NINE MONTHS RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (October 26, 2018) presented Group consolidated results for the nine months to September 30, 2018.

IAG period highlights on results:

- Third quarter operating profit €1,460 million before exceptional items (2017 restated(1): €1,450 million)
- Net foreign exchange operating profit impact for the quarter adverse €111 million
- Passenger unit revenue for the quarter up 1.3 per cent, up 2.4 per cent at constant currency
- Non-fuel unit costs before exceptional items for the quarter up 0.5 per cent, down 0.7 per cent at constant currency
- Fuel unit costs for the quarter up 14.3 per cent, up 15.0 per cent at constant currency
- Operating profit before exceptional items for the nine months period €2,575 million (2017 restated(1): €2,400 million), up 7.3 per cent
- Completion of second €500m share buyback programme on October 24
- Interim dividend of 14.5 euro cents per share

Performance summary:

	Nine months to September 30		
Highlights € million	**2018**	2017 (restated)(1)	Higher / (lower)
Passenger revenue	**16,326**	15,507	5.3 %
Total revenue	**18,346**	17,450	5.1 %
Operating profit before exceptional items	**2,575**	2,400	7.3 %
Exceptional items	**584**	(271)	nm
Operating profit after exceptional items	**3,159**	2,129	48.4%
Available seat kilometres (ASK million)	**244,343**	231,417	5.6 %
Passenger revenue per ASK (€ cents)	**6.68**	6.70	(0.3)%
Non-fuel costs per ASK (€ cents)	**4.84**	5.01	(3.2)%

Alternative performance measures	**2018**	2017 (restated)(1)	Higher / (lower)
Profit after tax before exceptional items (€ million)	**1,970**	1,805	9.1 %
Adjusted earnings per share (€ cents)	**91.9**	81.7	12.5 %
Adjusted net debt (€ million)	**7,475**	7,183	4.1 %
Adjusted net debt to EBITDAR	**1.4**	1.4	(0.0x)

Statutory results € million	**2018**	2017 (restated)(1)	Higher / (lower)
Profit after tax and exceptional items	**2,514**	1,597	57.4 %
Basic earnings per share (€ cents)	**121.9**	75.3	61.8 %
Cash and interest-bearing deposits	**6,923**	7,523	(8.0) %
Interest-bearing long-term borrowings	**7,342**	7,578	(3.1) %

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 a good quarter 3 performance with an operating profit of €1,460 million before exceptional items, up from €1,450 million last year.

"These were strong results despite significant fuel cost and foreign exchange headwinds. At constant currency, our passenger unit revenue increased by 2.4 per cent while non-fuel unit costs went down 0.7 per cent.

“We’re pleased to announce an interim dividend of 14.5 euro cents per share and this week we completed our second €500 million share buy-back programme”.

Trading outlook

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

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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) [2]
	Nine months to September 30						
Passenger revenue	**16,326**		**16,326**	15,507		15,507	5.3 %
Cargo revenue	**847**		**847**	809		809	4.7 %
Other revenue	**1,173**		**1,173**	1,134		1,134	3.4 %
Total revenue	**18,346**		**18,346**	17,450		17,450	5.1 %
Employee costs	**3,589**	**(594)**	**2,995**	3,562	271	3,833	0.8 %
Fuel, oil costs and emissions charges	**3,934**		**3,934**	3,465		3,465	13.5 %
Handling, catering and other operating costs	**2,154**		**2,154**	2,044		2,044	5.4 %
Landing fees and en-route charges	**1,669**		**1,669**	1,652		1,652	1.0 %
Engineering and other aircraft costs	**1,285**		**1,285**	1,368		1,368	(6.1)%
Property, IT and other costs	**678**	**10**	**688**	656		656	3.4 %
Selling costs	**806**		**806**	740		740	8.9 %
Depreciation, amortisation and impairment	**928**		**928**	892		892	4.0 %
Aircraft operating lease costs	**663**		**663**	669		669	(0.9)%
Currency differences	**65**		**65**	2		2	3,150.0 %
Total expenditure on operations	**15,771**	**(584)**	**15,187**	15,050	271	15,321	4.8 %
Operating profit	**2,575**	**584**	**3,159**	2,400	(271)	2,129	7.3 %
Net non-operating costs	**(121)**		**(121)**	(141)		(141)	(14.2)%
Profit before tax	**2,454**	**584**	**3,038**	2,259	(271)	1,988	8.6 %
Tax	**(484)**	**(40)**	**(524)**	(454)	63	(391)	6.6 %
Profit after tax for the period	**1,970**	**544**	**2,514**	1,805	(208)	1,597	9.1 %

Operating figures	2018[2]	2017 (restated)[1][2]	Higher/ (lower) [2]
Available seat kilometres (ASK million)	**244,343**	231,417	5.6 %
Revenue passenger kilometres (RPK million)	**205,045**	191,741	6.9 %
Seat factor (per cent)	**83.9**	82.9	1.0pts
Cargo tonne kilometres (CTK million)	**4,190**	4,220	(0.7)%
Passenger numbers (thousands)	**86,241**	80,065	7.7 %
Sold cargo tonnes (thousands)	**515**	513	0.4 %
Sectors	**572,314**	545,219	5.0 %
Block hours (hours)	**1,666,386**	1,592,151	4.7 %
Average manpower equivalent	**64,324**	63,732	0.9 %
Aircraft in service	**575**	546	5.3 %
Passenger revenue per RPK (€ cents)	**7.96**	8.09	(1.5)%
Passenger revenue per ASK (€ cents)	**6.68**	6.70	(0.3)%
Cargo revenue per CTK (€ cents)	**20.21**	19.17	5.4 %
Fuel cost per ASK (€ cents)	**1.61**	1.50	7.5 %
Non-fuel costs per ASK (€ cents)	**4.84**	5.01	(3.2)%
Total cost per ASK (€ cents)	**6.45**	6.50	(0.8)%

[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.

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) [2]
	Three months to September 30						
Passenger revenue	**6,388**		**6,388**	5,916		5,916	8.0 %
Cargo revenue	**290**		**290**	271		271	7.0 %
Other revenue	**462**		**462**	396		396	16.7 %
Total revenue	**7,140**		**7,140**	6,583		6,583	8.5 %
Employee costs	**1,216**	**34**	**1,250**	1,192	194	1,386	2.0 %
Fuel, oil costs and emissions charges	**1,497**		**1,497**	1,229		1,229	21.8 %
Handling, catering and other operating costs	**790**		**790**	695		695	13.7 %
Landing fees and en-route charges	**618**		**618**	607		607	1.8 %
Engineering and other aircraft costs	**463**		**463**	441		441	5.0 %
Property, IT and other costs	**232**	**2**	**234**	218		218	6.4 %
Selling costs	**272**		**272**	246		246	10.6 %
Depreciation, amortisation and impairment	**310**		**310**	289		289	7.3 %
Aircraft operating lease costs	**241**		**241**	223		223	8.1 %
Currency differences	**41**		**41**	(7)		(7)	(685.7)%
Total expenditure on operations	**5,680**	**36**	**5,716**	5,133	194	5,327	10.7 %
Operating profit	**1,460**	**(36)**	**1,424**	1,450	(194)	1,256	0.7 %
Net non-operating costs	**(41)**		**(41)**	(26)		(26)	57.7 %
Profit before tax	**1,419**	**(36)**	**1,383**	1,424	(194)	1,230	(0.4)%
Tax	**(284)**	**7**	**(277)**	(288)	48	(240)	(1.4)%
Profit after tax for the period	**1,135**	**(29)**	**1,106**	1,136	(146)	990	(0.1)%

Operating figures	**2018[2]**	2017 (restated)[1][2]	Higher/ (lower) [2]
Available seat kilometres (ASK million)	**89,773**	84,207	6.6 %
Revenue passenger kilometres (RPK million)	**77,674**	72,584	7.0 %
Seat factor (per cent)	**86.5**	86.2	0.3pts
Cargo tonne kilometres (CTK million)	**1,419**	1,434	(1.0)%
Passenger numbers (thousands)	**33,510**	31,259	7.2 %
Sold cargo tonnes (thousands)	**172**	173	(0.5)%
Sectors	**213,087**	202,791	5.1 %
Block hours (hours)	**614,837**	585,833	5.0 %
Average manpower equivalent	**65,975**	64,734	1.9 %
Passenger revenue per RPK (€ cents)	**8.22**	8.15	0.9 %
Passenger revenue per ASK (€ cents)	**7.12**	7.03	1.3 %
Cargo revenue per CTK (€ cents)	**20.44**	18.90	8.1 %
Fuel cost per ASK (€ cents)	**1.67**	1.46	14.3 %
Non-fuel costs per ASK (€ cents)	**4.66**	4.64	0.5 %
Total cost per ASK (€ cents)	**6.33**	6.10	3.8 %

[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 FOR THE NINE MONTHS TO SEPTEMBER 30, 2018

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 in 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 bonds were combined with Japanese Operating Leases with Call Option (JOLCO) of $259 million, bringing the total raised to $868 million. The transaction includes Class AA and Class A Certificates with an underlying collateral pool consisting of 11 aircraft: two new Boeing 787-9, delivered between March and April 2018, one Boeing 787-8 delivered in September 2017, one new Boeing 787-8 delivered in June 2018 and seven new Airbus A320 NEO aircraft, of which five have been delivered between April and October and the remaining two are scheduled for delivery later this year. 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.

On June 28, IAG launched its new shorthaul low-cost Austrian subsidiary, branded as LEVEL with flights from Vienna starting on July 17, 2018. The new subsidiary has an Austrian Air Operator's Certificate (AOC) with four Airbus A321 aircraft based in Vienna from where it flies to 14 European destinations.

On August 28, British Airways exercised its option to redeem its €300 million 6.75 per cent fixed coupon preferred securities. The bonds were redeemed at their principal amount, together with all accumulated and unpaid interest to this date.

Further to IAG's announcement on September 6, 2018 regarding the theft of its subsidiary British Airways' customers' data, the airline has been working continuously with specialist cyber forensic investigators and the National Crime Agency to investigate fully the data theft. On October 25, IAG provided an update to customers with further information as it concludes the internal investigation.

The investigation has shown the hackers may have stolen additional personal data and British Airways is notifying the holders of 77,000 payment cards, not previously notified, that the name, billing address, email address, card payment information, including card number, expiry date and CVV have potentially been compromised, and a further 108,000 without CVV. The potentially impacted customers were only those making reward bookings between April 21 and July 28, 2018, and who used a payment card.

While British Airways does not have conclusive evidence that the data was removed from its systems, it is taking a prudent approach in notifying potentially affected customers, advising them to contact their bank or card provider as a precaution.

In addition, from the investigation British Airways knows that fewer of the customers originally identified were impacted. Of the 380,000 payment card details identified, 244,000 were affected.

Since the announcement on September 6, 2018 British Airways can confirm that it has had no verified cases of fraud.

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 this period and the remaining three months of the year.

Operating and market environment
In the nine months to September 30, 2018 fuel commodity prices rose significantly, partially offset by hedging and a weaker US dollar against both the euro and the pound sterling.

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 nine months, the net impact of translation exchange on operating profit was €20 million adverse, with a decrease in revenues of €185 million and a decrease in cost of €165 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 from point of sale revenues, except for the US dollar, as capital expenditure, debt repayments and fuel purchases typically create a net deficit. The Group hedges its transaction exposures. The net transaction impact on operating profit was negative by €100 million for the period, decreasing revenues by €397 million and costs by €297 million.

The net impact of translation and transaction exchange for the Group was €120 million adverse.

Basis of presentation
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. The main change arising on adoption of IFRS 15 is on the recognition and measurement of revenue associated with the Group's loyalty programme. Revenue associated with performance obligations arising on the sale of loyalty points, including revenue allocated to brand and marketing services and revenue allocated to Avios points, has been determined based on the relative stand-alone selling price of each

performance obligation. Revenue associated with brand and marketing services is recognised as the points are issued. Revenue allocated to the Avios points is deferred and recognised when the points are redeemed. The impact of assessing the stand-alone selling prices of the individual performance obligations has resulted in a greater portion of revenue being deferred on issuance, because the stand-alone selling price of the points was higher than the fair value applied under IFRIC 13 'Customer loyalty programmes'. In addition, as required on implementation of IFRS 15, the Group reassessed all incomplete contracts at the date of initial application for any remaining performance obligations. This resulted in an increase in the number of points deferred in respect of incomplete contracts and which are expected to be redeemed in the future. The adjustment to opening retained earnings at January 1, 2017 arising from these loyalty revenue recognition changes amounted to a charge of €399 million.

Under IFRS 15, the Group's previously reported revenues for the nine month period to September 30, 2017 were reduced by €55 million and operating expenditure reduced by €25 million, resulting in a reduction in operating profit of €30 million. Under IFRS 9, a €70 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 increased the tax charge by €10 million. For further information see note 2 of the condensed consolidated interim financial statements.

The Group's performance for the nine month period to September 30, 2018 includes LEVEL's operations, the comparator period includes LEVEL's operations since its inception on March 17, 2017.

Commentary below is in respect of the nine months to September 30, 2018.

Capacity
IAG capacity measured in available seat kilometres (ASKs) was higher by 5.6 per cent, with increases in all regions except Asia Pacific.

British Airways introduced flights to Nashville from London Heathrow and Toronto from Gatwick. Iberia increased its capacity primarily through additional frequencies in its domestic market to European cities and on its North American routes. Iberia also launched a new route to San Francisco. Aer Lingus growth reflects the full year impact of routes launched in 2017, and the impact of new routes to Philadelphia and Seattle. Vueling growth is primarily from additional frequencies in Spain to the Spanish domestic market and from France and Italy to Spain. LEVEL longhaul capacity growth reflected the full year impact of its second year of operation with flights from Paris launched in July and LEVEL shorthaul was launched from Vienna on July 17, 2018.

Revenue
Passenger revenue increased 5.3 per cent versus last year, excluding currency up 8.4 per cent. Passenger unit revenue (passenger revenue per ASK) increased 2.7 per cent at constant currency ('ccy') from both higher yields (passenger revenue/revenue passenger kilometre) and passenger load factor. For the nine months to September 30, 2018 passenger revenue improved in all regions except for Asia Pacific which saw mixed performance throughout the region and period. LATAM performance was strong in the first six months of the year, while the latter three months have been impacted by the macro economic environment. The Group's revenue performance was strong in North America, Europe and in its domestic markets.

In the nine months to September 30, 2018 the Group carried over 86 million passengers up 7.7 per cent versus last year. Passenger load factor for the Group rose 1.0 points to 83.9 per cent.

Cargo revenue for the period increased by 4.7 per cent, 9.5 per cent at constant currency versus last year. Cargo revenue performance was strong with an increase in cargo yield (cargo revenue / cargo tonne kilometre). Demand in Asia Pacific was strong, and mix continued to improve from Constant Climate and Critical products.

Other revenue was up 3.4 per cent, excluding currency impact up 8.1 per cent. Other revenue rose from an increase in Iberia's third-party maintenance business, higher BA Holidays revenue and rental revenue at New York JFK.

Costs
Employee costs increased 0.8 per cent before exceptional items for the period. Excluding currency and on a unit basis, employee costs improved 3.2 per cent with pay increases primarily linked to RPI, offset by efficiency and restructuring initiatives across the Group. The replacement of the NAPS and BARP plans with a flexible defined contribution scheme also led to a net reduction in pension costs. The average number of employees rose 0.9 per cent for the Group while productivity increased 4.6 per cent with improvements at British Airways, Iberia, Vueling and Aer Lingus.

Fuel costs increased by 13.5 per cent with fuel unit costs at ccy up significantly at 13.6 per cent. Fuel prices net of hedging rose significantly for the nine months, partially offset by fuel price hedging and the weaker USD.

Handling, catering and other operating costs rose 5.4 per cent, excluding currency up 8.2 per cent. The year on year comparison is impacted by a €65 million charge in the base related to operational disruption at British Airways in 2017. Otherwise the Group's Handling, catering and other operating costs rose 11.8 per cent excluding currency, half of which is from the 7.7 per cent increase in passengers carried. The remaining increase reflects higher volumes from BA Holidays c.1.4 pts, additional investment in the customer (lounges, catering, service delivery) c.2.1pts, and passenger compensation costs related to air traffic control strikes c.3.4pts. Air traffic control strikes and regulations have significantly impacted our operations throughout 2018, in particular Vueling's.

Landing fees and en-route charges increased 1.0 per cent, excluding currency up 2.9 per cent. The rise is from an increase in flying hours up 4.7 per cent and in sectors flown up 5.0 per cent.

Engineering and other aircraft costs decreased 6.1 per cent, excluding currency down 0.2 per cent. Engine compensation has resulted in a decrease of c.4.5 pts, offsetting increases related to contractual price rises, volume and from the timing of third party maintenance activity at Iberia.

Property, IT and other costs increased 3.4 per cent, excluding currency up 5.6 per cent. The increase reflects higher IT costs and inflation on rent and rates.

Selling costs increased 8.9 per cent, excluding currency up 11.4 per cent from higher volumes and distribution costs. The rise in distribution costs reflects the new business model introduced in November 2017 with a corresponding increase in passenger revenues and more direct access to customers.

Ownership costs rose 1.9 per cent, excluding currency up 5.1 per cent. The increase reflects higher depreciation charges for the Boeing 747 fleet from lower expected residual values. Excluding currency, the operating lease costs increase is due to incremental wet lease costs incurred to operate the Monarch slots at London Gatwick airport and additional leased aircraft, including aircraft for LEVEL. The Group had 575 aircraft in service at September 30, 2018 (December 2017: 546 aircraft in service).

At constant currency non-fuel CASK decreased 1.3 per cent. Adjusted for 'Other revenue' (such as MRO, handling, BA Holidays and Avios) and currency down 2.0 per cent. The improvement in cost performance was due to efficient growth and from management initiatives.

Exceptional items
The changes noted in the strategic overview regarding the closure of the British Airways NAPS and BARP pension schemes results 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.

The Group also recognised an exceptional charge of €94 million related to British Airways' Plan 4 transformation initiatives (2017: €91 million). The 2017 exceptional charge included a further €180 million charge in relation to Iberia's *Plan de Futuro.*

Non-operating items and taxation
The Group's net non-operating costs for the nine month period were €121 million compared to €141 million last year. The reduction is due to gains on the revaluation of derivatives and net financing credits on pensions partially offset by a loss on the sale and lease back of two aircraft. The Group's finance income and costs were in line with last year.

The tax charge for the nine months to September 30, 2018 was €524 million (2017: €391 million charge) with an effective tax rate of 17.2 per cent (2017: 19.7 per cent).

Profit after tax and exceptional items
The profit after tax for the nine month period to September 30 was €2,514 million (2017: €1,597 million).

Dividends
An interim dividend of 14.5 euro cents per share was proposed and approved by the Board of Directors on October 25, 2018. It is payable from December 3, 2018 to shareholders who are on the register at November 30, 2018. This interim dividend, amounting to €288 million, has not been recognised as a liability at the period end. It will be recognised in shareholders' equity in the year to December 31, 2018.

Cash and leverage
The Group's cash position was €6,923 million down €600 million from September 30, 2017 reflecting a significant increase in net capex over the period.

Compared to September 30, 2017, the Group's adjusted net debt increased by €292 million due to lower cash. Adjusted net debt to EBITDAR was flat at 1.4 times.