IAG results presentation

Quarter One 2019

10th May 2019

INTERNATIONAL AIRLINES GROUP

Highlights

Willie Walsh, Chief Executive Officer

INTERNATIONAL AIRLINES GROUP

Good performance despite challenges

1Q 2019 financial highlights and outlook

- **A profitable quarter with operating profit of €135m (2.5% margin) but lower than €340m (6.8% margin) last year, both years based on IFRS 16:**
  - Profitable result despite significant fuel and FX headwinds, market capacity impacting yields and the timing of Easter
  - Passenger unit revenue declined 1.4% at constant currency
  - Further reduction in non-fuel unit cost by 0.6% at constant currency, in line with our target to lower non-fuel unit cost by 5% by 2023

- **Slight decline in RoIC (last 4 quarters) to 15.5% (-1.4 pts vs. end 2018) but ahead of target of 15%**

- **2019 full year guidance profit unchanged but with a slight change in mix of drivers:**
  - At current fuel prices and exchange rates, IAG expects its 2019 operating profit before exceptional items to be in line with 2018 pro forma. Passenger unit revenue is expected to be flat at constant currency and non-fuel unit cost is expected to improve at constant currency. We expect passenger unit revenue at constant currency to improve for the remainder of the year.
  - 2019 planned capacity growth of 5.3%, compared to 5.9% previously

- **Generous cash returns to shareholders, subject to shareholder approval at the Annual General Meeting on 20 June to be paid to shareholders on 8 July who are on the register on 5 July:**
  - Final dividend of 16.5 euro cents per share (c.€330m)
  - Special dividend of 35 euro cents per share (c.€700m)

Financial results

Enrique Dupuy, Chief Financial Officer

INTERNATIONAL AIRLINES GROUP

Profitable quarter

1Q 2019 financial summary

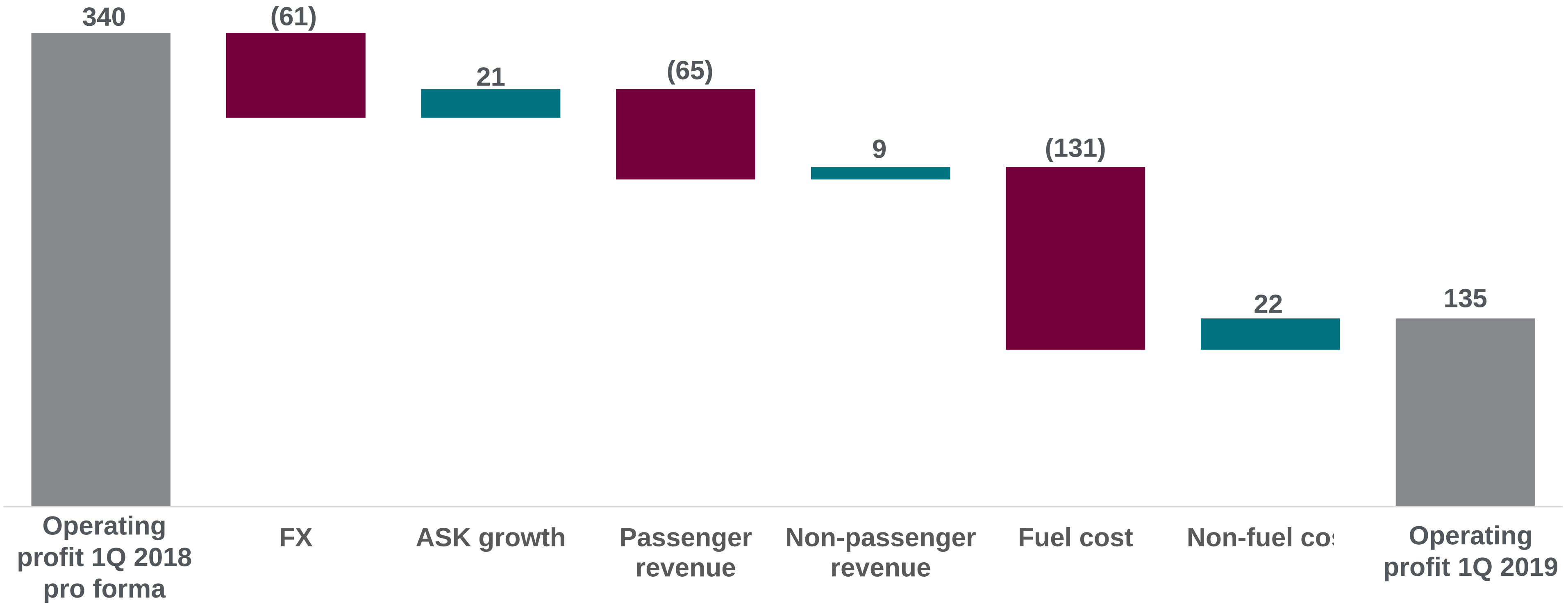
OPERATING PROFIT	TOTAL UNIT REVENUE	PAX UNIT REVENUE
€135m (reported before exceptional) **-€144m** (constant currency change) -€205m (change vs. 2018 pro forma)	-1.0% (constant currency) -0.2% (reported) (€1m translation drag) (€46m transaction tailwind)	**-1.4%** (constant currency) -0.8% (reported)

TRAFFIC/CAPACITY	TOTAL UNIT COST	NON-FUEL UNIT COST
ASKs: +6.1% (reported) RPKs: +6.4% (reported)	+2.2% (constant currency pro forma) +4.3% (change vs. 2018 pro forma) (€3m translation benefit) (€109m transaction headwind)	-0.6% (constant currency pro forma) **-2.0%** (constant FX, net of other revenue gain pro forma) +0.8% (change vs. 2018 pro forma)

‘Translation’ = drag/benefit from translation of British Airways and Avios financial results from GBP into EUR; ‘Transaction’ = FX headwind/tailwind at company level
2018 pro forma figures are the statutory results with an adjustment for IFRS 16 “Leases” from January 1, 2018.

Non-fuel cost performance offset by fuel, passenger revenue and FX

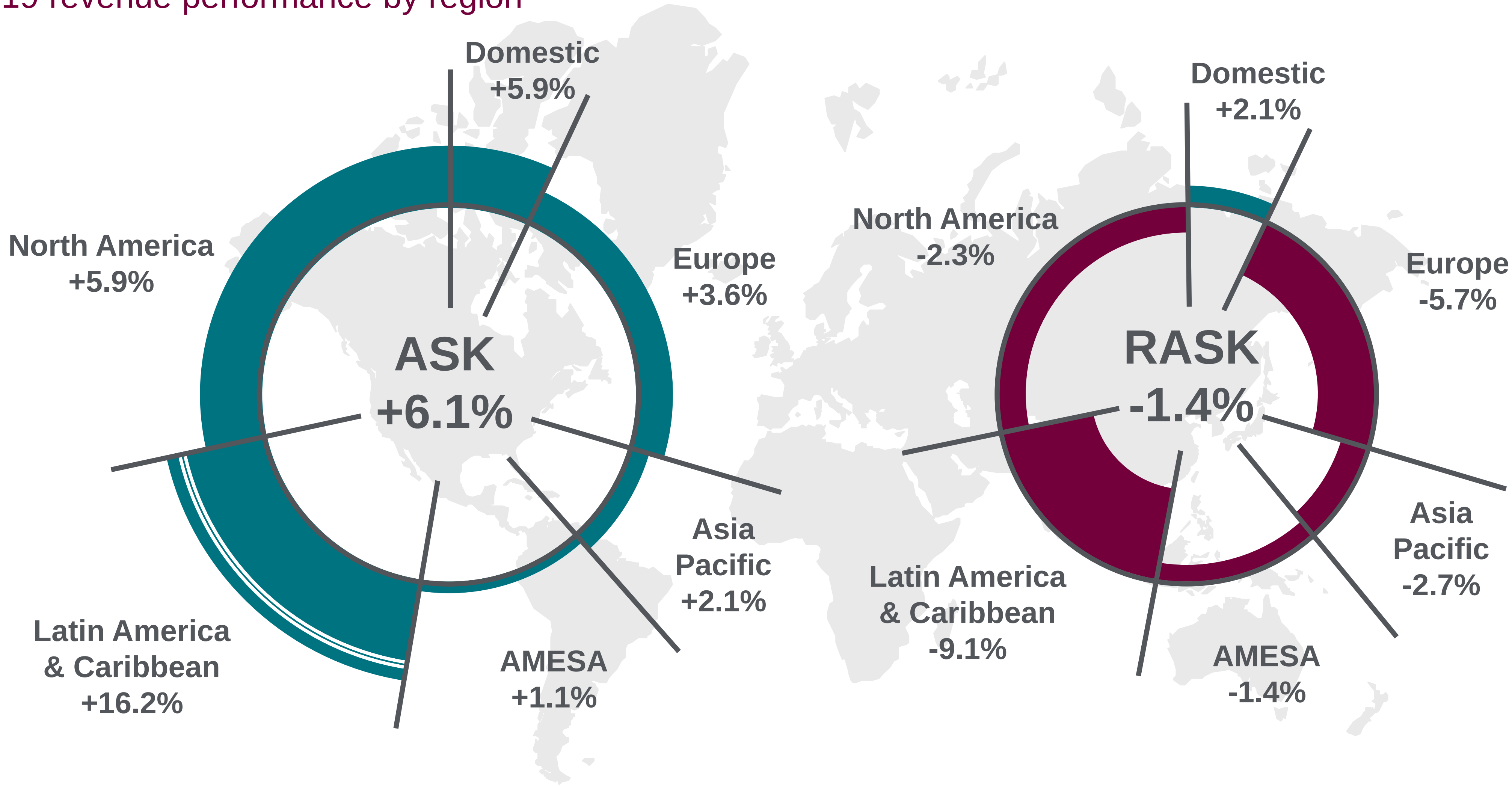
1Q 2019 operating profit contribution drivers



Passenger revenue contribution includes price and mix effects. Fuel cost contribution includes price and efficiency. Non-fuel contribution includes inflation and efficiency.
2018 pro forma figures are the statutory results with an adjustment for IFRS 16 “Leases” from January 1, 2018.

Unit revenue performance impacted mostly by Easter

1Q 2019 revenue performance by region



Regional data in the chart represents flown passenger revenue in unit terms at constant currency before transfer payments, Avios redemption and ancillaries

Continued improvement in non-fuel unit costs offset by fuel headwind

1Q 2019 non-fuel unit cost performance

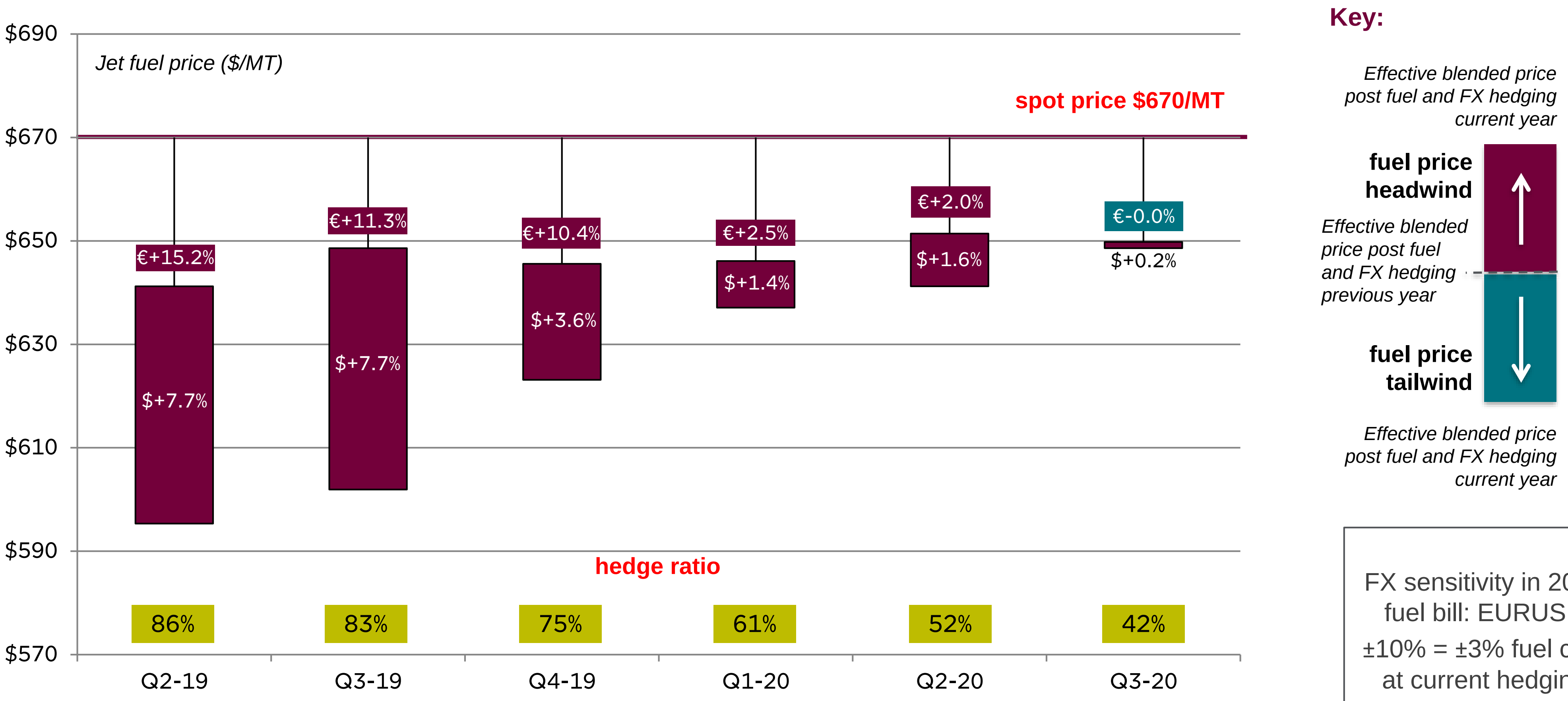
	1Q 2018 pro forma unit costs (€ cents)	1Q 2019 reported unit costs (€ cents)	% vly	% vly constant currency
Fuel	**1.56**	**1.81**	**+15.8%**	**+11.1%**
Employee	1.62	1.60	-1.7%	-1.9%
Supplier	2.72	2.78	+2.4%	-0.1%
Ownership	0.68	0.68	+0.1%	+0.1%
Non-fuel	**5.02**	**5.06**	**+0.8%**	**-0.6%**
TOTAL	**6.59**	**6.87**	**+4.3%**	**+2.2%**

-2.0% net of other revenue gain

2018 pro forma figures are the statutory results with an adjustment for IFRS 16 “Leases” from January 1, 2018.

Fuel headwind continues in 2019

Fuel scenario: detailed modelling in appendix



FX sensitivity in 2019 fuel bill: EURUSD ±10% = ±3% fuel cost at current hedging

2019 fuel bill scenario - €6.2bn (at $670/MT and 1.12$/€)

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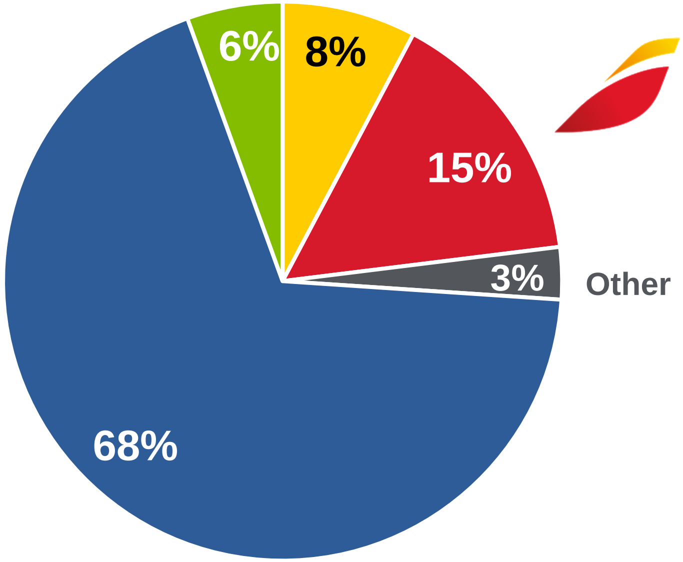
Slight decline in RoIC but remains ahead of 15% target

Financial target tracker: profitability trend by airline



IAG capital allocation 1Q 2019

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Op. margin: 1Q 2019	2.5%
Op. margin trend vly	-4.2pts
Nml. margin: last 4Qs	12.0%
RoIC: last 4Qs	15.5%

Aer Lingus

Op. margin: 1Q 2019	-9.4%
Op. margin trend vly	-7.9pts
Nml. margin: last 4Qs	12.6%
RoIC: last 4Qs	24.3%

IBERIA

Op. margin: 1Q 2019	-2.0%
Op. margin trend vly	-2.4pts
Nml. margin: last 4Qs	8.6%
RoIC: last 4Qs	15.6%

BRITISH AIRWAYS

Op. margin: 1Q 2019	7.6%
Op. margin trend vly	-2.3pts
Nml. margin: last 4Qs	13.5%
RoIC: last 4Qs	15.5%

vueling

Op. margin: 1Q 2019	-17.1%
Op. margin trend vly	-8.3pts
Nml. margin: last 4Qs	8.8%
RoIC: last 4Qs	14.1%

2018 pro forma figures are the statutory results with an adjustment for IFRS 16 "Leases" from January 1, 2018.

Nml. Margin: As above, adjusted for inflation, for comparability with Invested Capital
Average Invested Capital: Tangible Fleet and ROU Fleet assets NBV (inflation adjusted), Other PPE and Other ROU assets NBV and Software intangible assets NBV.

Leverage improved

Leverage

€m	March 2019	December 2018
Gross debt	12,706	12,704
Cash, cash equivalents & interest-bearing deposits	7,481	6,274
On balance sheet net debt / (cash)	5,225	6,430
Net debt / EBITDA	1.0x	1.2x

The prior year comparative is December 31, 2018 pro forma.
2018 pro forma figures are the statutory results with an adjustment for IFRS 16 “Leases”.

Most financial performance measures change as a result of IFRS 16

Performance measures	FY 2018 as reported	FY 2018 pro forma	Impacts of IFRS 16
PASK	6.63 € cents	6.63 € cents	No impact.
CASK ex-fuel	4.89 € cents	4.81 € cents	Lower due to exclusion of interest element of operating leases.
EBITDA(R) (margin)	€5,374m (22.0%)	€5,481m (22.5%)	Higher due to non-aircraft rental costs excluded (previously in property, IT and other costs). EBITDA replaces EBITDAR.
Operating profit (margin)	€3,230m (13.2%)	€3,485m (14.3%)	Higher due to exclusion of interest element of operating leases.
Lease adjusted operating profit (margin)	€3,524m (14.4%)	€3,485m (14.3%)	Similar. Same as operating profit under IFRS 16, therefore no longer need to make lease adjustment.
Normalised operating profit (margin)	€3,435m (14.1%)	€3,181m (13.0%)	Numerator of RoIC calculation. Lower due to inflation adjusted ROU aircraft depreciation and software intangible amortisation.
Adjusted EPS	117.7 € cents	114.9 € cents	Slightly lower in 2018 due to relatively young operating lease fleet resulting in relatively high lease finance cost. Overall impact of IFRS 16 over the long-term expected to be neutral.
Net debt	€8,355m	€6,430m	Adjusted net debt lower due to lease debt being less than 8x annual operating lease rentals used in previous definition. No need to adjust anymore.
Net debt to EBITDA(R)	1.55	1.17	EBITDA higher due to property rental finance costs excluded. No need to adjust debt anymore.
Equity free cash flow (EqFCF)	€1,801m	€1,801m	Unchanged due to overall cash flow unaffected by changes in accounting standard.
Return on Invested Capital (RoIC)	16.6%	16.9%	Slightly higher due to lower invested capital due to use of ROU assets rather than 8x capitalisation and use of average rather than ending invested capital, partly offset by addition of non-aircraft ROU assets and software and lower normalised operating profit.
Invested Capital	€20,669m	€18,772m	Previous definition based on invested capital at the end of the period. New definition based on the average of the start and end of the period.

Outlook

Willie Walsh, Chief Executive Officer

2019 capacity growth and contributions

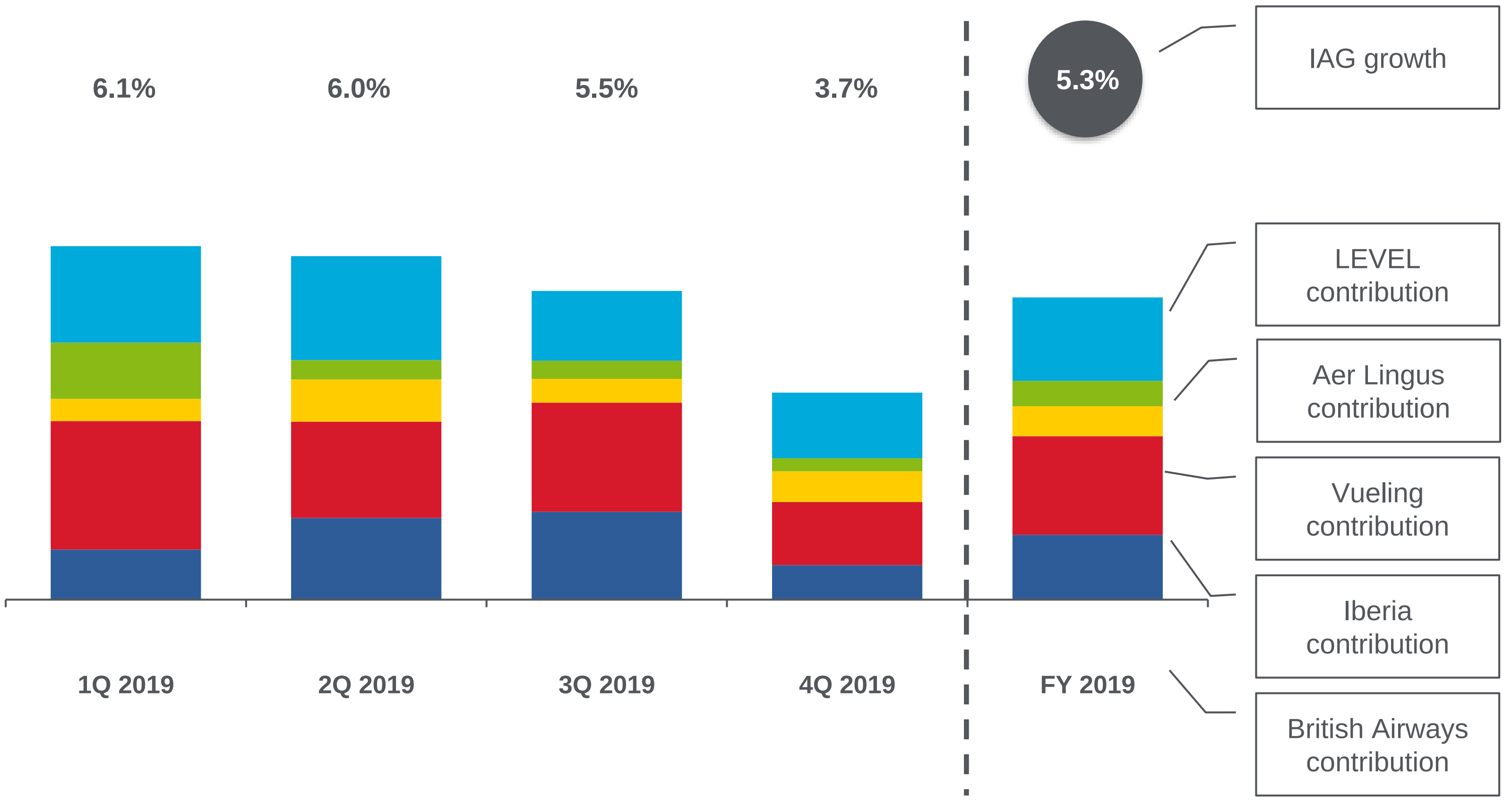
Aer Lingus: 2Q 2019 and FY 2019 capacity planned to be +3.6% and +5.1% respectively

British Airways: 2Q 2019 and FY 2019 capacity planned to be +2.6% and +2.0% respectively

Iberia: 2Q 2019 and FY 2019 capacity planned to be +8.5% and +8.5% respectively

LEVEL: 2Q 2019 and FY 2019 capacity planned to be +208.5% and +94.5% respectively

Vueling: 2Q 2019 and FY 2019 capacity planned to be +6.2% and +4.7% respectively



Guidance for FY2019

At current fuel prices and exchange rates, IAG expects its 2019 operating profit before exceptional items to be in line with 2018 pro forma. Passenger unit revenue is expected to be flat at constant currency and non-fuel unit cost is expected to improve at constant currency. We expect passenger unit revenue at constant currency to improve for the remainder of the year.

Appendices

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IFRS 16 – Impacts on equity free cash flow

Overall unchanged impact with an increase in EBITDA offset by lease finance costs and repayments of right of use lease liabilities

Equity free cash flow 2018 (€m)	2018 as reported	IFRS 16 Impact	2018 pro forma	Notes
Operating profit before exceptional items	3,230	255	3,485	Increase in operating profit due to reclassification of lease finance cost of right of use lease liabilities
Depreciation, amortisation and impairment	1,254	742	1,996	Aircraft right of use depreciation (€634m) and property and non-aircraft right of use depreciation (€108m)
EBITDA	**4,484**	**997**	**5,481**	**Increase in EBITDA due to exclusion of all operating lease rental costs**
Interest paid	(149)	(330)	(479)	Addition of aircraft lease finance cost (€294m) and property and non-aircraft lease finance cost (€36m)
Interest received	37	-	37	
Tax paid	(343)	-	(343)	
Acquisition of PPE and intangible assets	(2,802)	-	(2,802)	
Proceeds from sale of PPE and intangible assets	574	-	574	
Repayment of right of use liabilities	-	(667)	(667)	Aircraft lease principal repayment (€596m) and property and non-aircraft lease principal repayment (€71m)
Equity free cash flow	**1,801**	**-**	**1,801**	**Equity free cash flow is unchanged**

IFRS 16 – Impact on Return on Invested Capital (RoIC)

Overall slight increase in RoIC in 2018 under new definition

Return on Invested Capital 2018 (€m)	2018 as reported	Adjustment	2018 pro forma	Notes
EBITDA(R)	**5,374**	**107**	**5,481**	**Increase in EBITDAR due to exclusion of non-aircraft rentals**
Less: Aircraft operating lease cost multiplied by 0.67	(596)	596	-	No longer need to adjust for interest element of operating leases
Less: Depreciation charge for fleet assets multiplied by inflation adjustment				
Depreciation charge for fleet assets and ROU aircraft depreciation	(984)	(634)	(1,618)	Addition of ROU aircraft asset depreciation of €634m
Inflation adjustment	1.224	(0.03)	1.194	Average age of total fleet of 11.9 years vs. 13.6 of previous balance sheet fleet
	(1,205)	**(726)**	**(1,931)**	
Less: Depreciation charge for other PPE	(138)	-	(138)	
Less: Other ROU asset depreciation	-	(108)	(108)	ROU amortisation of leased other non-aircraft leases
Less: Software intangible amortisation	-	(123)	(123)	Software intangible assets are added for first time, note 14 annual report
Normalised operating profit	**3,435**	**(254)**	**3,181**	**Reduction in normalised operating profit**

Invested capital	**Ending**		**Average**	**Previous definition based on end 2018 IC, new definition based on average IC**
Fleet NBV & ROU aircraft excluding progress payments	9,721	3,534	13,255	Average of €13,058m (2017) and €13,451m (2018). Addition of ROU aircraft assets of €3,730m (2017: €3,783m)
Inflation adjustment	1.224	(0.03)	1.194	Average age of total fleet of 11.9 years vs. 13.6 of previous balance sheet fleet
	11,902	**3,921**	**15,823**	
NBV of other PPE and other ROU assets	1,647	796	2,443	Average of €2,483m (2017) and €2,402m (2018). Addition of right of use property and equipment assets of €755m (2017: €870m)
Aircraft operating lease costs multiplied by 8	7,120	(7,120)	-	8x capitalisation multiple of operating leases no longer applied
Net book value of software intangible assets	-	506	506	Average of €473m (2017) and €539m (2018). Source: note 14 of annual report
Total invested capital	**20,669**	**(1,897)**	**18,772**	**Lower total invested capital due to use of ROU assets rather than 8x capitalisation, partly offset by addition of non-aircraft ROU assets + software**
Return on Invested Capital	**16.6%**	**0.3%**	**16.9%**	**Slightly higher RoIC**

IFRS 16 – Financial statements impacts

This presentation contains a summary of the impacts of IFRS 16 on IAG's financial statements for 2018

- IAG applies the new accounting standard IFRS 16 'Leases' from 1 January 2019.
- This presentation contains a summary of the impacts of IFRS 16 on IAG's financial statements for 2018
  - Preliminary balance sheet – impact on adoption of IFRS 16 on 1 January 2019 (also in 2018 IAG Annual Report and Accounts, note 33)
  - Pro forma income statement for 2018
  - Pro forma cash flow statement for 2018
  - Pro forma quarterly income statements for 2018
- The information has not been audited, apart from the preliminary balance sheet on adoption of IFRS 16 at 1 January 2019.
- For 2018, pro forma pre-exceptional operating profit under IFRS 16 is higher than reported operating profit but pre-exceptional PBT is slightly lower due to right of use depreciation plus lease finance cost being higher than reported lease rental costs. There is no impact on net cash flow.
- In 2019, we intend to publish quarterly and full year pro forma income statements for 2018 alongside statutory information.

IFRS 16 'Leases' has been adopted from 1 January, 2019

The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. We have adopted the modified retrospective transition method which does not permit the restatement of the statutory comparator information (the 2018 income statement, balance sheet and cash flow statement). IAG has prepared a quarterly and full year pro forma income statement for 2018 which it intends to publish alongside its statutory information.

- The Group has a number of operating leases for assets including aircraft, property and other equipment.
- The main changes arising on the adoption of IFRS 16 will be as follows:

1) Interest-bearing borrowings and non-current assets will increase on implementation of the standard as obligations to make future payments under leases currently classified as operating leases will be recognised on the Balance sheet at their discounted present value, along with the related 'right-of-use' (ROU) asset. The Group has opted to use the practical expedients in respect of leases of less than 12 months duration and leases for low value items and excluded them from the scope of IFRS 16. Rental payments associated with these leases will continue to be recognised in the Income statement on a straight-line basis over the life of the lease.
2) There will be a reduction in expenditure on operations and an increase in finance costs as operating lease costs are replaced with depreciation and lease interest expense.
3) The adoption of IFRS 16 has required the Group to make a number of judgements, estimates and assumptions. These include:
    - The approach to be adopted on transition
    - The estimated lease term
    - The discount rate used to determine the present value of the lease liability
    - Terminal arrangements
    - Restoration obligations
4) For future reporting periods after adoption, foreign exchange movements on lease obligations, which are predominantly denominated in US dollars, will be remeasured at each balance sheet date, however the ROU asset will be recognised at the historic exchange rate. This will create volatility in the Income statement. The Group intends to manage this volatility as part of its risk management strategy.

IFRS 16 – Impact of adoption on preliminary balance sheet

Operating leases recognised on the balance sheet in the form of a right of use (ROU) asset (aircraft, property and equipment) and associated debt

Consolidated balance sheet 2018 (€m)	2018 as reported	IFRS 16 Impact	2018 pro forma	Notes
Non-current assets				
Fleet	10,790	3,730	14,520	Addition of right of use aircraft assets (around 280 out of 573 aircraft)
Property and equipment	1,647	755	2,402	Addition of right of use property and equipment assets
Deferred tax assets	536	130	666	
Other non-current assets	4,968	-	4,968	
Current assets				
Other current assets	10,093	(35)	10,058	Decrease in other current assets (lease prepayments)
Total assets	**28,034**	4,580	**32,614**	
Total equity	**6,720**	(550)	**6,170**	Reduction in equity due to discounted ROU liabilities more than depreciated ROU assets
Non-current liabilities				
Interest-bearing long term borrowings	6,633	4,315	10,948	Addition of right of use liabilities due after one year (discounted at incremental borrowing rate)
Deferred tax liability	453	(40)	413	
Provisions for liabilities and charges	2,268	120	2,388	Increase in restoration and handback provisions
Other non-current liabilities	910	(125)	785	Decrease in other non-current liabilities (deferred income on sale and leasebacks)
Current liabilities				
Current portion of long term borrowings	876	880	1,756	Addition of right of use liabilities due within one year
Other current liabilities	10,174	(20)	10,154	
Total liabilities	**21,314**	5,130	**26,444**	
Total equity and liabilities	**28,034**	4,580	**32,614**	

IFRS 16 – pro forma income statement before exceptional items

Increase in operating profit offset by increase in finance cost; impact on PBT slightly negative overall but in future subject to revaluation of ROU liabilities and related hedges due to currency

Consolidated income statement 2018 (€m)	2018 as reported	IFRS 16 Impact	2018 pro forma	Notes
Total revenue	**24,406**	-	**24,406**	
Employee costs	4,812	-	4,812	
Fuel, oil costs and emissions charges	5,283	-	5,283	
Other supplier costs	8,019	22	8,041	Mainly wet lease costs, offset by reduction in maintenance provisions.
Property, IT and other costs	918	(129)	789	Property and non-aircraft operating lease rentals recognised as depreciation and lease finance costs
EBITDAR	**5,374**	107	**5,481**	Increase in EBITDAR following reclassification of property and non-aircraft rentals
Aircraft operating lease costs	890	(890)	-	Aircraft operating lease rentals recognised as depreciation and lease finance costs
EBITDA	**4,484**	997	**5,481**	
Depreciation, amortisation and impairment	1,254	742	1,996	Aircraft ROU depreciation (€634m) and property and non-aircraft ROU depreciation (€108m)
Operating profit	**3,230**	255	**3,485**	
Net non-operating costs	(191)	(330)	(521)	Aircraft lease finance cost (€294m) and property and non-aircraft lease finance cost (€36m)
Revaluation of ROU lease liabilities[2]	-	-	-	Change in mark-to-market value of ROU liabilities (mainly in US dollars)
Gains/(losses) on hedges[2]	-	-	-	Change in mark-to-market value of hedges related to ROU liabilities
Profit before tax (before exceptional items)	**3,039**	**(75)**	**2,964**	PBT slightly negative overall due to relatively young lease portfolio (relatively high lease finance cost). Reported PBT will vary due to revaluation of ROU obligations and gains/(losses) on hedge accounting
Tax	(558)	16	(542)	
Profit after tax (before exceptional items)	**2,481**	**(59)**	**2,422**	

1. Adjustments have been translated at the actual quarterly exchange rates.
2. USD ROU lease liabilities and related hedges not retranslated in 2018 pro forma.

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IFRS 16 – pro forma cash flow statement

Overall neutral impact with an increase in net cash flows from operating activities offset by an increase in net cash outflows from financing activities

Consolidated cash flow statement 2018 (€m)	2018 as reported	IFRS 16 Impact	2018 pro forma	Notes
Cash flows from operating activities				
Operating profit after exceptional items	3,678	255	3,933	Increase in operating profit due to reclassification of lease finance cost of ROU lease liabilities
Depreciation, amortisation and impairment	1,254	742	1,996	Aircraft ROU depreciation (€634m) and property and non-aircraft ROU depreciation (€108m)
Movement in working capital	(64)	-	(64)	
Net interest (paid)/received	(112)	(330)	(442)	Aircraft lease finance cost (€294m) and property and non-aircraft lease finance cost (€36m)
Other operating items	(1,520)	-	(1,520)	
Net cash flows from operating activities	**3,236**	**667**	**3,903**	Increase in cash flows from operating activities of €667m
Net cash flows from investing activities	**(1,243)**	-	**(1,243)**	Cash flow from investing activities unchanged
Cash flows from financing activities				
Repayment of ROU liabilities	-	(667)	(667)	
Other financing items	(1,410)	-	(1,410)	
Net cash flows from financing activities	**(1,410)**	**(667)**	**(2,077)**	Increase in net cash outflows from financing activities of €667m
Net increase in cash and cash equivalents	**583**	**-**	**583**	
Net foreign exchange differences	(38)	-	(38)	
Cash and cash equivalents at 1 January	3,292	-	3,292	
Cash and cash equivalents at year end	**3,837**	**-**	**3,837**	Cash and cash equivalents unchanged

IFRS 16 – pro forma 2018 quarterly income statements before exceptional items (1Q, 2Q, 1H)

Consolidated Income Statement (€m) 2018	1Q reported	1Q pro forma	Change	2Q reported	2Q pro forma	Change	1H reported	1H pro forma	Change
Total revenue	**5,022**	**5,022**	**-**	**6,184**	**6,184**	**-**	**11,206**	**11,206**	**-**
Employee costs	1,154	1,154	-	1,219	1,219	-	2,373	2,373	-
Fuel, oil costs and emissions charges	1,112	1,112	-	1,325	1,325	-	2,437	2,437	-
Handling, catering and other operating costs	645	643	(2)	719	718	(1)	1,364	1,361	(3)
Landing fees and en-route charges	472	472	-	579	579	-	1,051	1,051	-
Engineering and other aircraft costs	391	388	(3)	431	438	7	822	826	4
Property, IT and other costs	207	176	(31)	239	205	(34)	446	381	(65)
Selling costs	271	271	-	263	263	-	534	534	-
Depreciation, amortisation and impairment	307	485	178	311	494	183	618	979	361
Aircraft operating lease costs	202	-	(202)	220	-	(220)	422	-	(422)
Currency differences	(19)	(19)	-	43	43	-	24	24	-
Operating profit	**280**	**340**	**60**	**835**	**900**	**65**	**1,115**	**1,240**	**125**
Finance costs	(48)	(132)	(84)	(63)	(147)	(84)	(111)	(279)	(168)
Other non-operating items	14	14	-	17	17	-	31	31	-
Profit before tax (before exceptional items)	**246**	**222**	**(24)**	**789**	**770**	**(19)**	**1,035**	**992**	**(43)**
Tax	(40)	(35)	5	(160)	(154)	6	(200)	(189)	11
Profit after tax (before exceptional items)	**206**	**187**	**(19)**	**629**	**616**	**(13)**	**835**	**803**	**(32)**

1. Adjustments have been translated at the actual quarterly exchange rates.
2. USD ROU lease liabilities and related hedges not retranslated in 2018 pro formas.

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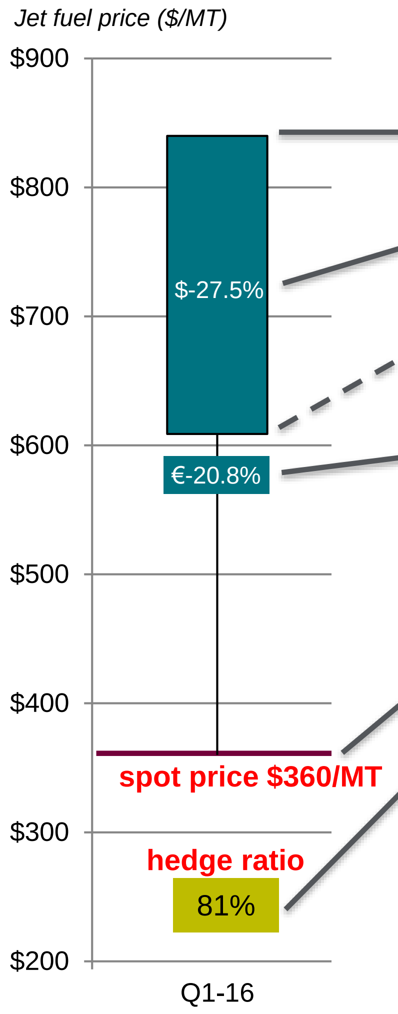
IFRS 16 – pro forma 2018 quarterly income statements before exceptional items (3Q, 4Q, FY)

Consolidated Income Statement (€m) 2018	3Q reported	3Q pro forma	Change	4Q reported	4Q pro forma	Change	FY reported	FY pro forma	Change
Total revenue	**7,140**	**7,140**	**-**	**6,060**	**6,060**	**-**	**24,406**	**24,406**	**-**
Employee costs	1,216	1,216	-	1,223	1,223	-	4,812	4,812	-
Fuel, oil costs and emissions charges	1,497	1,497	-	1,349	1,349	-	5,283	5,283	-
Handling, catering and other operating costs	790	787	(3)	734	733	(1)	2,888	2,881	(7)
Landing fees and en-route charges	618	618	-	515	515	-	2,184	2,184	-
Engineering and other aircraft costs	463	480	17	543	551	8	1,828	1,857	29
Property, IT and other costs	232	199	(33)	240	209	(31)	918	789	(129)
Selling costs	272	272	-	240	240	-	1,046	1,046	-
Depreciation, amortisation and impairment	310	500	190	326	517	191	1,254	1,996	742
Aircraft operating lease costs	241	-	(241)	227	-	(227)	890	-	(890)
Currency differences	41	41	-	8	8	-	73	73	-
Operating profit	**1,460**	**1,530**	**70**	**655**	**715**	**60**	**3,230**	**3,485**	**255**
Finance costs	(55)	(135)	(80)	(65)	(147)	(82)	(231)	(561)	(330)
Other non-operating charges	14	14	-	(5)	(5)	-	40	40	-
Profit before tax (before exceptional items)	**1,419**	**1,409**	**(10)**	**585**	**563**	**(22)**	**3,039**	**2,964**	**(75)**
Tax	(284)	(282)	2	(74)	(71)	3	(558)	(542)	16
Profit after tax (before exceptional items)	**1,135**	**1,127**	**(8)**	**511**	**492**	**(19)**	**2,481**	**2,422**	**(59)**

1. Adjustments have been translated at the actual quarterly exchange rates.
2. USD ROU lease liabilities and related hedges not retranslated in 2018 pro formas.

Fuel modelling



$ 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 x (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) x I) / J [implied hedge price]
$ 400	L	Your chosen modelling assumption for jet fuel spot
$ 617	M	calc: M = K x J + L x (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 $360/MT and 1.10$/€)

Disclaimer

Forward-looking statements:

Certain statements included in this announcement are forward-looking. These statements can be identified by the fact that they do not relate only to historical or current facts. By their nature, they involve risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Actual results could differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements can typically be identified by the use of words such as “expects”, “may”, “will”, “could”, “should”, “intends”, “plans”, “predicts”, “envisages” or “anticipates” or other words of similar meaning. They include, without limitation, any and all projections relating to the 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 expenditure and divestments relating to the Group and discussions of the Group’s business plan. All forward-looking statements in this announcement are based upon information known to the Group on the date of this announcement and speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the forward-looking statements in this announcement 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 Group’s risk management process is set out in the ‘Risk management and principal risk factors’ section in the Annual Report and Accounts 2018; these documents are available on www.iagshares.com. All forward-looking statements made on or after the date of this document and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section.