QUARTER 1 RESULTS ANNOUNCEMENT

International Airlines Group today (May 6) presented group results for the full quarter ended March 31, 2011, as well as the results for the group excluding Iberia's first 21 days of January.

IAG period highlights:

- Operating loss for the quarter to March 31, 2011 of €102 million (2010: operating loss €238 million)
- Loss before tax for the quarter of €47 million (2010: loss before tax of €273 million)
- Revenue for the quarter rose by 15.4 per cent to €3,636 million (2010: €3,152 million), including €98 million or 3.1 pts of currency translation
- Premium yield up 4.4 per cent on top of volume increase of 11.9 per cent
- Fuel costs up 30.9 per cent to €1,128 million (2010: €862 million)
- Other operating costs up 3.2 per cent at €2,610 million, including €66 million or 2.6 pts of currency translation. Non-fuel unit costs down 5.2 per cent, or 7.6 per cent at constant currency translation
- Cash down €35 million to €4,317 million (December 2010: €4,352 million)
- Group net debt down €383 million to €512 million (December 2010: €895 million)

Performance summary:

	Full quarter results			*Excludes 21 days Iberia pre-merger*
Financial data (€ million) unaudited	**Quarter 1 2011** (1)	Quarter 1 2010 (1)	Higher / (lower) % (1)	*Quarter 1 2011* (2)
Passenger revenue	**3,018**	2,627	14.9%	*2,839*
Total revenue	**3,636**	3,152	15.4%	*3,399*
Operating profit/(loss)	**(102)**	(238)	(57.1)%	*(65)*
Profit/(loss) before tax	**(47)**	(273)	(82.8)%	*(8)*
Profit after tax	**33**	(243)	nm	*60*
Basic earnings per share	**1.7**	(13.2)	nm	*3.3*
Operating figures	**Quarter 1 2011** (1)	Quarter 1 2010 (1)	Higher / (lower) %	
Available seat kilometres (ASK million)	**51,118**	46,861	*9.1*	
Revenue passenger kilometres (RPK million)	**37,768**	35,773	*5.6*	
Seat factor (per cent)	**73.9**	76.3	*(2.4pts)*	
Passenger yield per RPK (€cents)	**7.99**	7.34	*8.8*	
Passenger unit yield per ASK (€cents)	**5.90**	5.61	*5.2*	
Non fuel unit costs per ASK (€cents)	**5.11**	5.39	*(5.2)*	
(€ million) unaudited	**March 31 2011** (2)	December 31 2010 (1)	Higher / (lower) %	
Cash, cash equivalents and interest bearing deposits	**4,317**	4,352	(0.8)%	
Net debt	**512**	895	(42.8)%	
Equity	**5,345**	4,670	14.5 %	
Adjusted gearing (3)	**42%**	47%	(5pts)	

IAG chief executive Willie Walsh said: "These are the first ever IAG results and they show an improved performance compared to last year. Revenue is up due to increased volumes, particularly in the premium cabins, and improved yields which also showed good premium growth.

"We have also achieved a significant reduction in our controllable costs, with unit costs excluding fuel down 5.2 per cent. At constant currency rates, unit costs are down 7.6 per cent. The main areas of unit cost reduction are supplier costs and employee costs both down 4.7 per cent. The continued focus on cost control has been achieved while we have seen some measured increases in capacity. We have been able to increase capacity without additional aircraft and employees, highlighting the good work that has been done in previous years.

"Fuel costs remain the big challenge facing the industry and we have seen a 31 per cent rise in the quarter. On a unit cost basis, fuel is up 20.1 per cent.

"We have been working hard to establish IAG over the past few months and are confident that we are on track to deliver our synergy targets"

(1) This financial data has been combined based on the results of operations of British Airways and Iberia for the three month periods ended March 31, 2011 and 2010, and the balance sheets as at March 31, 2011 and December 31, 2010. These combined financial statements eliminate cross holdings and related party transactions, however the comparatives do not reflect any adjustments required to account for the merger transaction.

(2) The IAG March 31, 2011 income statement is the consolidated results of BA for the three month period ended March 31, 2011 and Iberia from January 22, 2011 to March 31, 2011; the IAG March 31, 2010 comparative is solely the results of BA.

(3) Adjusted gearing is net debt plus capitalised operating aircraft lease costs, divided by net debt plus capitalised operating aircraft lease costs and equity.

nm – not meaningful

Financial results:

Income statement (€ million) unaudited	Full quarter results: Quarter 1 2011 [1]	Quarter 1 2010 [1]	Higher / (lower) % [1]	*Excludes 21 days Iberia pre-merger: Quarter 1 2011* [2]	*Quarter 1 2010* [2]
Passenger revenue	**3,018**	2,627	14.9 %	*2,839*	*1,838*
Cargo revenue	**290**	233	24.5 %	*276*	*168*
Other revenue	**328**	292	12.3 %	*284*	*94*
Total revenue	**3,636**	3,152	15.4 %	*3,399*	*2,100*
Employee costs	**924**	889	3.9 %	*853*	*558*
Fuel and oil costs	**1,128**	862	30.9 %	*1,059*	*633*
Handling, catering and other operating costs	**383**	351	9.1 %	*361*	*255*
Landing fees and en-route charges	**288**	268	7.5 %	*263*	*160*
Engineering and other aircraft costs	**278**	247	12.6 %	*252*	*151*
Property, IT and Other costs	**215**	241	(10.8)%	*198*	*184*
Selling costs	**179**	174	2.9 %	*163*	*90*
Depreciation, amortisation and impairment	**246**	255	(3.5)%	*236*	*213*
Aircraft operating lease costs	**104**	99	5.1 %	*87*	*19*
Currency differences	**(7)**	4	nm	*(8)*	*1*
Total expenditure on operations	**3,738**	3,390	10.3 %	*3,464*	*2,264*
Operating profit/(loss)	**(102)**	(238)	(57.1)%	*(65)*	*(164)*
Net non-operating costs	**55**	(35)	nm	*57*	*(50)*
Profit/(loss) before tax	**(47)**	(273)	(82.8)%	*(8)*	*(214)*
Taxation	**80**	30	166.7 %	*68*	*11*
Profit/(loss) after tax	**33**	(243)	nm	*60*	*(203)*

nm = not meaningful

Basic earnings per share	**1.7**	(13.2)	112.9%	*3.3*
Diluted earnings per share	**1.6**	(11.8)	113.6%	*2.9*

Operating figures	**Quarter 1 2011** [1]	Quarter 1 2010 [1]	Higher / (lower) %
Available seat kilometres (ASK) (million)	**51,118**	46,861	9.1 %
Revenue passenger kilometres (RPK) (million)	**37,768**	35,773	5.6 %
Seat factor (per cent)	**73.9**	76.3	(2.4pts)
Passenger numbers	**11,527**	11,172	3.2 %
Cargo tonne kilometres (CTK) (million)	**1,514**	1,391	8.9 %
Passenger yield per RPK	**7.99**	7.34	8.8 %
Passenger unit yield per ASK	**5.90**	5.61	5.2 %
Cargo yield	**19.15**	16.75	14.3 %
Total cost per ASK	**7.31**	7.23	1.1 %
Fuel cost per ASK	**2.21**	1.84	20.1 %
Total cost excluding fuel per ASK	**5.11**	5.39	(5.2)%
Aircraft in service	**346**	347	(0.3)%
Average employee number	**56,159**	56,375	(0.4)%

Financial review:

Revenue for the 3 months to March 31, 2011 rose by 15.4 per cent to €3,636 million (2010: €3,152 million). Passenger revenue was up 14.9 per cent on capacity growth (ASKs) of 9.1per cent and improved unit passenger revenues (€cents per ASK) of 5.2 per cent. At constant exchange rates total revenue was up 11.5 per cent or €362 million with passenger revenue up 10.8 per cent and unit passenger revenues up 1.5 per cent.

Cargo revenue for the quarter was up 24.5 per cent with yield up 14.3 per cent and volume up 8.9 per cent.

Operating costs for the quarter were up 10.3 per cent to €3,738 million, with the increases due to currency being 3.0 per cent on top of increased capacity of 9.1 per cent.

Fuel costs are up 30.9 per cent or €266 million, reflecting mainly price increases, additional volume, partly offset by hedging benefits.

Non fuel costs are up 3.2 per cent; non-fuel unit costs (€/ASK) are down 5.2 per cent. Capacity, which was adversely impacted by disruption last year, has increased without additional aircraft, and unit costs reductions show the benefits of resource management flowing through from the prior year.

Non-operating results for the quarter improved by €90 million. This reflected the step acquisition profit as part of the merger transaction of Iberia in IAG of €83 million; this will be a fixed item for the remainder of the year.

The loss before tax for the quarter was €47 million, an improvement of €226 million on the previous year (2010: €273 million loss).

The tax credit for the quarter reflects no tax charge on the step acquisition profit, standard rate tax credits on the loss across the Group and a deferred tax credit benefit from the reduction in the UK corporation tax rates announced in the UK March budget.

The Group's cash position remains very strong with cash and cash equivalents at €4,317 million. The net debt of the Group has fallen by €383 million to €512 million compared to December 31, 2010. Adjusted gearing at March 31, 2011 improved by 5 points to 42 per cent.

Merger transaction:

On January 21, 2011 British Airways Plc and Iberia Líneas Aéreas de España S.A. (hereinafter 'British Airways' and 'Iberia' respectively) completed a merger transaction of the two companies to create a new, leading European airline group. As a result of the merger, International Consolidated Airlines Group S.A. known as IAG was formed to hold the interests of both the existing airline groups. IAG is a Spanish company registered in Madrid incorporated on April 8, 2010.

IAG has a premium listing on the FTSE's UK index series. IAG shares are traded on the London Stock Exchange's main market for listed securities and also on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia (the "Spanish Stock Exchanges"), through the Spanish Stock Exchanges Interconnection System (Mercado Continuo Espanol).

The group is expecting to generate annual synergies of approximately €400 million by the end of its fifth year and benefit shareholders, customers and employees. IAG will combine the two companies' leading positions in the UK and Spain and enhance their strong presence in international long-haul markets, while retaining the individual brands and operations of both airlines.

Principal terms

Under the terms of the merger, British Airways ordinary shareholders received one new ordinary share of IAG for every existing British Airways ordinary share and Iberia shareholders received 1.0205 new ordinary shares for every existing Iberia ordinary share. Upon completion of the transaction, British Airways' shareholders held 56 per cent of IAG and Iberia's shareholders 44 per cent.

Prior to January 21, 2011 British Airways owned 13.15 per cent of the issued share capital of Iberia (13.55 per cent after cancellation of Iberia Treasury Shares) and Iberia owned 9.98 per cent of the issued share capital of British Airways. Subsequent to the merger, the cross holdings between British Airways and Iberia were maintained or recreated with the same economic and voting rights.

For the purposes of accounting British Airways is deemed to be the acquirer of Iberia. IAG's value was determined based on British Airways' fair value, calculated from British Airways quoted market price at the close of business on January, 20 2011 of €3.346 (or £2.825) for its 1,154 million outstanding ordinary shares. The purchase price of Iberia was calculated based on the agreed merger ratios and IAG's value on the transaction date.

€ million	**21 January 2011**
IAG value	
British Airways fair value	3,862
Iberia stake in British Airways	(385)
	3,477
British Airways participation in IAG (per cent)	56%
IAG value (100%)	6,209
Purchase price	
IAG value	6,209
Iberia ownership in IAG (per cent)	44%
	2,732
British Airways stake (13.55%) in Iberia at market value	370
Purchase price	3,102

The book value of Iberia's net assets as at January 21, 2011 was €2.1 billion. The purchase price allocation has not yet been finalised. The main items still to be finalised are the fair value of acquired tangible and intangible assets and liabilities assumed, the income and non-income based taxes and the residual goodwill. It is expected to be completed within 12 months of the date of the merger in accordance with the period allowed to review estimations under IFRS.

Financial position:

IAG was incorporated for the purpose of issuing equity instruments for the merger transaction. As a result and in accordance with International Financial Reporting Standards, British Airways was identified as the acquirer of Iberia. IAG's consolidated financial statements will reflect its investment in British Airways at cost from the beginning of the period and its investment in Iberia at fair value from the merger date. British Airways will be the basis for IAG's comparative financial information.

IAGs' total equity on January 1, 2011 of €2.8 billion was based on BA's closing equity balance as at December 31, 2010 of £2.4 billion. On the merger date, IAG's consolidated equity increased by €2.7 billion to €5.5 billion. As at March 31, 2011 total equity for the group was €5.3 billion.

Trading Outlook:

We expect significant growth in operating profit this year, with improvements in both our unit revenue and unit cost performance versus 2010 and are on track to reach our synergy targets.

Our long haul business is stable, with strength in the premium sector, but the short haul European market remains highly competitive. We expect the ongoing impact of events in Japan and North Africa / Middle East to have a negative impact on operating profit for the full year of €90 to €100 million.

With current fuel prices, hedge positions and foreign exchange rates, we expect our total fuel cost for the year to be approximately €5.2 billion, or €100 million worse than our previous expectation last quarter. Although we achieved 50 per cent recovery of the fuel cost impact in Q1 through revenue initiatives, it should be noted that this task becomes progressively harder through the year as we face tougher revenue comparables with last year.

Our 2011 ASK growth plan (+8 per cent reported / +5 per cent underlying) remains essentially unchanged. Capacity growth is mainly concentrated in core markets and is being achieved with no material growth in fleet or staff. We retain flexibility to cut capacity if necessary, from Q4 onwards.

Forwarding-looking statements:

Certain information included in these statements is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for the future operations, including, without limitation, discussions of the Company's Business Plan, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Company on the date of this report. The Company 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 Company's forward-looking statements 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 some of the most important risks in this regard is given in the shareholder documentation in respect of the merger issued on October 26, 2010 and in the Securities Note and Summary issued on January 10, 2011; these documents are available on www.iagshares.com.

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