

NINE MONTHS RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (November 8, 2013) presented Group consolidated results for the nine months to September 30, 2013.

IAG period highlights on results:

- Third quarter operating profit €690 million (2012: €270 million) before exceptional items
- At constant currency, third quarter passenger unit revenue up 6.7 per cent (excluding Vueling 7.4 per cent) and non-fuel unit costs down 4.3 per cent (excluding Vueling up 0.6 per cent)
- Operating profit for the nine month period €657 million (2012: €17 million) before exceptional items
- Revenue for the nine month period up 3.9 per cent to €14,113 million
- Passenger unit revenue for the nine month period up 2.3 per cent (5.6 per cent at constant currency)
- Fuel costs for the nine month period down 3.4 per cent to €4,475 million (2012: €4,633 million). Fuel unit costs down 5.4 per cent at constant currency
- Non-fuel costs before exceptional items for the nine month period up 0.5 per cent at €8,981 million. Non-fuel unit costs down 3.5 per cent, down 1.1 per cent at constant currency
- Cash €3,740 million at September 30, 2013, up €831 million from December including €591 million of Vueling cash
- Adjusted gearing down 2 points to 49 per cent including Vueling

Performance summary:

Financial data € million	Nine months to September 30		
	2013	2012 (restated) ⁽¹⁾	Higher / (lower)
Passenger revenue	12,299	11,560	6.4 %
Total revenue	14,113	13,588	3.9 %
Operating profit before exceptional items	657	17	
Exceptional items	(309)	(8)	
Operating profit after exceptional items	348	9	
Profit after tax	77	57	
Basic earnings/(loss) per share (€ cents)	3.2	(0.2)	
Operating figures	2013	2012	Higher / (lower)
Available seat kilometres (ASK million)	172,234	165,565	4.0 %
Revenue passenger kilometres (RPK million)	140,220	133,934	4.7 %
Seat factor (per cent)	81.4	80.9	0.5pts
Passenger yield per RPK (€ cents)	8.77	8.63	1.6 %
Passenger unit revenue per ASK (€ cents)	7.14	6.98	2.3 %
Non-fuel unit costs per ASK (€ cents)	5.21	5.40	(3.5)%
€ million	At September 30, 2013	At December 31, 2012	Higher / (lower)
Cash and interest bearing deposits	3,740	2,909	28.6 %
Adjusted net debt ⁽²⁾	5,252	5,345	(1.7)%
Adjusted gearing ⁽³⁾	49%	51%	(2pts)

(1) Restated for amendment to IAS 19 'Employee Benefits' accounting standard.

(2) Adjusted net debt is net debt plus capitalised operating aircraft lease costs.

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

Willie Walsh, IAG chief executive, said:

"These are strong results with an operating profit in the quarter of €690 million. The Group's revenue was up 6.9 per cent and overall costs were down 1.5 per cent. At constant currency, passenger unit revenue was up 6.7 per cent and non-fuel unit costs were down 4.3 per cent."

"Iberia made an operating profit of €74 million in the quarter compared to an operating profit of €1 million last year. This is an improved performance, bearing in mind it's the strongest quarter of the year. However, the airline must continue to implement its restructuring plan and reach agreement on productivity changes to bring about long term sustainable profits and growth."

"British Airways' operating profit was €477 million, up from €268 million. Its performance continues to benefit from a strong London and transatlantic market as well as a €100 million revenue bounce-back from the Olympic effect last year. In addition, the airline has maintained its focus on cost control."

“This is the first full quarter that we have shown Vueling’s performance and it made an operating profit of €139 million. Vueling adds value to the Group with its lower costs and successful product strategy. This summer, there was a tourism boost in Barcelona and Vueling was able to capitalise on this seasonal spike due to its leadership position at the airport.”

“In the nine months, the Group made an operating profit of €657 million with passenger unit revenue up 5.6 per cent at constant currency and non-fuel unit costs down 1.1 per cent.”

Trading outlook

The Group expects an operating profit for 2013, before exceptional items, of around €740 million.

Current trading is in line with underlying recent trends.

Our capacity plans remain unchanged. For the full year, we expect to grow Group capacity by 5.2 per cent (reduction of 2.4 per cent excluding Vueling).

In addition, we should see a reduction in non-fuel unit costs in 2013.

Moving into 2014, we expect the driver of revenue growth to shift from yield to volume due to new British Airways route launches and the strong growth of Vueling.

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 Group’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 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 Group’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 2012; this document is available on www.iagshares.com.

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CONSOLIDATED INCOME STATEMENT

€ million	Nine months to September 30, 2013			Nine months to September 30, 2012 (restated) ⁽¹⁾			Higher / (lower)
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total	
Passenger revenue	12,299		12,299	11,560		11,560	6.4 %
Cargo revenue	797		797	888		888	(10.2) %
Other revenue	1,017		1,017	1,140		1,140	(10.8) %
Total revenue	14,113		14,113	13,588		13,588	3.9 %
Employee costs	3,075	268	3,343	3,158	34	3,192	(2.6)%
Fuel, oil costs and emissions charges	4,475	(5)	4,470	4,633		4,633	(3.4)%
Handling, catering and other operating costs	1,442		1,442	1,348		1,348	7.0 %
Landing fees and en-route charges	1,058		1,058	974		974	8.6 %
Engineering and other aircraft costs	976	15	991	979		979	(0.3)%
Property, IT and other costs	684	5	689	738	(25)	713	(7.3)%
Selling costs	609		609	640	5	645	(4.8)%
Depreciation, amortisation and impairment	744	8	752	786		786	(5.3)%
Aircraft operating lease costs	355	18	373	322	(6)	316	10.2 %
Currency differences	38		38	(7)		(7)	
Total expenditure on operations	13,456	309	13,765	13,571	8	13,579	(0.8)%
Operating profit	657	(309)	348	17	(8)	9	
Net non-operating costs	(228)	(17)	(245)	(130)		(130)	
Profit/(loss) before tax from continuing operations	429	(326)	103	(113)	(8)	(121)	
Tax	(24)	(2)	(26)	168	10	178	
Profit after tax from continuing operations	405	(328)	77	55	2	57	
Loss after tax from discontinued operations	-	-	-	-	(45)	(45)	
Profit after tax for the period	405	(328)	77	55	(43)	12	

Operating figures	2013 ⁽²⁾	2012 ⁽²⁾	Higher / (lower)
Available seat kilometres (ASK million)	172,234	165,565	4.0 %
Revenue passenger kilometres (RPK million)	140,220	133,934	4.7 %
Seat factor (per cent)	81.4	80.9	0.5pts
Passenger numbers (thousands)	50,454	41,483	21.6 %
Cargo tonne kilometres (CTK million)	4,150	4,519	(8.2)%
Passenger yield per RPK	8.77	8.63	1.6 %
Passenger unit revenue per ASK	7.14	6.98	2.3 %
Cargo yield per CTK	19.20	19.65	(2.3)%
Total cost per ASK	7.81	8.20	(4.8)%
Fuel cost per ASK	2.60	2.80	(7.1)%
Total cost excluding fuel per ASK	5.21	5.40	(3.5)%
Aircraft in service	437	383	14.1 %
Average employee number	60,470	59,430	1.7 %

⁽¹⁾ Restated for amendment to IAS 19 'Employee Benefits' accounting standard.

⁽²⁾ Financial ratios are before exceptional items.

CONSOLIDATED INCOME STATEMENT

€ million	Three months to September 30, 2013			Three months to September 30, 2012 (restated)			Higher / (lower)
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total	
Passenger revenue	4,801		4,801	4,350		4,350	10.4 %
Cargo revenue	256		256	298		298	(14.1)%
Other revenue	349		349	408		408	(14.5)%
Total revenue	5,406		5,406	5,056		5,056	6.9 %
Employee costs	1,006		1,006	1,088	2	1,090	(7.5)%
Fuel, oil costs and emissions charges	1,611	(2)	1,609	1,660		1,660	(3.0)%
Handling, catering and other operating costs	518		518	497		497	4.2 %
Landing fees and en-route charges	403		403	346		346	16.5 %
Engineering and other aircraft costs	350		350	344		344	1.7 %
Property, IT and other costs	227		227	268	5	273	(15.3)%
Selling costs	211		211	217	2	219	(2.8)%
Depreciation, amortisation and impairment	246		246	274		274	(10.2)%
Aircraft operating lease costs	140	(1)	139	113	(2)	111	23.9 %
Currency differences	4		4	(21)		(21)	
Total expenditure on operations	4,716	(3)	4,713	4,786	7	4,793	(1.5)%
Operating profit	690	3	693	270	(7)	263	
Net non-operating costs	(84)		(84)	(26)		(26)	
Profit before tax from continuing operations	606	3	609	244	(7)	237	
Tax	(29)		(29)	16	1	17	
Profit after tax from continuing operations	577	3	580	260	(6)	254	
Loss after tax from discontinued operations	-		-	-	(35)	(35)	
Profit after tax for the period	577	3	580	260	(41)	219	
Operating figures	2013			2012			Higher / (lower)
Available seat kilometres (ASK million)	63,594			58,298			9.1 %
Revenue passenger kilometres (RPK million)	53,842			49,379			9.0 %
Seat factor (per cent)	84.7			84.7			0.0 %
Passenger numbers (thousands)	21,317			15,762			35.2 %
Cargo tonne kilometres (CTK million)	1,394			1,510			(7.7)%
Passenger yield per RPK	8.92			8.81			1.2 %
Passenger unit revenue per ASK	7.55			7.46			1.2 %
Cargo yield per CTK	18.36			19.74			(7.0)%
Total cost per ASK	7.42			8.21			(9.6)%
Fuel cost per ASK	2.53			2.85			(11.2)%
Total cost excluding fuel per ASK	4.88			5.36			(9.0)%
Average employee number	60,384			61,340			(1.6)%

Financial review for the nine month period to September 30, 2013:

Acquisitions

The performance for the nine month period to September 30, 2013 includes Vueling operations from the acquisition date of April 26, 2013. Vueling contributed 7.1 per cent to the capacity growth, 5.9 per cent to the revenue growth and earned an operating profit of €166 million.

The performance for the nine month period to September 30, 2012 includes bmi's results from April 20, 2012. In 2012 bmi represented 1.9 per cent of the capacity growth, 2.2 per cent of the revenue growth and 2.9 per cent of the operating expenses growth.

Exchange rates

Translation of British Airways' operating results from sterling to euro for the nine month period to September 30, 2013 resulted in a €466 million decrease in reported revenue and a €412 million decrease in operating expenses, reflecting a 4.1 per cent weakening of the pound versus the euro. The weakening of the pound has been more prevalent in the third quarter with a 7.6 per cent decrease.

The Group realised transactional exchange gains of €31 million on revenue and exchange losses of €105 million on operating expenses.

The net adverse impact of translation and transactional exchange ('constant currency' or 'ccy') on the nine month results was €128 million.

Revenue

On a capacity increase of 4.0 per cent, passenger revenue was up 6.4 per cent (up 9.8 per cent at ccy) leading to a passenger unit revenue increase of 2.3 per cent (up 5.6 per cent at ccy). Excluding Vueling, capacity was down 3.1 per cent, passenger revenue was down 0.8 per cent (up 2.5 per cent at ccy) and passenger unit revenue increased 2.4 per cent (up 5.9 per cent at ccy).

Cargo demand is weak; revenue was down 10.2 per cent (down 8.2 at ccy) on a capacity decrease of 8.2 per cent leading to a 0.1 per cent decrease in yield at constant currency.

From April 26, 2013 Iberia's handling and maintenance revenue related to Vueling are eliminated from the Group consolidated results. The impact of the elimination on the nine month period performance was approximately a €70 million reduction in both revenue and costs. Other revenue has also been adversely impacted by the industrial action in Spain due to both losses in productivity during the first quarter and losses of on-going business in the second and third quarters. Other revenues have seen improvements during the period in areas such as BA Holidays.

Costs

Fuel costs for the nine month period decreased 3.4 per cent to €4,475 million before exceptional items. Fuel unit costs decreased 5.4 per cent at constant currency benefiting from lower fuel prices.

Non-fuel costs for the nine months increased 0.5 per cent before exceptional items (increased 3.0 per cent at ccy); non-fuel unit costs were down 3.5 per cent (down 1.1 per cent at ccy). Excluding Vueling, non-fuel unit costs were up 1.5 per cent at constant currency driven by growth in BA Holidays, a non-ASK area of the business.

Handling, catering and other operating costs have increased 7.0 per cent (up 10.8 at ccy), from the growth in BA Holidays and the 21.6 per cent increase in passengers flown. Landing fees and en-route charges have risen 8.6 per cent (up 11.5 per cent at ccy) as a result of an increase in the volume of landings due to the addition of Vueling, and increases in airport charges which have exceeded inflation. The rise in handling charges and landing fees are offset by savings in selling and in property, IT and other costs.

IAG operating profit for the nine months was €657 million compared to €17 million for the prior period.

Non-operating costs for the nine month period were €245 million after exceptional items, compared to €130 million in 2012. The increase in non-operating costs is primarily due to accelerated interest accretion on the £350 million bond which was converted in the period and a decrease in associate income of approximately €30 million since the acquisition of Vueling.

The profit before tax for the nine months was €103 million after exceptional items, compared to a loss before tax of €121 million in 2012.

The tax charge for the nine month period was €26 million. During the period, €159 million of deferred tax assets related to Iberia's current period losses before tax have not been recognised. In addition, reductions to the UK corporation tax rate to 21 per cent have been substantively enacted resulting in a €128 million tax credit through the Income statement. Excluding these items, the effective tax rate for the nine month period to September 30, 2013 was 4 per cent. The effective tax rate is low as the net losses incurred in Spain are at a higher tax rate than the rate applied to the profits earned in the UK.

The Group's cash balance of €3,740 million at September 30, 2013 was up €831 million from December 31, 2012. The cash balance at September 30, 2013 comprised €2,202 million held by British Airways, €689 million held by Iberia, €591 held by Vueling and €258 million held by IAG. Included in the Group's cash balance are funds of €140 million equivalent which have been recognised by Venezuela's Central Bank, but not yet repatriated. This is common practice for airlines operating in Venezuela. Between February 2013 and September 2013 the time taken to repatriate cash has risen from five months to nine months.