# IAG results presentation

**Quarter Three 2018**

26th October 2018

INTERNATIONAL AIRLINES GROUP

# Highlights

Willie Walsh, Chief Executive Officer

INTERNATIONAL AIRLINES GROUP

# Good underlying financial performance and cash returns to shareholders

## 3Q 2018 financial highlights

- Another good quarter performance with an operating profit of €1,460m (20.4% margin, -1.6 pts) vs. €1,450m last year
  - Strong result despite significant FX and fuel cost headwinds and operational challenges due to European air traffic control
  - Better results at BA and Iberia, relatively flat at Aer Lingus and Vueling, start-up costs at LEVEL Paris and Vienna

- 9 month pre-exceptional net income growth of over 9% compared to a year ago

- Continuing strong RoIC performance (last 4 quarters) at 16.1%, above target of 15%

- Generous cash returns to shareholders
  - Second €500m share buyback programme completed on October 24 (65.96m ordinary shares representing 3.2% of share capital)
  - Interim dividend of 14.5 € cents per share approved by the Board

- 2018 full year guidance refined:

  "At current fuel prices and exchange rates, IAG expects its operating profit before exceptional items for 2018 to show an increase year-on-year of around €200m from a 2017 base of €2,950 million. Both passenger unit revenue and non-fuel unit costs are expected to improve at constant currency for the full year."

# Financial results

Enrique Dupuy, Chief Financial Officer

INTERNATIONAL AIRLINES GROUP

# Increase in operating profit, despite FX and fuel headwinds

## 3Q 2018 financial summary

### OPERATING PROFIT

€1,460m
(reported before exceptional)

**+€121m**
(constant currency change)

+€10m
(reported change)

### TOTAL UNIT REVENUE

+2.7%
(constant currency)

+1.7%
(reported)
(€32m translation benefit)
(€103m transaction headwind)

### PAX UNIT REVENUE

**+2.4%**
(constant currency)

+1.3%
(reported)

### TRAFFIC/CAPACITY

ASKs: +6.6%
(reported)

RPKs: +7.0%
(reported)

### TOTAL UNIT COST

+3.1%
(constant currency)

+3.8%
(reported)
(€25m translation drag)
(€15m transaction headwind)

### NON-FUEL UNIT COST

-0.7%
(constant currency)

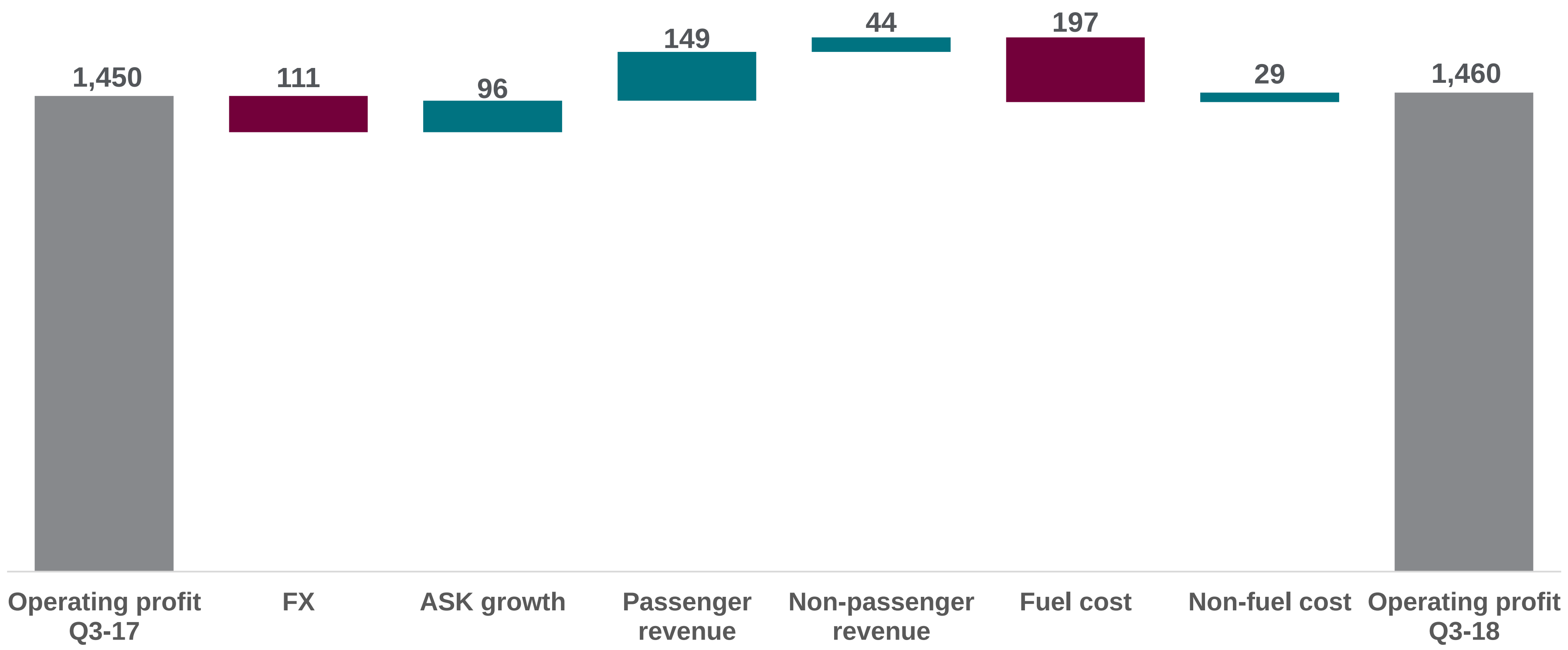
**-2.3%**
(constant FX, net of other revenue gain)

+0.5%
(reported)

'Translation' = drag/benefit from translation of British Airways and Avios financial results from GBP into EUR; 'Transaction' = FX headwind/tailwind at company level
2017 figures have been restated for IFRS 15

# Further positive revenue and non-fuel cost performance

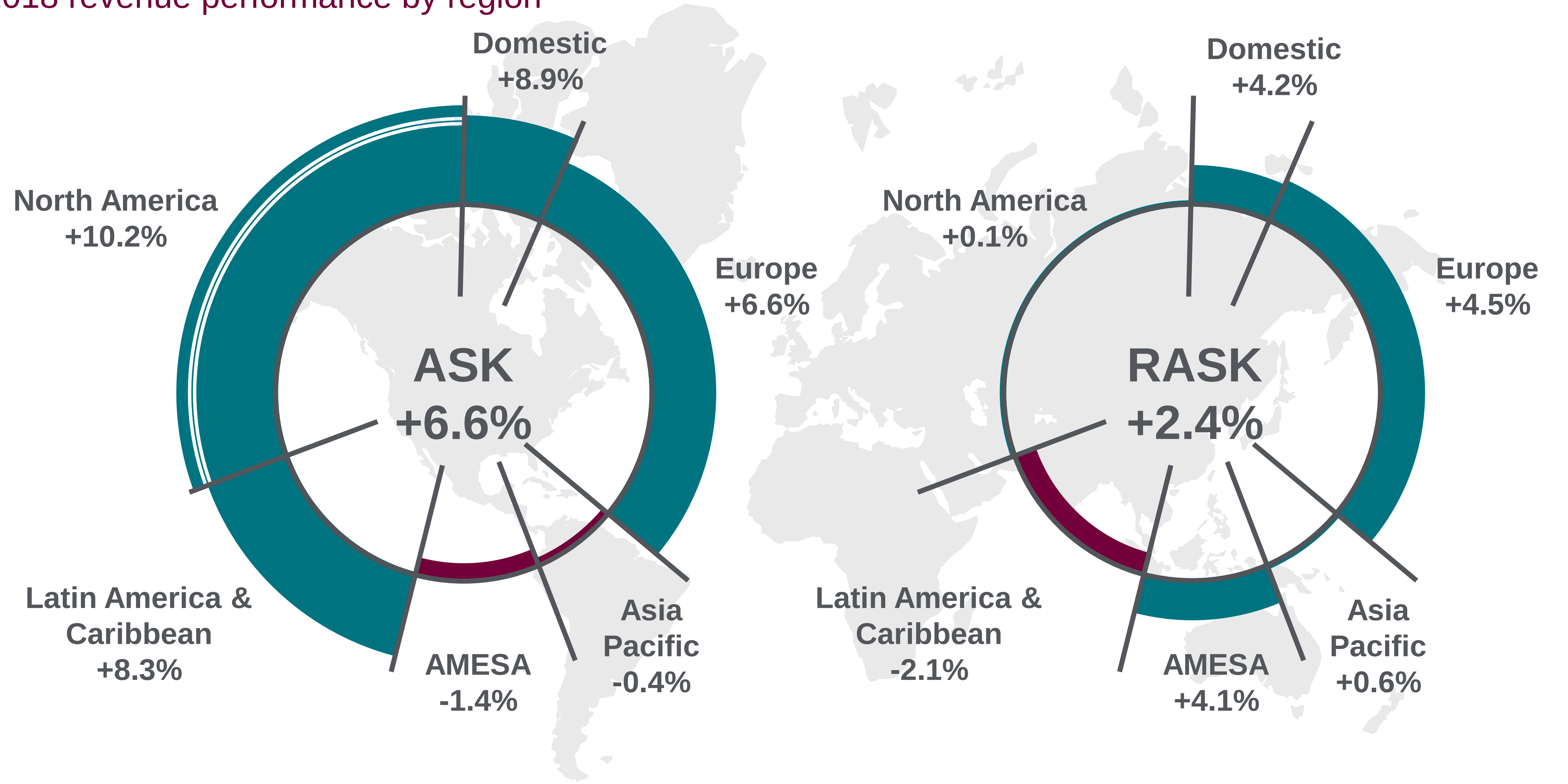
## 3Q 2018 operating profit contribution drivers




Passenger revenue contribution includes price and mix effects. Fuel cost contribution includes price and efficiency. Non-fuel contribution includes inflation and efficiency.
2017 figures have been restated for IFRS 15

# Strong revenue performance in short haul and North America

## 3Q 2018 revenue performance by region




Data in the chart represents flown passenger revenue in unit terms at constant currency before transfer payments, Avios redemption and ancillaries
2017 figures have been restated for IFRS 15

# Non-fuel unit costs driven by employee cost reduction

## 3Q 2018 non-fuel unit cost performance

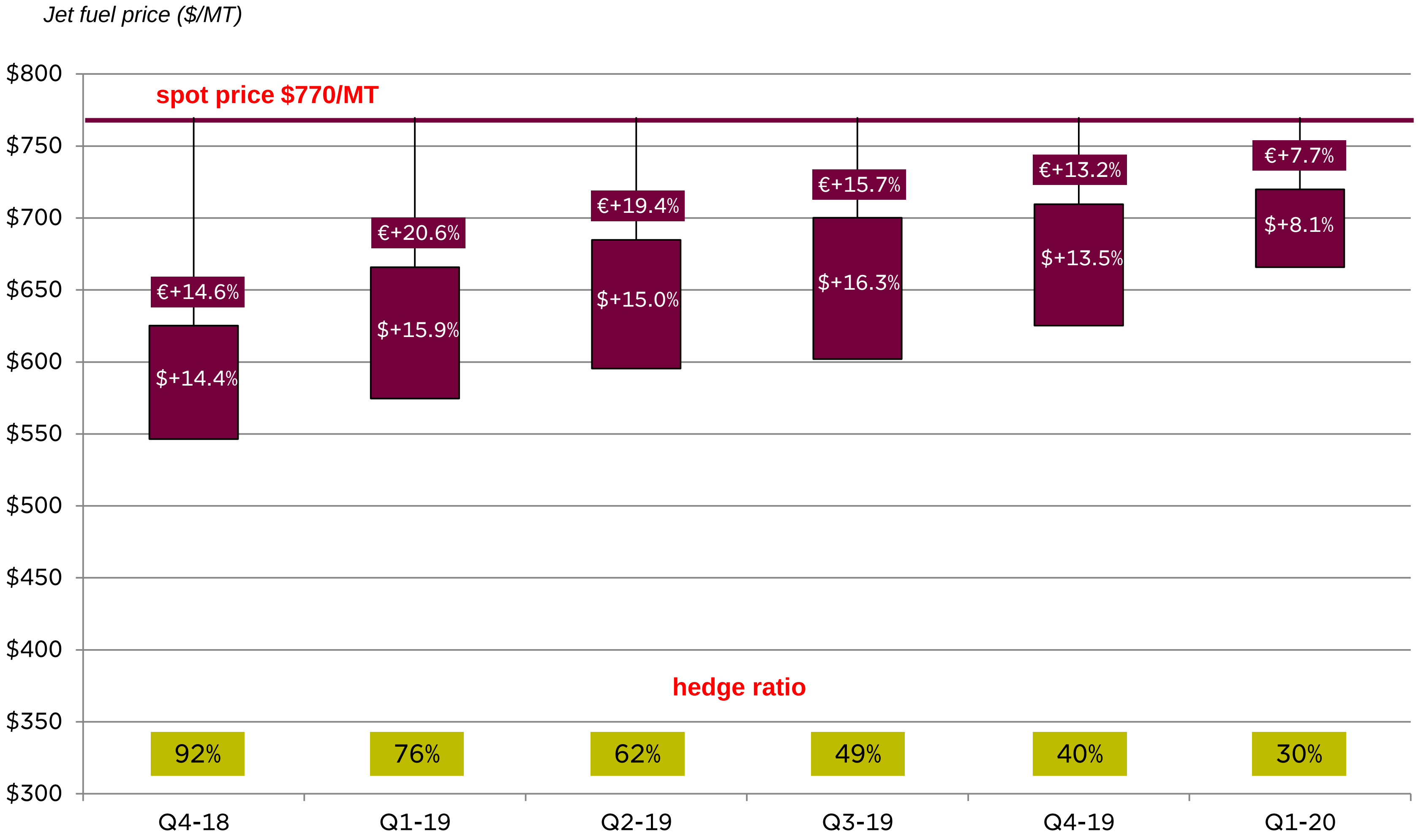
| | 3Q 2017 reported unit costs (€ cents) | 3Q 2018 reported unit costs (€ cents) | % vly reported | % vly constant currency |
|---|---|---|---|---|
| **Fuel** | **1.46** | **1.67** | **14.3%** | **15.0%** |
| Employee | 1.42 | 1.35 | -4.3% | -4.7% |
| Supplier | 2.61 | 2.69 | 3.0% | 1.0% |
| Ownership | 0.61 | 0.61 | 0.9% | 1.1% |
| **Non-fuel** | **4.64** | **4.66** | **0.5%** | **-0.7%** |
| **TOTAL** | **6.10** | **6.33** | **3.8%** | **3.1%** |

-2.3% net of other revenue gains

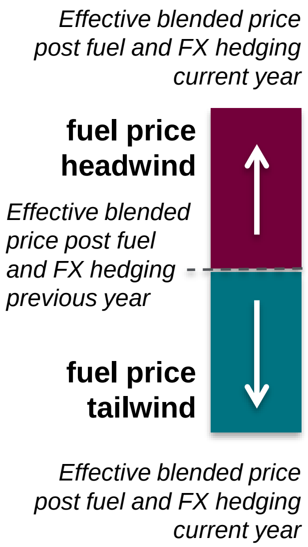
2017 figures have been restated for IFRS 15

# Fuel headwind continues

## Fuel scenario: detailed modelling in appendix




**Key:**




FX sensitivity in 2018 fuel bill: EURUSD ±10% = ±0% fuel cost at current hedging

**2018 fuel bill scenario - €5.3bn** (at $770/MT and 1.16$/€)

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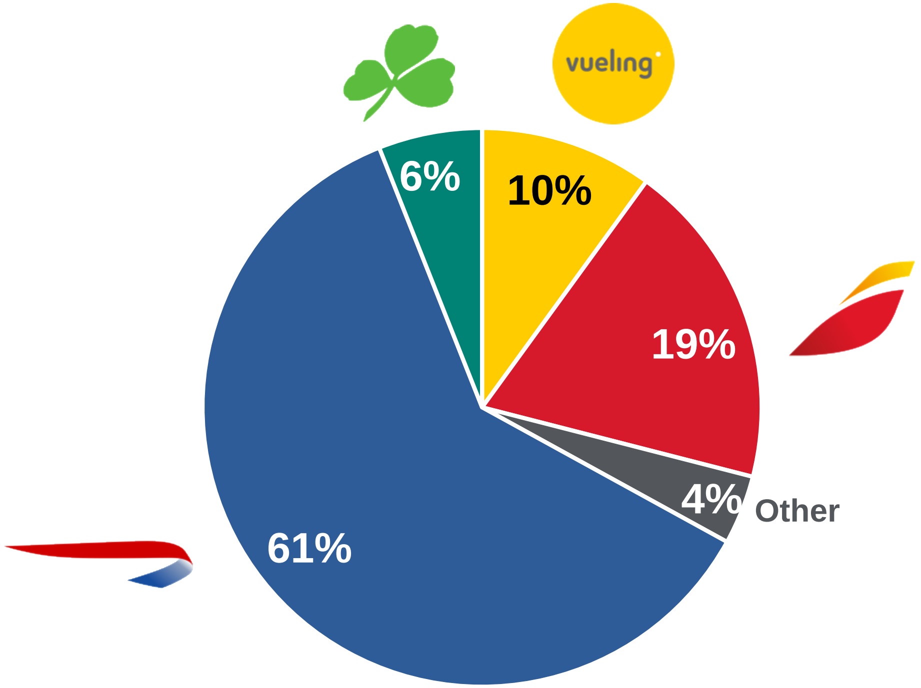
# Higher RoIC at Aer Lingus, Iberia and Vueling; slightly lower at BA

## Financial target tracker: profitability trend by airline




**IAG capital allocation 3Q 2018**

2017 figures have been restated for IFRS 15

**IAG**

| | |
|---|---|
| Op. margin: 3Q 2018 | 21.6% |
| Op. margin trend vly | -1.6pts |
| Nml. margin: last 4Qs | 14.0% |
| RoIC: last 4Qs | 16.1% |

**Aer Lingus**

| | |
|---|---|
| Op. margin: 3Q 2018 | 28.0% |
| Op. margin trend vly | -2.2pts |
| Nml. margin: last 4Qs | 17.2% |
| RoIC: last 4Qs | 27.9% |

**IBERIA**

| | |
|---|---|
| Op. margin: 3Q 2018 | 18.8% |
| Op. margin trend vly | +0.1pts |
| Nml. margin: last 4Qs | 9.7% |
| RoIC: last 4Qs | 12.3% |

Note: Iberia excludes LEVEL

**BRITISH AIRWAYS**

| | |
|---|---|
| Op. margin: 3Q 2018 | 20.1% |
| Op. margin trend vly | -1.3pts |
| Nml. margin: last 4Qs | 14.6% |
| RoIC: last 4Qs | 16.7% |

**vueling**

| | |
|---|---|
| Op. margin: 3Q 2018 | 25.9% |
| Op. margin trend vly | -2.4pts |
| Nml. margin: last 4Qs | 12.2% |
| RoIC: last 4Qs | 13.4% |

**Op margin**: Reported margin, lease adjusted
**Nml. Margin:** As above, adjusted for inflation, for comparability with Invested Capital
**Invested Capital:** Tangible fixed assets NBV, fleet inflation and lease adjusted

# Leverage unchanged

## Leverage

| €m | September 2017 | September 2018 |
|---|---|---|
| Gross debt | 7,578 | 7,342 |
| Cash, cash equivalents & interest-bearing deposits | 7,523 | 6,923 |
| On balance sheet net debt / (cash) | 55 | 419 |
| Aircraft lease capitalisation (x8) | 7,128 | 7,056 |
| Adjusted net debt | 7,183 | 7,475 |
| Adjusted net debt / EBITDAR | 1.4x | 1.4x |

2017 figures have been restated for IFRS 15

# Outlook

Willie Walsh, Chief Executive Officer

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# Accretive growth justified by high returns

## 2018 capacity growth and contributions

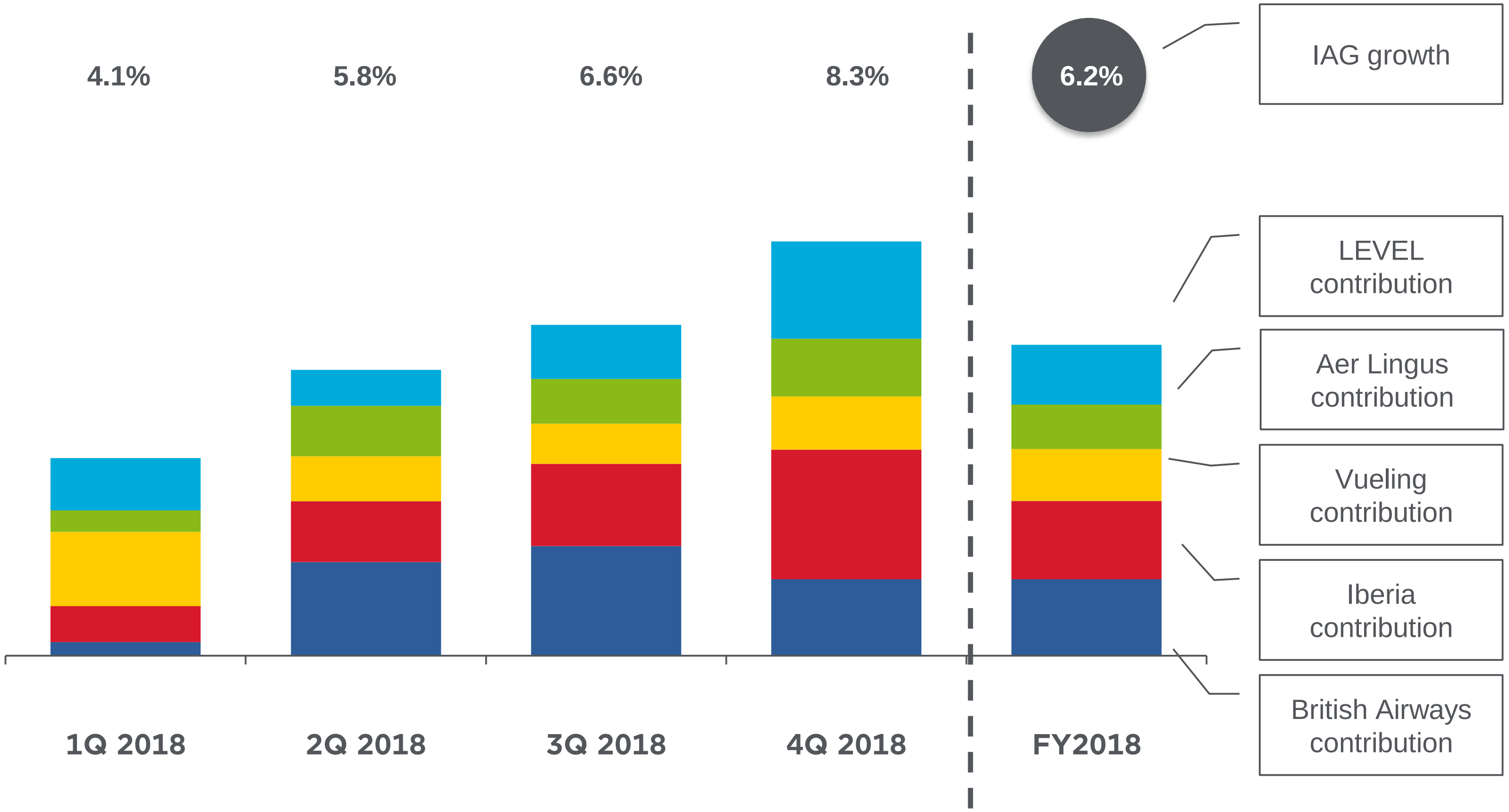
**Aer Lingus:** 4Q 2018 and FY2018 capacity planned to be +13.8% and +10.1% respectively

**British Airways:** 4Q 2018 and FY2018 capacity planned to be +2.6% and +2.5% respectively

**Iberia:** 4Q 2018 and FY2018 capacity planned to be +12.5% and +7.4% respectively

**LEVEL:** 5 A330; 3 aircraft in BCN, 2 in ORY, and 4 A321 in VIE

**Vueling:** 4Q 2018 and FY2018 capacity planned to be +10.0% and +9.1% respectively




Note: Iberia figures do not include LEVEL in 2017 or 2018

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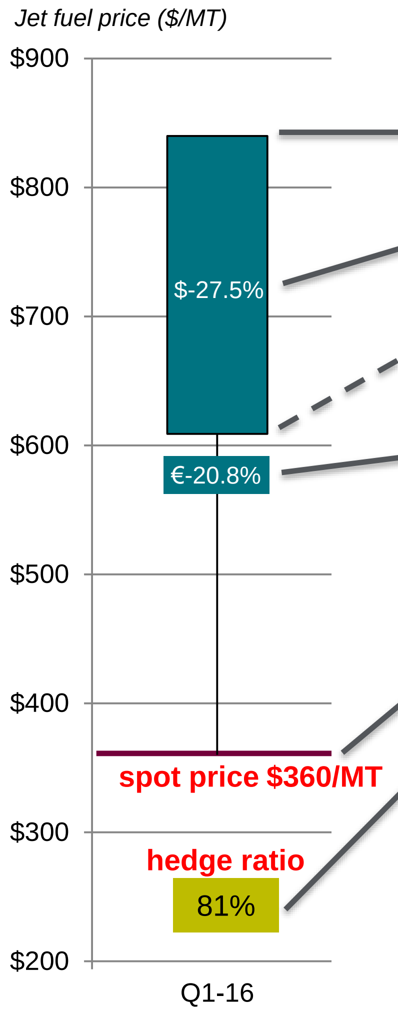
# 2018 full year guidance refined

At current fuel prices and exchange rates, IAG expects its operating profit for 2018 before exceptional items to show an increase year-on-year of around €200 million from a 2017 base of €2,950 million. Both passenger unit revenue and non-fuel unit costs are expected to improve at constant currency for the full year.

# Appendices

# 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 $360/MT and 1.10$/€)

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# Disclaimer

Forward-looking statements:

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 expenditure 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. 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 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 2017; these documents are available on www.iagshares.com.