# IAG results presentation

Quarter Two 2017

*28th July 2017*

INTERNATIONAL
AIRLINES
GROUP

# Q2 financial summary

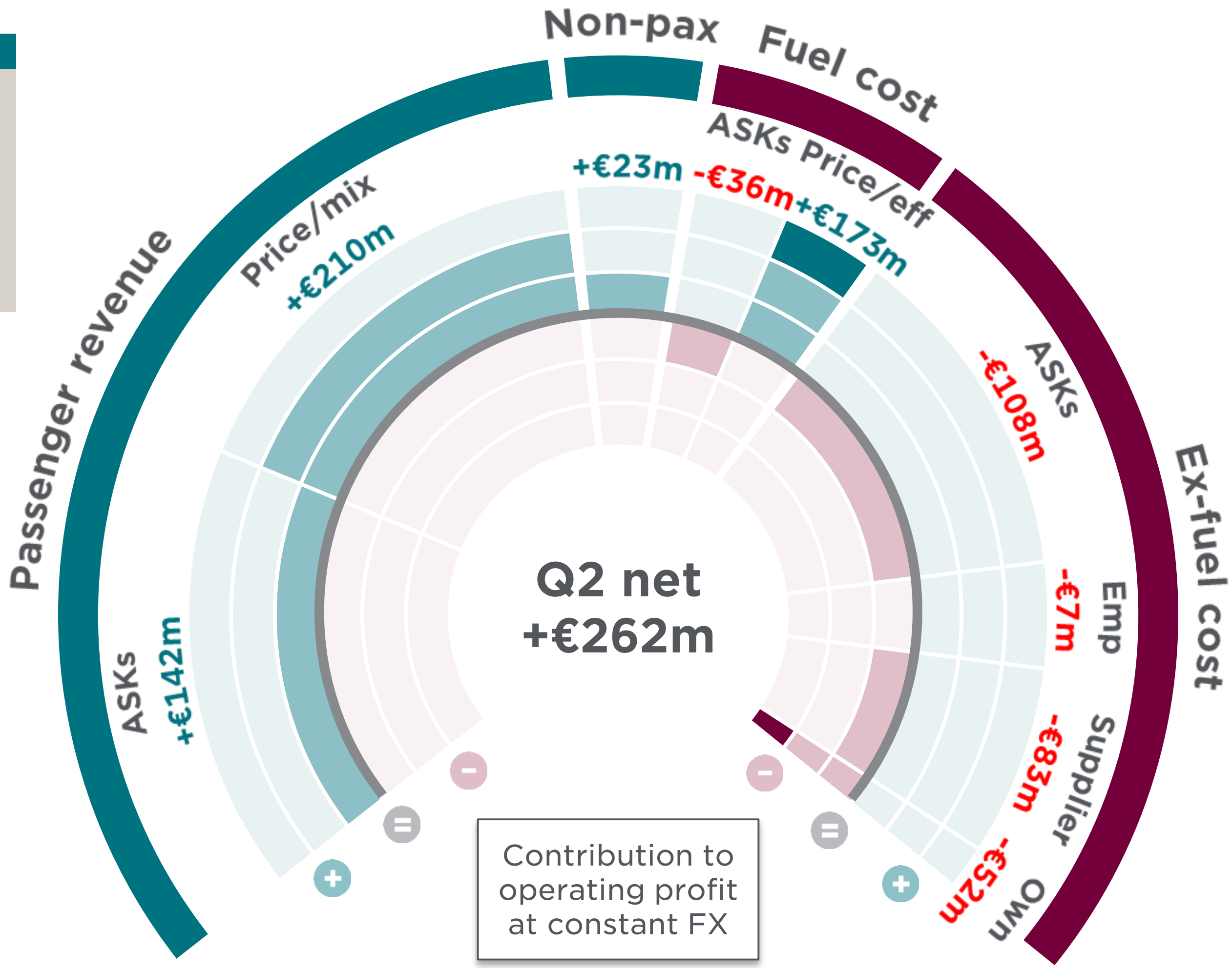
| OPERATING PROFIT | TOTAL UNIT REVENUE | PAX UNIT REVENUE |
|---|---|---|
| €805m<br>(reported, pre-exceptional) | +3.7%<br>(constant FX) | **+4.0%**<br>(constant FX) |
| **+€250m**<br>(reported change) | +1.5%<br>(reported)<br>(€328m Group FX drag)<br>(€199m OpCo FX tailwind) | +1.5%<br>(reported) |

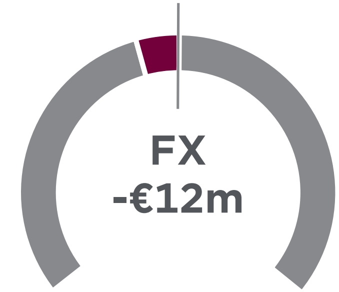
| TRAFFIC/CAPACITY | TOTAL UNIT COST | EX-FUEL UNIT COST |
|---|---|---|
| ASKs: +2.8%<br>(reported) | -0.6%<br>(constant FX) | **+3.5%**<br>(constant FX) |
| RPKs: +5.1%<br>(reported) | -2.8%<br>(reported)<br>(€289m Group FX benefit)<br>(€172m OpCo FX headwind) | -0.3%<br>(reported) |

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

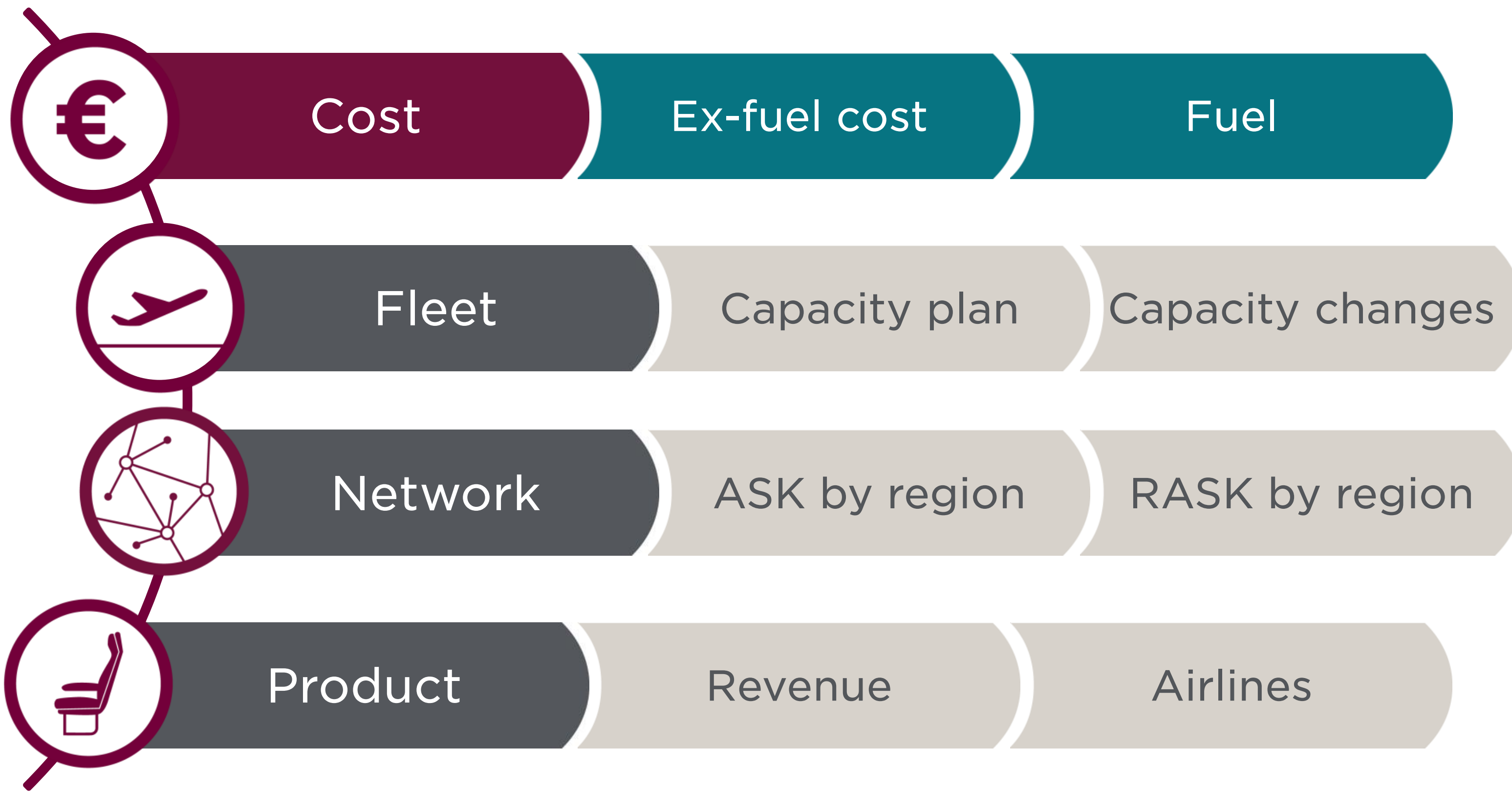
# Q2 operating profit drivers

| OPERATING PROFIT |
| --- |
| €805m (reported, pre-exceptional) |
| +€250m (reported change) |



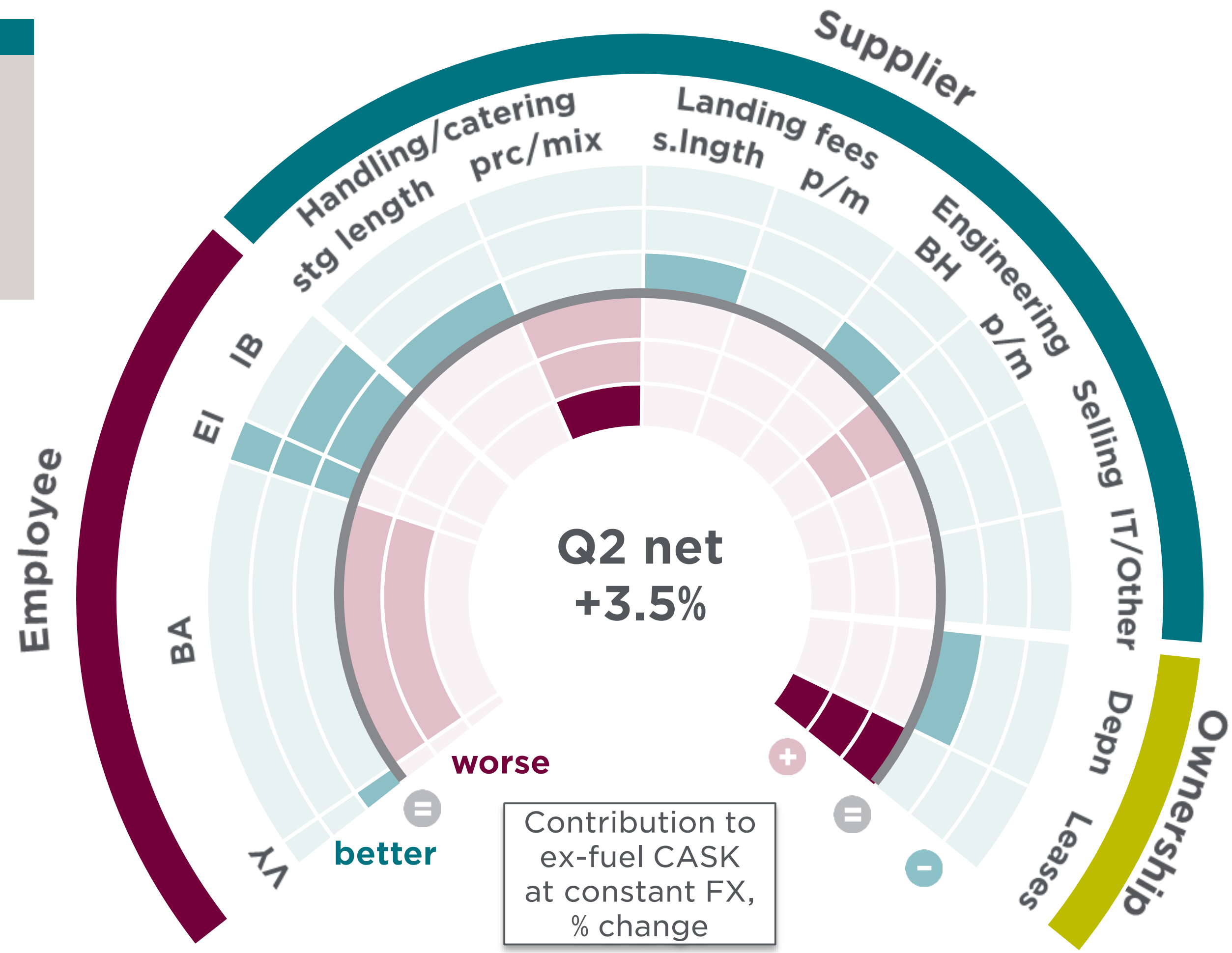



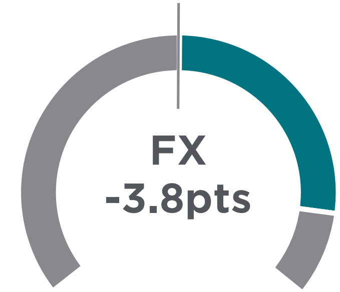
# Q2 results


Cost
Ex-fuel cost
Fuel
Fleet
Capacity plan
Capacity changes
Network
ASK by region
RASK by region
Product
Revenue
Airlines

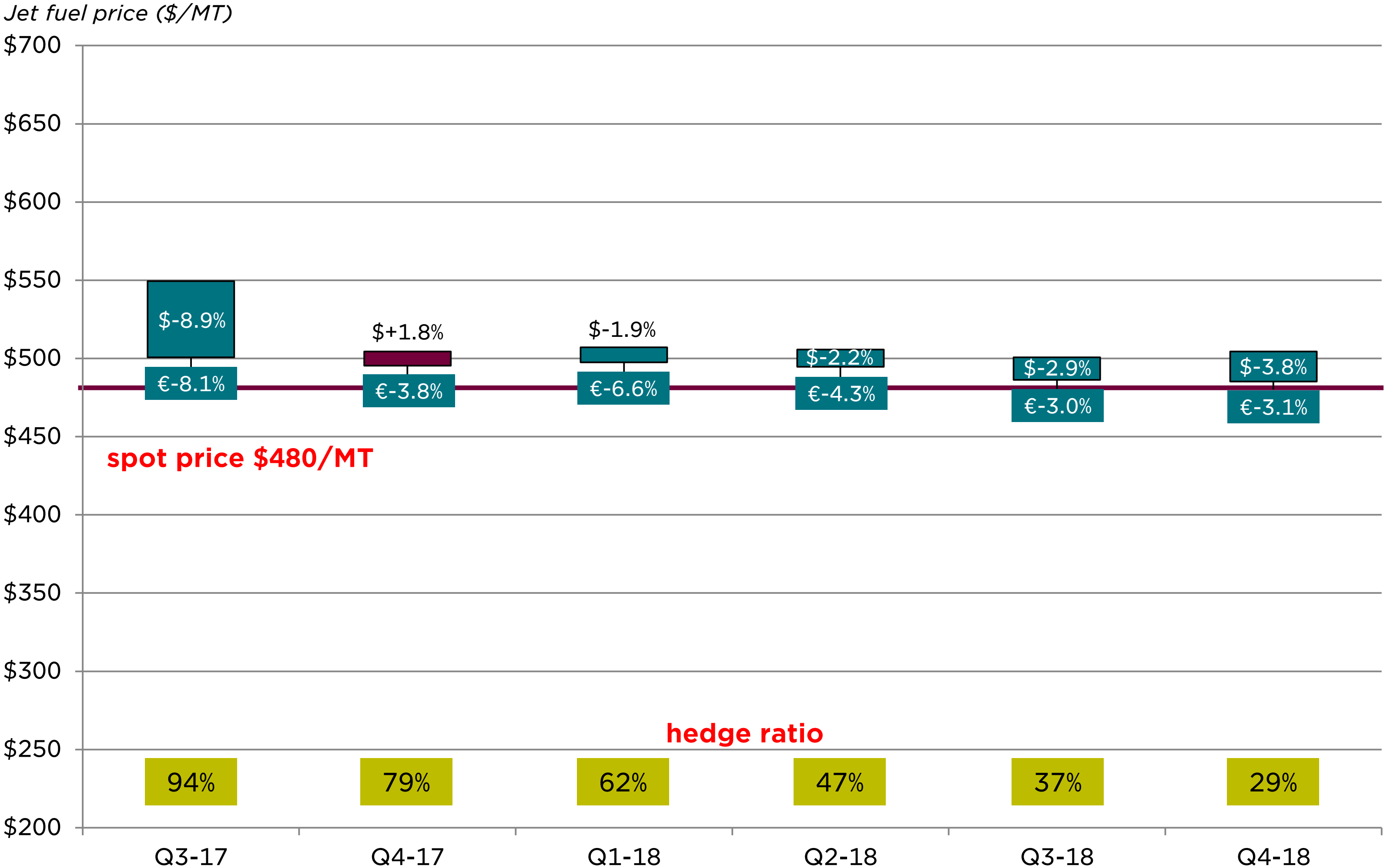
# Q2 ex-fuel unit cost: €65m disruption impact

| EX-FUEL UNIT COST |
| --- |
| **+3.5%** (constant FX) |
| -0.3% (reported) |

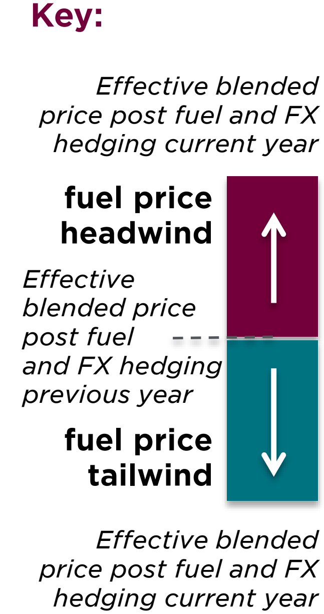


# Fuel scenario: detailed modelling in appendix




**2017 fuel bill scenario - €4.5bn** (at $480/MT and 1.12$/€)




FX sensitivity in 2017 fuel bill: EURUSD

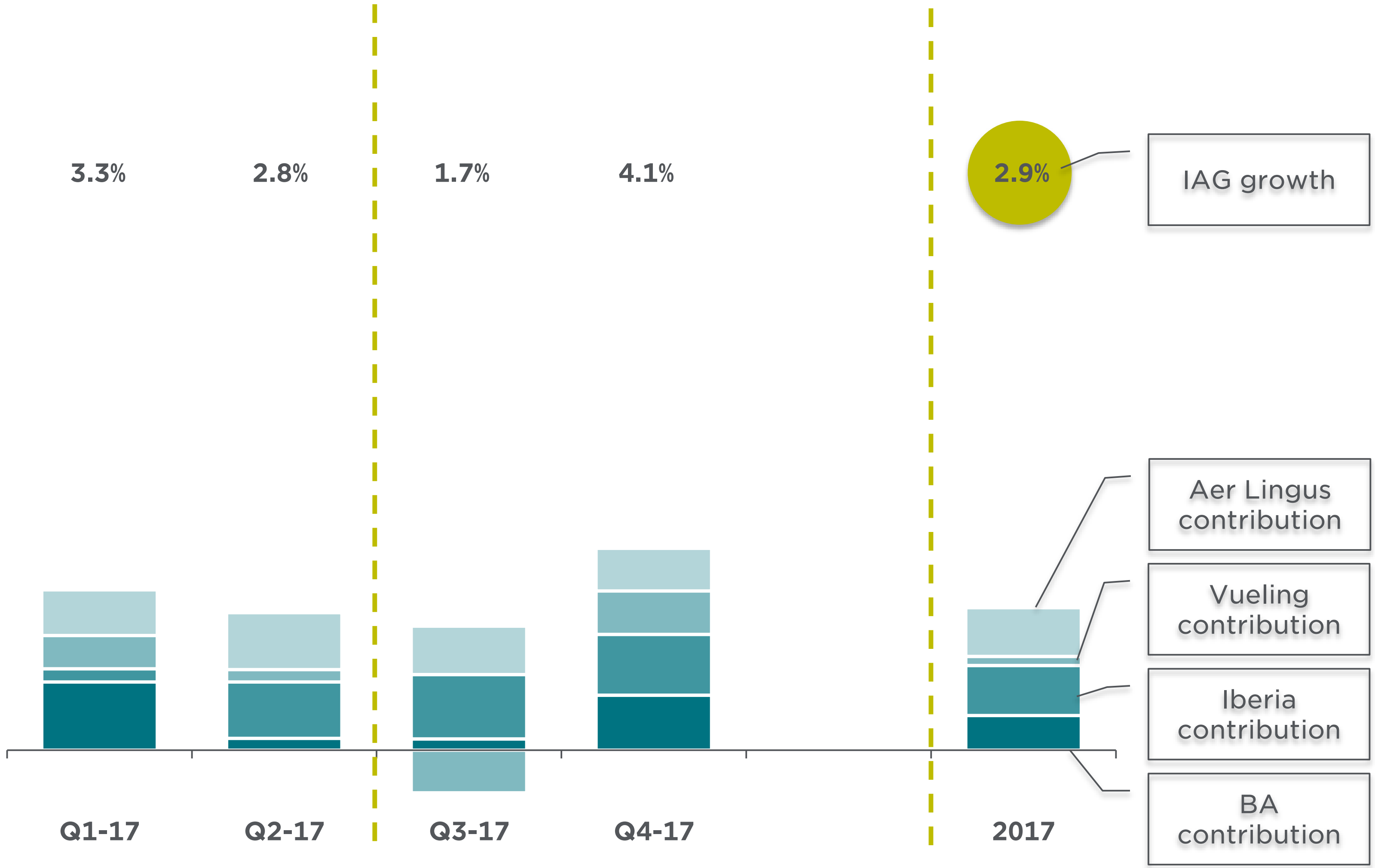
±10% = ±2% fuel cost at current hedging

# Q2 results

| | | |
|---|---|---|
| Cost | Ex-fuel cost | Fuel |
| Fleet | Capacity plan | Capacity changes |
| Network | ASK by region | RASK by region |
| Product | Revenue | Airlines |

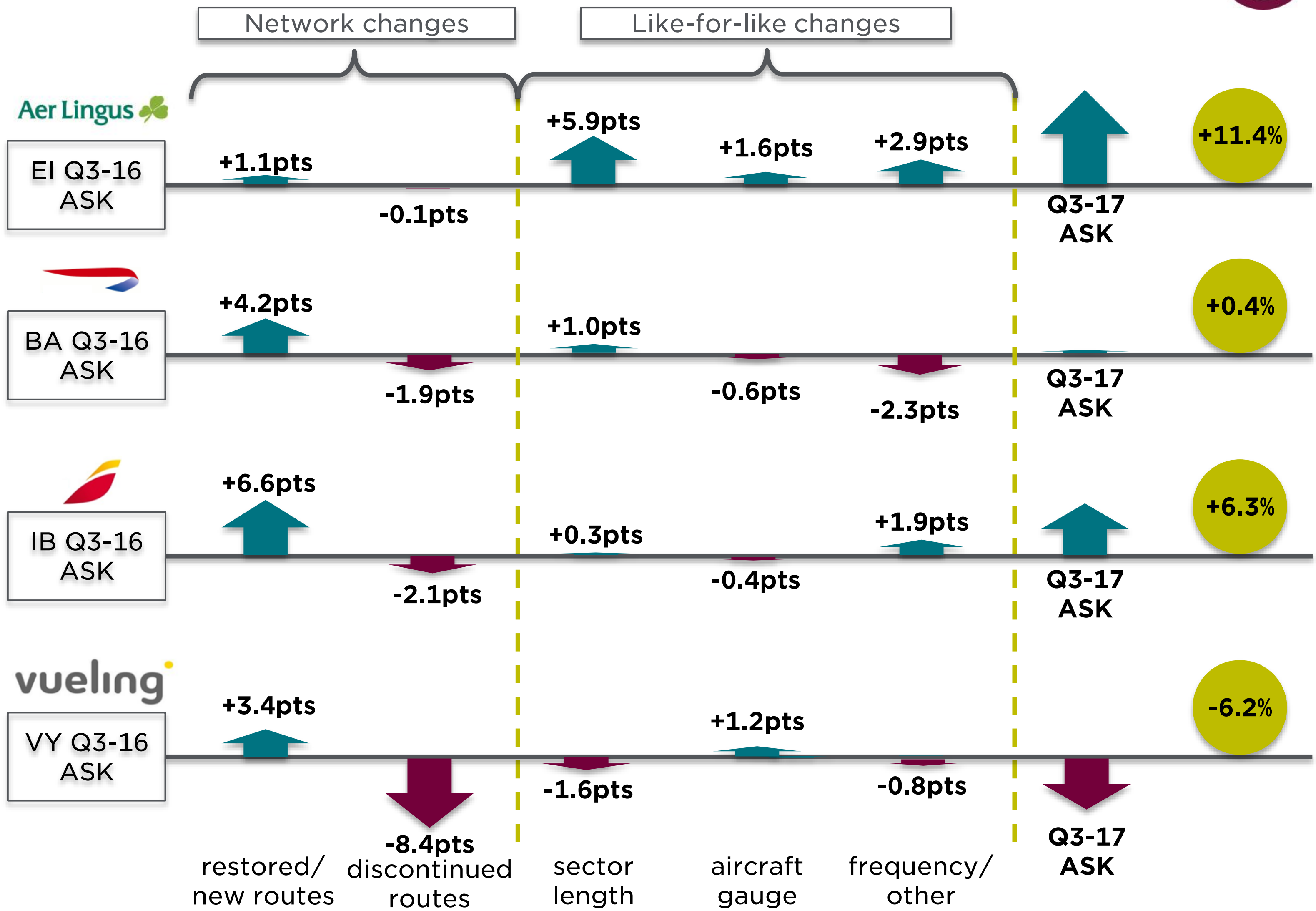
# 2017 capacity growth and contributions

- **Aer Lingus:** Q3-17 and FY2017 capacity planned to be +11.4% and +12.5% respectively
- **Vueling:** Q3-17 and FY2017 capacity planned to be -6.2% and +1.6% respectively
- **Iberia:** Q3-17 and FY2017 capacity planned to be +6.3% and +4.9% respectively
- **BA:** Q3-17 and FY2017 capacity planned to be +0.4% and +1.2% respectively



# Q3-17 capacity growth drivers by airline

- New routes for EI driven by Miami
- New BA routes include: Santiago de Chile, Oakland, Fort Lauderdale
- IB restored/new routes driven by LEVEL routes, Tokyo, and Johannesburg
- New routes for VY focussed on Amsterdam
- BA frequency change driven by Philadelphia, BOS and Rio de Janeiro
- IB frequency change driven by Mexico City

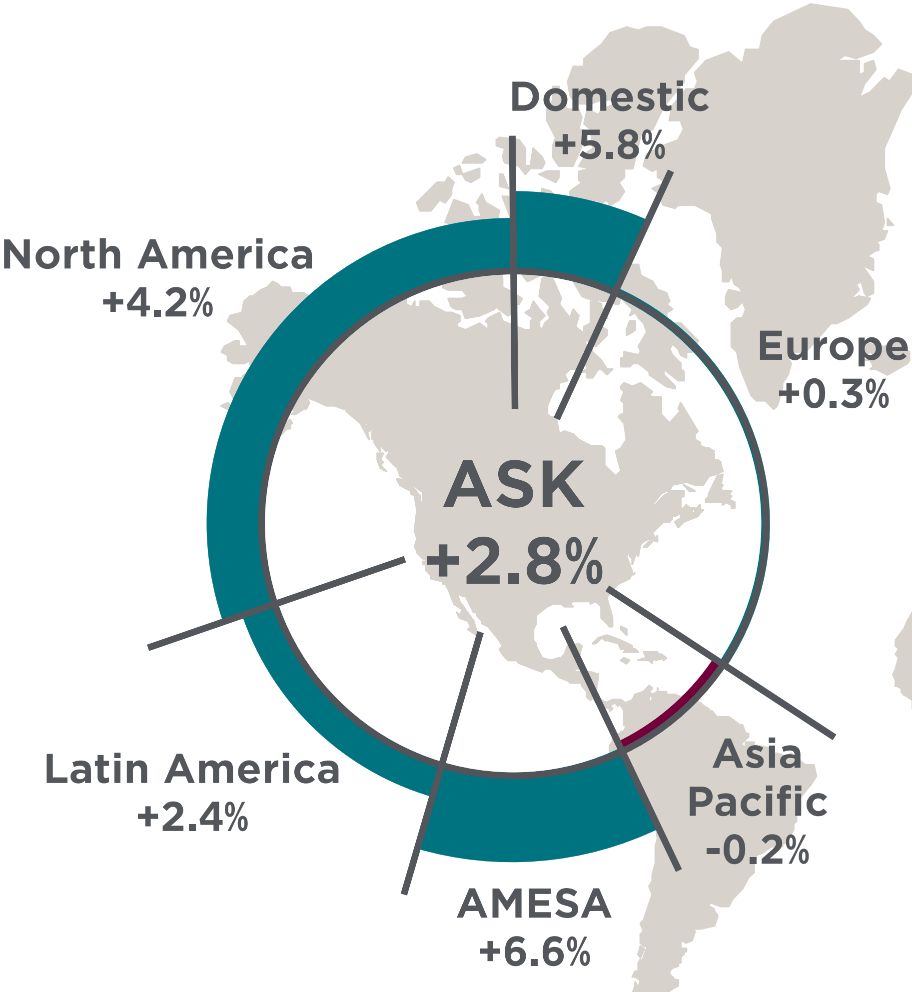


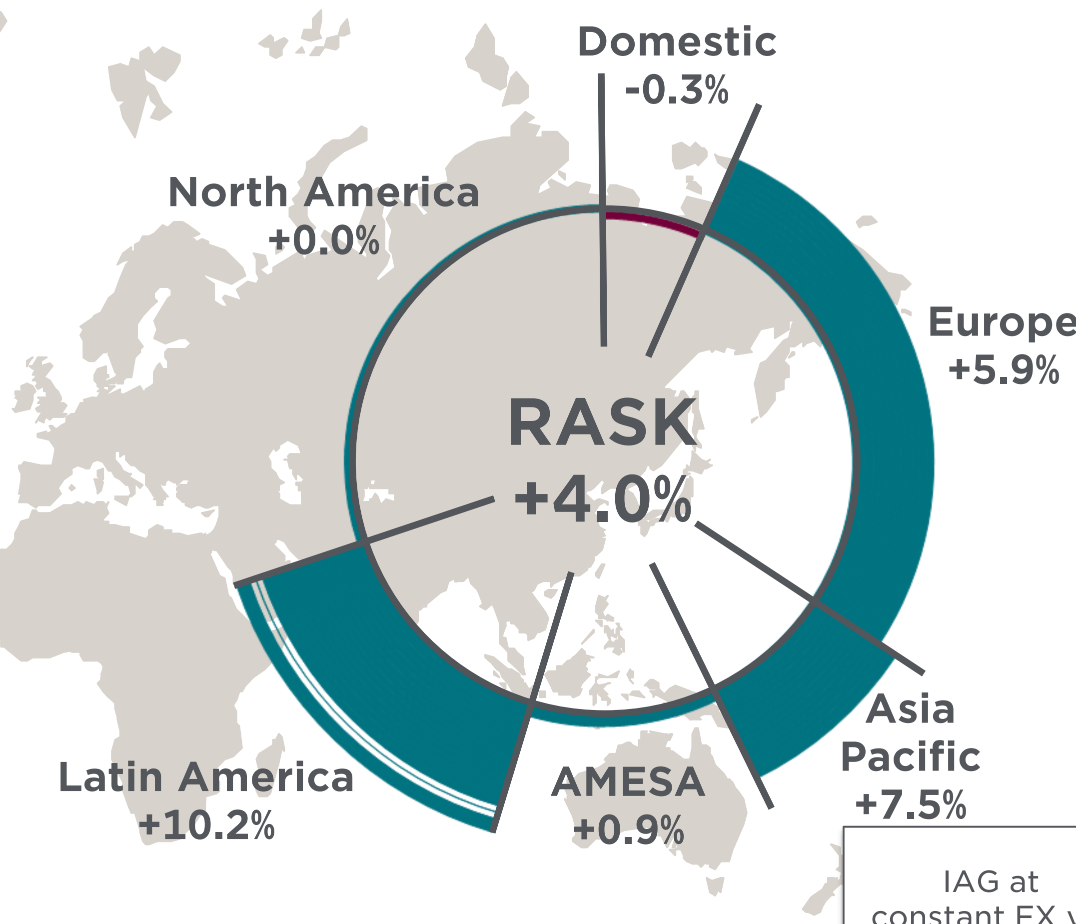

New routes are routes that were not operated for the whole period last year

# Q2 results

| | | |
|---|---|---|
| Cost | Ex-fuel cost | Fuel |
| Fleet | Capacity plan | Capacity changes |
| Network | ASK by region | RASK by region |
| Product | Revenue | Airlines |

# Q2 capacity and passenger unit revenue change



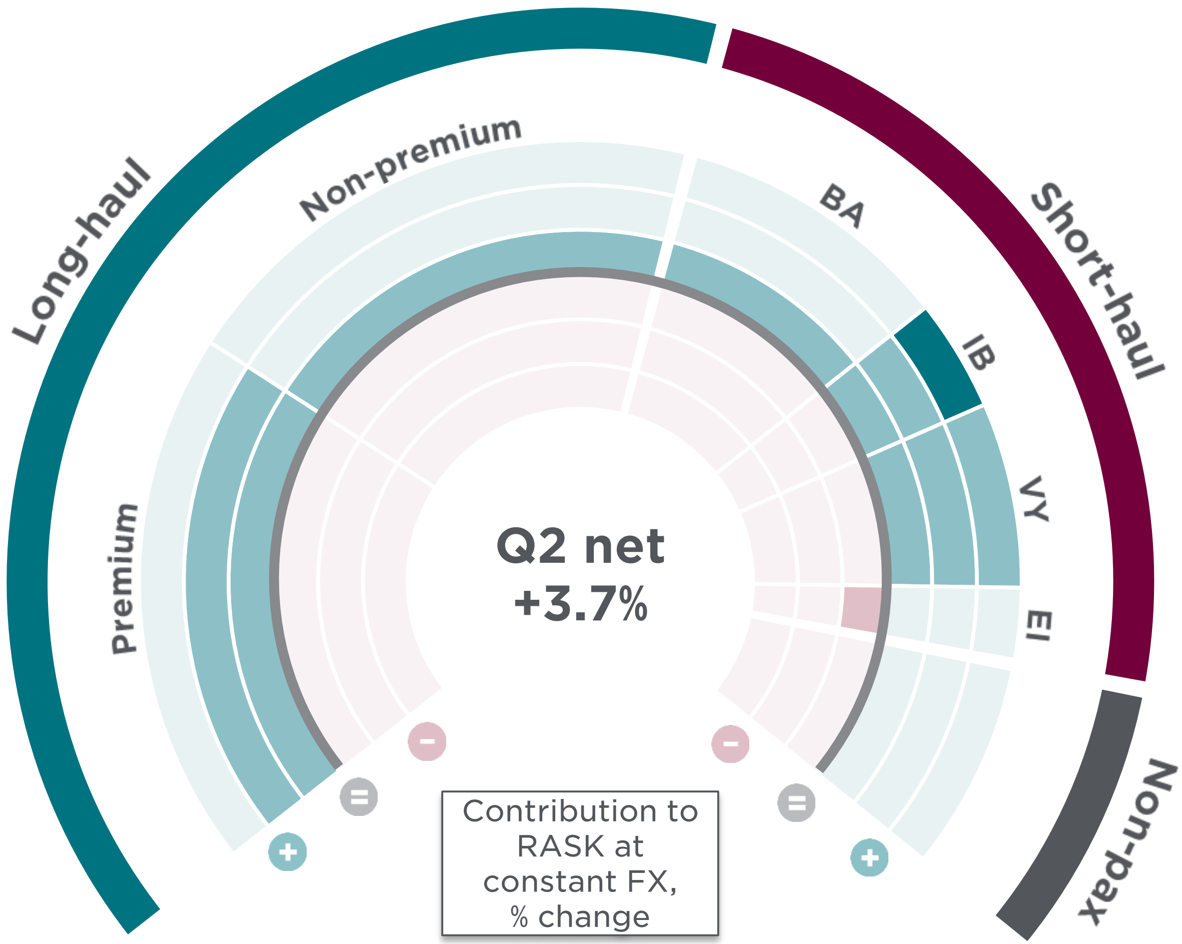



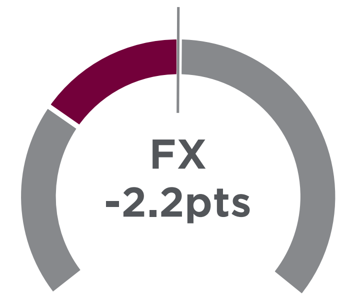

IAG at constant FX vly

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

# Q2 products: strong long-haul premium

| TOTAL UNIT REVENUE |
| --- |
| +3.7% (constant FX) |
| +1.5% (reported) (€328m Group FX drag) (€199m OpCo FX tailwind) |



# Financial performance at airline level

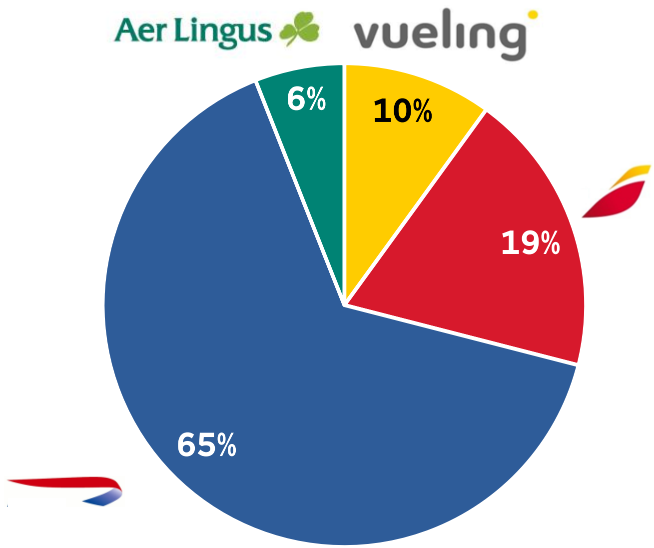
| | Aer Lingus H1 2017 (€m) | Aer Lingus vly | British Airways H1 2017 (£m) | British Airways vly | Iberia H1 2017 (€m) | Iberia vly | Vueling H1 2017 (€m) | Vueling vly |
|---|---|---|---|---|---|---|---|---|
| Revenue | 839 | +6.5% | 5,844 | +9.2% | 2,283 | +7.0% | 902 | +5.2% |
| Cost | 780 | +4.6% | 5,211 | +7.2% | 2,199 | +2.8% | 908 | -0.3% |
| Operating result | 59 | +17 | 633 | +146 | 84 | +90 | -6 | +48 |
| Operating margin | 7.0% | +1.7pts | 10.8% | +1.7pts | 3.7% | +3.9pts | -0.7% | +5.6pts |
| Lease adjusted margin | 8.3% | +1.8pts | 11.5% | +2.0pts | 5.7% | +4.4pts | 3.7% | +5.6pts |
| ASK (m) | 12,161 | +14.1% | 88,705 | +1.3% | 30,697 | +3.6% | 15,647 | +4.2% |
| RPK (m) | 9,586 | +13.9% | 71,210 | +1.9% | 25,426 | +6.7% | 12,935 | +6.5% |
| Sector length (km) | 1,839 | +11.1% | 3,151 | +1.9% | 2,791 | +2.6% | 972 | -1.9% |
| RASK | 6.90 | -6.6% | 6.59 | +7.9% | 7.44 | +3.4% | 5.76 | +1.0% |
| CASK | 6.42 | -8.3% | 5.87 | +5.8% | 7.17 | -0.7% | 5.80 | -4.4% |
| CASK ex-fuel | 5.19 | -6.8% | 4.48 | +7.9% | 5.71 | +3.0% | 4.55 | -0.2% |
| Employee cost per ASK | 1.39 | -9.2% | 1.44 | +2.5% | 1.69 | -4.3% | 0.70 | +0.6% |

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

# Financial target tracker: profitability trend by airline

IAG

| | |
|---|---|
| Op. margin: H1 2017 | 10.5% |
| Op. margin trend vly | +2.8pts |
| Nml. margin: last 4Qs | 13.3% |
| RoIC: last 4Qs | 15.1% |




IAG capital allocation
H1 2017

vueling

| | |
|---|---|
| Op. margin: H1 2017 | 3.7% |
| Op. margin trend vly | +5.6pts |
| Nml. margin: last 4Qs | 9.5% |
| RoIC: last 4Qs | 9.7% |

| | |
|---|---|
| Op. margin: H1 2017 | 5.7% |
| Op. margin trend vly | +4.4pts |
| Nml. margin: last 4Qs | 9.6% |
| RoIC: last 4Qs | 12.0% |

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: H1 2017 | 8.3% |
| Op. margin trend vly | +1.8pts |
| Nml. margin: last 4Qs | 14.8% |
| RoIC: last 4Qs | 22.9% |

| | |
|---|---|
| Op. margin: H1 2017 | 11.5% |
| Op. margin trend vly | +2.0pts |
| Nml. margin: last 4Qs | 13.4% |
| RoIC: last 4Qs | 14.8% |

# Below the line

# Below the line

| €m | H1 2016 | H1 2017 |
|---|---|---|
| Operating profit (pre-exceptional) | 710 | 975 |
| Net finance income/expense | -135 | -98 |
| Realised losses on derivatives not qualifying for hedge accounting and other | 15 | -9 |
| Profit before remeasurements and tax (pre-exceptional) | 590 | 868 |
| Unrealised gains/losses on remeasurements | 11 | -69 |
| Net financing credit/charge relating to pensions | 8 | -16 |
| Profit before tax (pre-exceptional) | 609 | 783 |
| Tax | -120 | -154 |
| Profit after tax (pre-exceptional) | 489 | 629 |
| Fully diluted EPS (pre-exceptional) (€ cents) | 22.7 | 28.5 |

# Balance sheet

# Balance sheet: continued deleveraging

| €m | Dec 2016 | Jun 2017 |
|---|---|---|
| Gross debt | 8,515 | 8,024 |
| Cash, cash equivalents & interest bearing deposits | 6,428 | 7,944 |
| On balance sheet net debt | 2,087 | 80 |
| Aircraft lease capitalisation (x8) | 6,072 | 6,944 |
| Adjusted net debt | 8,159 | 7,024 |
| Adjusted net debt / EBITDAR | 1.8x | 1.4x |

# Business update

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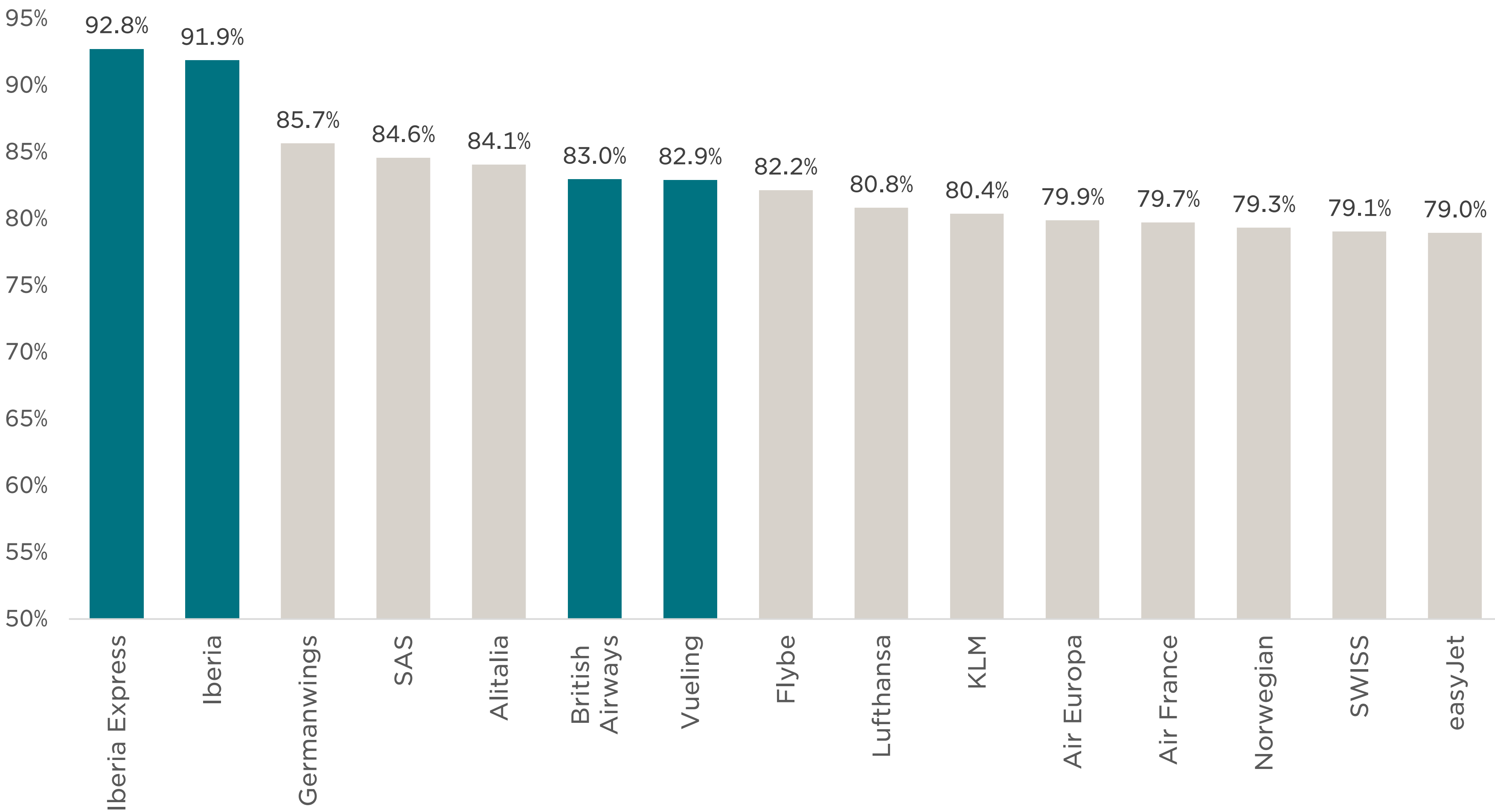
# European airline punctuality: FlightStats

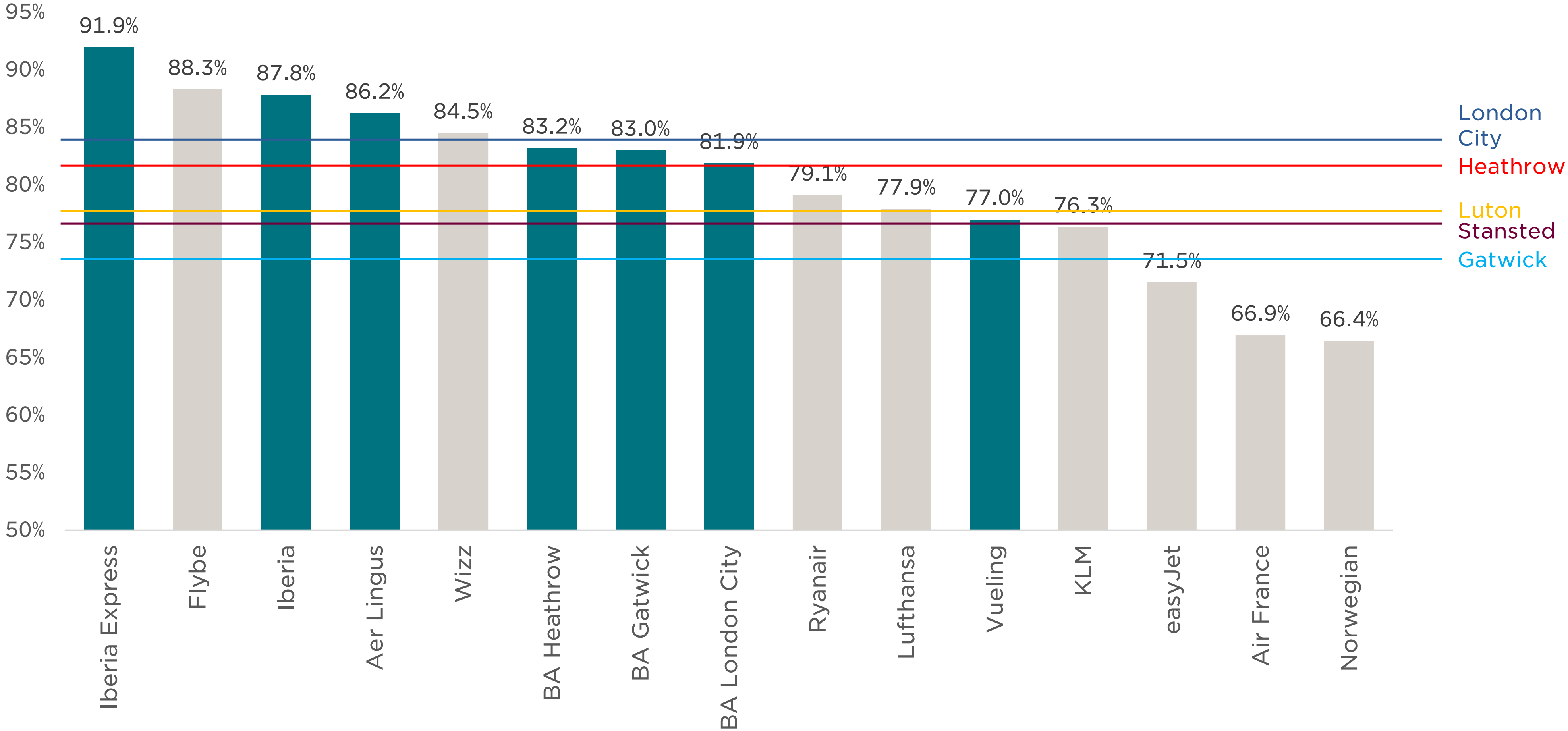
## On-time arrival performance (A14): 6 months to June 2017




Source: flightstats.com – % of operated flights that arrived within 15 minutes of scheduled gate arrival time. Ryanair, Wizz, Aer Lingus data not reported on FlightStats

# London short-haul punctuality: CAA

## London short-haul on-time arrival performance (A14): 5 months to May 2017




Source: CAA – % of operated flights arriving within 15 minutes of scheduled arrival time. London airports defined as Heathrow, Gatwick, Stansted, Luton and London City

# Outlook

# Guidance for FY2017

At current fuel prices and exchange rates, IAG expects its operating profit for 2017 to show a double-digit percentage improvement year-on-year. The Group expects second half passenger unit revenue (passenger revenue per ASK) to show an increase versus last year, at constant currency.

# Appendix

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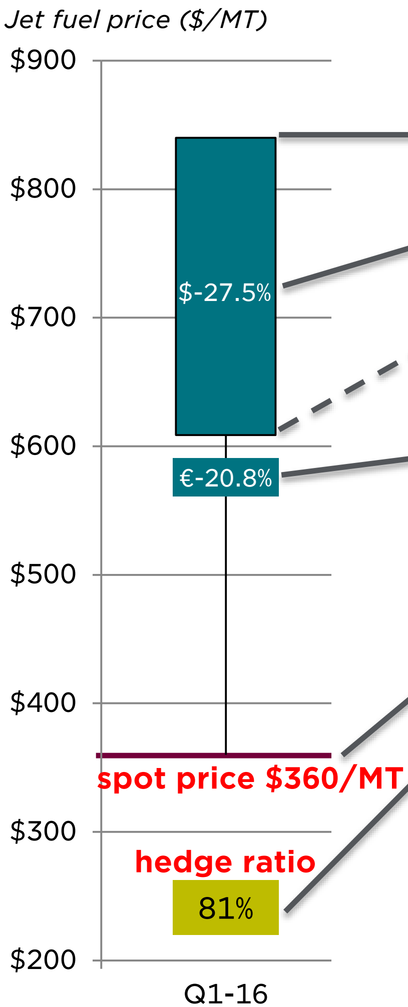
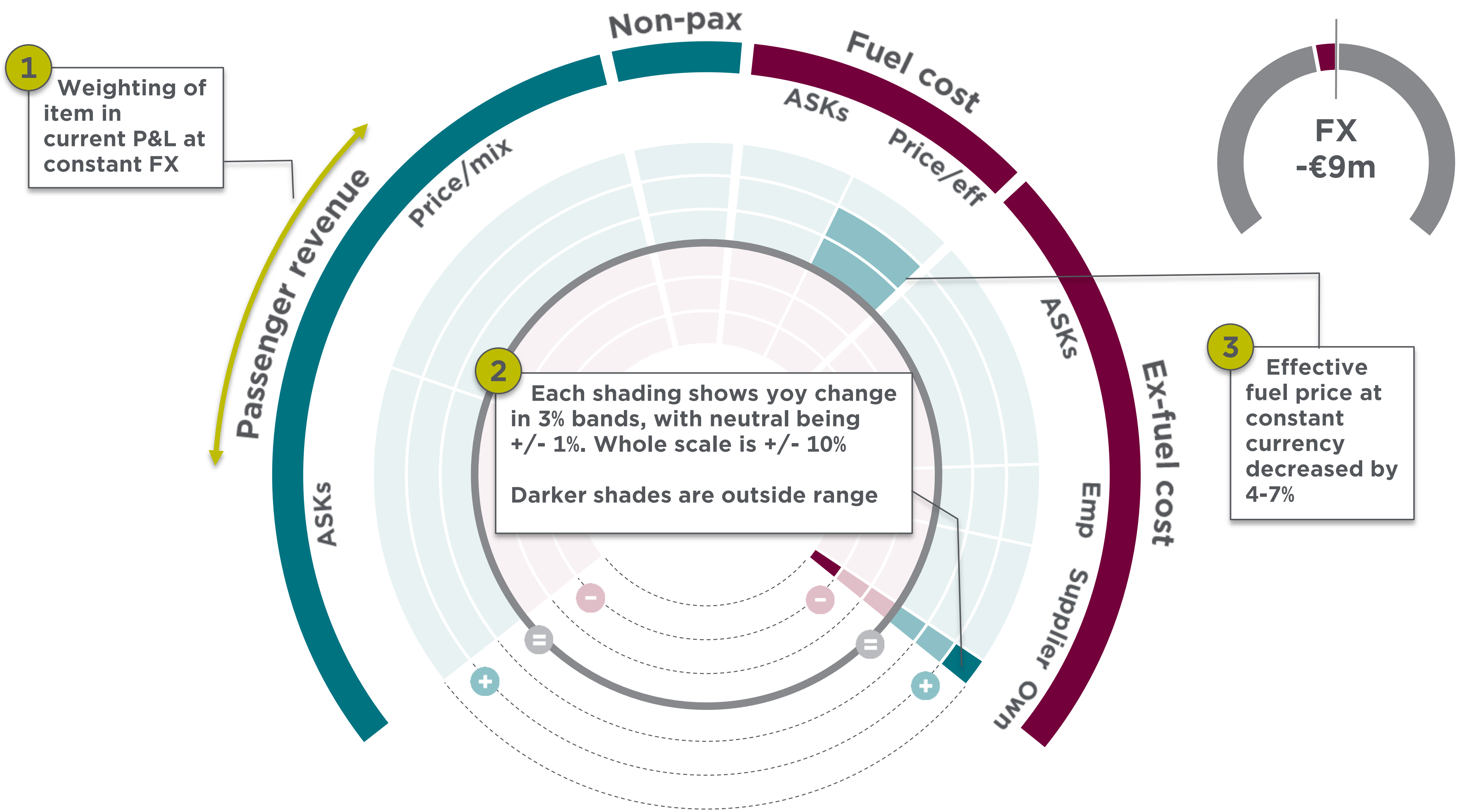
# Fuel modelling




| | | |
|---|---|---|
| $ 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 $360/MT and 1.10$/€)

# 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 2016; these documents are available on www.iagshares.com.