THREE MONTHS RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (May 4, 2018) presented Group consolidated results for the three months to March 31, 2018.

IAG period highlights on results:

- First quarter operating profit €280 million before exceptional items (2017 restated[1]: €160 million)
- Net foreign exchange operating profit impact for the quarter favourable €58 million
- Passenger unit revenue for the quarter down 0.7 per cent, up 3.5 per cent at constant currency
- Non-fuel unit costs before exceptional items for the quarter down 5.7 per cent, down 0.9 per cent at constant currency
- Fuel unit costs for the quarter up 0.6 per cent, up 10.4 per cent at constant currency
- Cash of €7,442 million at March 31, 2018 was down €53 million on March 31, 2017 and adjusted net debt to EBITDAR improved by 0.3 to 1.2 times

Performance summary:

	Three months to March 31		
Highlights € million	**2018**	2017 (restated)[1]	Higher / (lower)
Passenger revenue	**4,415**	4,271	3.4 %
Total revenue	**5,022**	4,920	2.1 %
Operating profit before exceptional items	**280**	160	75.0 %
Exceptional items	**639**	(19)	nm
Operating profit after exceptional items	**919**	141	552 %
Available seat kilometres (ASK million)	**71,092**	68,304	4.1 %
Passenger unit revenue per ASK (€ cents)	**6.21**	6.25	(0.7)%
Non-fuel unit costs per ASK (€ cents)	**5.11**	5.41	(5.7)%

Alternative performance measures	**2018**	2017	Higher / (lower)
Profit after tax before exceptional items (€ million)	**206**	72	186 %
Adjusted earnings per share (€ cents)	**9.6**	3.2	200 %
Adjusted net debt (€ million)	**6,447**	7,098	(9.2)%
Adjusted net debt to EBITDAR	**1.2**	1.5	(0.3x)

Statutory results € million	**2018**	2017	Higher / (lower)
Profit after tax and exceptional items	**794**	57	1,293 %
Basic earnings per share (€ cents)	**38.5**	2.5	1,440 %
Cash and interest-bearing deposits	**7,442**	7,495	(0.7)%
Interest-bearing long-term borrowings	**6,953**	8,241	(15.6)%

For definitions refer to the IAG Annual Report and Accounts 2017.

[1]Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'.

Willie Walsh, IAG Chief Executive Officer, said:

"We're reporting another strong quarter performance with an operating profit of €280 million before exceptional items, up from €160 million last year.

"Our positive passenger unit revenue trend continued with an increase of 3.5 per cent at constant currency. This trend benefitted partially from the timing of Easter. Non-fuel unit costs before exceptional items were down 0.9 per cent at constant currency.

"Despite higher market prices, our fuel unit costs have gone up by just 0.6 per cent in euros.

"This quarter British Airways put in place a new flexible defined contribution pension scheme. It replaces the existing New Airways Pension Scheme (NAPS) and British Airways Retirement Plan (BARP)."

Trading outlook

At current fuel prices and exchange rates, IAG still expects its operating profit for 2018 to show an increase year-on-year. Both passenger unit revenue and non-fuel unit costs are expected to improve at constant currency.

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This announcement contains inside information and is disclosed in accordance with the Company's obligations under the Market Abuse Regulation (EU) No 596/2014.
Enrique Dupuy, Chief Financial Officer

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.

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CONSOLIDATED INCOME STATEMENT

€ million	Before exceptional items 2018	Exceptional items	Total 2018	Before exceptional items 2017 (restated)[1]	Exceptional items	Total 2017 (restated)[1]	Higher/ (lower)
	Three months to March 31						
Passenger revenue	**4,415**		4,415	4,271		4,271	3.4 %
Cargo revenue	**276**		276	267		267	3.4 %
Other revenue	**331**		331	382		382	(13.4)%
Total revenue	**5,022**		5,022	4,920		4,920	2.1 %
Employee costs	**1,154**	(644)	510	1,152	19	1,171	0.2 %
Fuel, oil costs and emissions charges	**1,112**		1,112	1,062		1,062	4.7 %
Handling, catering and other operating costs	**645**		645	611		611	5.6 %
Landing fees and en-route charges	**472**		472	476		476	(0.8)%
Engineering and other aircraft costs	**391**		391	475		475	(17.7)%
Property, IT and other costs	**207**	5	212	215		215	(3.7)%
Selling costs	**271**		271	252		252	7.5 %
Depreciation, amortisation and impairment	**307**		307	302		302	1.7 %
Aircraft operating lease costs	**202**		202	223		223	(9.4)%
Currency differences	**(19)**		(19)	(8)		(8)	138 %
Total expenditure on operations	**4,742**	(639)	4,103	4,760	19	4,779	(0.4)%
Operating profit	**280**	639	919	160	(19)	141	75.0 %
Net non-operating costs	**(34)**		(34)	(67)		(67)	(49.3)%
Profit before tax	**246**	639	885	93	(19)	74	165 %
Tax	**(40)**	(51)	(91)	(21)	4	(17)	90.5 %
Profit after tax for the period	**206**	588	794	72	(15)	57	186 %

Operating figures	**2018**[2]	2017[2]	Higher/ (lower)
Available seat kilometres (ASK million)	**71,092**	68,304	4.1 %
Revenue passenger kilometres (RPK million)	**57,221**	53,944	6.1 %
Seat factor (per cent)	**80.5**	79.0	1.5pts
Cargo tonne kilometres (CTK million)	**1,357**	1,367	(0.7)%
Passenger numbers (thousands)	**22,953**	21,147	8.5 %
Sold cargo tonnes (thousands)	**170**	167	1.8 %
Sectors	**162,091**	153,673	5.5 %
Block hours (hours)	**480,145**	460,710	4.2 %
Average manpower equivalent	**62,238**	62,237	0.0 %
Aircraft in service	**551**	547	0.7 %
Passenger revenue per RPK (€ cents)	**7.72**	7.92	(2.5)%
Passenger revenue per ASK (€ cents)	**6.21**	6.25	(0.7)%
Cargo revenue per CTK (€ cents)	**20.34**	19.53	4.1 %
Fuel cost per ASK (€ cents)	**1.56**	1.55	0.6 %
Non-fuel costs per ASK (€ cents)	**5.11**	5.41	(5.7)%
Total cost per ASK (€ cents)	**6.67**	6.97	(4.3)%

[1]Restated for new accounting standards IFRS 15 ‘Revenue from contracts with customers’ and IFRS 9 ‘Financial instruments’.
[2]Financial ratios are before exceptional items.

FINANCIAL REVIEW

Strategic overview
British Airways closed its New Airways Pension Scheme (NAPS) to future accrual and British Airways Retirement Plan (BARP) to future contributions from March 31, 2018. The schemes have been replaced by a flexible defined contribution scheme, the British Airways Pension Plan (BAPP). The changes resulted in a one-off reduction of the NAPS IAS 19 defined benefit liability of €872 million and associated transitional arrangement cash costs of €192 million.

British Airways successfully launched a $608.6 million EETC bond issue to fund aircraft deliveries. The transaction includes Class AA and Class A Certificates with an underlying collateral pool consisting of 11 aircraft: two new Boeing 787-9, scheduled for delivery between March and April 2018, one Boeing 787-8 delivered in September 2017, one new Boeing 787-8 scheduled for delivery in June 2018 and seven new Airbus A320 NEO aircraft, scheduled for delivery between April and October 2018. The Class AA Certificates ($409.8 million) have an annual coupon, payable quarterly, of 3.800 per cent and the Class A Certificates ($198.8 million) have an annual coupon, payable quarterly, of 4.125 per cent.

Principal risks and uncertainties
We have continued to maintain and operate our structure and processes to identify, assess and manage risks. The principal risks and uncertainties affecting us, detailed on pages 29 to 34 of the December 31, 2017 Annual Report and Accounts, remain relevant for the remainder of the year.

Operating and market environment
Fuel prices rose significantly in the three month period, partially offset by a weaker US dollar against both the euro and the pound sterling. The euro weakened against the pound sterling during the period, although to a lesser extent. Exchange rates were net positive for the Group.

IAG's results are impacted by exchange rates used for the translation of British Airways' and Avios' financial results from sterling to the Group's reporting currency of euro. For the three months, the net impact of translation was €13 million adverse, with a decrease in revenues of €128 million and a decrease in costs of €115 million.

From a transactional perspective, the Group's financial performance is impacted by fluctuations in exchange rates, primarily from the US dollar, euro and pound sterling. The Group generates a surplus in most currencies in which it does business, except for the US dollar, as capital expenditure, debt repayments and fuel purchases typically create a deficit. The Group hedges a portion of its transaction exposures. The net transaction impact on operating profit was positive by €71 million for the period, decreasing revenues by €108 million and costs by €179 million.

The net impact of translation and transaction exchange for the Group was €58 million favourable.

Basis of preparation
The Group has adopted IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments' from January 1, 2018. The prior year consolidated income statement has been restated. Under IFRS 15, the Group's previously reported revenues in quarter one 2017 were reduced by €14 million and operating expenditure reduced by €4 million, resulting in a reduction in operating profit of €10 million. Under IFRS 9, a €49 million charge to net non-operating costs was reclassified to Other comprehensive income reflecting primarily the unrealised movement in the time value of derivative options which is now recognised in Other comprehensive income. The impact of the restatements in the income statement on the tax charge was €9 million. For further information on the new standards see page 118 of the December 31, 2017 Annual Report and Accounts.

Capacity
In the first three months of 2018, IAG capacity, measured in available seat kilometres (ASKs) was higher by 4.1 per cent with increases across all regions except Asia Pacific. Vueling continued its aim to reduce the seasonality of its network through growth in the first quarter of the year with increases in both its domestic and European markets. Iberia also increased capacity primarily through additional frequencies in its domestic market, to European cities and on its North American routes. Aer Lingus and LEVEL growth reflects the full year impact of new routes launched in 2017. British Airways introduced Las Vegas from London Gatwick and Seychelles from London Heathrow. Passenger load factor rose 1.5 points to 80.5 per cent.

Revenue
Passenger revenue rose 3.4 per cent versus last year. Passenger unit revenue (passenger revenue per ASK) increased 3.5 per cent at constant currency ('ccy') from both higher yields (passenger revenue/revenue passenger kilometre) and passenger load factor. The passenger unit revenue increase was partially due to the timing of Easter, but also a continuation of the improvements which began in 2017. The Group's revenue performance was strong in North America, Europe and Latin America. The Group carried 22,953 thousand passengers during the quarter, an increase of 8.5 per cent versus last year.

Cargo revenue rose 3.4 per cent, 10.9 per cent at constant currency versus last year. The cargo performance was strong; mix improved driven by Constant Climate Critical products, increasing cargo yield (cargo revenue/cargo tonne kilometres) on a slight decrease in tonnes carried.

Other revenue was down 13.4 per cent and €22 million excluding currency impacts, from a decrease in third party activity in Iberia's maintenance business due to timing, partially offset by increases at BA Holidays and at Avios.

Costs
Employee costs increased 0.2 per cent compared to last year. On a unit basis and at ccy, employee unit costs improved 0.9 per cent with salary awards primarily RPI linked, more than offset by efficiency initiatives achieved by all airlines. The average number of employees was flat for the Group, while productivity rose 4.1 per cent with improvements at British Airways, Iberia, Vueling and Aer Lingus.

Fuel costs increased 4.7 per cent, with fuel unit costs up significantly at 10.4 per cent at ccy from average fuel prices net of hedging. The introduction of new fleet continued to drive efficiencies.

FINANCIAL REVIEW

Supplier costs reduced by 2.7 per cent, and supplier unit costs at ccy decreased 0.6 per cent. The Group's MRO business completed more internal works during the period reducing the Group's external supplier costs by c. 1.0 point at ccy impacting primarily Engineering and other aircraft costs with a corresponding decrease in Other revenue. The airline supplier unit costs increased c. 0.5 per cent from a rise in EU compensation costs, investment in the customer proposition and higher distribution costs. The increase in distribution costs reflects the new business model introduced in 2017 with a corresponding rise in passenger revenues which allows more direct access to the customer.

Ownership costs decreased 3.0 per cent, and ownership unit costs at ccy reduced 1.6 per cent with efficient growth. The Group had 551 aircraft in service at March 31, 2018 (2017: 546 aircraft in service).

Operating profit
The Group's operating profit for the period was €280 million, an increase of €120 million versus last year, and up €62 million at ccy.

Exceptional items
The changes noted above regarding the closure of the British Airways NAPS and BARP pension schemes resulted in a one-off reduction of the defined benefit liability of €872 million and associated transitional arrangement cash costs of €192 million. These items are presented net, as an exceptional item within the Income statement of €678 million.

In 2018, the Group also recognised an exceptional charge of €39 million (2017: €19 million) related to the continuation of British Airways' transformation initiatives.

Net non-operating costs, taxation and profit after tax
The Group's net non-operating costs for the quarter were €34 million compared to €67 million in 2017. The decrease was primarily from a reduction in net financing costs.

The tax charge for the period was €40 million before exceptional items with an effective tax rate for the Group of 16 per cent (2017: 23 per cent). The tax charge on exceptional items in the period was €51 million with an effective tax rate of 8 per cent, impacted by the recognition of withholding tax on the reduction of the defined benefit liability (2017: 23 per cent).

The profit after tax and exceptional items for the quarter was €794 million (2017: €57 million), an increase of €737 million versus last year.

Cash and leverage
The Group's cash position of €7,442 million was broadly in line with the same period last year while adjusted net debt decreased €651 million from lower on-balance sheet debt. Adjusted net debt to EBITDAR was lower by 0.3 to 1.2 times.