

THREE MONTHS RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (May 11, 2012) presented Group consolidated results for the three months ended March 31, 2012. In addition, IAG presented combined results for the three months ended March 31, 2012, including Iberia's first 21 days of January in the comparative period.

IAG period highlights on combined results:

- First quarter operating loss of €249 million, before exceptional items (2011: €102 million loss)
- Loss before tax for the quarter of €263 million (2011: €47 million loss)
- Revenue for the quarter up 7.8 per cent to €3,919 million (2011: €3,636 million), including €40 million or 1.1 per cent of favourable currency impact
- Passenger unit revenue for the quarter up 8.5 per cent (7.3 per cent at constant currency), on top of capacity increases of 0.6 per cent
- Fuel costs for the quarter up 24.9 per cent to €1,409 million (2011: €1,128 million), fuel unit costs were up 24.0 per cent
- Non-fuel costs before exceptional items for the quarter up 5.7 per cent at €2,759 million, including €32 million or 1.2 per cent of adverse currency impact. Non-fuel unit costs up 5.1 per cent, or 3.7 per cent at constant currency
- Cash of €3,574 million at quarter end was down €161 million
- Group net debt down €19 million in the quarter to €1,129 million

Performance summary:

Financial data € million (unaudited)	Combined Three months to March 31			Consolidated Three months to March 31	
	2012 ⁽¹⁾	2011 ⁽¹⁾	Higher / (lower)	2012 ⁽²⁾	2011 ⁽²⁾ <i>(excludes 21 days Iberia pre-merger)</i>
Passenger revenue	3,290	3,018	9.0 %	3,290	2,839
Total revenue	3,919	3,636	7.8 %	3,919	3,399
Operating loss before exceptional items	(249)	(102)	144 %	(249)	(65)
Exceptional items	37	-	nm	37	-
Operating loss after exceptional items	(212)	(102)	108 %	(212)	(65)
Loss before tax	(263)	(47)	460 %	(263)	(8)
(Loss)/profit after tax	(146)	33	(542)%	(146)	60
Basic earnings per share (€ cents)				(8.2)	3.3
Operating figures	2012⁽¹⁾	2011⁽¹⁾	Higher / (lower)		
Available seat kilometres (ASK million)	51,425	51,116	0.6 %		
Revenue passenger kilometres (RPK million)	39,140	37,767	3.6 %		
Seat factor (per cent)	76.1	73.9	2.2pts		
Passenger yield per RPK (€ cents)	8.41	7.99	5.3 %		
Passenger unit revenue per ASK (€ cents)	6.40	5.90	8.5 %		
Non-fuel unit costs per ASK (€ cents)	5.37	5.11	5.1 %		
€ million (unaudited)	At March 31, 2012⁽²⁾	At December 31, 2011⁽¹⁾	Higher / (lower)		
Cash and interest bearing deposits	3,574	3,735	(4.3)%		
Net debt	1,129	1,148	(1.7)%		
Equity	5,739	5,686	0.9 %		
Adjusted gearing ⁽³⁾	43%	44%	(1pt)		

(1) This financial data is based on the combined results of operations of British Airways Plc ('BA'), Iberia Líneas Aéreas de España S.A. ('Iberia') and IAG the Company for the three month period ended March 31, 2012 and 2011. These combined financial statements eliminate cross holdings and related party transactions. Financial ratios are before exceptional items.

(2) The IAG March 31, 2012 Income statement is the consolidated results of BA, Iberia and IAG the Company for the three month period ended March 31, 2012. The IAG March 31, 2011 comparative is the consolidated results of BA and IAG the Company for the three month period ended March 31, 2011 and Iberia from January 22, 2011 to March 31, 2011.

(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

Willie Walsh, IAG chief executive, said:

"Total revenue in the quarter was up 7.8 per cent with passenger unit revenue up 8.5 per cent based on a capacity increase of 0.6 per cent. Despite this, we've made an operating loss of €249 million before exceptional items. This is mainly due to a €281 million, 24.9 per cent rise in fuel costs, driven by higher prices, the reduced impact of hedging and emissions charges. The Iberia pilots' strike cost €25 million this quarter.

"Iberia's overall operating loss for the quarter was €170 million (2011: €100 million operating loss) and British Airways' operating loss was £62 million before exceptional items (2011: £5 million operating loss). Iberia's performance reflects the weakness of the Spanish domestic market and industrial action by pilots opposed to actions by Iberia's management to improve the airline's efficiencies. For British Airways, although the London market and demand for transatlantic travel remains strong, its performance has been affected by rising fuel costs.

"The financial performance of our business continues to be undermined by government actions. In addition to the UK government increasing the world's highest aviation tax - Air Passenger Duty - by double the inflation rate, the Spanish government plans to increase departure taxes from Spain by up to 10 euros per passenger.

"In late April, we completed our purchase of bmi. As a result, British Airways is able to manage its wider Heathrow slot portfolio more effectively and is launching a new route to Seoul later this year. Airports across the UK and beyond have contacted us about starting services and, subject to reaching satisfactory agreement with them, we plan to also launch flights from Heathrow to Leeds-Bradford, Rotterdam and Zagreb and increase frequencies to existing key destinations. Consultation continues with bmi mainline staff and their trade unions about plans to integrate the business into British Airways.

"bmi regional has been sold to Sector Aviation Holdings Ltd.

"bmbaby is not part of our plans and consultation has started with trade unions on proposals to review future options for the business".

Financial review:

Revenue for the quarter rose by 7.8 per cent to €3,919 million (2011: €3,636 million). Passenger revenue was up 9.0 per cent on capacity growth (ASKs) of 0.6 per cent and improved unit passenger revenues (€cents per ASK) of 8.5 per cent. At constant exchange rates total revenue was up 6.7 per cent or €243 million with passenger revenue up 7.9 per cent and unit passenger revenues up 7.3 per cent.

Cargo revenue for the quarter was up 0.3 per cent with yield up 2.6 per cent and volume down 2.2 per cent.

Operating costs before exceptional items for the quarter were up 11.5 per cent to €4,168 million (2011: €3,738 million), with fuel costs being 7.5 per cent of this increase. Currency had a 1.5 per cent adverse impact on top of increased capacity of 0.6 per cent. Fuel costs are up 24.9 per cent or €281 million, reflecting price increases and additional volume. Emissions trading charges of €15 million were incurred for the first time this quarter and are included within fuel costs.

Non-fuel costs before exceptional items are up 5.7 per cent; non-fuel unit costs (€/ASK) are up 5.1 per cent (3.7 per cent at constant exchange rates). The strike has impacted non-fuel unit costs by 1.3 per cent at constant currency. The non-fuel unit costs were impacted by 1.1 per cent due to the timing of the recognition of bonuses quarter over quarter and the accounting treatment of taxes, fees and charges as part of the new Avios proposition.

In April, British Airways settled a fine with the Office of Fair Trading in the UK relating to investigations into passenger fuel surcharging dating back to 2004 - 2006. The fine agreed was €70 million (£58.5 million), resulting in a €35 million release of the provision held. This benefit was recognised in the first quarter as an exceptional item.

Non-operating costs were €51 million for the quarter compared to income of €55 million in 2011. The prior year credit was primarily due to the €83 million gain on the step acquisition of Iberia. In addition, the net financing expense relating to pensions was a €5 million credit in the prior year but a €21 million expense in the current year.

The loss before tax for the quarter was €263 million (2011: €47 million loss).

The tax credit for the quarter of €117 million reflects an effective rate of 29 per cent, excluding the reduction in deferred tax liabilities related to the impact of substantively enacted lower tax rates in the UK.

The Group's cash position remains strong with cash and cash equivalents and other interest-bearing deposits at €3,574 million. The net debt of the Group has fallen by €19 million to €1,129 million compared to December 31, 2011. Adjusted gearing at March 31, 2012 improved by 1 point to 43 per cent.

Trading outlook:

The outlook for 2012 is subject to a number of uncertainties:

- Demand in London remains strong, with a continuation of the encouraging trends we saw in H2 2011 in our longhaul premium cabins, particularly on North Atlantic routes.
- The Spanish and wider Eurozone macro-economic background deteriorated in Q1, and this is reflected in a worsening commercial performance from our Madrid hub.
- At the current oil price and euro/US dollar exchange rates, we would face a fuel cost increase this year of over €1 billion; the year-over-year impact of this should be less severe in H2.
- We remain focused on maximising profits through efficiency improvements, and the recent launch of Iberia Express is a major step in that direction. Pilots' strike action associated with our pursuit of this strategy, which continued during the second quarter, has now been called off, but the speed of revenue recovery post-strike and the performance of the Spanish markets are unclear at this stage.
- The year one operating profit dilution from the acquisition and integration of bmi, completed during Q2, is expected to be in the order of €240 million. This includes non-recurring restructuring costs to be booked this year of approximately €90 million.

The above factors mean that IAG expects its operating result to be around the breakeven level for the full year, after exceptional items, including the non-recurring bmi restructuring cost.

Forward-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 International Consolidated Airlines Group S.A. (the 'Group') plans and objectives for 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 the primary risks of the business and the risk management process of the Group is given in the Annual Report and Accounts 2011; this document is available on www.iagshares.com.

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COMBINED INCOME STATEMENT

€ million (unaudited)	Three months to March 31, 2012			Three months to March 31, 2011			Higher / (lower) ⁽¹⁾
	Before exceptional items	Exceptional items	Total ⁽¹⁾	Before exceptional items	Exceptional items	Total ⁽¹⁾	
Passenger revenue	3,290		3,290	3,018		3,018	9.0 %
Cargo revenue	291		291	290		290	0.3 %
Other revenue	338		338	328		328	3.0 %
Total revenue	3,919		3,919	3,636		3,636	7.8 %
Employee costs	994		994	924		924	7.6 %
Fuel, oil costs and emissions charges	1,409		1,409	1,128		1,128	24.9 %
Handling, catering and other operating costs	395		395	383		383	3.1 %
Landing fees and en-route charges	287		287	288		288	(0.3)%
Engineering and other aircraft costs	301		301	278		278	8.3 %
Property, IT and other costs	235	(35)	200	215		215	9.3 %
Selling costs	203		203	179		179	13.4 %
Depreciation, amortisation and impairment	252		252	246		246	2.4 %
Aircraft operating lease costs	99	(2)	97	104		104	(4.8)%
Currency differences	(7)		(7)	(7)		(7)	-
Total expenditure on operations	4,168	(37)	4,131	3,738		3,738	11.5 %
Operating loss	(249)	37	(212)	(102)		(102)	144 %
Net non-operating (costs)/income	(51)		(51)	(28)	83	55	82.1 %
Loss before tax	(300)	37	(263)	(130)	83	(47)	131 %
Tax	117		117	80		80	46.3 %
(Loss)/profit after tax	(183)	37	(146)	(50)	83	33	266 %

Operating figures	2012 ⁽¹⁾	2011 ⁽¹⁾	Higher / (lower) ⁽¹⁾
Available seat kilometres (ASK million)	51,425	51,116	0.6 %
Revenue passenger kilometres (RPK million)	39,140	37,767	3.6 %
Seat factor (per cent)	76.1	73.9	2.2pts
Passenger numbers (thousands)	11,384	11,528	(1.2)%
Cargo tonne kilometres (CTK million)	1,481	1,514	(2.2)%
Passenger yield per RPK	8.41	7.99	5.3 %
Passenger unit revenue per ASK	6.40	5.90	8.5 %
Cargo yield per CTK	19.65	19.15	2.6 %
Total cost per ASK	8.11	7.31	10.9 %
Fuel cost per ASK	2.74	2.21	24.0 %
Total cost excluding fuel per ASK	5.37	5.11	5.1 %
Aircraft in service	349	346	0.9 %
Average employee number	56,532	56,159	0.7 %

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See consolidated results for the three month period ended March 31, 2012 overleaf.

CONSOLIDATED INCOME STATEMENT

€ million (unaudited)	Three months to March 31, 2012			Three months to March 31, 2011			Higher / (lower) ⁽¹⁾
	Before exceptional items	Exceptional items	Total ⁽¹⁾	Before exceptional items	Exceptional items	Total ⁽¹⁾	
Passenger revenue	3,290		3,290	2,839		2,839	15.9 %
Cargo revenue	291		291	276		276	5.4 %
Other revenue	338		338	284		284	19.0 %
Total revenue	3,919		3,919	3,399		3,399	15.3 %
Employee costs	994		994	853		853	16.5 %
Fuel, oil costs and emissions charges	1,409		1,409	1,059		1,059	33.1 %
Handling, catering and other operating costs	395		395	361		361	9.4 %
Landing fees and en-route charges	287		287	263		263	9.1 %
Engineering and other aircraft costs	301		301	252		252	19.4 %
Property, IT and other costs	235	(35)	200	198		198	18.7 %
Selling costs	203		203	163		163	24.5 %
Depreciation, amortisation and impairment	252		252	236		236	6.8 %
Aircraft operating lease costs	99	(2)	97	87		87	13.8 %
Currency differences	(7)		(7)	(8)		(8)	(12.5)%
Total expenditure on operations	4,168	(37)	4,131	3,464		3,464	20.3 %
Operating loss	(249)	37	(212)	(65)		(65)	283 %
Net non-operating (costs)/income	(51)		(51)	(26)	83	57	96.2 %
Loss before tax	(300)	37	(263)	(91)	83	(8)	230 %
Tax	117		117	68		68	72.1 %
(Loss)/profit after tax	(183)	37	(146)	(23)	83	60	696 %
Basic earnings per share (€ cents)			(8.2)			3.3	
Diluted earnings per share (€ cents)			(8.2)			2.9	

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