

IAG results presentation

Quarter Four 2016
24th February 2017



FY2016 financial summary

OPERATING PROFIT

€2,302m
(pre-Aer Lingus, pre-exceptional)

€2,535m
(reported, pre-exceptional)

+€200m
(reported change)

TOTAL UNIT REVENUE

-4.8%
(constant FX)

-4.5%
(pre-Aer Lingus, constant FX)

-9.8%
(reported)
(€1,781m Group FX drag)
(€532m OpCo FX tailwind)

PAX UNIT REVENUE

-5.4%
(constant FX)

-5.6%
(pre-Aer Lingus, constant FX)

-10.4%
(reported)

TRAFFIC/CAPACITY

ASKs: **+3.9%**
(pre-Aer Lingus)

ASKs: **+9.4%**
(reported)

RPKs: **+9.7%**
(reported)

TOTAL UNIT COST

-7.3%
(constant FX)

-6.8%
(pre-Aer Lingus, constant FX)

-10.8%
(reported)
(€1,523m Group FX benefit)
(€734m OpCo FX headwind)

EX-FUEL UNIT COST

+0.5%
(constant FX)

+0.9%
(pre-Aer Lingus, constant FX)

-4.1%
(reported)

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

Q4 financial summary

OPERATING PROFIT

€620m

(reported, pre-exceptional)

+€90m

(reported change)

TOTAL UNIT REVENUE

-3.1%

(constant FX)

-11.3%

(reported)

(€699m Group FX drag)
(€212m OpCo FX tailwind)

PAX UNIT REVENUE

-4.3%

(constant FX)

-12.7%

(reported)

TRAFFIC/CAPACITY

ASKs: +4.0%

(reported)

RPKs: +3.4%

(reported)

TOTAL UNIT COST

-6.3%

(constant FX)

-13.7%

(reported)

(€609m Group FX benefit)
(€210m OpCo FX headwind)

EX-FUEL UNIT COST

-0.8%

(constant FX)

-8.8%

(reported)

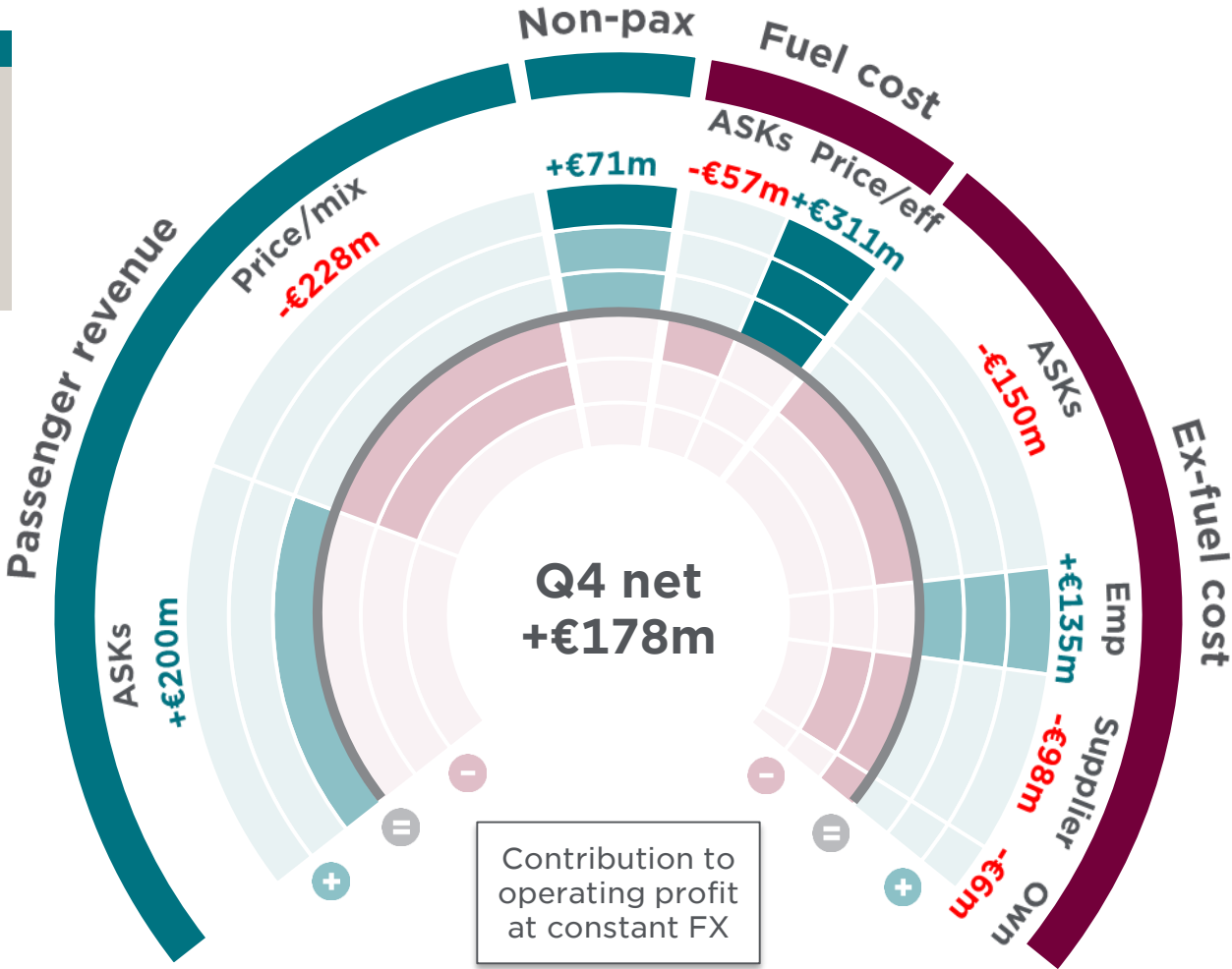
'Group FX' = drag/benefit from translation of GBP profits into EUR; 'OpCo FX' = FX headwind/tailwind at company level

Q4 operating profit drivers

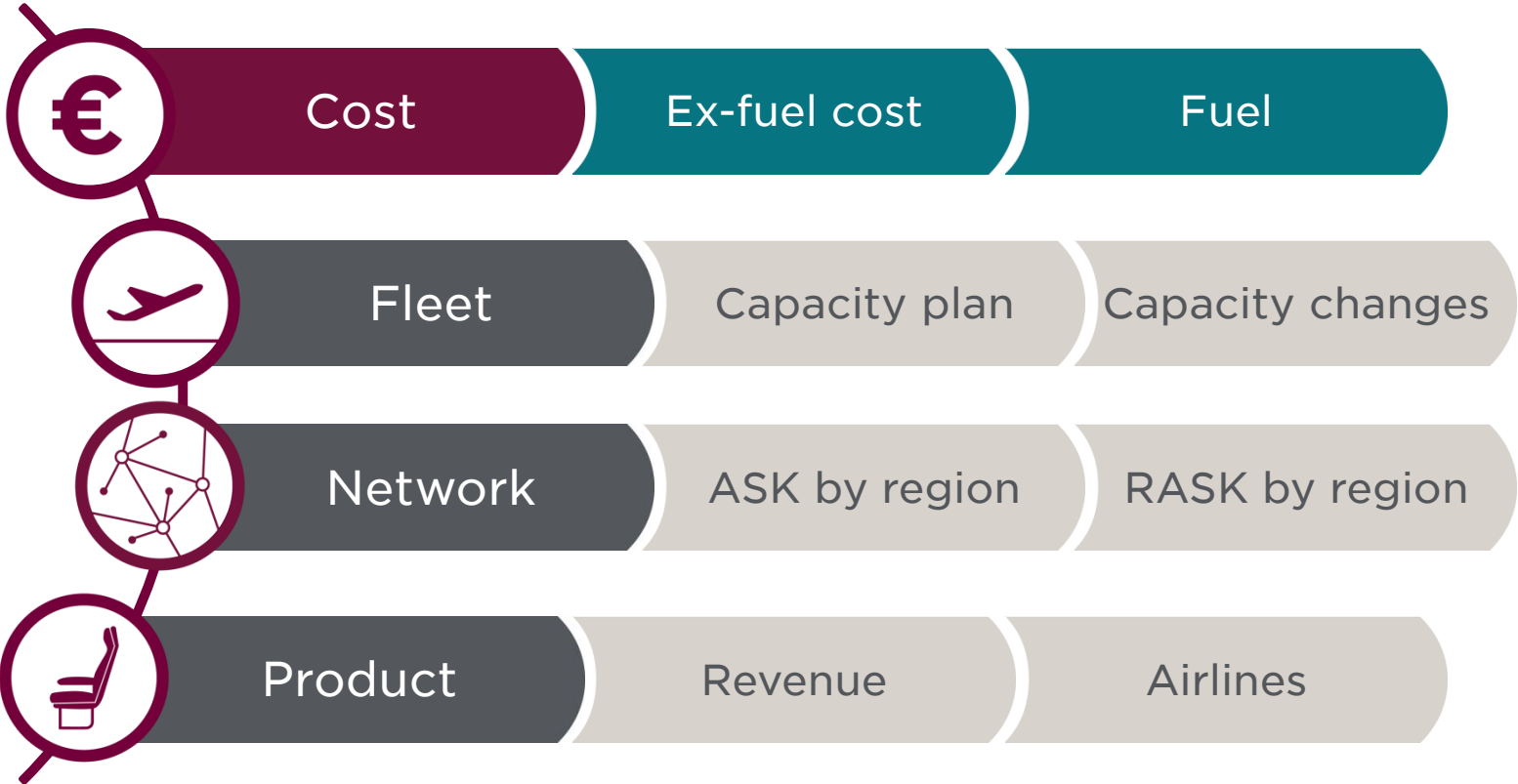
OPERATING PROFIT

€620m
(reported, pre-exceptional)

+€90m
(reported change)



Q4 results



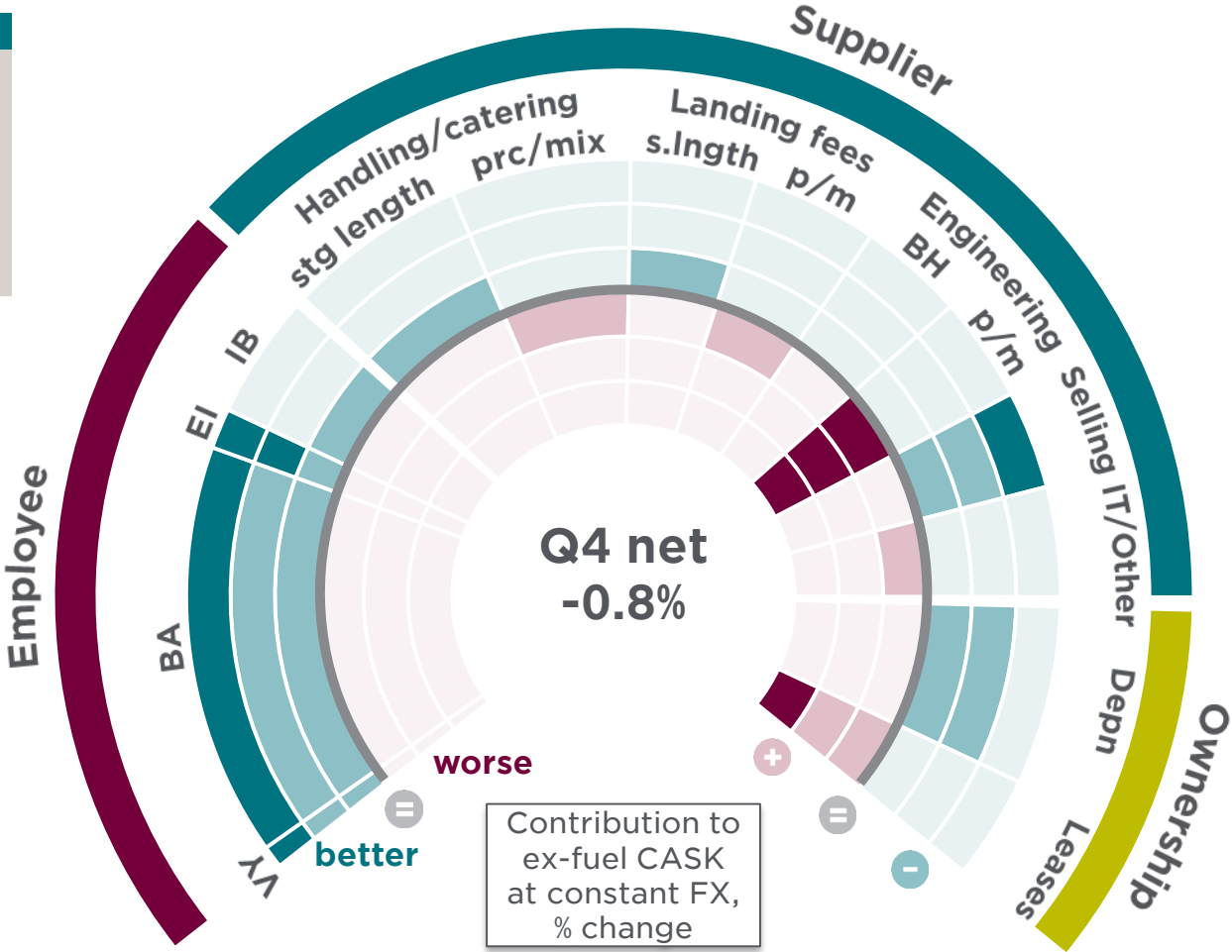
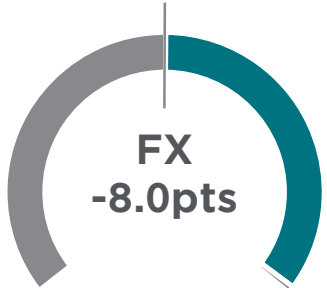
Q4 ex-fuel unit cost: further progress



EX-FUEL UNIT COST

-0.8%
(constant FX)

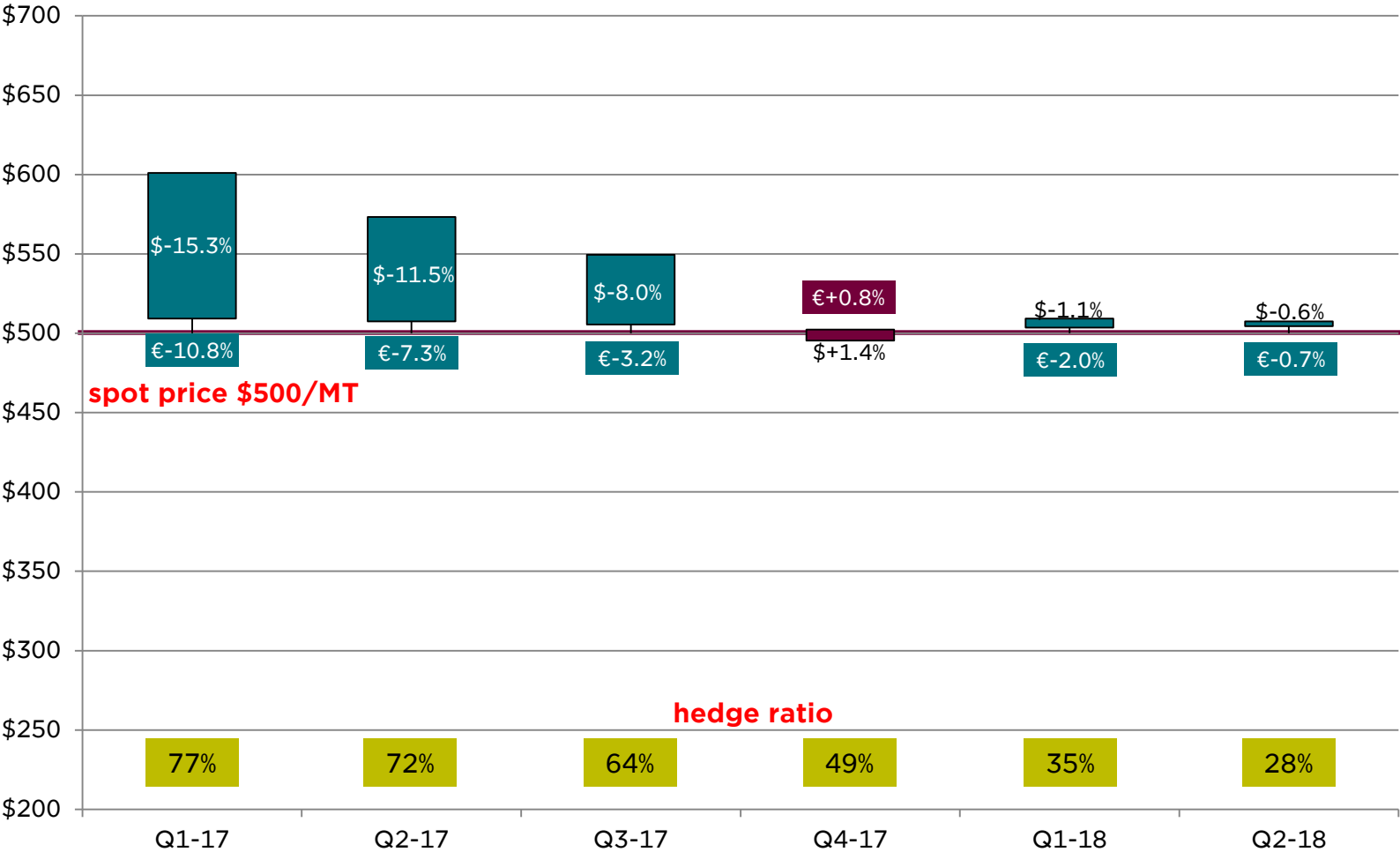
-8.8%
(reported)



Fuel scenario: detailed modelling in appendix



Jet fuel price (\$/MT)



spot price \$500/MT

hedge ratio

2017 fuel bill scenario - €4.7bn (at \$500/MT and 1.07\$/€)

Key:

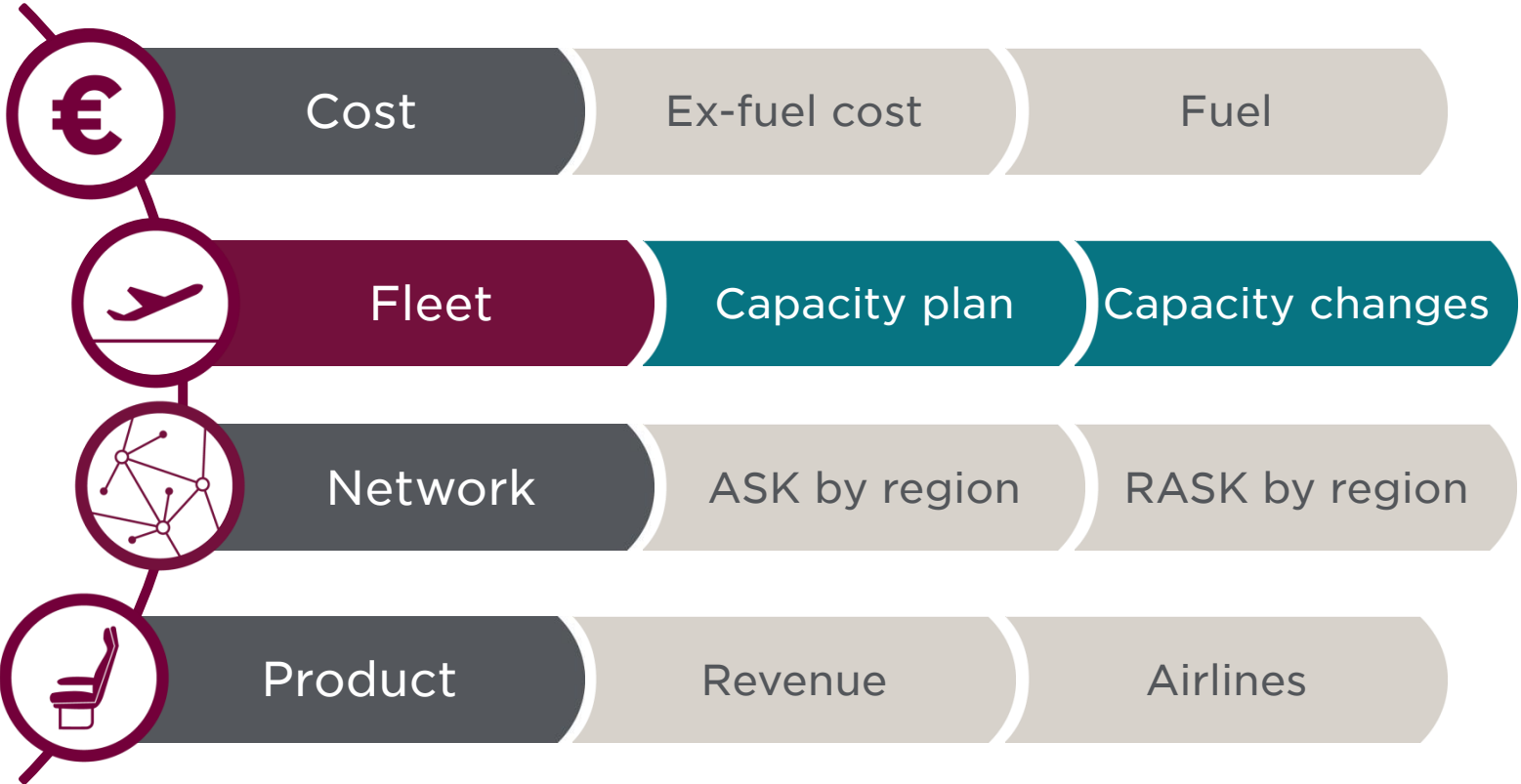
Effective blended price post fuel and FX hedging current year

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% = ±6% fuel cost at current hedging

Q4 results



2017 capacity growth and contributions

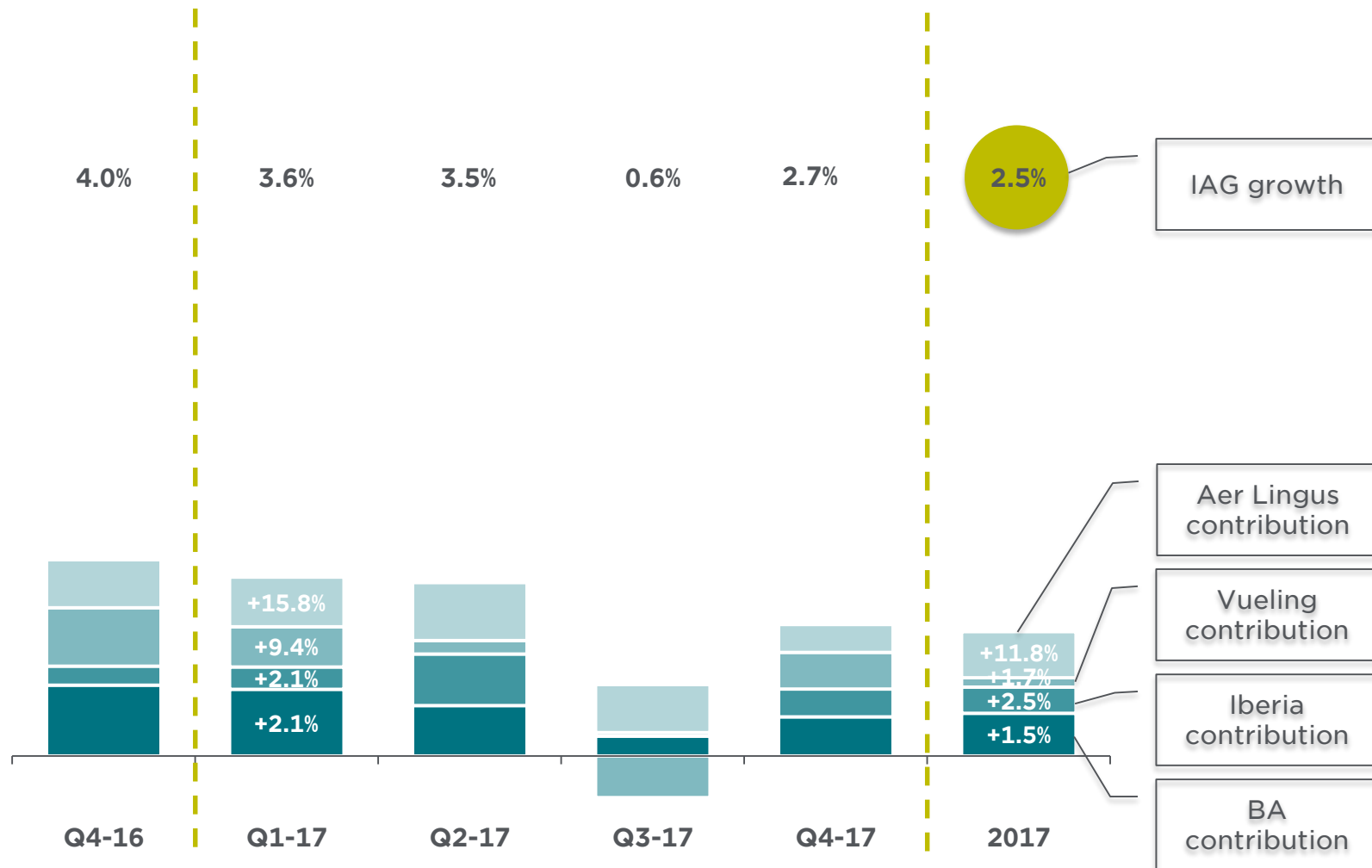


- **Aer Lingus:** Q1-17 and FY2017 capacity planned to be +15.8% and +11.8% respectively

- **Vueling:** Q1-17 and FY2017 capacity planned to be +9.4% and +1.7% respectively

- **Iberia:** Q1-17 and FY2017 capacity planned to be +2.1% and +2.5% respectively

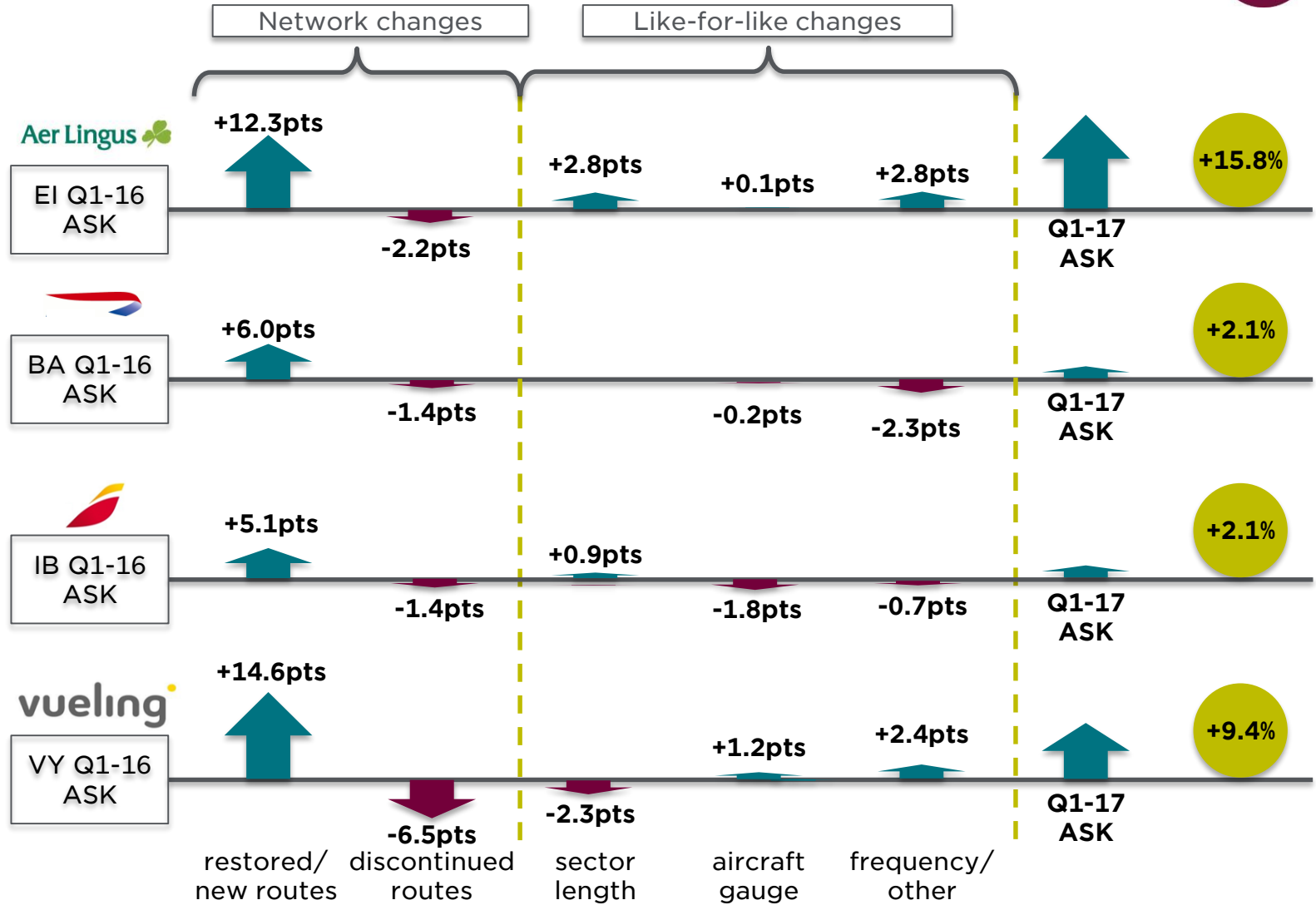
- **BA:** Q1-17 and FY2017 capacity planned to be +2.1% and +1.5% respectively



Q1-17 capacity growth drivers by airline

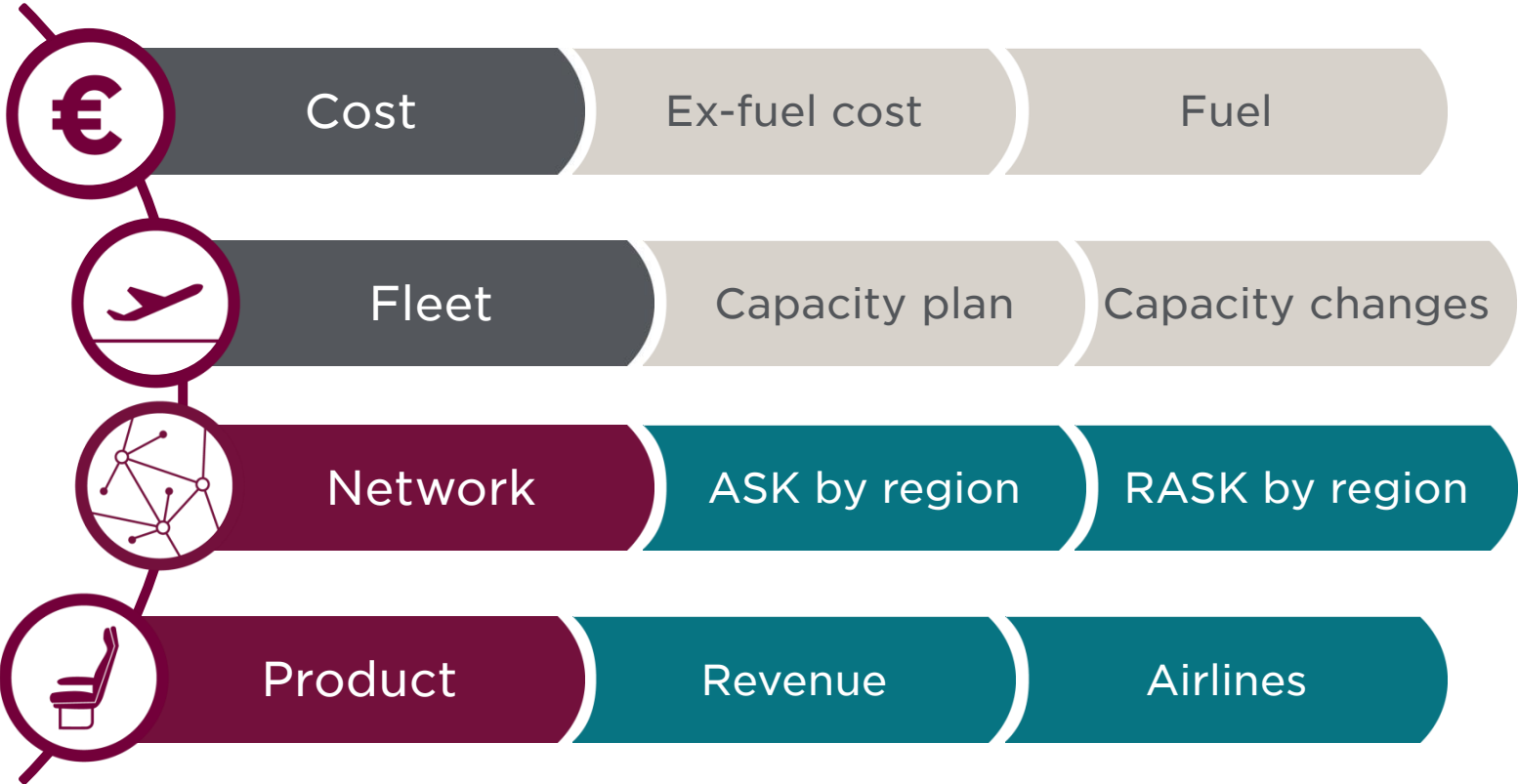


- New routes for EI: EWR, LAX, BDL
- New BA routes include: San Jose CA, LGW-JFK, Santiago de Chile
- IB restored/new routes driven by: Tokyo, Shanghai, and Johannesburg
- New routes for VY focussed on Zurich and Amsterdam
- BA frequency change driven by: LHR-JFK, Rio de Janeiro, Tel Aviv
- IB frequency change driven by: São Paulo and Rio de Janeiro

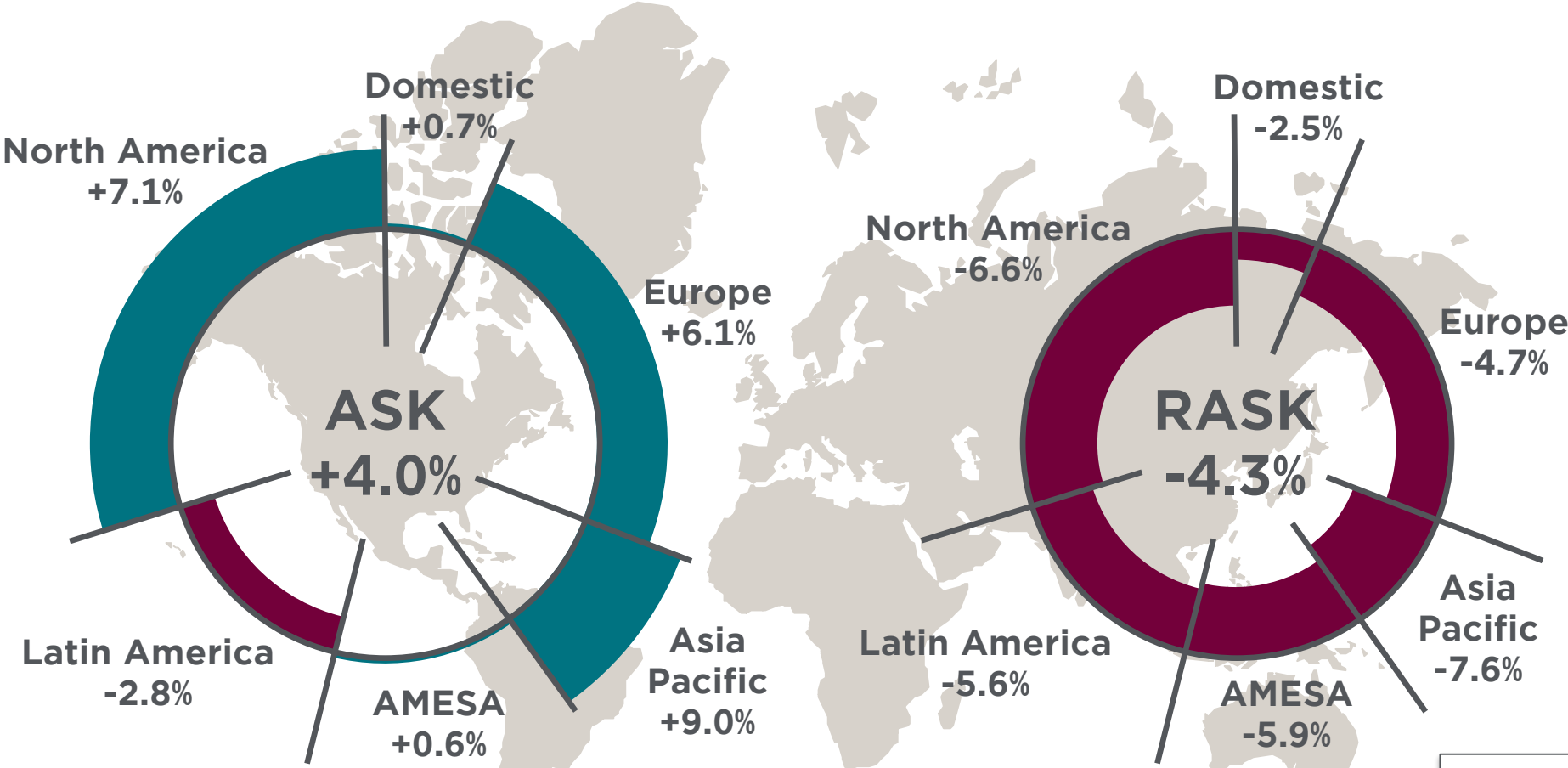


New routes are routes that were not operated for the whole period last year

Q4 results



Q4 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

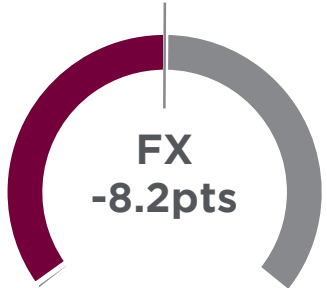
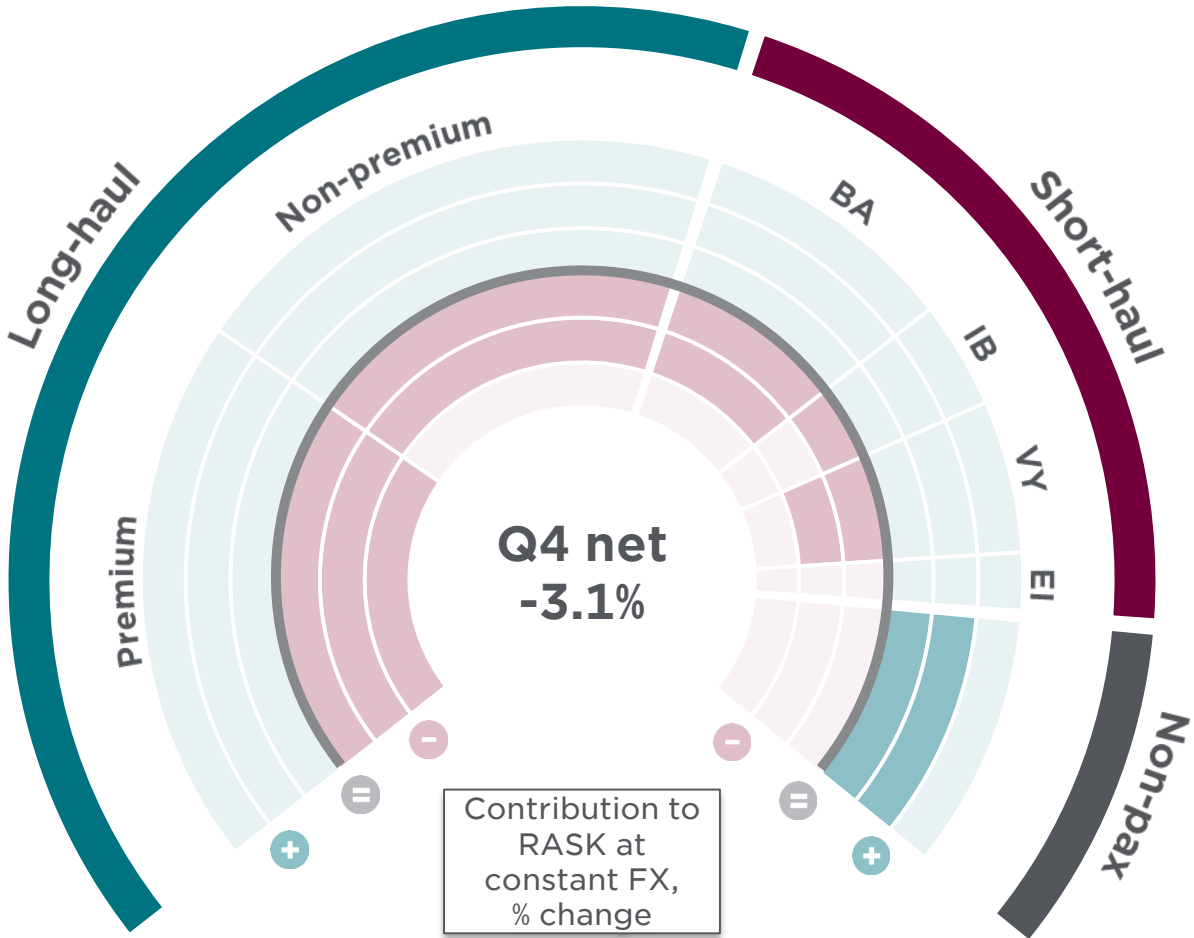
Q4 products: positive non-passenger revenue



TOTAL UNIT REVENUE

-3.1%
(constant FX)

-11.3%
(reported)
(€699m Group FX drag)
(€212m OpCo FX tailwind)



Financial performance at airline level



Aer Lingus 

BRITISH AIRWAYS 

IBERIA 

vueling 

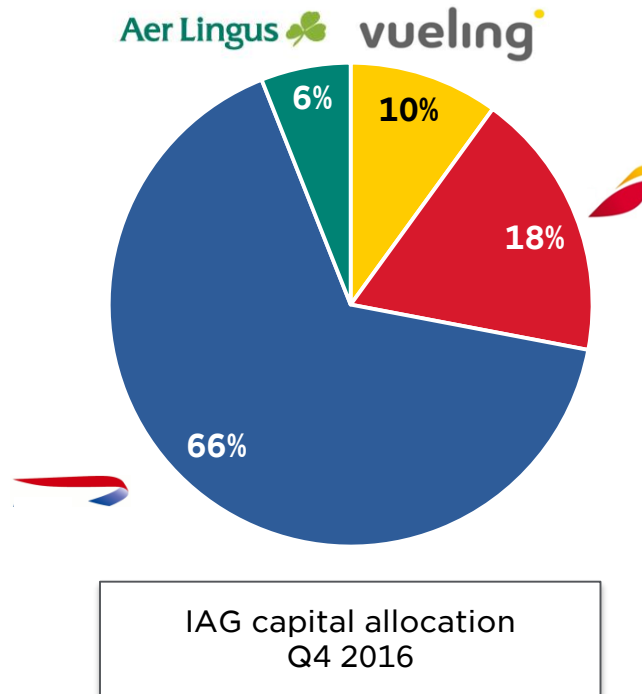
	FY 2016 (€m)	v/y	FY 2016 (£m)	v/y	FY 2016 (€m)	v/y	FY 2016 (€m)	v/y
Revenue	1,766	+2.8%	11,443	+1.2%	4,586	-2.4%	2,065	+5.2%
Cost	1,533	-3.8%	9,970	-0.8%	4,315	-3.7%	2,005	+11.3%
Operating result	233	+109	1,473	+223	271	+49	60	-100
Operating margin	13.2%	+5.9pts	12.9%	+1.8pts	5.9%	+1.2pts	2.9%	-5.3pts
Lease adjusted margin	14.3%	+5.8pts	13.3%	+1.9pts	7.6%	+1.2pts	6.7%	-5.1pts
ASK (m)	23,533	+9.6%	178,732	+2.6%	62,282	+4.0%	33,884	+11.2%
RPK (m)	19,194	+9.5%	145,170	+2.2%	51,064	+5.1%	28,046	+13.2%
Sector length (kms)	1,763	+7.4%	3,094	+0.1%	2,767	-1.6%	1,004	+1.8%
RASK	7.51	-6.0%	6.40	-1.3%	7.36	-6.2%	6.09	-5.4%
CASK	6.53	-12.2%	5.58	-3.3%	6.93	-7.4%	5.92	+0.1%
CASK ex-fuel	5.16	-8.1%	4.20	+4.1%	5.32	-1.4%	4.43	+6.4%
Employee cost per ASK	1.39	-9.6%	1.37	-3.8%	1.66	-3.4%	0.63	+6.2%

Aer Lingus lease adjusted margin includes an adjustment for the ownership element of wet leases.

Financial target tracker: profitability trend by airline

IAG

Op. margin: Q4 2016	13.1%
Op. margin trend vly	+2.8pts
Nml. margin: last 4Qs	11.9%
RoIC: last 4Qs	13.6%



vueling

Op. margin: Q4 2016	4.0%
Op. margin trend vly	+2.6pts
Nml. margin: last 4Qs	7.2%
RoIC: last 4Qs	7.3%

Op. margin: Q4 2016	10.0%
Op. margin trend vly	+3.7pts
Nml. margin: last 4Qs	7.3%
RoIC: last 4Qs	9.0%

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.

Aer Lingus

Op. margin: Q4 2016	6.0%
Op. margin trend vly	+7.8pts
Nml. margin: last 4Qs	14.2%
RoIC: last 4Qs	23.1%

Op. margin: Q4 2016	14.6%
Op. margin trend vly	1.8pts
Nml. margin: last 4Qs	12.5%
RoIC: last 4Qs	13.5%

From Q1 2016 British Airways and Iberia figures do not include Avios.

Below the line

Below the line: 26% growth in underlying EPS

€m	FY 2015	FY 2016
Operating profit (pre-exceptional)	2,335	2,535
Net finance income/expense	-252	-246
Other	-265	124
Profit before tax (pre-exceptional)	1,818	2,413
Tax	-279	-423
Profit after tax (pre-exceptional)	1,539	1,990
Fully diluted EPS (pre-exceptional) (€ cents)	71.4	90.2
Full year DPS (€ cents)	20.0	23.5

2016 includes a proposed final dividend of 12.5€ cents per share, subject to approval at the Annual General Meeting

Balance sheet

Balance sheet: further deleveraging

€m	Dec 2015	Sep 2016	Dec 2016
Gross debt	8,630	8,507	8,515
Cash, cash equivalents & interest bearing deposits	5,856	6,190	6,428
On balance sheet net debt	2,774	2,317	2,087
Aircraft lease capitalisation (x8)	5,736	5,720	6,072
Adjusted net debt	8,510	8,037	8,159
Adjusted net debt / EBITDAR	1.9x	1.8x	1.8x

€1bn cash return under way

€m	FY 2015	FY 2016
Operating profit before exceptional items	2,335	2,535
Depreciation, amortisation and impairment	1,307	1,287
EBITDA	3,642	3,822
Net interest	-149	-148
Cash tax paid	-245	-318
On balance sheet capex	-1,767	-1,301
Equity free cash flow	1,481	2,055
Interim, proposed and paid dividends relating to financial year	415	498
Intended share buyback		500

Outlook

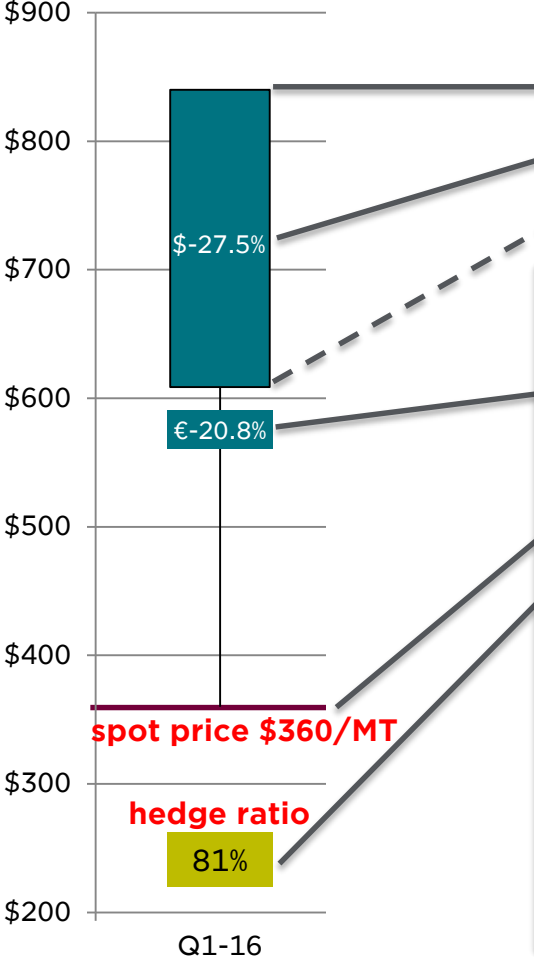
Guidance for FY2017

At current fuel prices and exchange rates, IAG expects its operating profit for 2017 to show an improvement year-on-year.

Appendix

Fuel modelling

Jet fuel price (\$/MT)

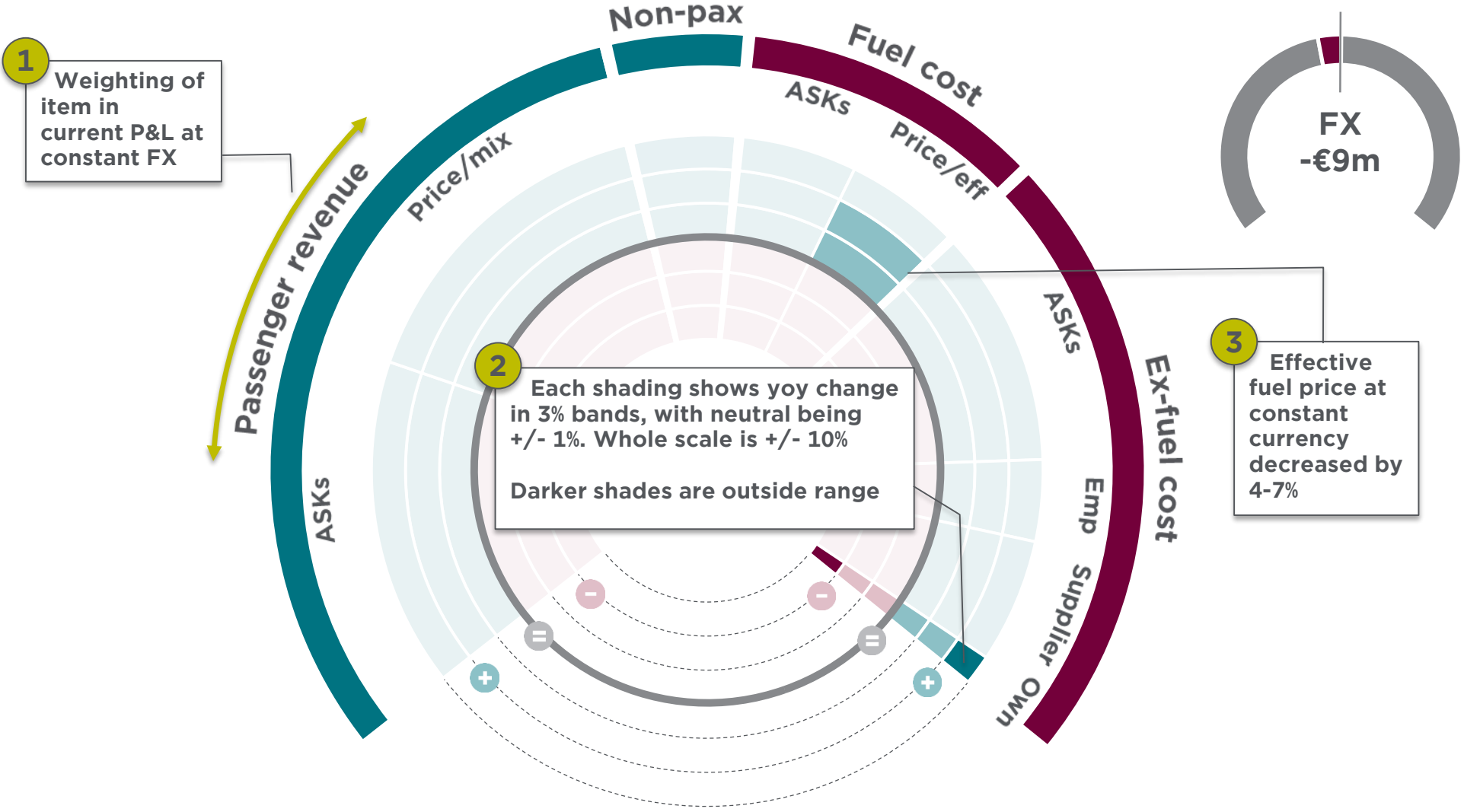


\$	50	A	intoplane costs
\$	840	B	Last year blended USD jet fuel price
(27.5%)		C	Latest guidance, current year USD jet fuel price benefit
\$	609	D	calc: $D = B \times (1 + C)$ [curr yr blended USD jet fuel price]
\$	1.10	E	Latest guidance EUR/USD scenario
€	599	F	calc: $F = (D + A) / E$ [curr yr blended 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: $K = (D - (1 - J) \times I) / J$ [implied hedge price]
\$	400	L	Your chosen modelling assumption for jet fuel spot
\$	617	M	calc: $M = K \times J + L \times (1 - J)$ [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 2015; these documents are available on www.iagshares.com.