

IAG results presentation

Quarter Two 2015

31st July 2015



Q2 financial summary

OPERATING PROFIT

€530m
(reported)

+€150m
(reported change)

TOTAL UNIT REVENUE

-6.5%
(constant FX)

+5.3%
(reported, €633m FX benefit)

PAX UNIT REVENUE

-6.6%
(constant FX)

+5.0%
(reported)

TRAFFIC/CAPACITY

ASKs: +5.5%
(reported)

RPKs: +5.5%
(reported)

TOTAL UNIT COST

-8.5%
(constant FX)

+3.2%
(reported, €579m FX drag)

EX-FUEL UNIT COST

-6.9%
(constant FX)

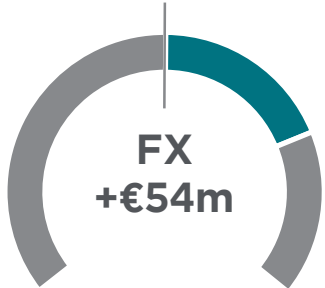
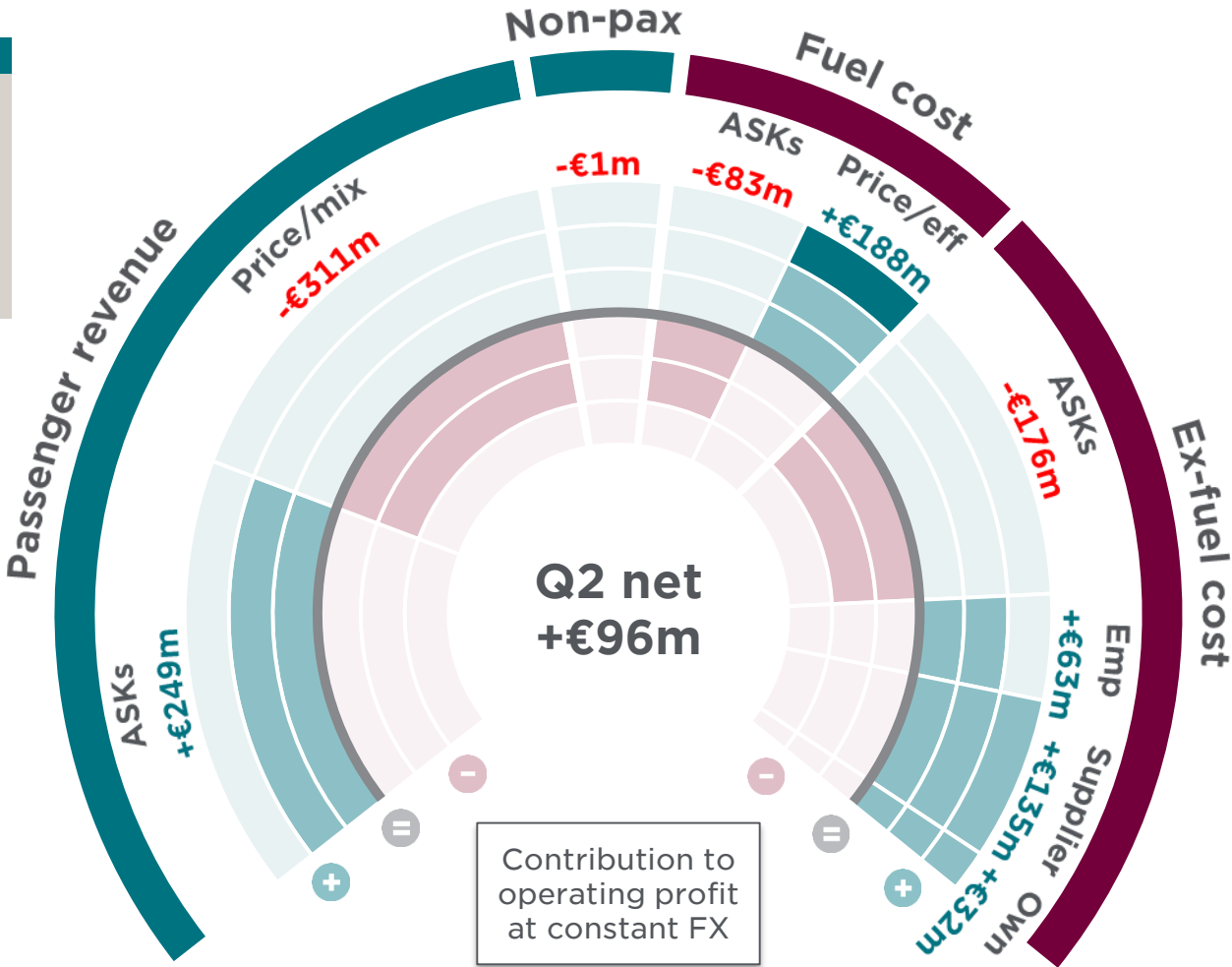
+3.2%
(reported)

Q2 operating profit drivers

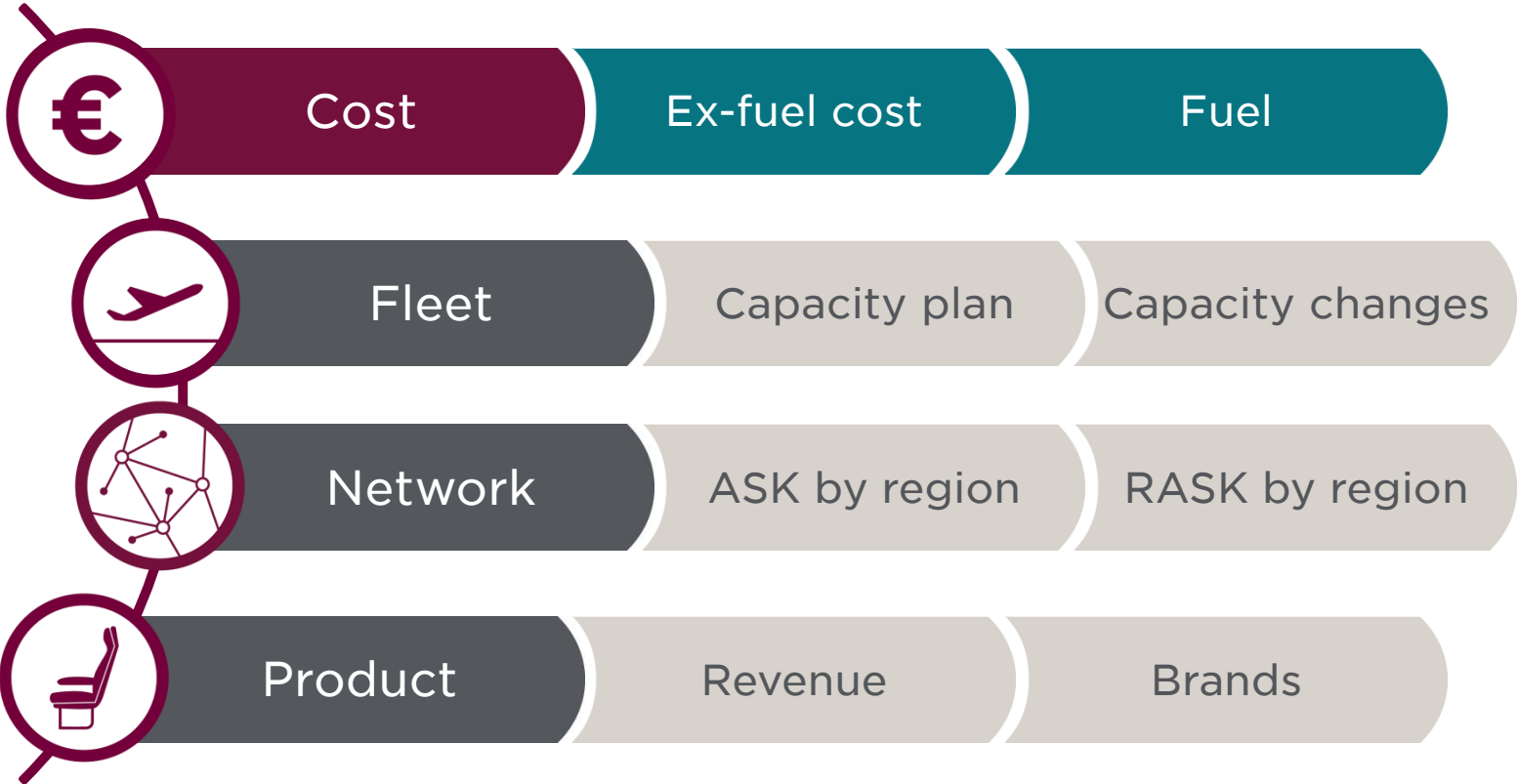
OPERATING PROFIT

€530m
(reported)

+€150m
(reported change)



Q2 results

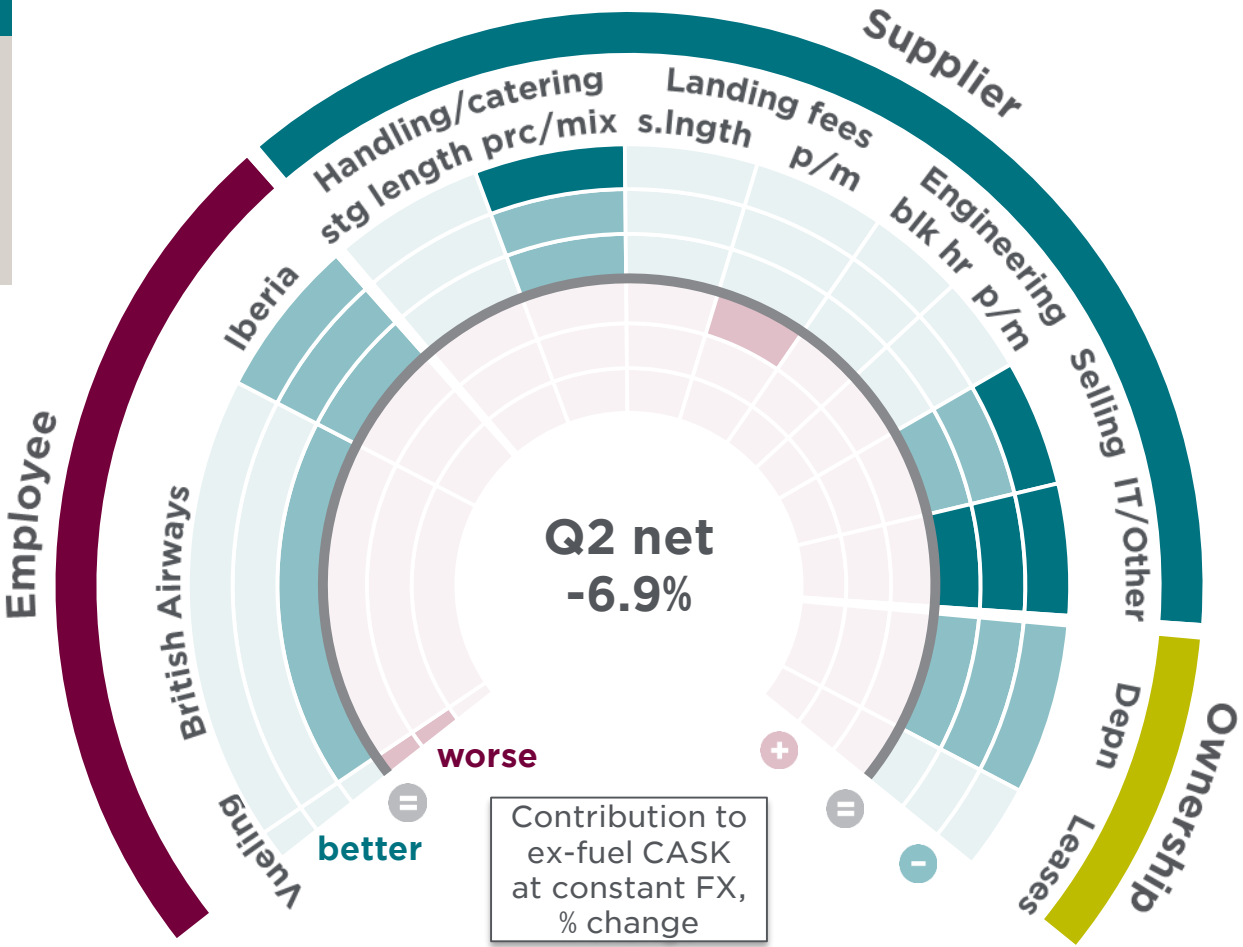
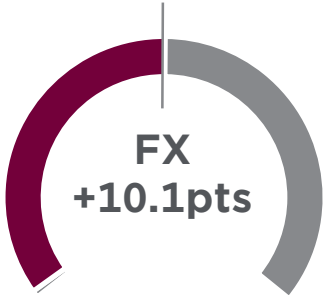


Q2 ex-fuel unit cost: new synergies coming through (€)

EX-FUEL UNIT COST

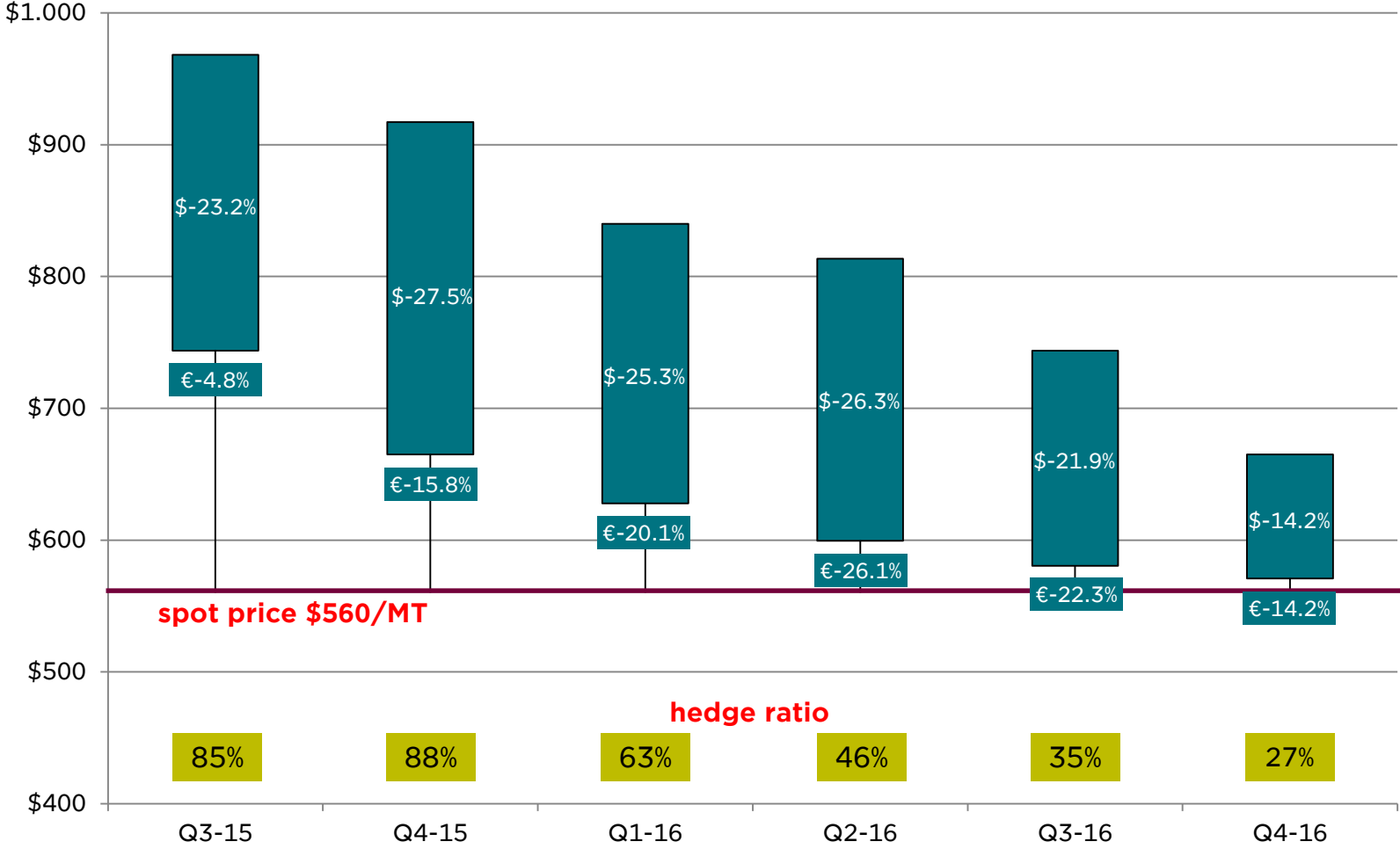
-6.9%
(constant FX)

+3.2%
(reported)



Fuel scenario: continued significant reduction in 2016 €

Jet fuel price (\$/MT)



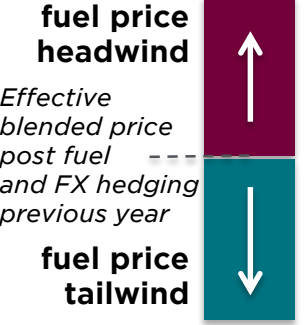
spot price \$560/MT

hedge ratio

2015 fuel bill scenario - €6.0bn (at \$560/MT and 1.09\$/€)

Key:

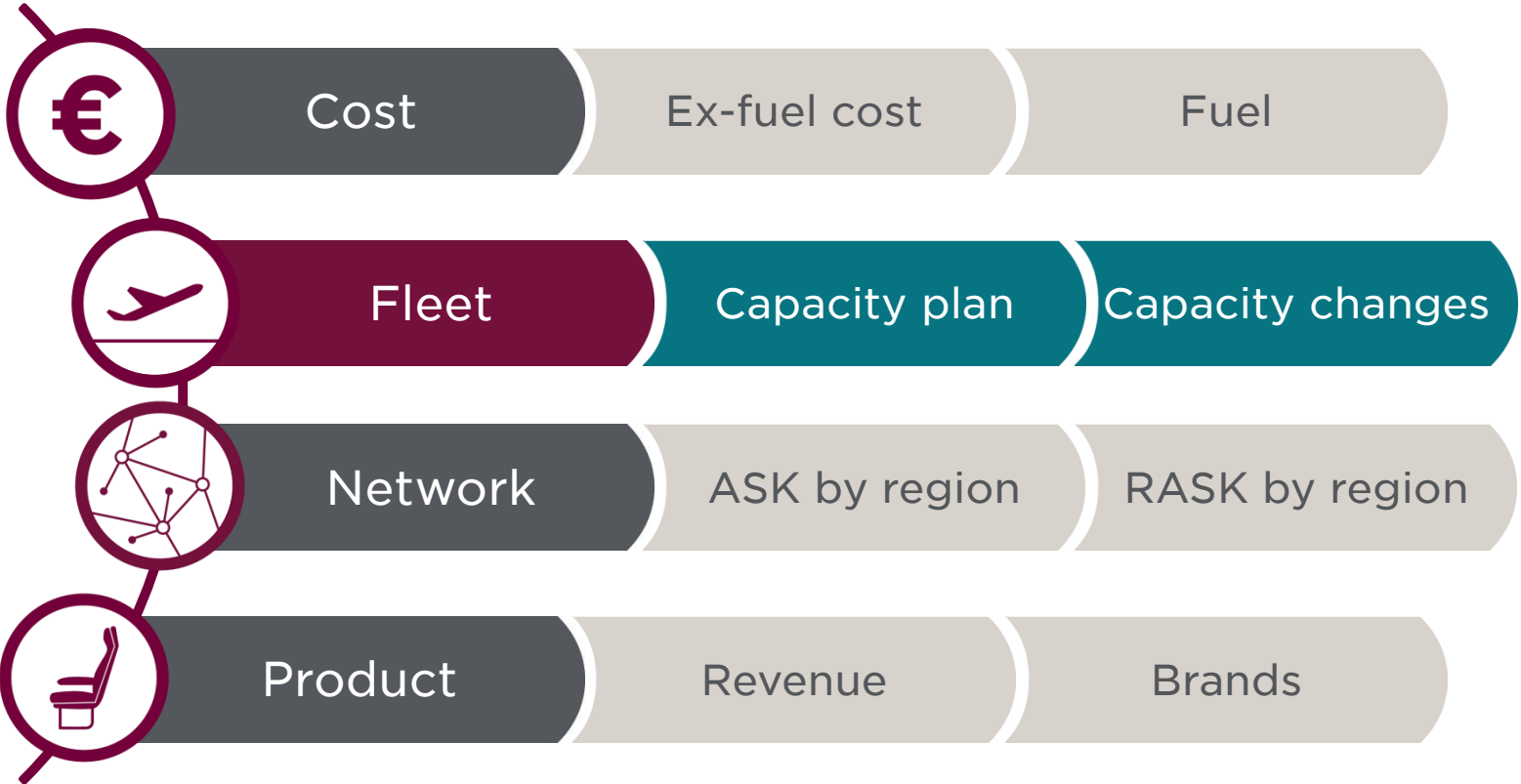
Effective blended price post fuel and FX hedging current year



Effective blended price post fuel and FX hedging current year

FX sensitivity in 2015 fuel bill:
EURUSD
±10% = ±2% fuel cost at current hedging

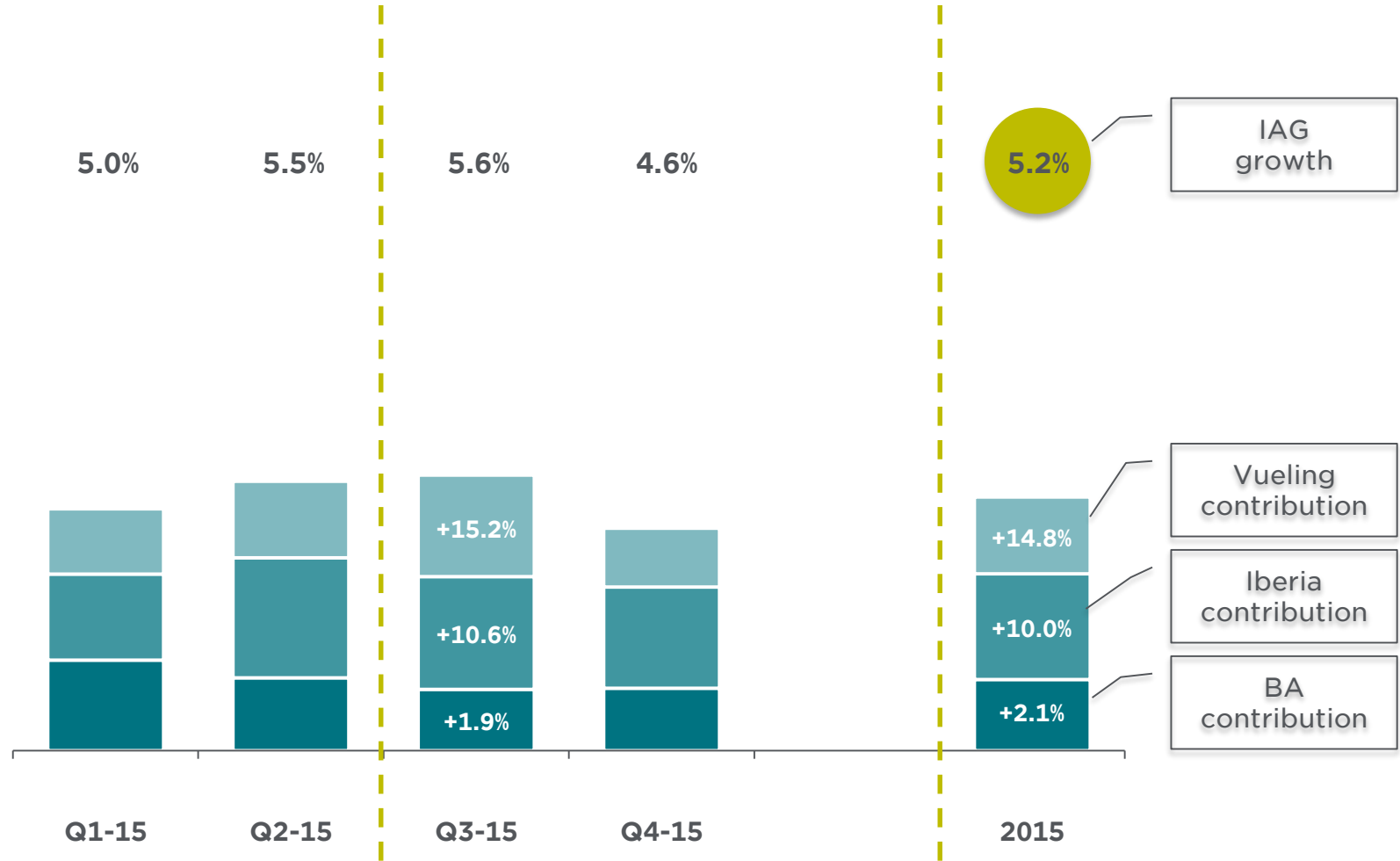
Q2 results



2015 capacity growth and contributions



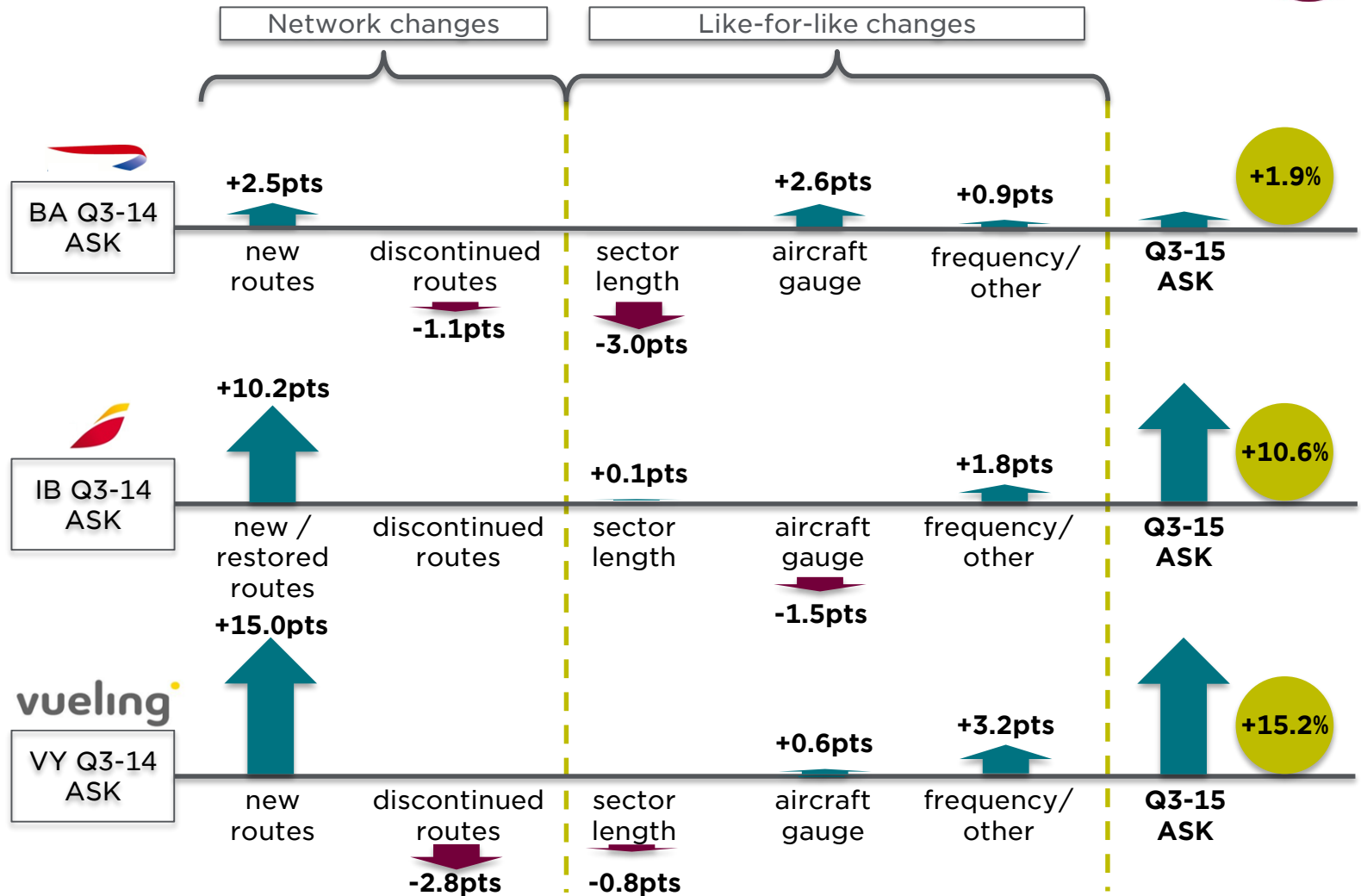
- **BA:** Q3-15 and FY2015 capacity planned to be +1.9% and +2.1% respectively
- **Iberia:** Q3-15 and FY2015 capacity planned to be +10.6% and +10.0% respectively
- **Vueling:** Q3-15 and FY2015 capacity planned to be +15.2% and +14.8% respectively



Q3-15 changes: similar to Q2

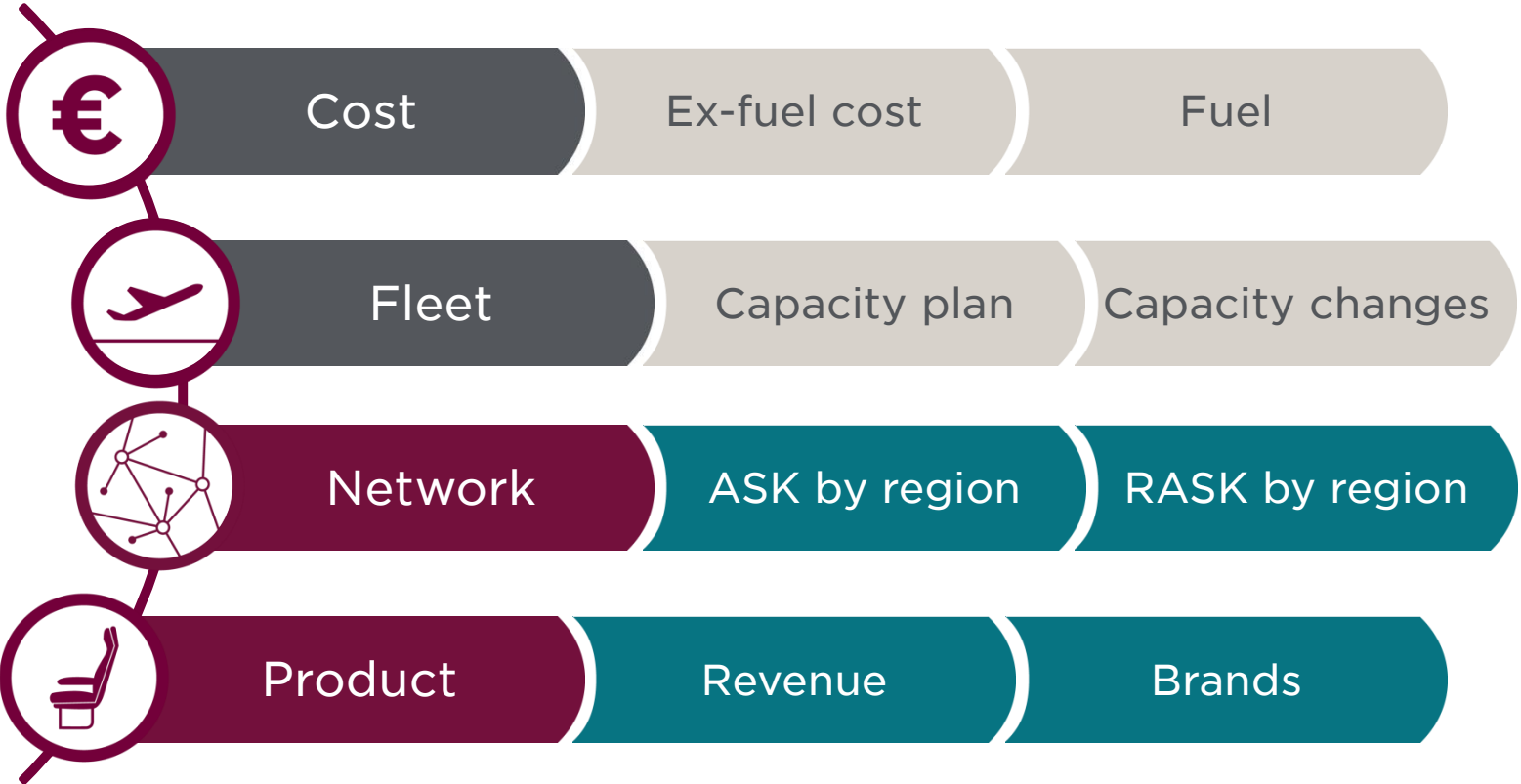


- IB restored/new routes include: Havana, Gatwick, Cali/Medellín
- New routes driven by KL (BA), Rome/Barcelona (VY)
- BA frequency change driven by Larnaca / Tel Aviv
- IB frequency change: Mexico, Santo Domingo, Gran Canaria, and Berlin
- VY frequency change driven by Rome and Paris

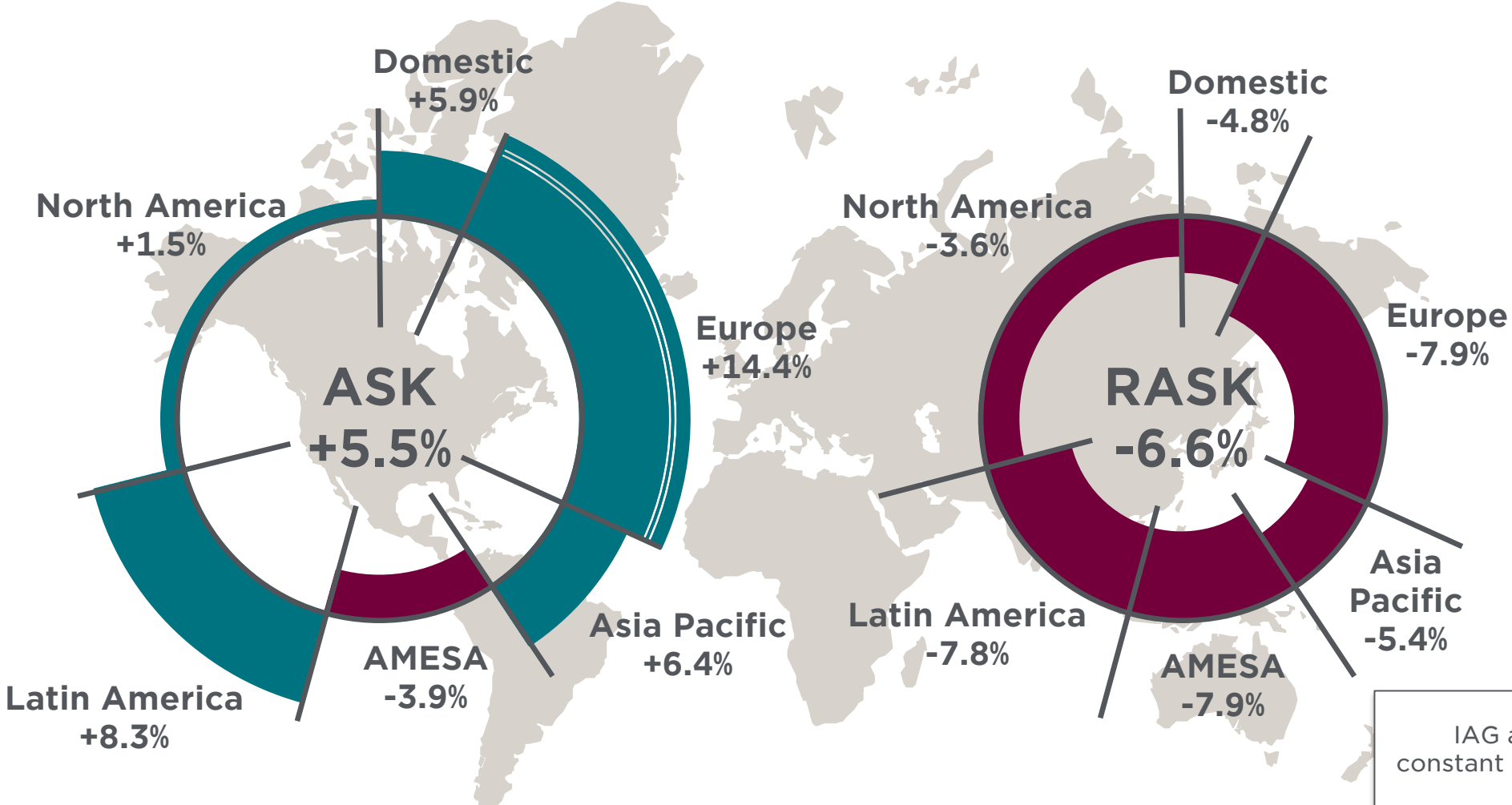


New routes are routes that were not operated for the whole period last year

Q2 results



Q2 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

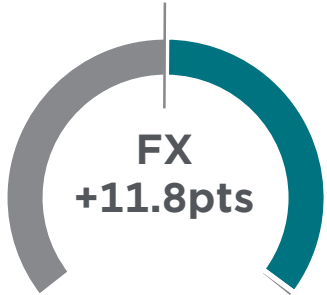
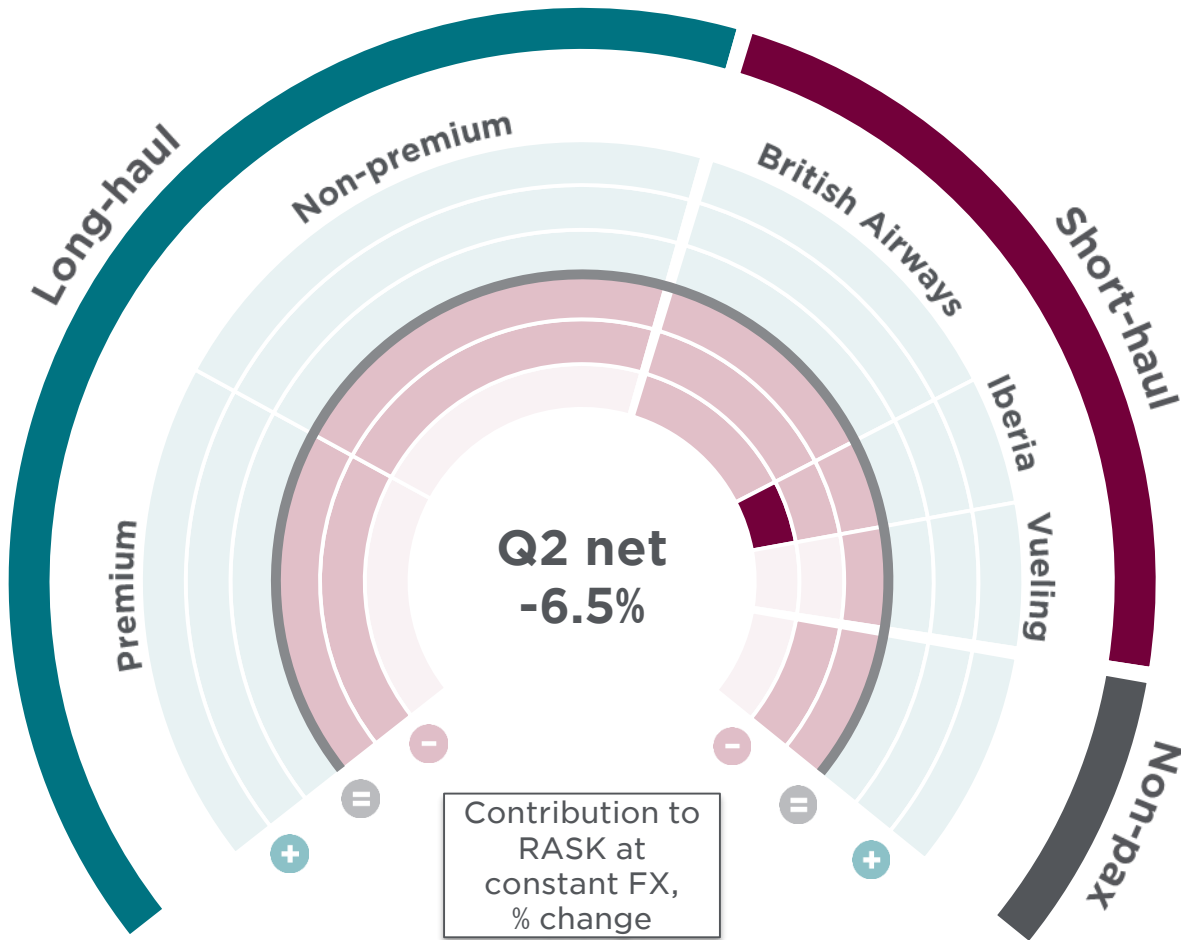
Q2 products: almost entirely driven by FX



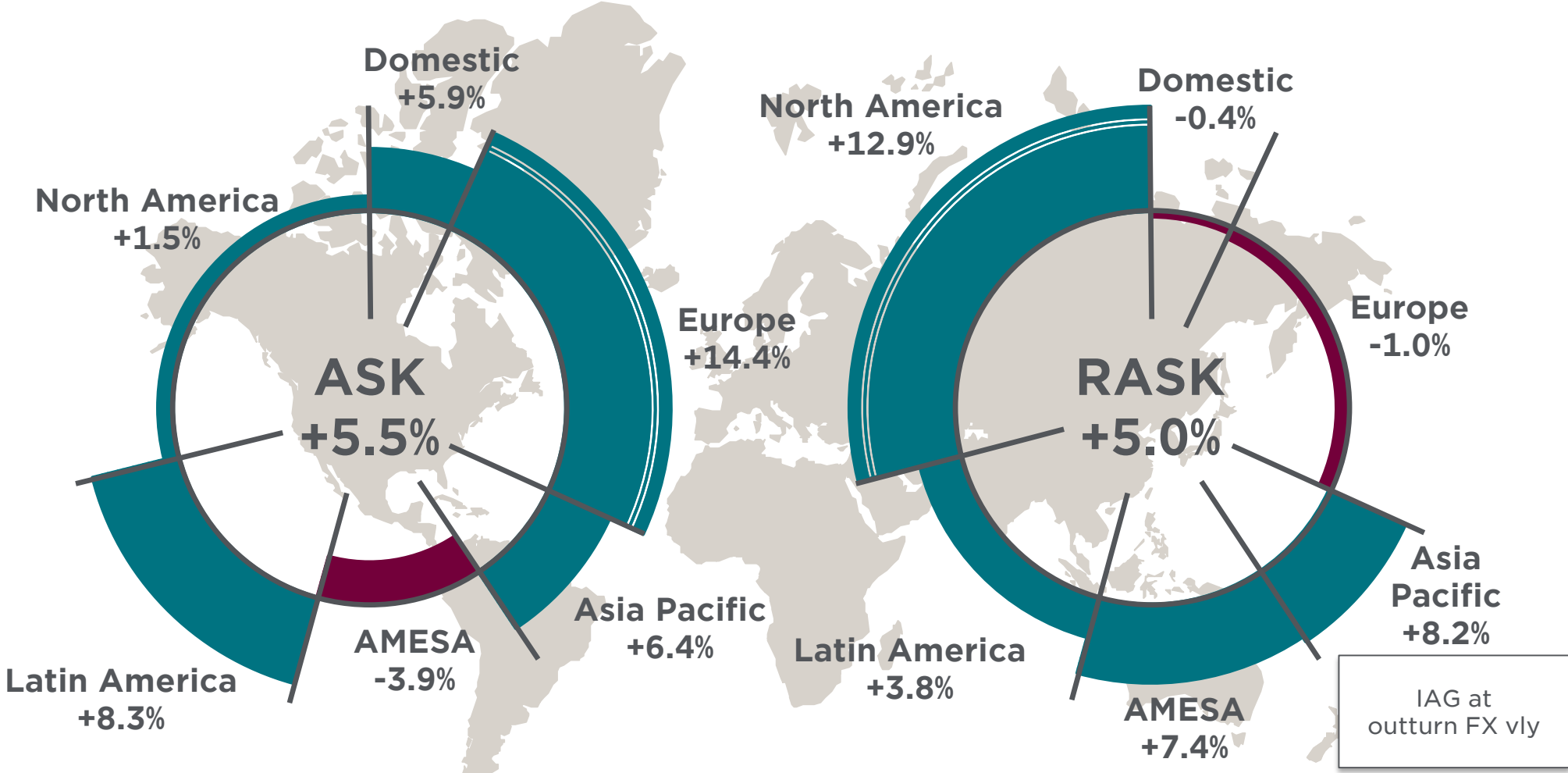
TOTAL UNIT REVENUE

-6.5%
(constant FX)

+5.3%
(reported, €633m FX benefit)






Q2 capacity and passenger unit revenue change



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

Financial performance by brand



	BRITISH AIRWAYS 		IBERIA 		vueling 	
	Q2 2015 (£m)	v/y	Q2 2015 (€m)	v/y	Q2 2015 (€m)	v/y
Revenue	2,923	-2.4%	1,209	+12.9%	506	+10.7%
Cost	2,600	-4.5%	1,158	+9.8%	482	+12.9%
Operating result	323	+50	51	+35	24	-6
Operating margin	11.1%	+2.0pts	4.2%	+2.7pts	4.7%	-1.8pts
Lease adjusted margin	11.4%	+2.1pts	6.2%	+2.4pts	8.2%	-1.5pts
ASK (m)	44,682	+2.2%	15,156	+11.7%	8,300	+13.9%
RPK (m)	36,248	+1.7%	12,150	+13.4%	6,579	+14.3%
Sector length (kms)	3,061	-1.9%	2,775	+0.7%	994	-1.8%
RASK	6.54	-4.5%	7.98	+1.1%	6.10	-2.7%
CASK	5.82	-6.6%	7.64	-1.7%	5.81	-1.4%
CASK ex-fuel	3.93	-5.8%	5.49	-3.2%	4.01	-1.4%
Employee cost per ASK	1.40	-2.1%	1.74	-9.4%	0.61	+7.7%

Numbers stated before currency impact and effect of Avios restructuring

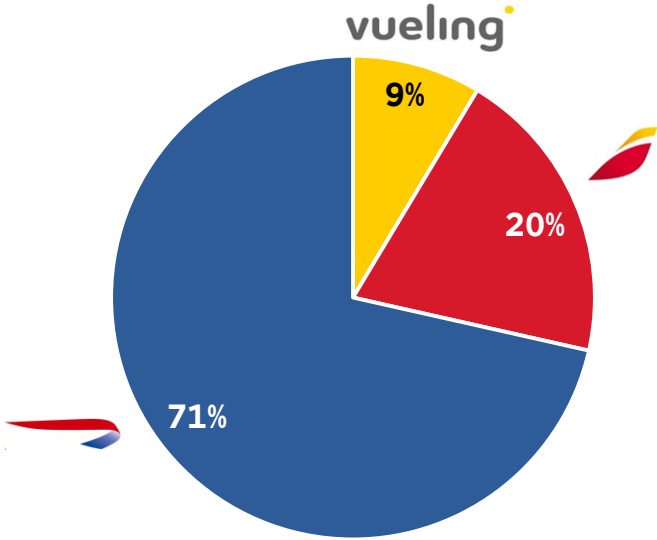
Financial target tracker: profitability trend by airline

IAG

Op. margin: Q2 2015	10.3%
Op. margin trend vly	2.0pts.
Nml. margin: last 4Qs	8.4%
RoIC: last 4Qs	9.1%

vueling

Op. margin: Q2 2015	8.2%
Op. margin trend vly	-1.5 pts.
Nml. margin: last 4Qs	11.6%
RoIC: last 4Qs	11.9%



IAG capital allocation Q2-15

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.



Op. margin: Q2 2015	6.2%
Op. margin trend vly	2.4pts.
Nml. margin: last 4Qs	5.6%
RoIC: last 4Qs	6.6%



Op. margin: Q2 2015	11.4%
Op. margin trend vly	2.1pts.
Nml. margin: last 4Qs	8.7%
RoIC: last 4Qs	9.6%

Balance sheet

Balance sheet: improved leverage

- Excludes IAS 19 amendments

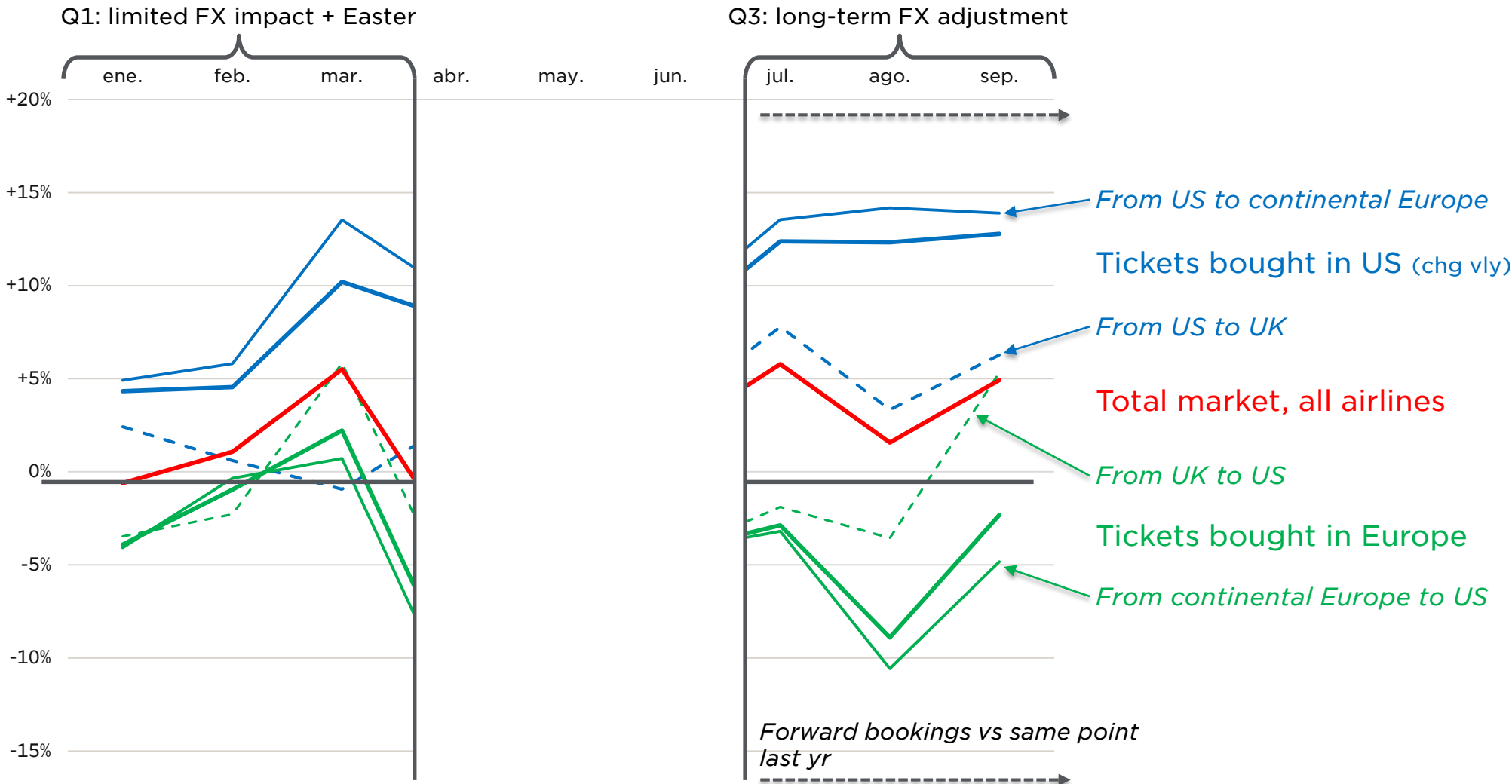
Cash:

- BA £2.7bn/€3.7bn (Dec 14: £2.5bn/€3.2bn)
- Iberia €1.1bn (Dec 14: €0.9bn),
- Vueling €0.8bn (Dec 14: €0.7bn),
- Parent and other Group companies €0.7bn (Dec 14: €0.2bn)

€m	Dec 2014	Jun 2015
Adjusted equity	5,743	7,184
Gross debt	6,617	7,116
Cash, cash equivalents & interest bearing deposits	4,944	6,421
On balance sheet net debt	1,673	695
Gearing	23%	9%
Aircraft lease capitalisation (x8)	4,408	4,768
Adjusted net debt	6,081	5,463
Adjusted gearing	51%	43%
Adjusted net debt / EBITDAR	1.9x	1.5x

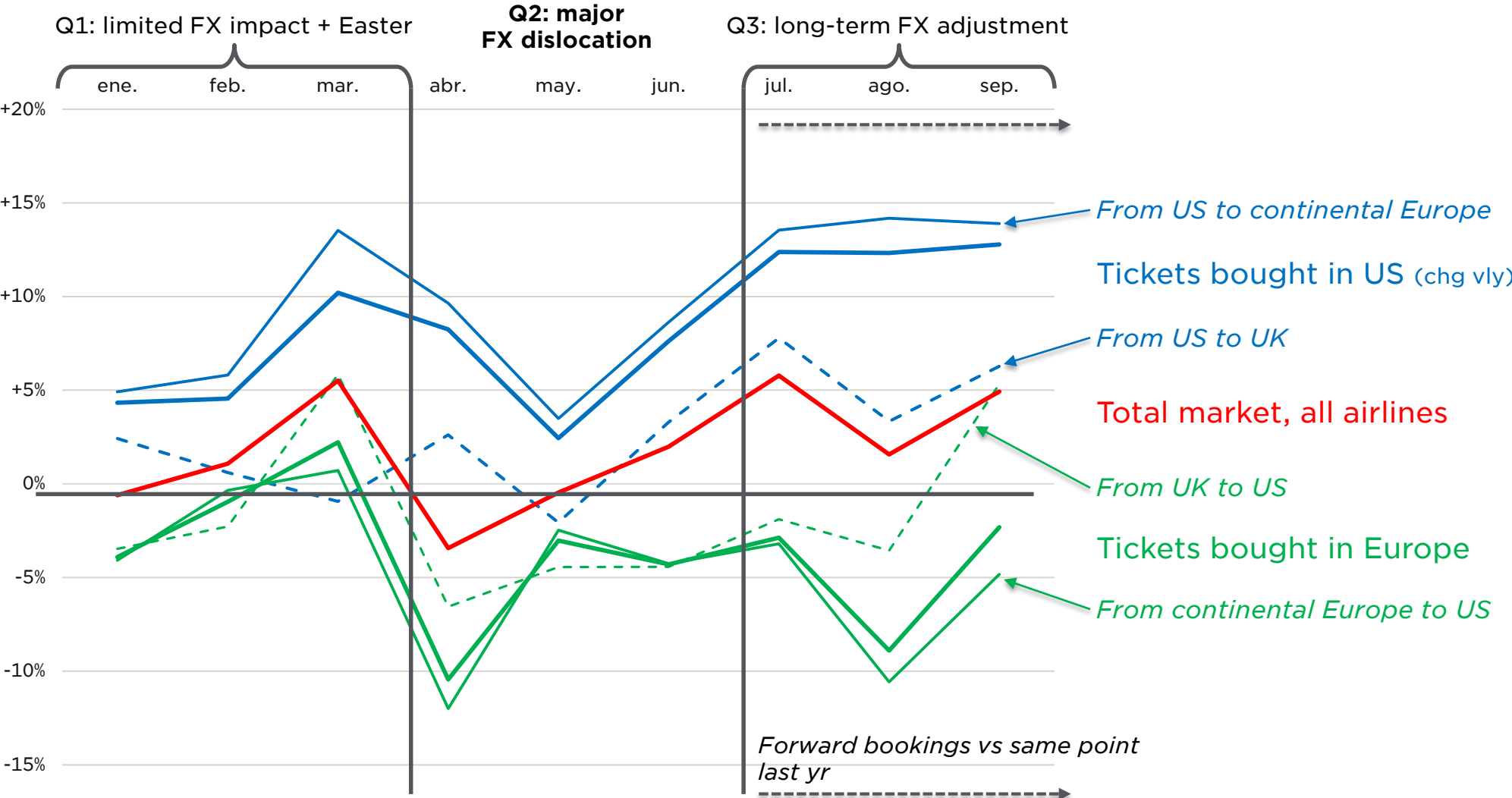
Outlook

Transatlantic CRS volume growth, all airlines



Refers to traffic to and from the USA on cities served by BA by point of sale

Transatlantic CRS volume growth, all airlines



Refers to traffic to and from the USA on cities served by BA by point of sale

Imminent fleet developments: investor preview

Subject to final contract negotiations

Order type	Use	Incremental fleet	Timing of announcement	Original order
<u>20 x A320NEO</u> <i>options to firm orders</i>	REPLACEMENT <i>IAG airlines</i>	No	Next week	Fleet order RNS 14 Aug 2013
<u>Up to 5 x A330-200CEO</u> <i>options to firm orders</i>	GROWTH <i>long-haul growth for Iberia</i>	Yes (see next slide)	Next week	Fleet order RNS 22 Sep 2014
<u>8 x A350-900</u> <i>options to firm orders</i>	REPLACEMENT <i>Iberia</i>	No	Next week	Fleet order RNS 22 Apr 2013

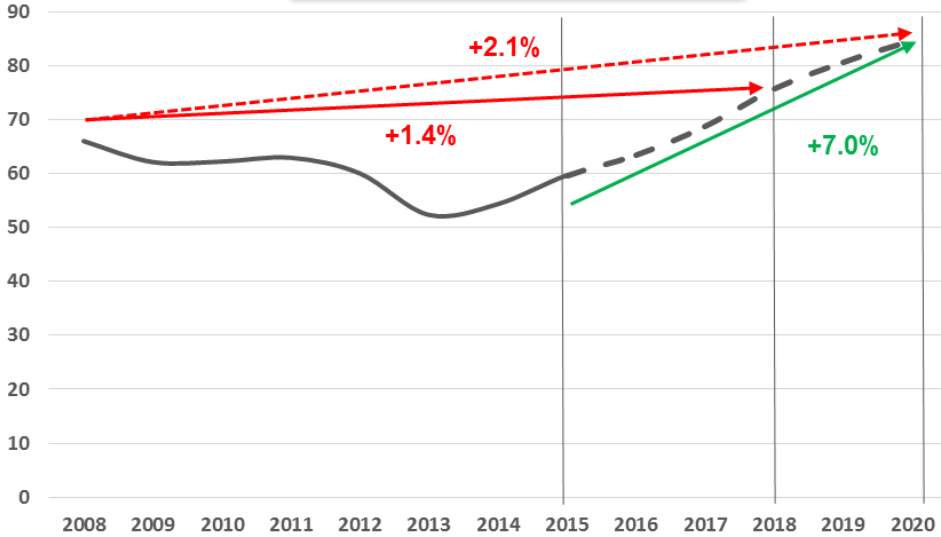
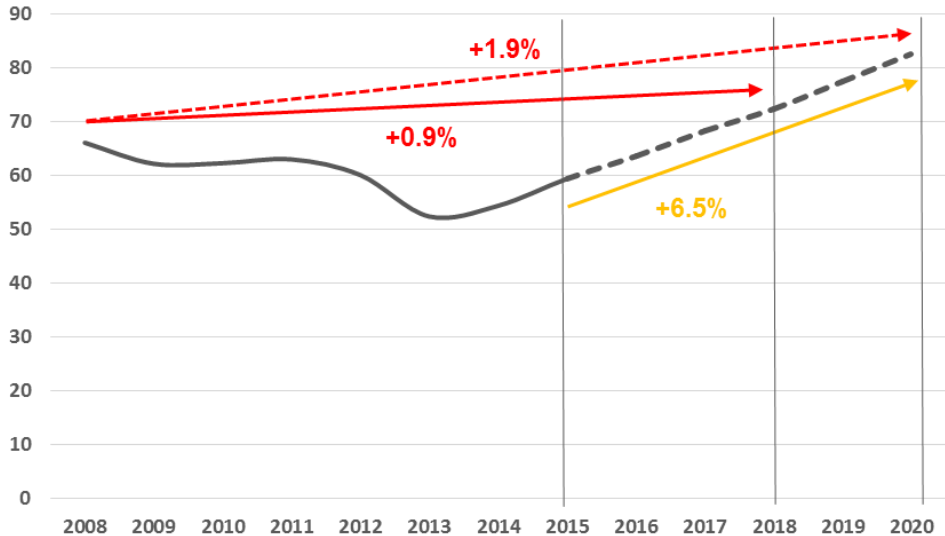
Iberia ASKs plan long-term growth

Iberia capacity ASK (bn)

Change since Dec 2014:
greater growth from longhaul and less growth from shorthaul; net 0.5ppt increase in medium-term growth rate, in response to progress of Plan de Futuro and improvement in market conditions

Plan announced in Dec 2014

New plan at Jul 2015



→ CAGR 2008-2018
→ CAGR 2015-2020

→ CAGR 2008-2020
→ New CAGR 2015-2020

Aer Lingus

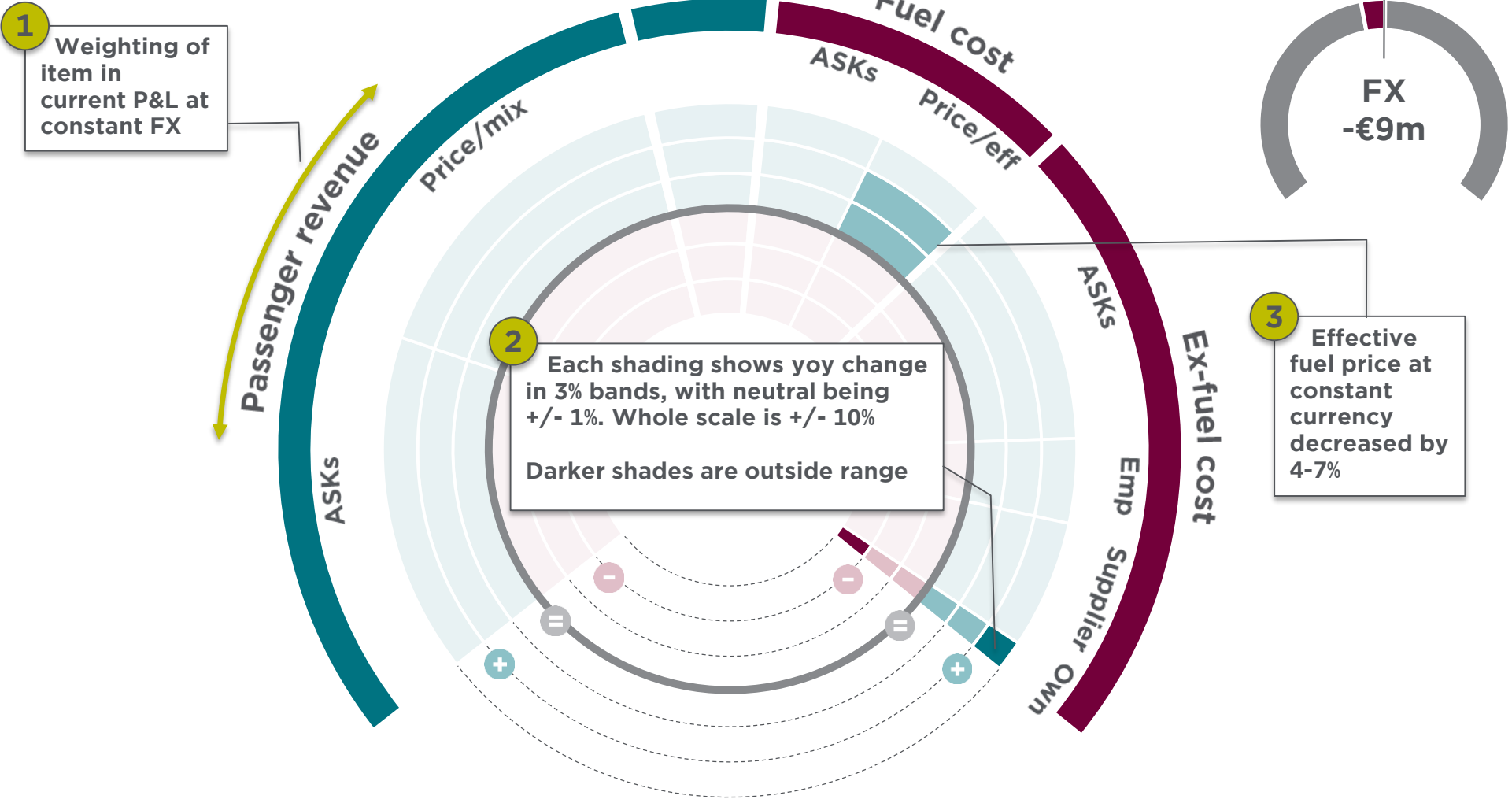
- IAG has waived the 90% acceptance condition and confirmed the offer for Aer Lingus is now unconditional as to acceptances
- Acceptances have been received in respect of 62.48% of the Aer Lingus shares
- The offer has been extended to 18 August 2015. There will be no further extension of the offer unless it has become wholly unconditional at that time and date
- Ryanair's acceptance remains a condition of the offer and must be satisfied by 18 August 2015 in order for the offer to successfully close

Guidance for FY2015

Operating profit	€2.2bn+
Fuel bill scenario	€6.0bn (\$560/MT and 1.09\$/€)
ASK	+5.2%

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 2014; these documents are available on www.iagshares.com.