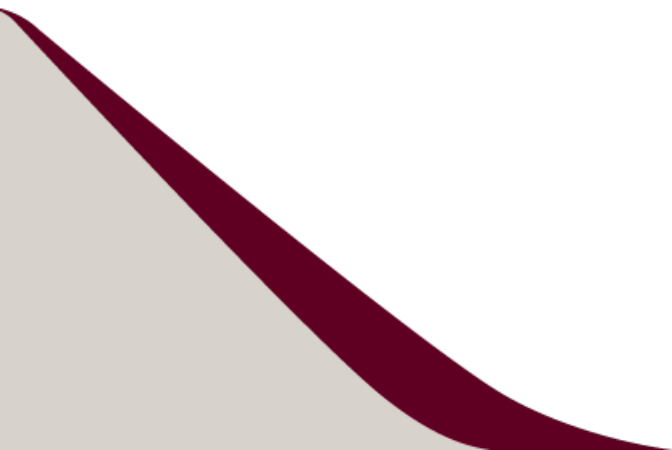


# IAG results presentation

Quarter Four 2012

28<sup>th</sup> February 2013



# Full year performance

- 2012 a year of transformation for IAG as foundation for 2015 financial target of €1.6 billion operating profit:
  - launch of Iberia Express and Iberia transformation plan
  - acquisition of bmi and completed integration into British Airways
  - significant investment into each operating company
  - proposed offer to acquire Vueling
- Continued progress in merger synergies, beating original targets. Synergy contribution of €288 million to operating result, net of €25 million costs (guided Nov 12: net €235 million)

# Full year operating result summary

- Operating loss €68 million after exceptional items (excluding Iberia items), compared to guidance of €120 million loss
- Group operating loss of €23 million before exceptional items, including bmi trading loss of €98 million:
  - British Airways 2012 operating profit €347 million post bmi trading; Iberia 2012 operating loss €351 million
- Total revenue up €1.8 billion, with passenger unit revenue at constant FX up 3.9%
- Fuel cost up by €1.0 billion, fuel unit cost at constant FX up 8.4%
- Non-fuel unit cost at constant FX up 3.8% including significant one-off items, underlying up 0.8%
- Significant exceptional items relating to structural change:
  - Iberia restructuring provision of €202 million and Iberia impairment charge of €343million
  - bmi integration cost €87 million

# 2012 financial summary

Reported	FY 2012 (€m)	FY 2011 (€m)	vly
Revenue	18,117	16,339	+10.9%
Fuel cost	6,101	5,068	+20.4%
Ex-fuel cost	12,039	10,786	+11.6%
<b>OPERATING RESULT pre exceptional items</b>	<b>- 23</b>	<b>+ 485</b>	<b>-508</b>
<b>OPERATING RESULT pre Iberia exceptional items</b>	<b>- 68</b>	<b>+ 407</b>	<b>-475</b>
ASK (m)	219,172	213,193	+2.8%
CTK (m)	6,080	6,156	-1.2%
Seat factor	80.3%	79.1%	+ 1.2 pts
Passenger rev per ASK	7.01	6.41	+9.4%
Cargo rev per CTk	20.02	19.33	+3.6%
Cost per ASK	8.28	7.44	+11.3%
Ex-fuel cost per ASK	5.49	5.06	+8.5%

<i>Constant FX</i>	
FY 2012	vly
6.66	+3.9%
19.26	-0.4%
7.83	+5.2%
5.25	+3.8%

# Airline performance 2012



Revenue	10,827	+ 8.4%
Fuel cost	3,712	+ 14.4%
Ex-fuel cost	6,841	+ 9.9%
<b>OPERATING RESULT</b>	<b>274</b>	<b>- 244</b>
Operating margin	2.5%	-2.7 pts
ASK (m)	158,247	+ 5.4%
RPK (m)	126,436	+ 7.7%
Seat factor	79.9%	+1.7 pts
Sector length (kms)	3,375	-1.9%
Revenue per ASK	6.84	+ 2.9%
Fuel cost per ASK	2.35	+ 8.8%
Ex-fuel cost per ASK	4.32	+ 4.3%

	FY 2012* (£m)	v/y
Revenue	10,827	+ 8.4%
Fuel cost	3,712	+ 14.4%
Ex-fuel cost	6,841	+ 9.9%
<b>OPERATING RESULT</b>	<b>274</b>	<b>- 244</b>
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	FY 2012 (€m)	v/y
Revenue	4,841	- 0.6%
Fuel cost	1,531	+14.9%
Ex-fuel cost	3,661	+0.7%
<b>OPERATING RESULT</b>	<b>- 351</b>	<b>- 253</b>
Operating margin	-7.3%	-5.3 pts
ASK (m)	60,925	-3.4%
RPK (m)	49,666	-3.1%
Seat factor	81.5%	+0.2 pts
Sector length (kms)	2,898	- 0.7%
Revenue per ASK	7.95	+2.8%
Fuel cost per ASK	2.51	+ 19.0%
Ex-fuel cost per ASK	6.01	+ 4.2%

Pre exceptional items

\* includes bmi mainline. bmibaby and bmi Regional excluded as discontinued operations

# Q4 operating performance

# Q4 operating result summary

- Q4 operating loss €40 million after bmi trading; (Q4 2011 profit €34 million)
- bmi Q4 trading loss €18 million and restructure costs approximately €40 million impact in the quarter. bmi fully integrated by end of Q4
- Capacity increase 1.2% at a reported level; capacity excluding bmi down 1.3%
- Reported passenger unit revenue up 10.4%; underlying at constant FX up 3.3%
- Reported fuel unit cost up 10.0%; constant FX up 3.6%
- Reported non-fuel unit cost up 12.5%; underlying at constant FX up 2.5%
- Non-fuel cost impacted by one-off charges; cost reduction lagging capacity reduction

# Q4 financial summary

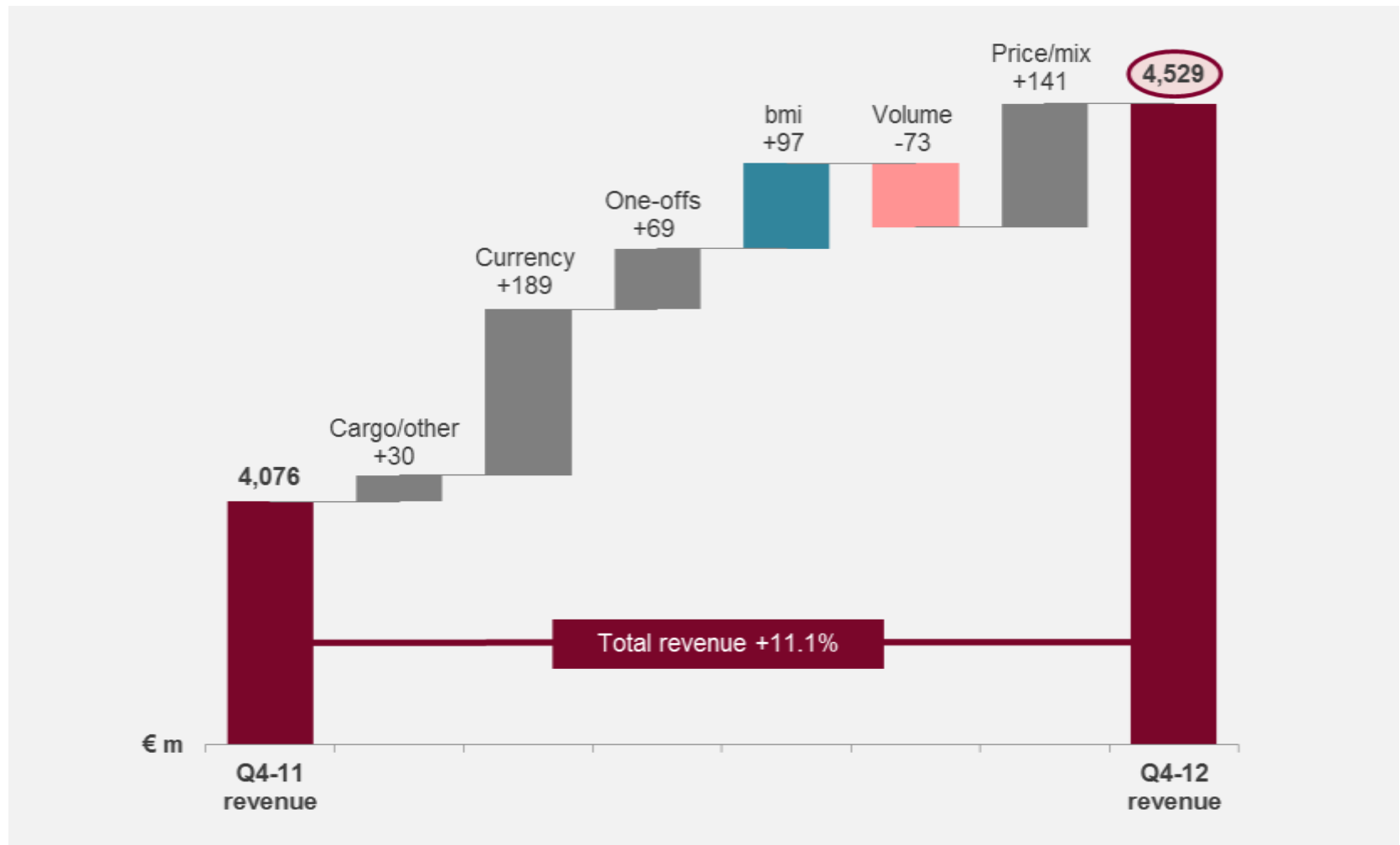
Reported	Q4-12 (€m)	Q4-11 (€m)	vly
Revenue	4,529	4,076	+11.1%
Fuel cost	1,468	1,317	+11.5%
Ex-fuel cost	3,101	2,725	+13.8%
<b>OPERATING RESULT pre exceptional items</b>	<b>-40</b>	<b>34</b>	<b>-74</b>
ASK (m)	53,607	52,989	+1.2%
CTK (m)	1,561	1,596	-2.2%
Seat factor	78.7%	77.7%	+1.0 pts
Passenger rev per ASK	7.11	6.44	+10.4%
Cargo rev per CTk	21.08	19.42	+8.5%
Cost per ASK	8.52	7.63	+11.7%
Ex-fuel cost per ASK	5.78	5.14	+12.5%

## *Underlying at constant FX*

	Q4-12	vly
	6.65	+ 3.3%
	20.56	+ 5.9%
	7.85	+ 2.9%
	5.27	+ 2.5%

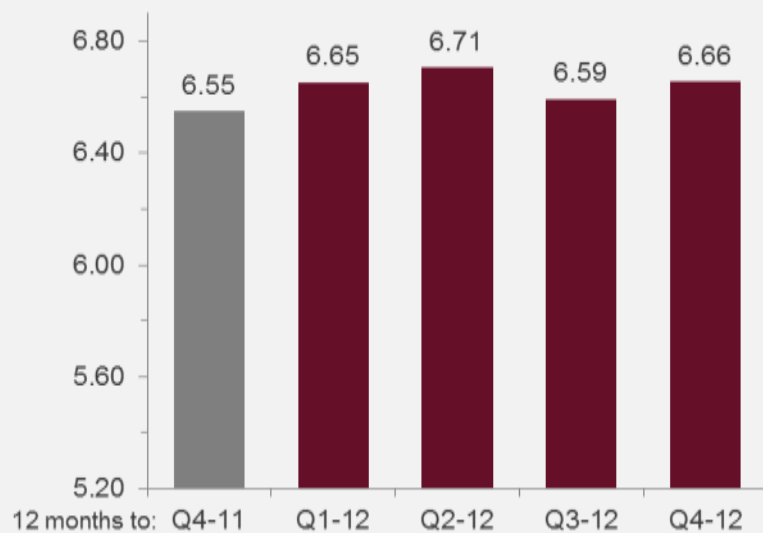


# Q4 revenue development

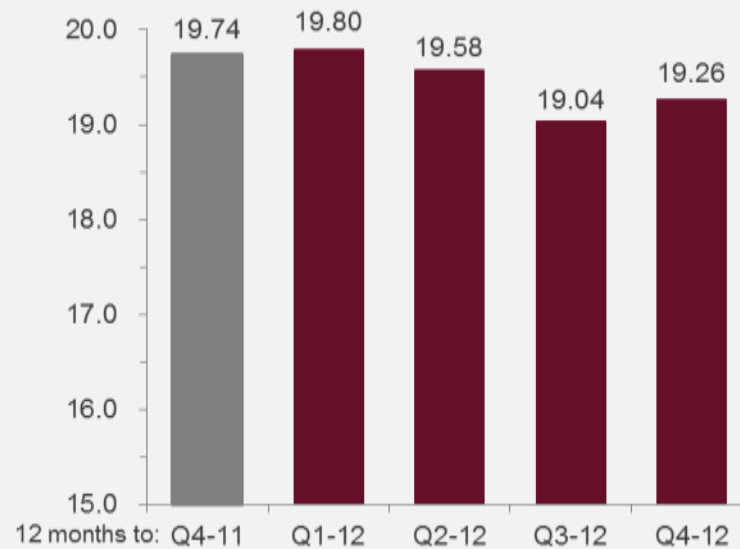


# Q4 passenger and cargo unit revenue

Unit passenger revenue at constant FX,  
rolling 12 months, € cents

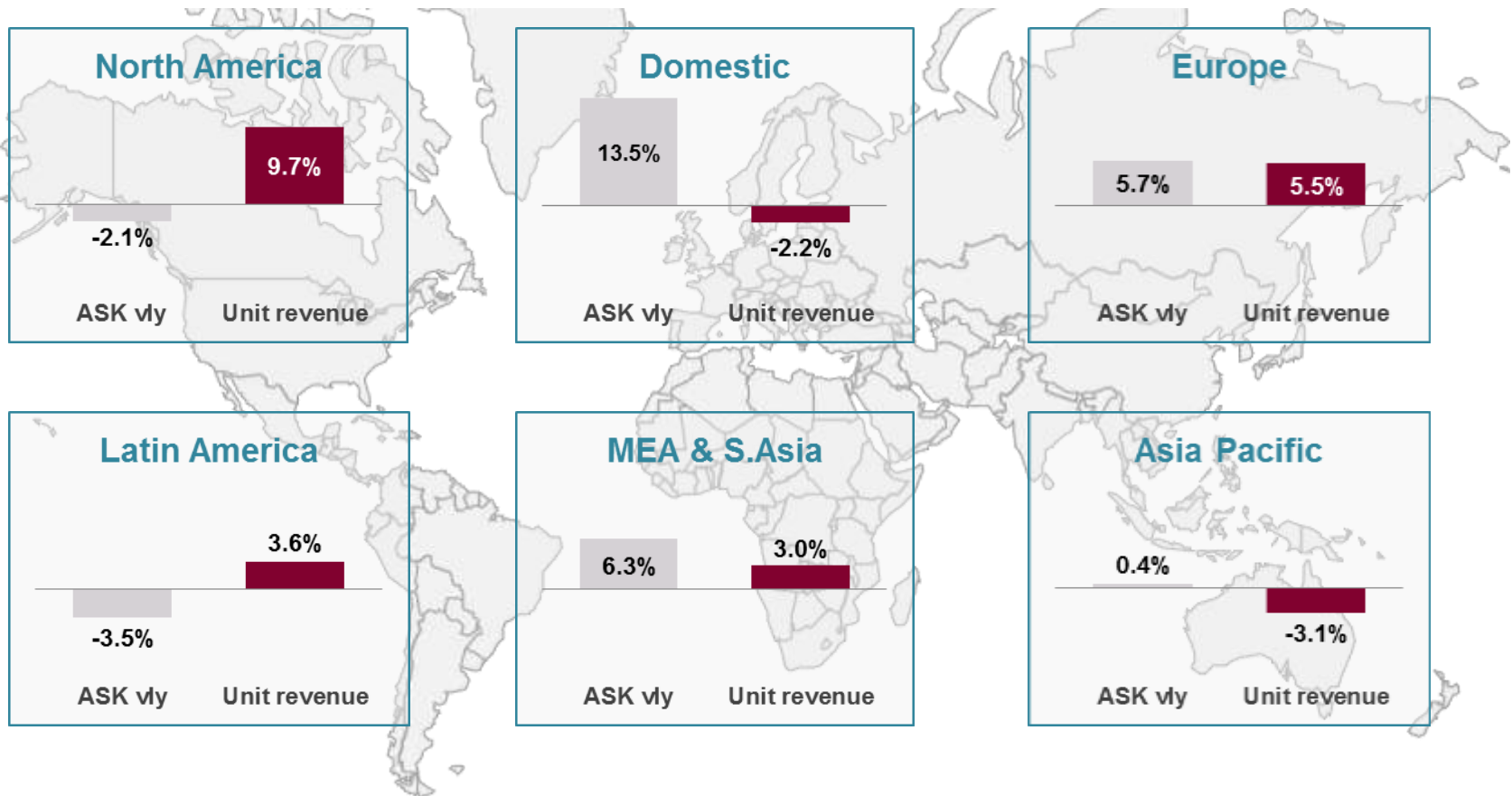


Cargo revenue per CTK at constant FX,  
rolling 12 months, € cents



# Q4 regional performance

% change in passenger unit revenue at constant FX



# Q4 cabin mix development

Premium unit revenue\* and volume : % vly



■ Premium passenger rev per ASK  
— Premium RPK change

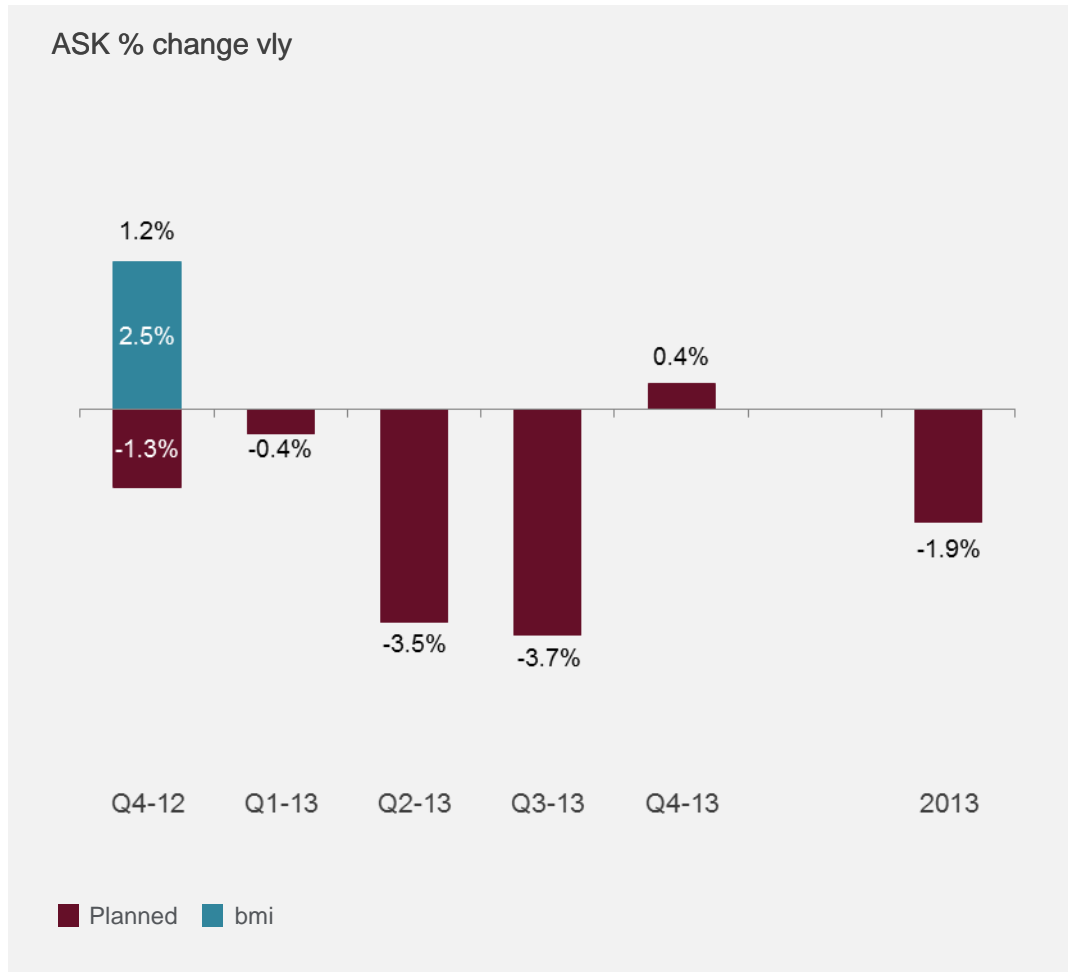
Non premium unit revenue\* and volume : % vly



■ Non premium passenger rev per ASK  
— Non premium RPK change






\* Note revenue includes bmi; revenue at constant currency

# Capacity plan 2013



- Planned 2013 capacity reduction of almost 2%
- Q1 impacted by Iberia strike - 5 days to date, or additional 0.3% reduction to IAG ASKs

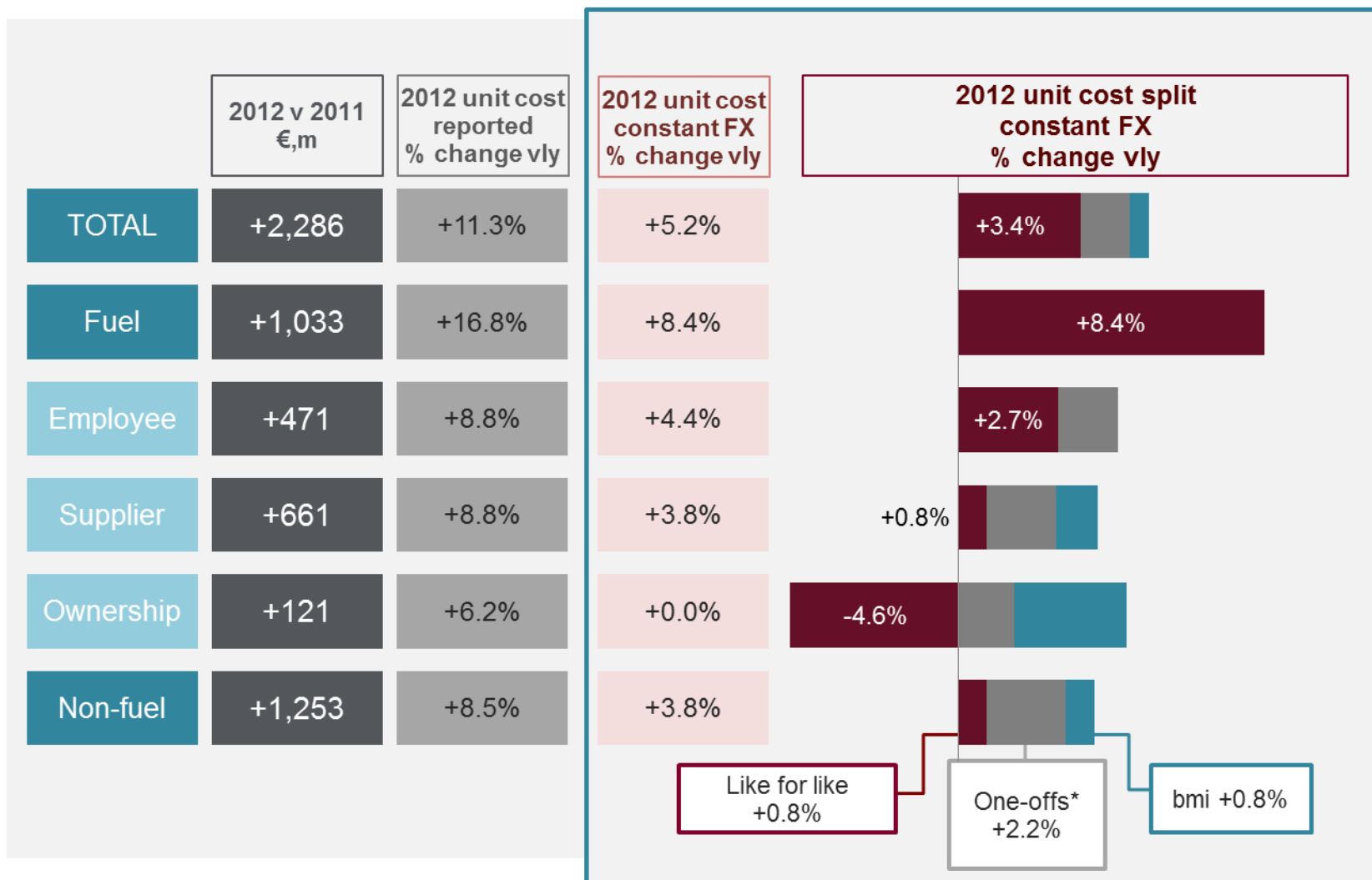
# Underlying unit revenue environment

	Short haul	Long haul
Non premium	 Competitive	 Stable
Premium	 Soft	 Stable
Cargo		 Weak

- Premium outlook remains stable, particularly on North America
- Non-premium long haul segment stabilising, some regional disparity
- Short haul premium continues to be tough

# Cost and cash flow trends

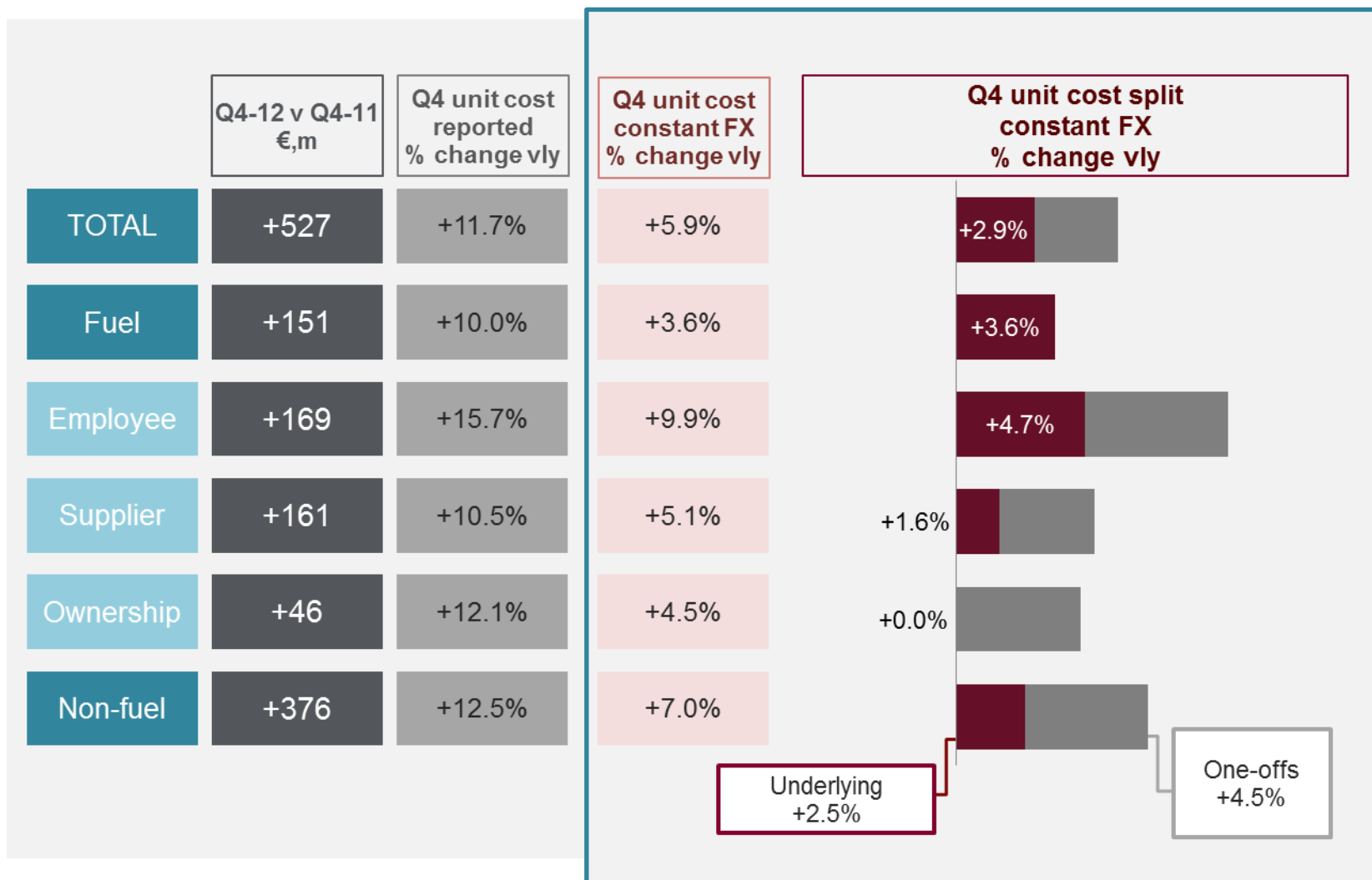
# Full year unit cost growth



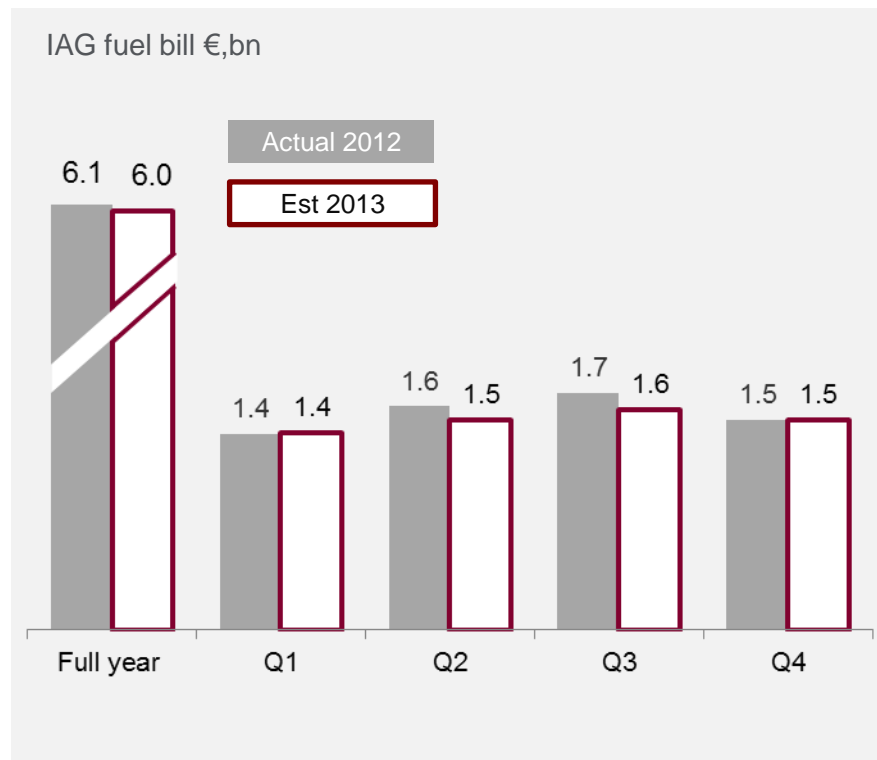
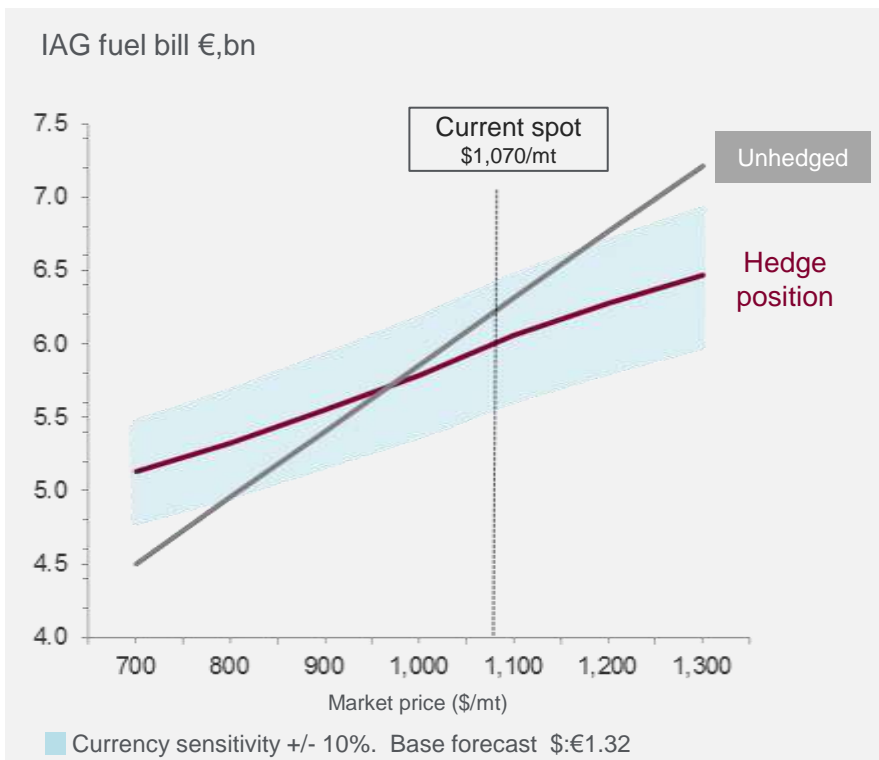
\* One-offs include strike impact in total and non-fuel levels; not allocated within employee, supplier or ownership



# Q4 unit cost growth



# Fuel hedging & guidance: 2013



Current fuel hedging (%)

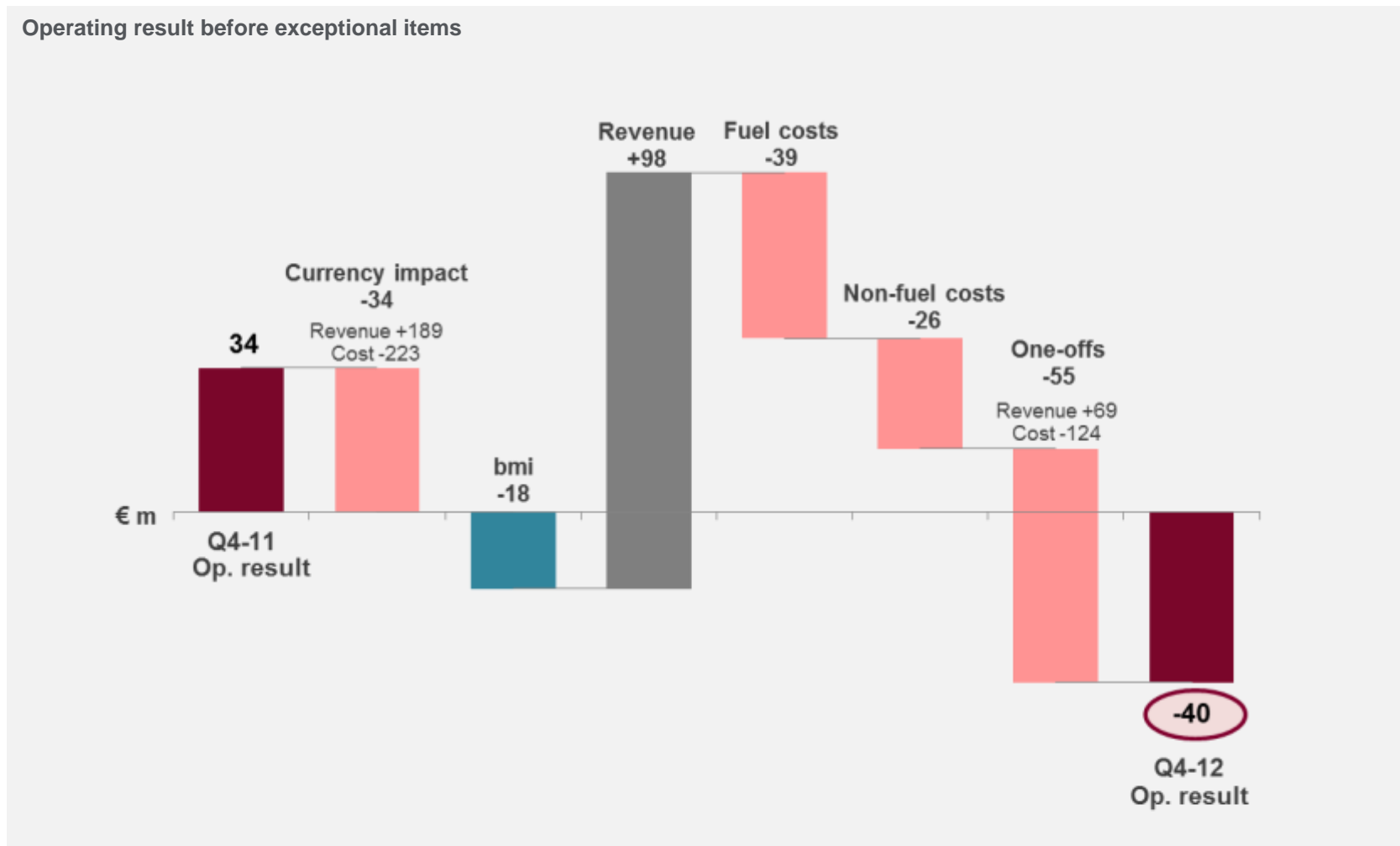
Q1-13	Q2-13	Q3-13	Q4-13	Fwd12m
85%	76%	58%	43%	60%

Blended price (\$/mt)

Q1-13	Q2-13	Q3-13	Q4-13	FY2013
1,020	1,020	1,018	1,015	1,014

Blended price: average price paid for hedged and unhedged fuel

# Q4 operating result evolution



# Exceptional and non-operating items

# Exceptional and non-operating items

- Significant impact from exceptional and non-operating items
  - bmi integration costs
  - bmi Regional and bmibaby discontinued operations
  - Iberia restructure provisions
  - impairment of Iberia
  - net pensions financing charge, non-cash

# 2012 exceptional and non-operating items

	2012	
<b>Op. result</b>	<b>-23</b>	
<b>Exceptional operating items</b>		
bmi restructure	- 87	} → IMR note 5
Other	+ 42	
<b>Op. result pre Iberia items</b>	<b>- 68</b>	
Iberia restructure (provision)	- 202	} → IMR note 13
Iberia impairment	- 343	
<b>Op. result post exceptional items</b>	<b>- 613</b>	
	<b>2012</b>	
<b>Non-operating items</b>		
Gain on bargain purchase	+ 73	→ IMR note 3
Net pensions non-cash charge	- 266	→ IMR note 8
Net finance cost	- 211	→ IMR note 8
Other	20	
<b>Non-operating items</b>	<b>-384</b>	

Net result for year also includes €112 million tax credit and also a €38 million loss from discontinued operations

# Iberia transformation charges

- Restructuring charge reflects the initial restructuring of Iberia, approved by the Board to date
- €202 million exceptional provision in addition to existing €68 million redundancy provision
- 30-day employee consultation started 12 Feb 2013
- Social Plan launched
- Impairment tests result in Iberia write-downs

Restructure provision	
Existing provision	- 68
Additional	- 202
	<b>- 270</b>

Intangible assets	Impairment	Value at Dec'12
Goodwill	- 249	0
Brand	- 79	227
Other	- 15	0
	<b>- 343</b>	<b>227</b>

# Non operating items – pensions impact

## Accounting

- 2012 financing charge €266 million: impacted by APS asset ceiling test and decrease in 2011 AA corporate bond yields

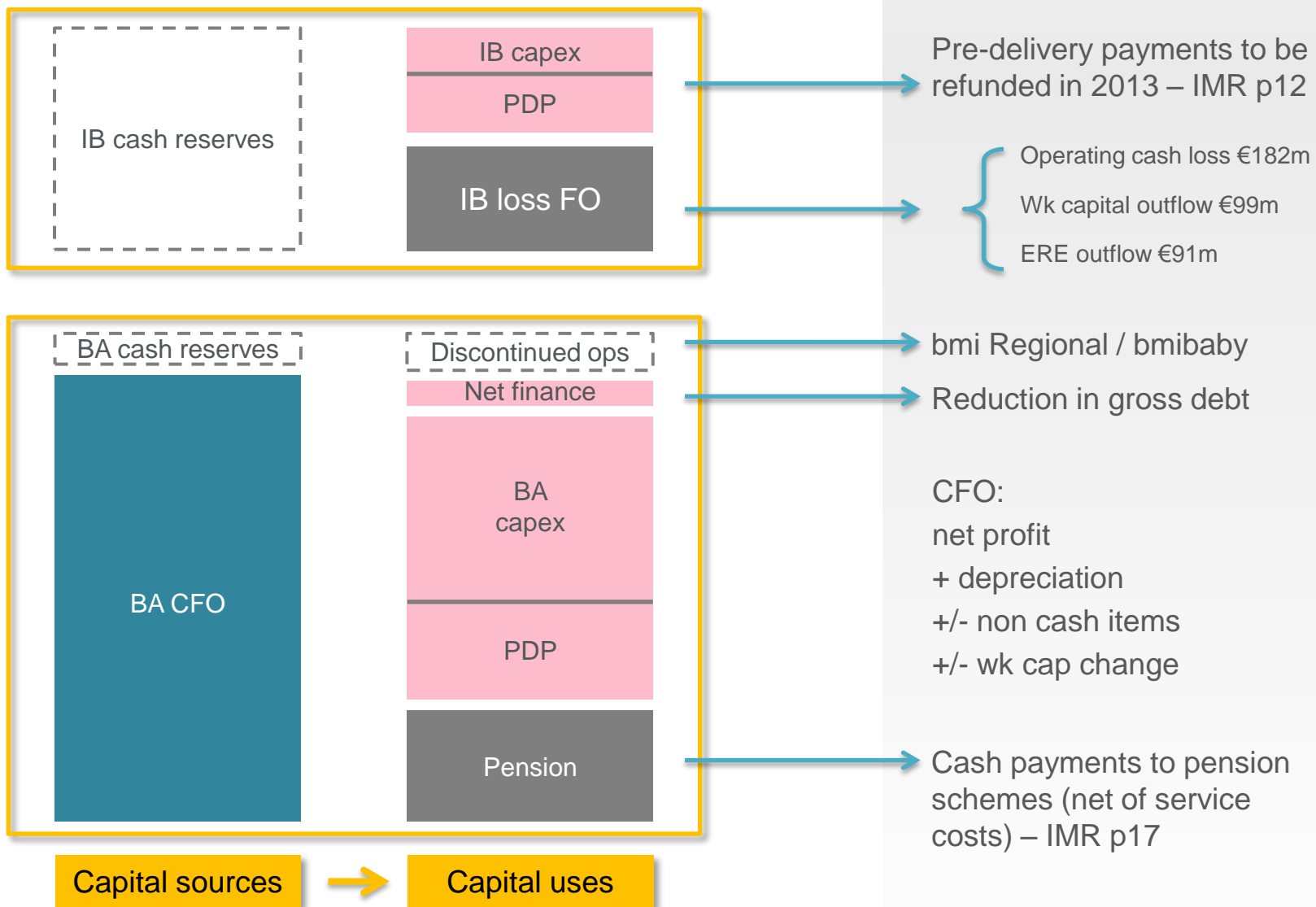
## Actuarial

- Triennial review underway, to be finalised by 30 June 2013
- March 2010 deficit was £3.2 billion
- Based on assumptions agreed in 2010, deficit would be around £2.9 billion at March 2012 and £2.1 billion today
- Negative interest rate impact offset by CPI-based pension increases
- Not expecting change in contributions agreed at the last valuation



# Balance Sheet

# 2012 IAG cash evolution



# Balance sheet summary

€m	Dec 2012	Dec 2011
<b>Equity</b>	<b>5,055</b>	<b>5,686</b>
Gross debt	4,798	4,883
Cash, cash equivalents & interest bearing deposits	2,909	3,735
On balance-sheet net debt	<b>1,889</b>	<b>1,148</b>
<b>Gearing</b>	<b>27%</b>	<b>17%</b>
Aircraft lease cap (x8)	3,456	3,224
Adjusted net debt	<b>5,345</b>	<b>4,372</b>
<b>Adjusted gearing</b>	<b>51%</b>	<b>44%</b>

- Equity impacted by impairment of intangible assets
- Cash: BA £1.6 billion (Dec 11: £1.8 billion), Iberia €0.8 billion (Dec 11: €1.5 billion)

# Outlook for 2013

The outlook for 2013 will be impacted by the outcome of the Iberia transformation plan negotiations, and any associated costs and losses.

Subject to these, we would expect a better pre-exceptional operating result to the one achieved in 2011.

# Questions and Answers

# Disclaimer

Certain information included in these statements is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of the Company's Business Plan, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Company on the date of this report. All subsequent oral or written forward-looking statements attributable to IAG or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. The Company 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 Company's forward-looking statements 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 2011; this document is available on [www.iagshares.com](http://www.iagshares.com).