

IAG results presentation

Quarter Four 2014
27th February 2015



2014 full year financial summary

OPERATING PROFIT

€1,249m

(pre-Vueling, pre-exceptional items)

€1,390m

(reported, pre-exceptional items)

+€620m

(reported change)

TOTAL UNIT REVENUE

-0.6%

(pre-Vueling, constant FX, pre one-offs)

-2.0%

(constant FX)

-1.1%

(reported, €165m FX benefit)

PAX UNIT REVENUE

-0.4%

(pre-Vueling, constant FX, pre one-offs)

-0.4%

(constant FX)

+0.4%

(reported)

TRAFFIC/CAPACITY

ASKs: +5.3%

(pre-Vueling)

ASKs: +9.3%

(reported)

RPKs: +8.7%

(reported)

TOTAL UNIT COST

-4.0%

(pre-Vueling, constant FX)

-5.3%

(constant FX)

-4.1%

(reported, €234m FX drag)

EX-FUEL UNIT COST

-2.4%

(pre-Vueling, constant FX)

-3.9%

(constant FX)

-1.9%

(reported)

Q4 financial summary

OPERATING PROFIT

€260m

(reported, pre-exceptional items)

+€147m

(reported change)

TOTAL UNIT REVENUE

-1.3%

(constant FX, pre one-offs)

+0.1%

(constant FX)

+4.0%

(reported, €187m FX benefit)

PAX UNIT REVENUE

-0.7%

(constant FX, pre one-offs)

+0.9%

(constant FX)

+4.7%

(reported)

TRAFFIC/CAPACITY

ASKs: +5.8%

(reported)

RPKs: +6.4%

(reported)

TOTAL UNIT COST

-4.1%

(constant FX)

+1.0%

(reported, €238m FX drag)

EX-FUEL UNIT COST

-0.8%

(constant FX)

+4.3%

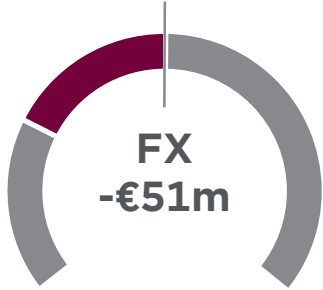
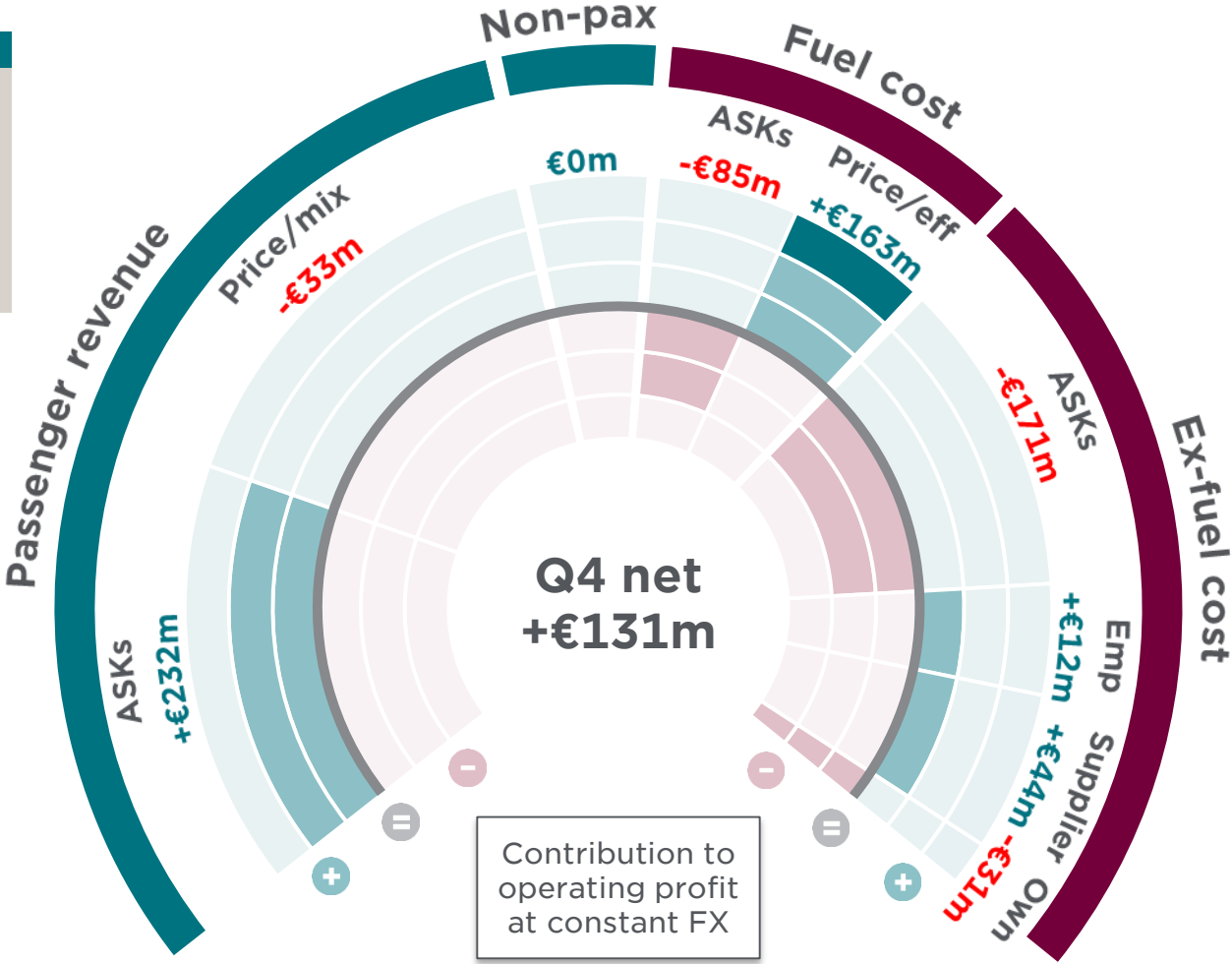
(reported)

Q4 operating profit drivers

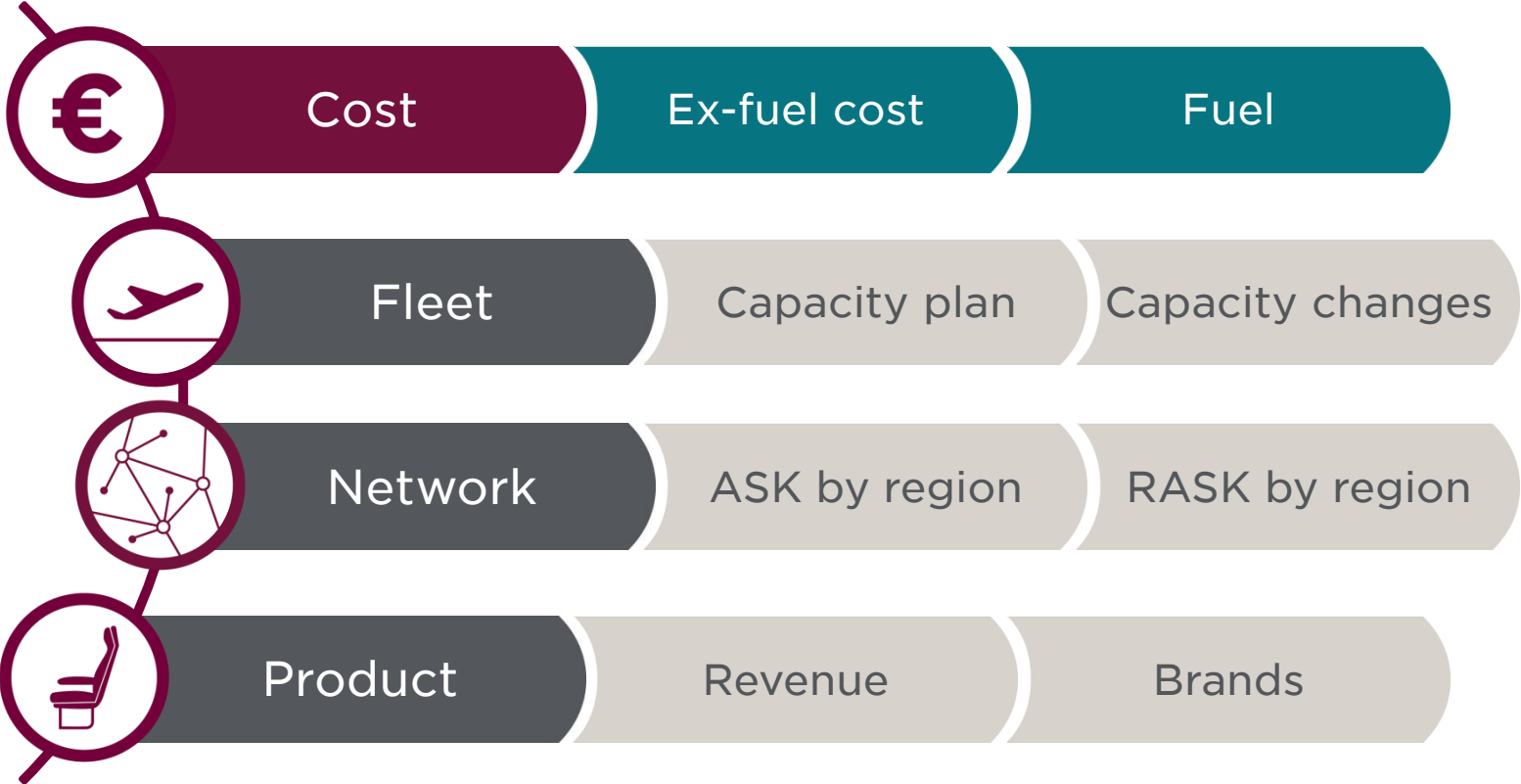
OPERATING PROFIT

€260m
(reported, pre-exceptional items)

+€147m
(reported change)



Q4 results



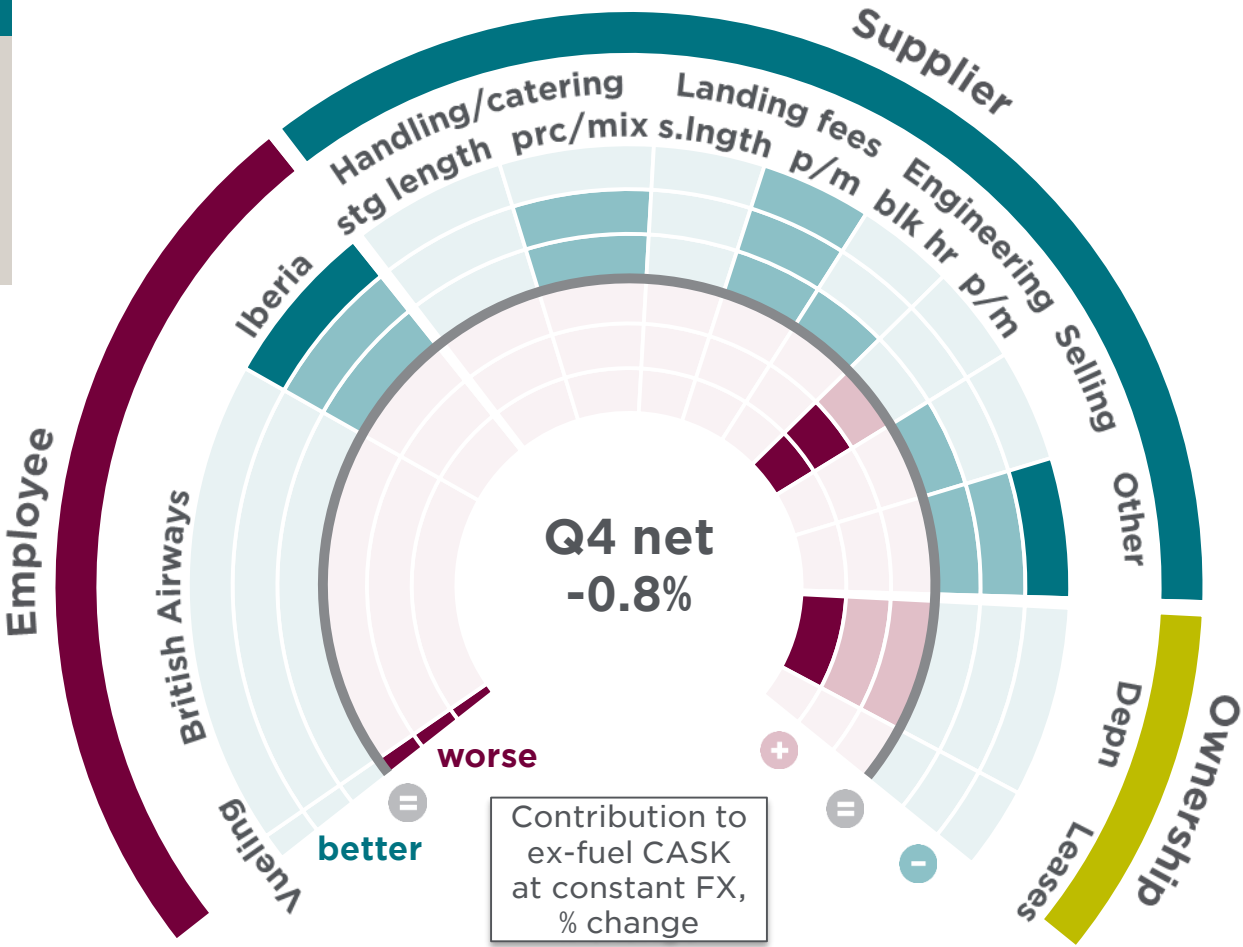
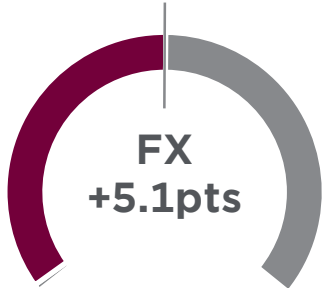
Q4 ex-fuel unit cost: continued progress from IB



EX-FUEL UNIT COST

-0.8%
(constant FX)

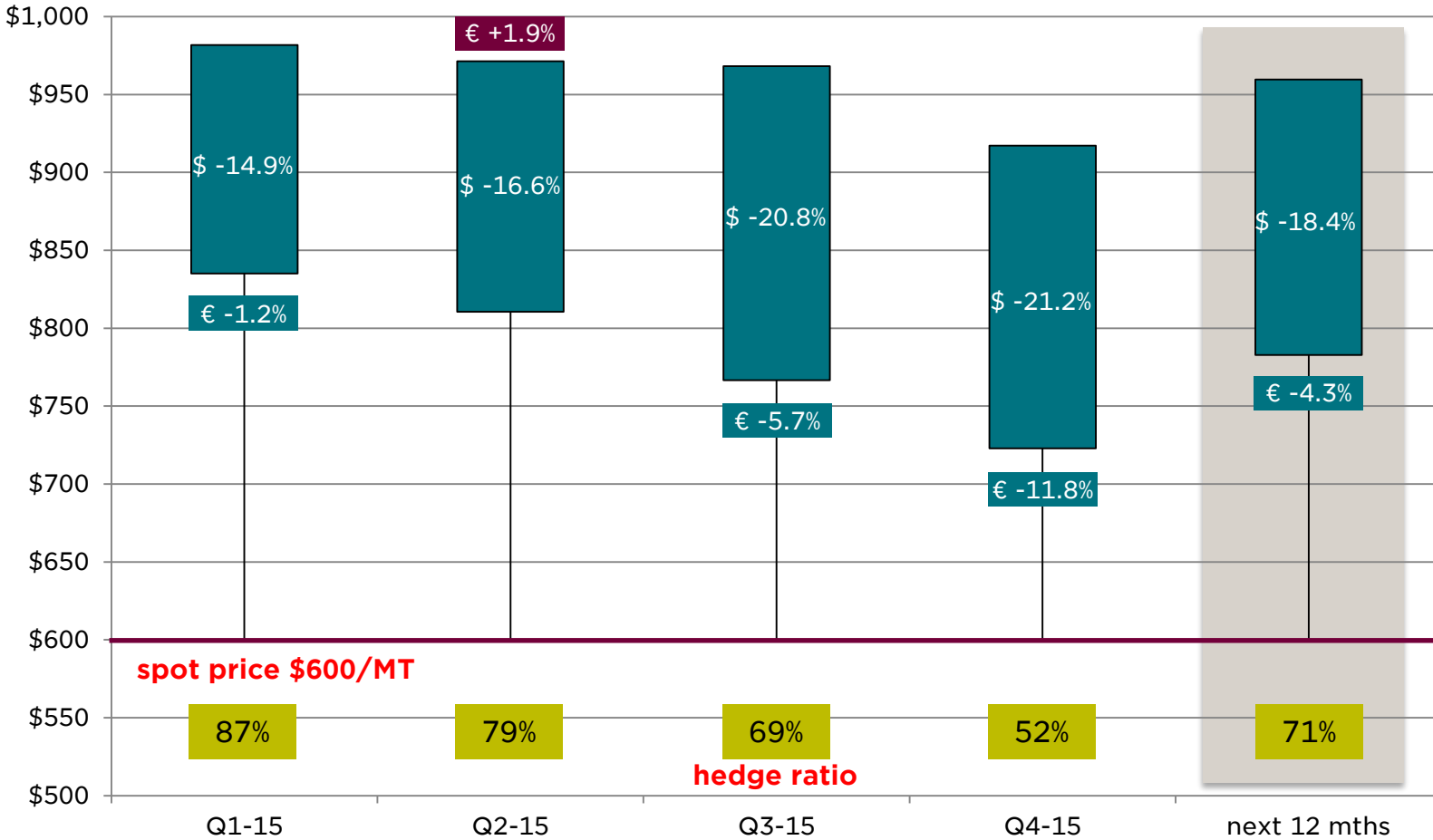
+4.3%
(reported)



Fuel: price tailwind offset by Dollar strength

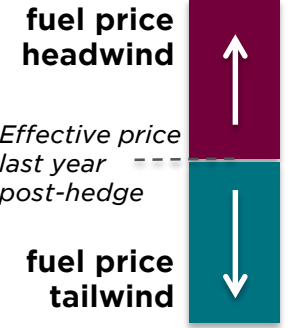


Jet fuel price (\$/mt)



Key:

Current spot / hedge blended price

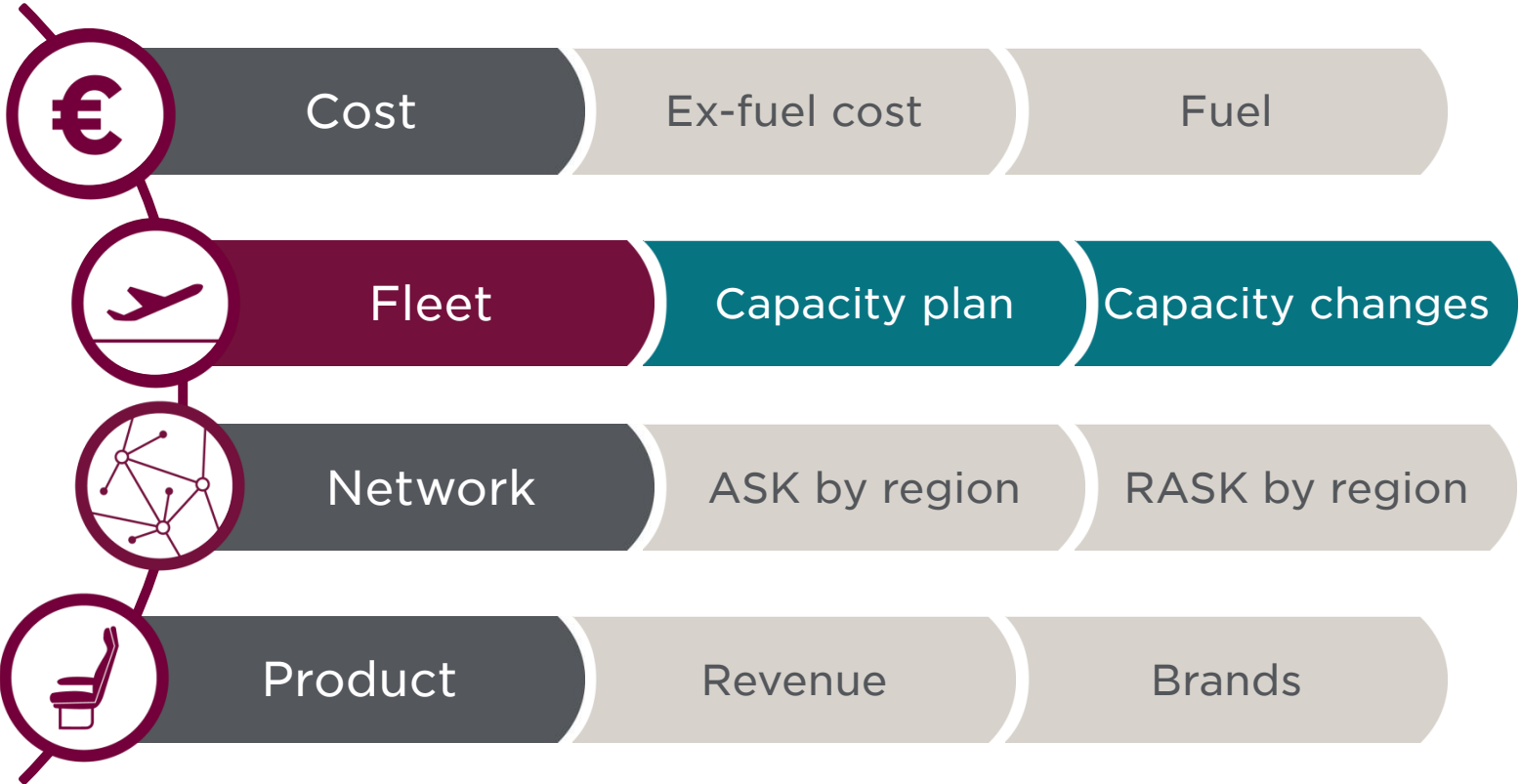


Current spot / hedge blended price

FX sensitivity in fuel bill: EURUSD
±10% = ±5% fuel cost at current hedging

2015 fuel bill scenario - €5.9bn (at \$600/MT and 1.13\$/€)

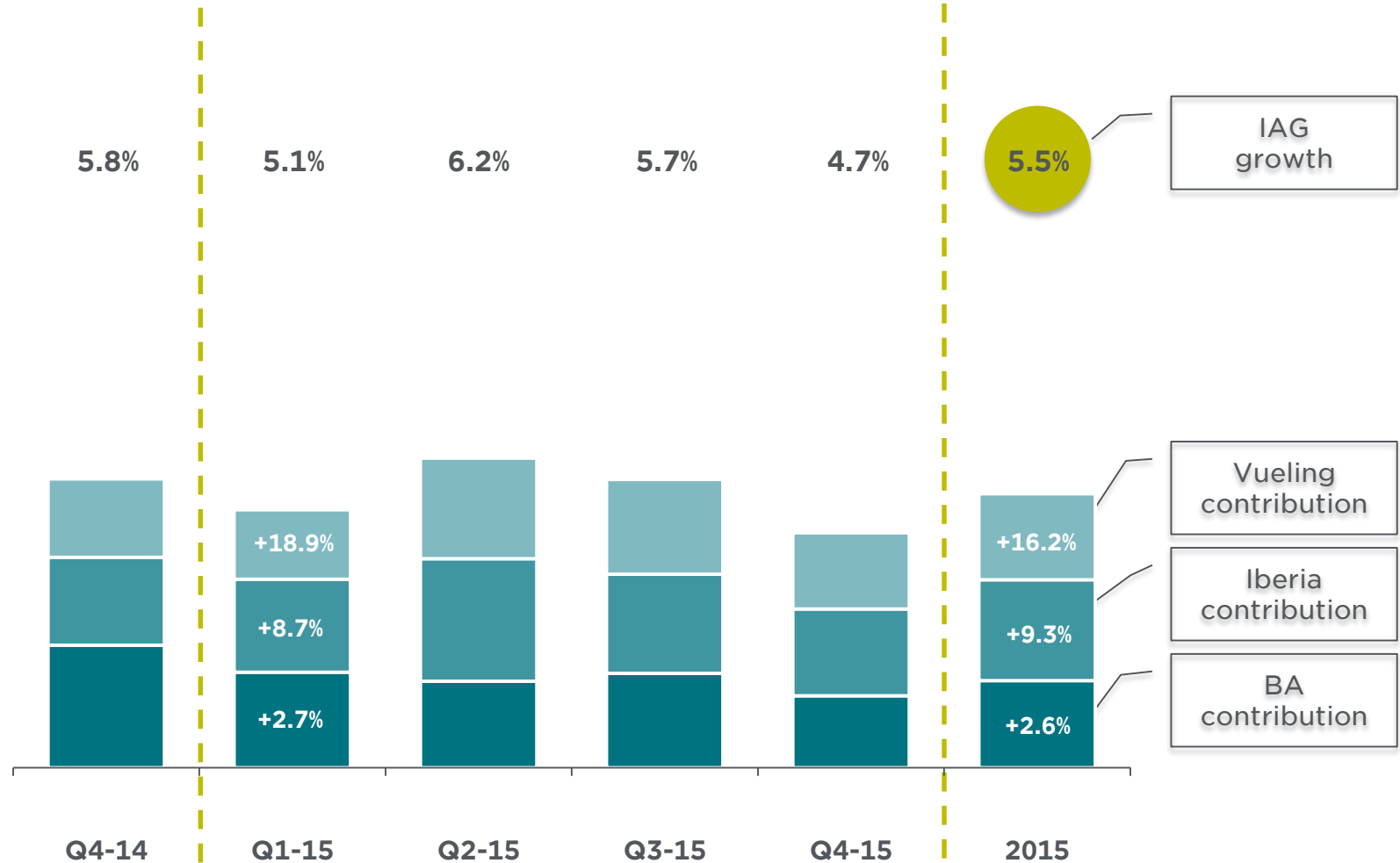
Q4 results



2015 capacity growth and contributions



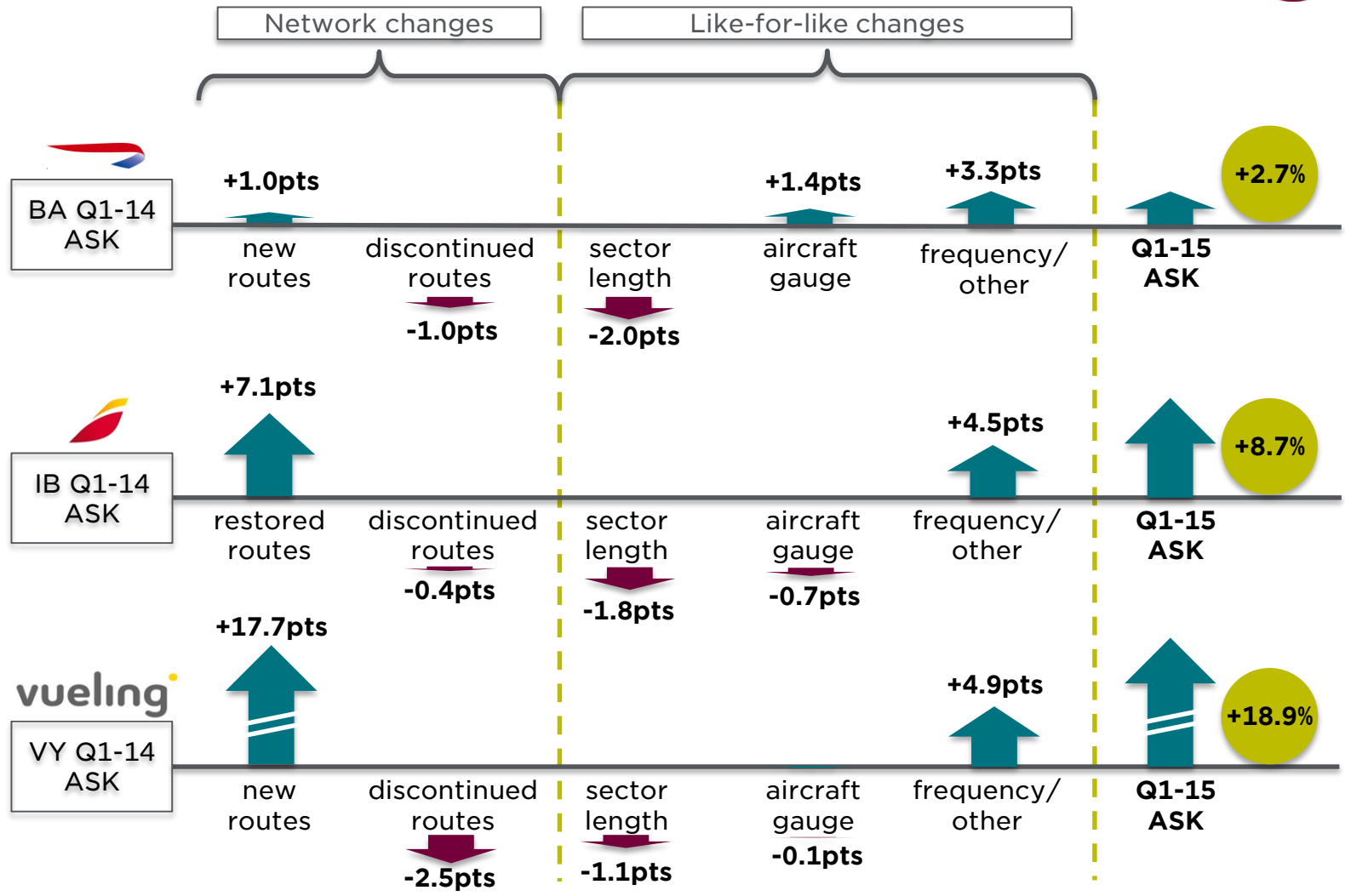
- **BA:** Q1-15 and FY2015 capacity planned to be +2.7% and +2.6% respectively
- **Iberia:** Q1-15 and FY2015 capacity planned to be +8.7% and +9.3% respectively
- **Vueling:** Q1-15 and FY2015 capacity planned to be +18.9% and +16.2% respectively



Q1-15 changes: slower growth at BA

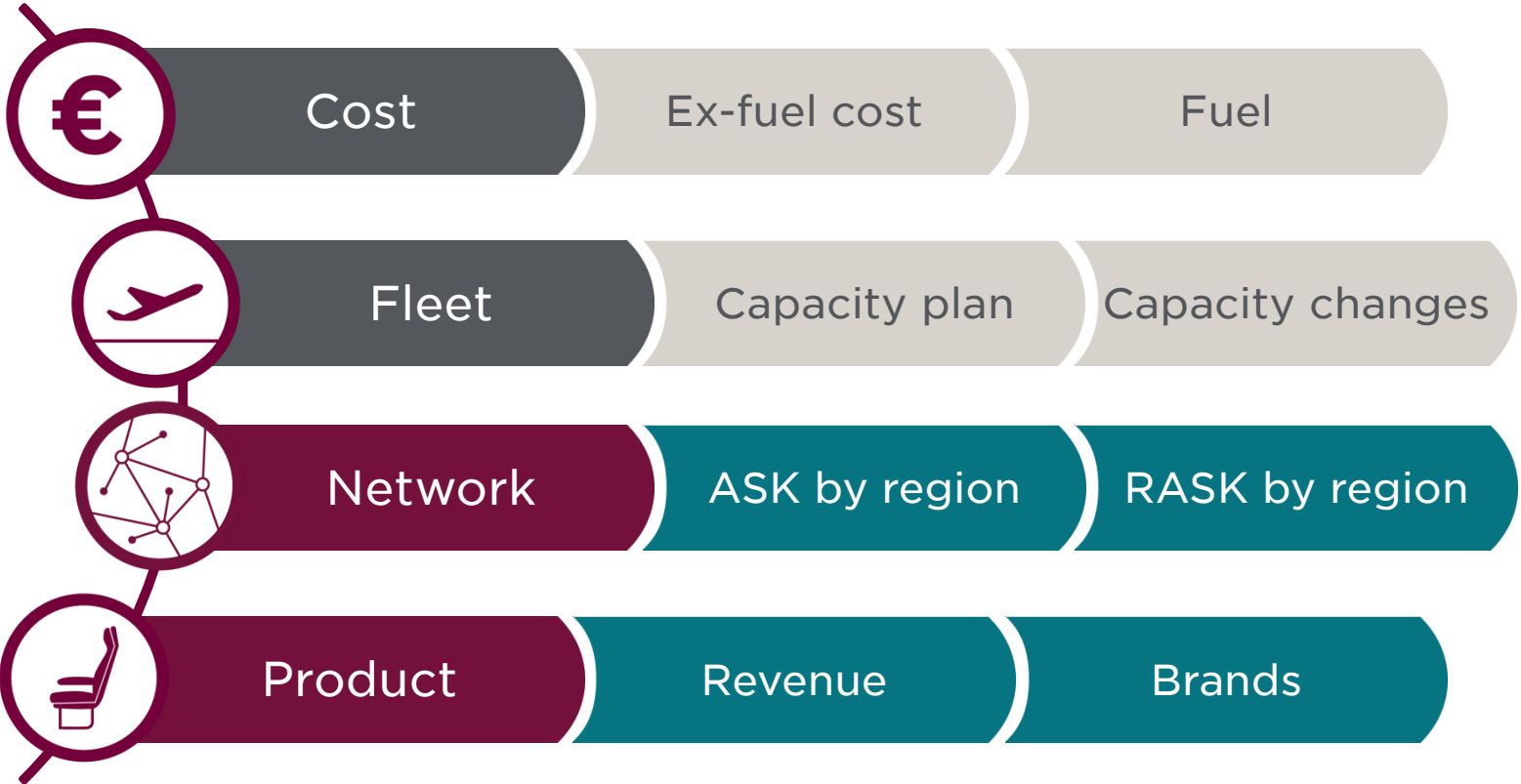


- IB restored routes: Montevideo, Santo Domingo, Amsterdam, Stockholm, and Istanbul
- New routes driven by Austin (BA) and Rome (VY) and Rome (VY)
- BA frequency change driven by Sao Paulo / Tokyo
- IB frequency change: Panama, Chile, Mexico, Berlin, Paris
- VY frequency change: Paris-Barcelona / Madrid / Rome

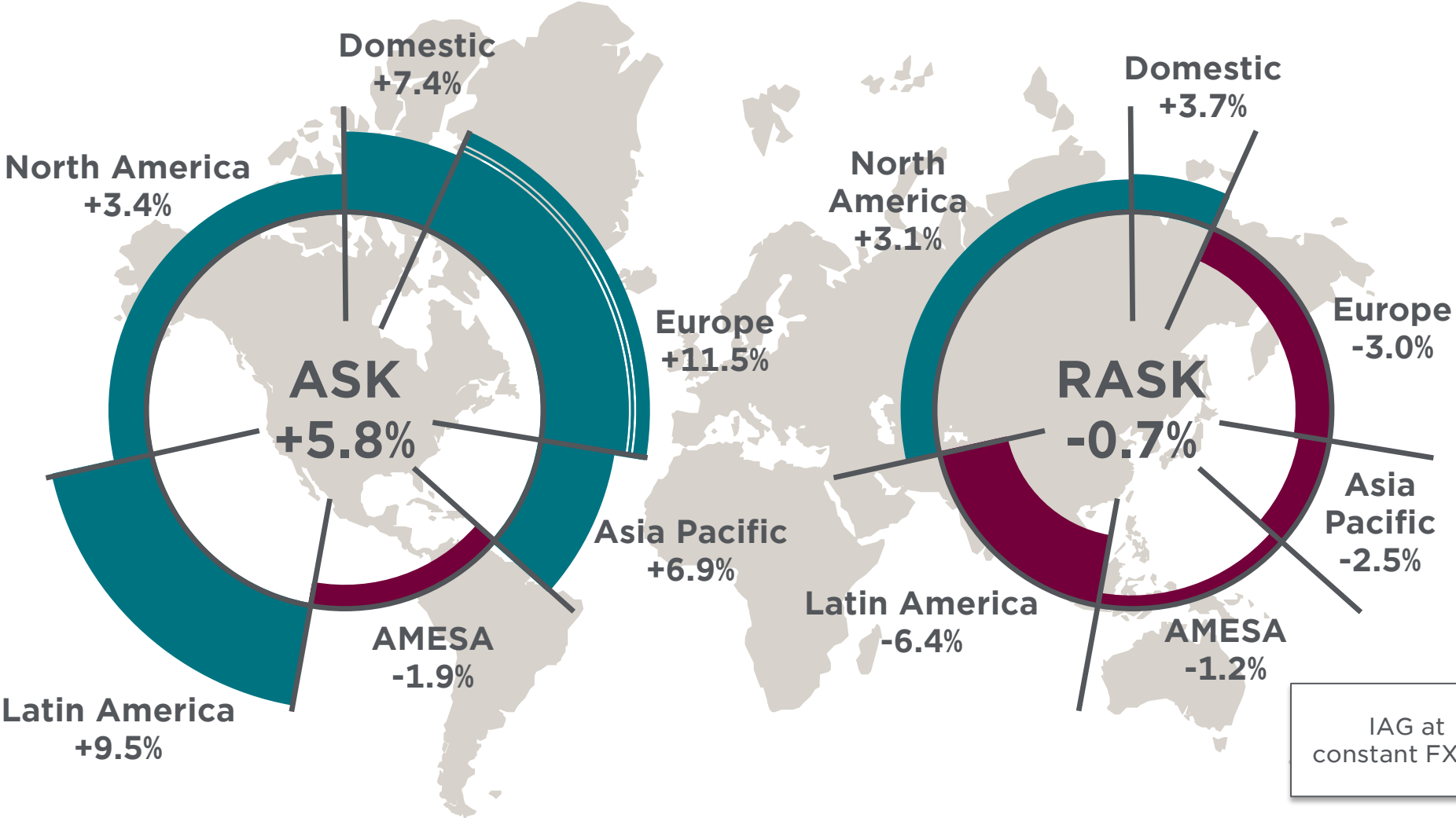


New routes are routes that were not fully operated in the same period last year

Q4 results



Q4 capacity and passenger unit revenue change

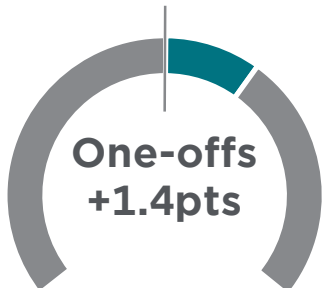
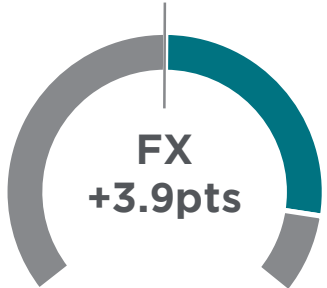
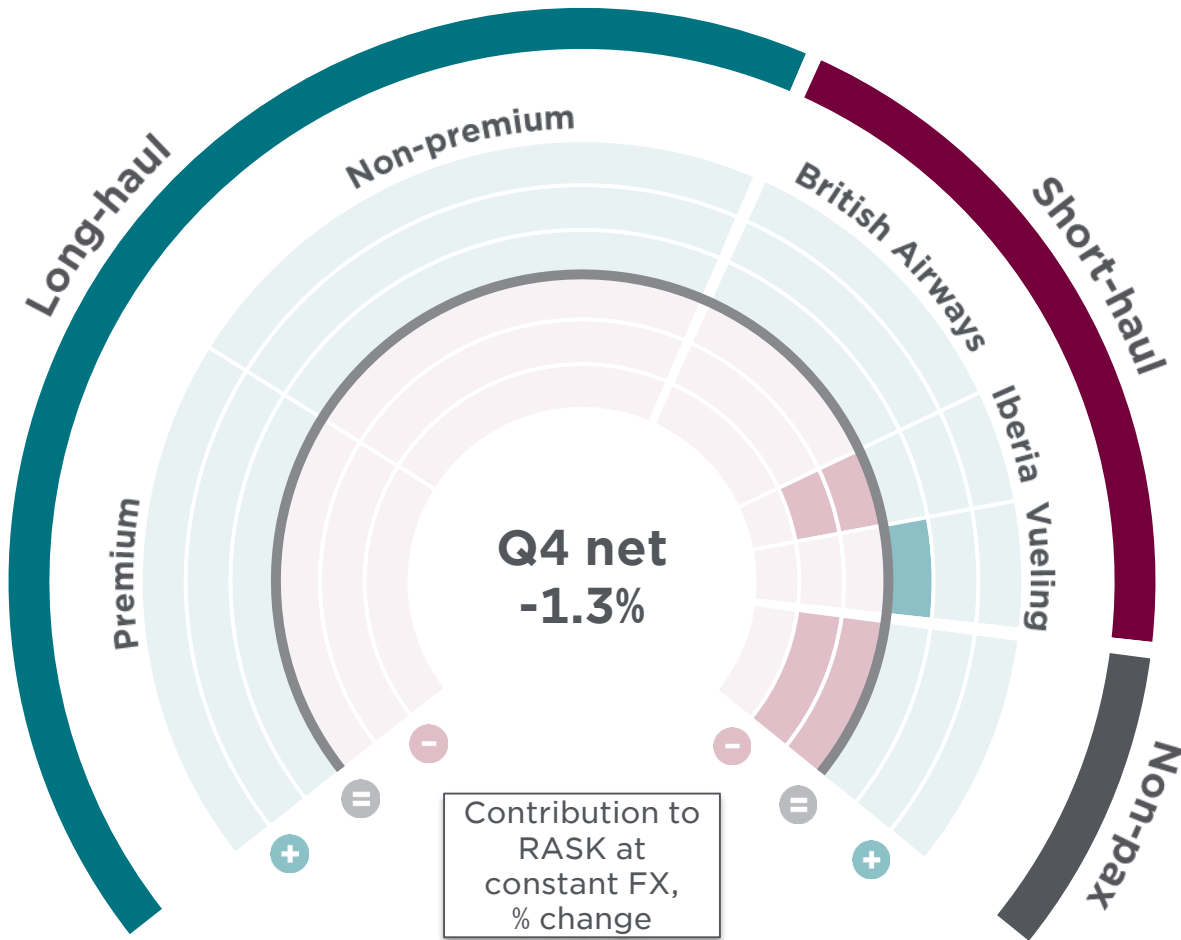


IAG at constant FX vly

Q4 products: continued stability






TOTAL UNIT REVENUE	
-1.3%	(constant FX, pre one-offs)
+0.1%	(constant FX)
+4.0%	(reported, €187m FX benefit)



Financial performance by brand



	BRITISH AIRWAYS 		IBERIA 		vueling 	
	FY2014 (£m)	v/y	FY2014 (€m)	v/y	FY2014 (€m)	v/y
Revenue	11,719	+2.6%	4,268	+0.8%	1,725	+22.0%
Cost	10,744	-0.2%	4,218	-4.1%	1,584	+24.2%
Operating result	975	+324	50	+216	141	+2
Operating margin	8.3%	+2.6pts	1.2%	+5.1pts	8.2%	-1.7pts
Lease adjusted margin	8.5%	+2.6pts	3.5%	+5.1pts	11.5%	-1.5pts
ASK (m)	170,917	+5.9%	54,328	+3.6%	26,686	+24.2%
RPK (m)	138,431	+5.4%	42,686	+2.9%	21,445	+25.4%
Sector length (kms)	3,155	+2.7%	2,811	+2.0%	987	+0.1%
RASK	6.86	-3.5%	7.86	-2.8%	6.46	-1.8%
CASK	6.29	-5.7%	7.76	-7.6%	5.94	+0.0%
CASK ex-fuel	4.23	-2.7%	5.64	-7.2%	4.11	+1.4%
Employee cost per ASK	1.44	-2.7%	1.90	-12.8%	0.58	+5.3%

Pre one-offs

Exceptional items

Exceptional items

FY 2014	€m
Above the operating line	-361
Iberia employee restructure	-260
Reversal of Iberia brand impairment	+79
Foreign currency loss	-180
Below the operating line	+496
Net gain related to available for sale assets	+83
Exceptional tax	+413

FY 2013	€m
Above the operating line	-243
Avios redemption recognition	-106
Iberia employee restructure	-268
Iberia aircraft restructure	-44
US pension benefits revision	+170
Other	+5
Below the operating line	-36
Loss on sale of property, plant and equipment and investments	-17
Exceptional tax	-19

Balance sheet

Balance sheet: improved debt coverage

- 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 €0.7bn (Dec 13: €0.5bn)

€m	Dec 2014	Dec 2013
Adjusted equity	5,759	5,772
Gross debt	6,617	5,122
Cash, cash equivalents & interest bearing deposits	4,944	3,633
On balance sheet net debt	1,673	1,489
Gearing	23%	21%
Aircraft lease capitalisation (x8)	4,408	4,212
Adjusted net debt	6,081	5,701
Adjusted gearing	51%	50%
Adjusted net debt / EBITDAR	1.9x	2.5x
RoIC	7.9%	5.3%

Outlook

Current trading

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

Guidance for FY2015

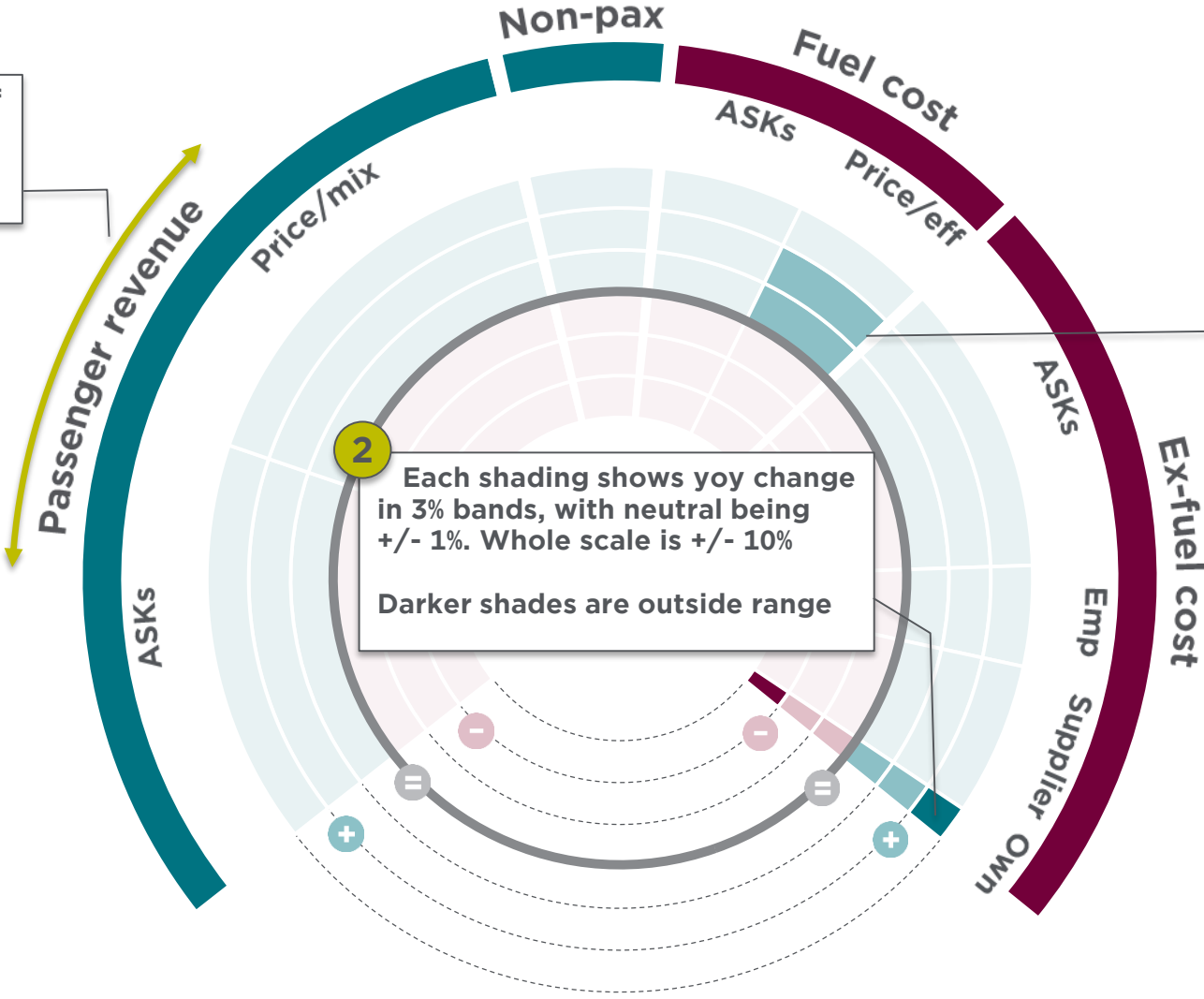
Operating profit	€2.2bn+
Fuel bill scenario	€5.9bn (\$600/MT and 1.13\$/€)
ASK	+5.5%



Appendix

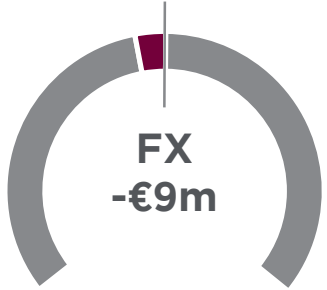
Contribution heat map - how it works

1 Weighting of item in current P&L at constant FX



2 Each shading shows yoy change in 3% bands, with neutral being +/- 1%. Whole scale is +/- 10%
Darker shades are outside range

3 Effective fuel price at constant currency decreased by 4-7%



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.