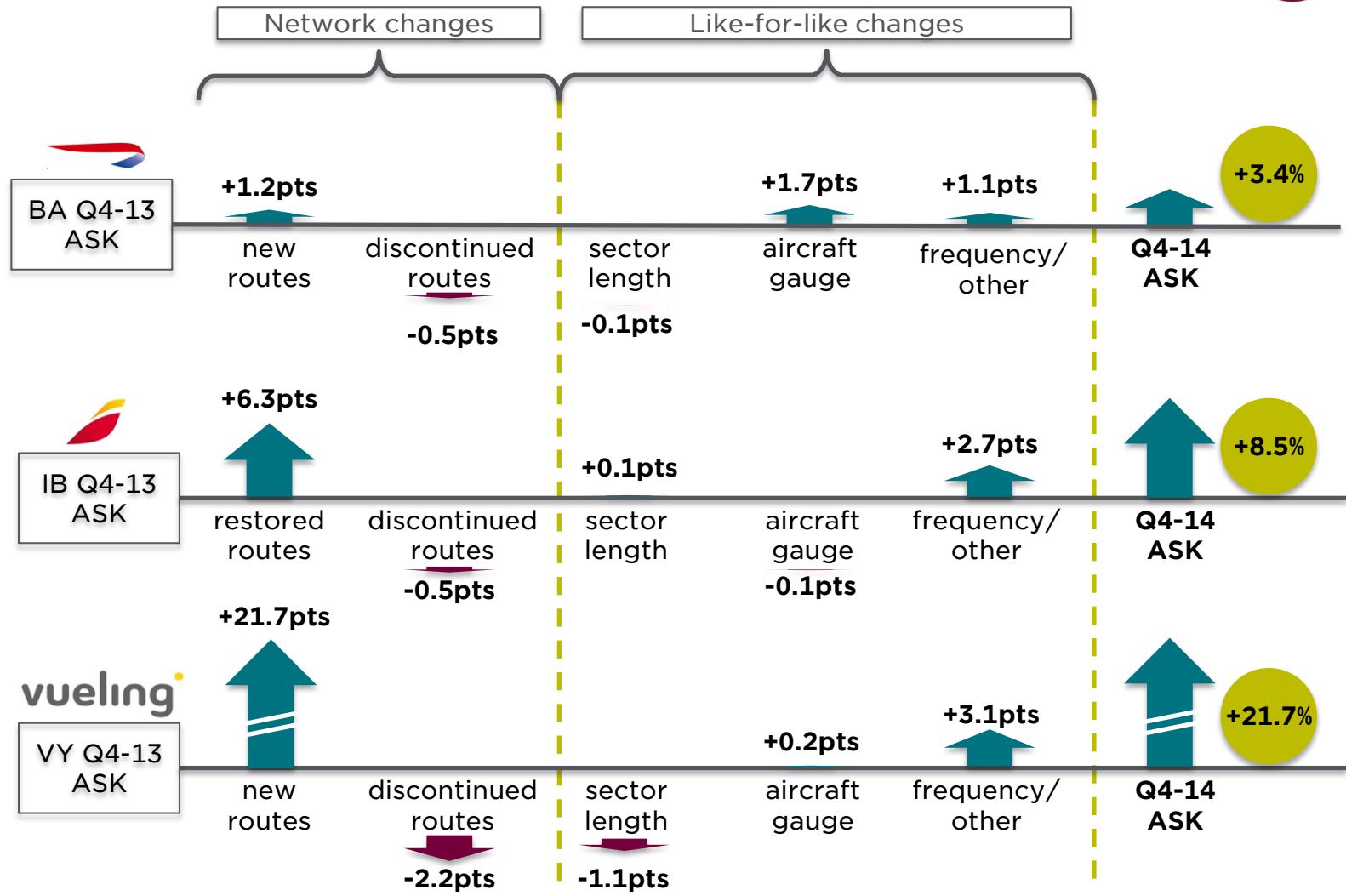
- **BA:** Q4-14 and FY2014 capacity planned to be +3.4% and +5.8% respectively
- **Iberia:** Q4-14 and FY2014 capacity planned to be +8.5% and +3.7% respectively
- **Vueling:** Q4-14 and FY2014 capacity planned to be +21.7% and +24.9% respectively



Q4 changes: reduction in growth at BA

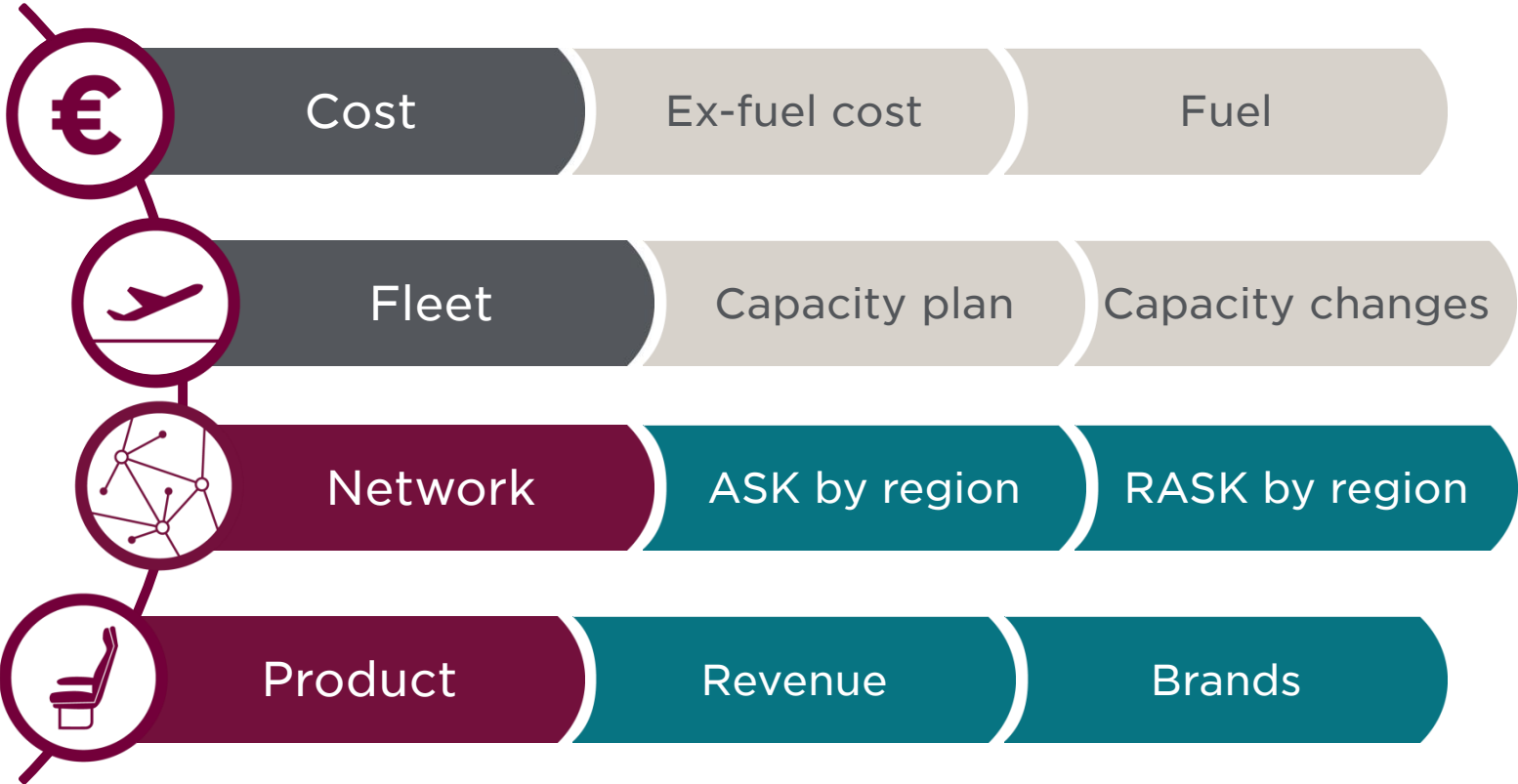


- New routes for BA include Austin, Punta Cana, and CityFlyer routes to Dublin, Florence, and Rotterdam
- Restored routes for Iberia are Amsterdam, Stockholm, Istanbul Montevideo, and Santo Domingo
- Suspended BA routes include Freetown/ Monrovia
- New routes for Vueling driven by Rome-Fiumicino
- IB frequency change driven by Mexico City, Santiago and Panama City
- VY frequency change driven by Paris-Madrid, Paris-Rome, and Barcelona-Tenerife

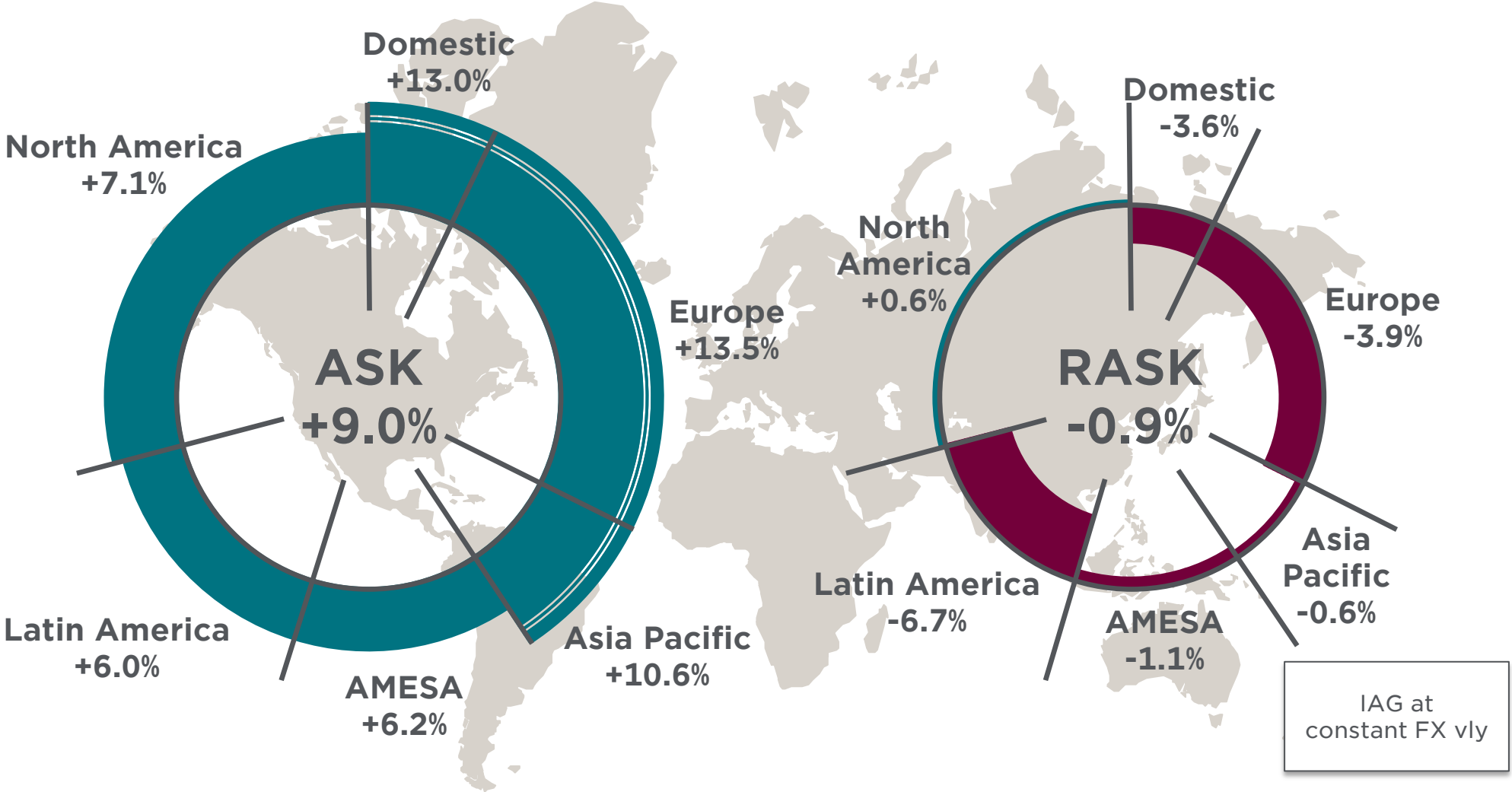


New routes are routes that were not operated in the base period

Q3 results



Q3 capacity and passenger unit revenue change



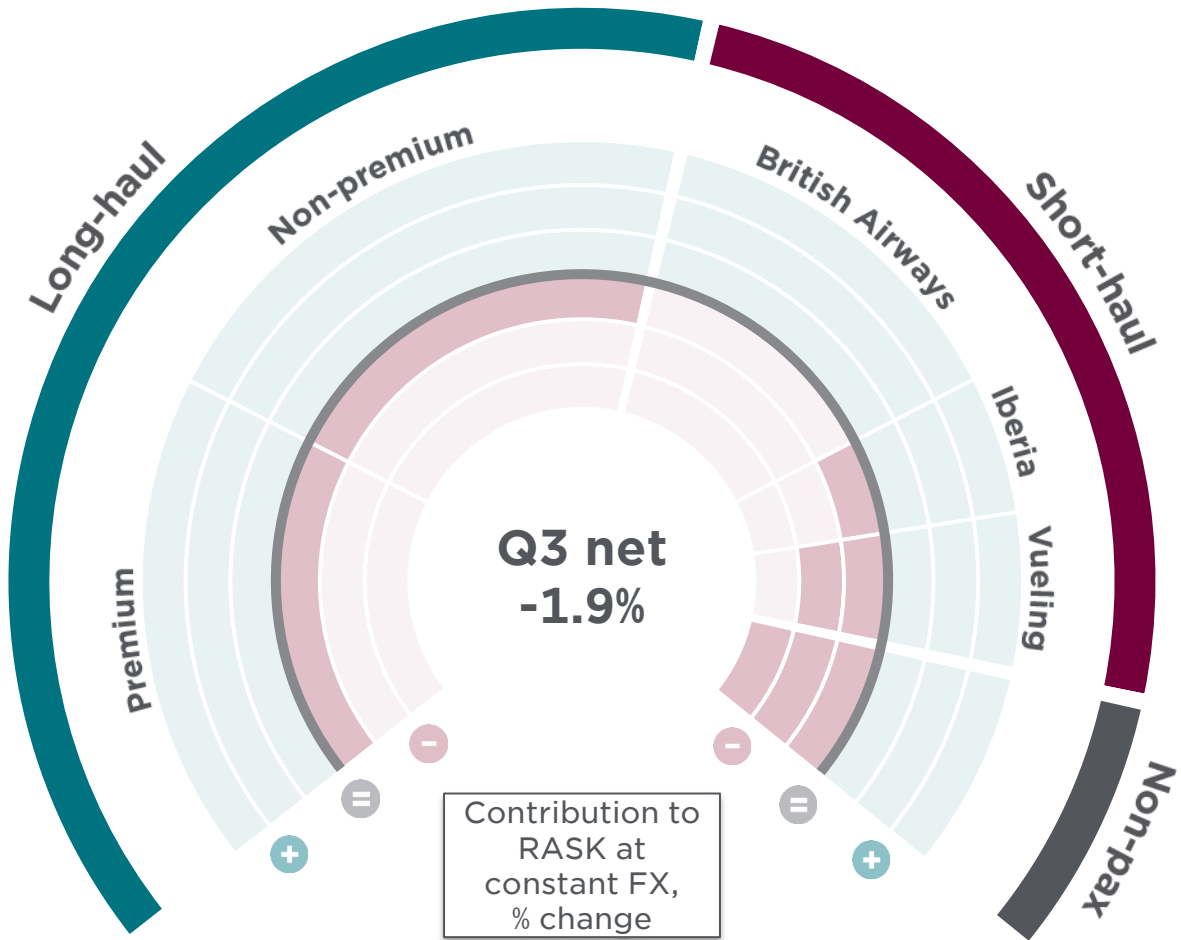
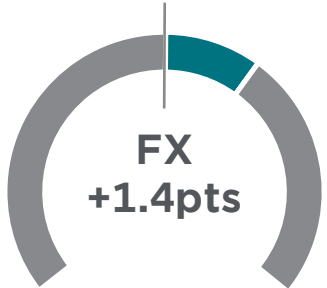
Q3 products: stable everywhere



TOTAL UNIT REVENUE




-1.9%
(constant FX)

-0.5%
(reported, €86m FX benefit)



Financial performance by brand



						
	Q3 2014 (€m)	v/y	Q3 2014 (€m)	v/y	Q3 2014 (€m)	v/y
Revenue	3,228	+1.5%	1,232	+3.4%	676	+21.1%
Cost	2,744	-1.0%	1,070	-4.2%	536	+27.9%
Operating result	484	+77	162	+88	140	+1
Operating margin	15.0%	+2.2pts	13.1%	+6.9pts	20.7%	-4.2pts
Lease adjusted margin	15.2%	+2.1pts	15.2%	+7.0pts	23.1%	-4.0pts
ASK (m)	44,774	+6.7%	15,074	+6.1%	9,494	+28.1%
RPK (m)	38,132	+6.1%	12,234	+5.0%	7,840	+25.5%
Sector length (kms)	3,123	+3.4%	2,852	+3.6%	1,006	-0.7%
RASK	7.21	-4.8%	8.17	-2.6%	7.13	-5.4%
CASK	6.13	-7.2%	7.09	-9.8%	5.65	-0.1%
CASK ex-fuel	4.11	-3.3%	5.03	-10.5%	3.78	+0.9%
Employee cost per ASK	1.34	-3.6%	1.73	-10.3%	0.47	+4.4%

Balance sheet






Balance sheet: gearing marginally down

- Excludes IAS 19 amendments
- Gross debt increase as result of new fleet deliveries in BA
- Cash: BA £2.5bn (Dec 13: £1.9bn), Iberia €0.9bn (Dec 13: €0.7bn), Vueling €0.8bn (Dec 13: €0.5bn)

€m	Dec 2013	Sep 2014
Adjusted equity	5,772	6,620
Gross debt	5,122	6,155
Cash, cash equivalents & interest bearing deposits	3,633	5,064
On balance sheet net debt	1,489	1,091
Gearing	21%	14%
Aircraft lease capitalisation (x8)	4,212	4,456
Adjusted net debt	5,701	5,547
Adjusted gearing	50%	46%

Outlook

Current trading

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

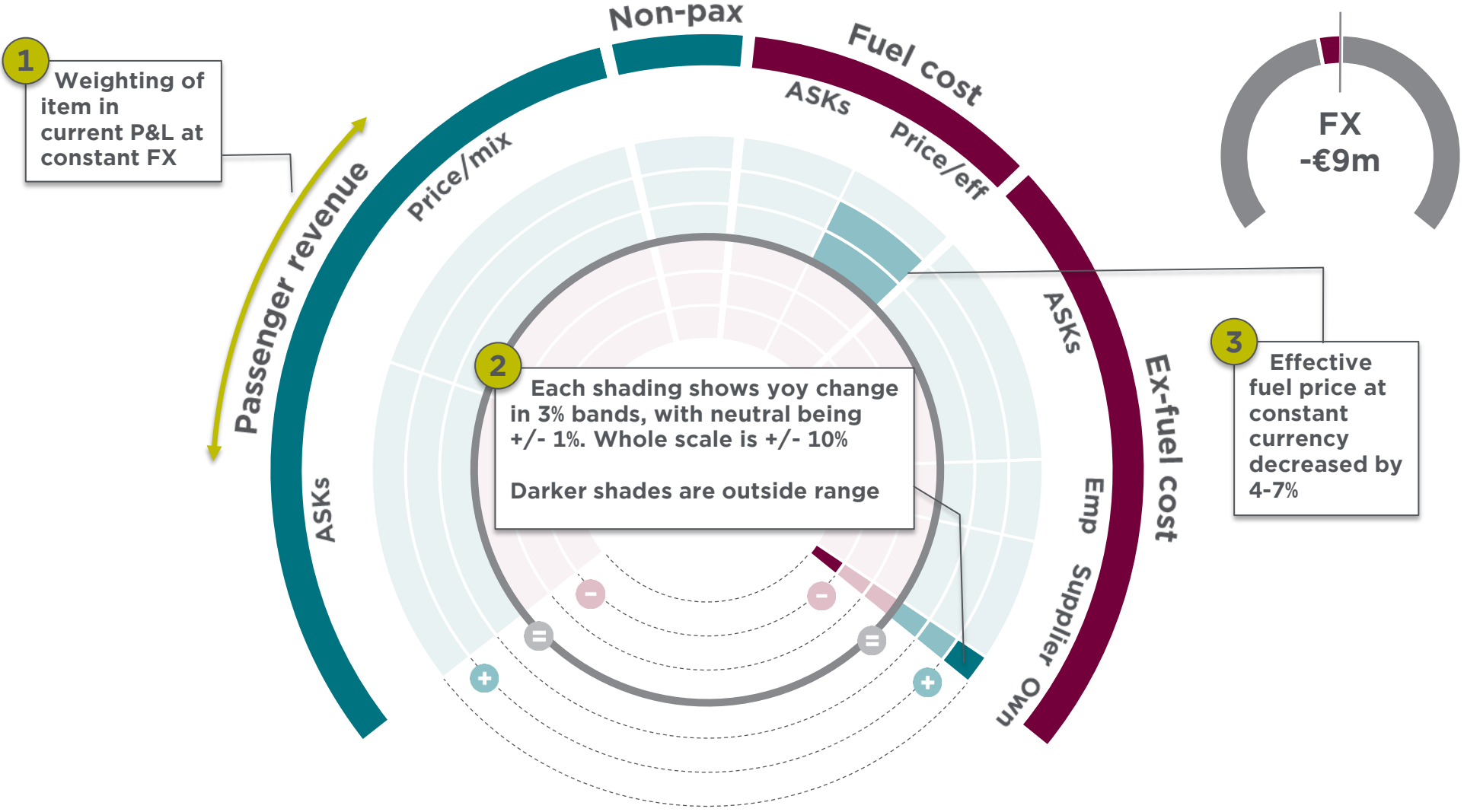
Guidance for FY2014

Operating profit (base = €770m)	Improvement in the range of €550m-€600m	
Fuel bill scenario	€6.0bn (\$810/MT and 1.27\$/€)	
ASK	+9.3% (reported)	+7.1% (pro-forma)



Appendix

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