SIX MONTHS RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (August 2, 2019) presented Group consolidated results for the six months to June 30, 2019.

IAG period highlights on results:

- Second quarter operating profit €960 million before exceptional items (2018 pro forma[1]: €900 million, 2018 statutory: €816 million)
- Passenger unit revenue for the quarter up 3.1 per cent, up 1.1 per cent at constant currency
- Non-fuel unit costs before exceptional items for the quarter up 1.6 per cent, up 0.4 per cent at constant currency on a pro forma[1] basis.
- Fuel unit costs for the quarter up 12.4 per cent, up 6.3 per cent at constant currency
- Net foreign exchange operating profit impact for the quarter favourable €8 million
- Operating profit before exceptional items for the half year €1,095 million (2018 pro forma[1]: €1,240 million, 2018 statutory: €1,735 million), down 11.7 per cent
- Cash of €8,031 million at June 30, 2019 was up €1,757 million on December 31, 2018 and net debt to EBITDA decreased by 0.3 to 0.9 times
- Profit after tax before exceptional items €806 million up 0.4 per cent (down 42.8 per cent on a statutory basis), and adjusted earnings per share up 4.3 per cent on a pro forma[1] basis

Performance summary:

	Six months to June 30				
	Statutory	Pro forma		Statutory	
Highlights € million	**2019**	2018[1]	Higher / (lower)	**2019**	2018[2]
Passenger revenue	**10,649**	9,938	7.2 %	10,649	9,938
Total revenue	**12,089**	11,206	7.9 %	12,089	11,206
Operating profit before exceptional items	**1,095**	1,240	(11.7)%	1,095	1,115
Exceptional items	**-**	620	(100.0)%	-	620
Operating profit after exceptional items	**1,095**	1,860	(41.1)%	1,095	1,735
Available seat kilometres (ASK million)	**163,431**	154,571	5.7 %		
Passenger revenue per ASK (€ cents)	**6.52**	6.43	1.3 %		
Non-fuel costs per ASK (€ cents)	**4.93**	4.87	1.2 %		

Alternative performance measures	**2019**	2018[1]	Higher / (lower)
Profit after tax before exceptional items (€ million)	**806**	803	0.4 %
Adjusted earnings per share (€ cents)	**39.2**	37.6	4.3 %
Net debt (€ million)[3]	**4,777**	6,430	(25.7)%
Net debt to EBITDA[3]	**0.9**	1.2	(0.3x)

Statutory results € million	**2019**	2018	Higher / (lower)
Profit after tax and exceptional items	**806**	1,408	(42.8)%
Basic earnings per share (€ cents)	**40.6**	68.3	(40.6)%
Cash and interest-bearing deposits	**8,031**	8,146	(1.4)%
Interest-bearing long-term borrowings	**12,808**	7,432	72.3 %

For definitions refer to the Alternative performance measures section.

[1] Pro forma financial information is based on the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 'Leases' from January 1, 2018. A reconciliation of the pro forma financial information to the Group's statutory results is included in the Alternative performance measures section.

[2] June 30, 2018 comparatives are the Group's statutory results as reported.

[3] The prior year comparative is pro forma December 31, 2018. The December 31, 2018 as reported was adjusted net debt of €8,355 million, and adjusted net debt to EBITDAR of 1.6 times.

Willie Walsh, IAG Chief Executive Officer, said:

"In Q2 we're reporting an operating profit of €960 million before exceptional items, up from €900 million last year.

"Despite fuel cost headwinds, we delivered a good performance. At constant currency, fuel unit costs were up 6.3 per cent while passenger unit revenue increased 1.1 per cent, benefitting from the timing of Easter.

"This highlights, once again, that our unique structure and diverse brand portfolio underpins our financial resilience and ability to deliver robust results".

Trading outlook

At current fuel prices and exchange rates, IAG expects its 2019 operating profit before exceptional items to be in line with 2018 pro forma. Passenger unit revenue is expected to be flat at constant currency and non-fuel unit cost is expected to improve at constant currency. We expect passenger unit revenue at constant currency to improve for the remainder of the 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.
Steve Gunning, Chief Financial Officer

Forward-looking statements:
Certain statements included in this announcement are forward-looking. These statements can be identified by the fact that they do not relate only to historical or current facts. By their nature, they involve risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Actual results could differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements can typically be identified by the use of words such as "expects", "may", "will", "could", "should", "intends", "plans", "predicts", "envisages" or "anticipates" or other words of similar meaning. They include, without limitation, any and all projections relating to the 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 announcement are based upon information known to the Group on the date of this announcement and speak as of the date of this announcement. 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 the forward-looking statements in this announcement to be incorrect or 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 Group's risk management process is set out in the 'Risk management and principal risk factors' section in the Annual Report and Accounts 2018; these documents are available on www.iairgroup.com. All forward-looking statements made on or after the date of this document and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section.

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CONSOLIDATED INCOME STATEMENT

	Six months to June 30						
	Statutory	Pro forma				Statutory	
€ million	**Total 2019**	Before exceptional items 2018[1]	Exceptional items	Total 2018[1]	Higher/ (lower)	**2019**	2018[2]
Passenger revenue	**10,649**	9,938		9,938	7.2 %	**10,649**	9,938
Cargo revenue	**556**	557		557	(0.2)%	**556**	557
Other revenue	**884**	711		711	24.3 %	**884**	711
Total revenue	**12,089**	11,206		11,206	7.9 %	**12,089**	11,206
Employee costs	**2,492**	2,373	(628)	1,745	5.0 %	**2,492**	1,745
Fuel, oil costs and emissions charges	**2,936**	2,437		2,437	20.5 %	**2,936**	2,437
Handling, catering and other operating costs	**1,476**	1,361		1,361	8.4 %	**1,476**	1,364
Landing fees and en-route charges	**1,081**	1,051		1,051	2.9 %	**1,081**	1,051
Engineering and other aircraft costs	**1,031**	826		826	24.8 %	**1,031**	822
Property, IT and other costs	**380**	381	8	389	(0.3)%	**380**	454
Selling costs	**551**	534		534	3.2 %	**551**	534
Depreciation, amortisation and impairment	**1,035**	979		979	5.7 %	**1,035**	618
Aircraft operating lease costs	**-**	-		-	-	**-**	422
Currency differences	**12**	24		24	(50.0)%	**12**	24
Total expenditure on operations	**10,994**	9,966	(620)	9,346	10.3 %	**10,994**	9,471
Operating profit	**1,095**	1,240	620	1,860	(11.7)%	**1,095**	1,735
Finance costs	**(281)**	(279)		(279)	0.7 %	**(281)**	(111)
Finance income	**22**	21		21	4.8 %	**22**	21
Net financing credit relating to pensions	**13**	11		11	18.2 %	**13**	11
Net currency retranslation credits/(charges)	**138**	(4)		(4)	nm	**138**	(4)
Other non-operating credits	**20**	3		3	566.7 %	**20**	3
Total net non-operating costs	**(88)**	(248)		(248)	(64.5)%	**(88)**	(80)
Profit before tax	**1,007**	992	620	1,612	1.5 %	**1,007**	1,655
Tax	**(201)**	(189)	(47)	(236)	6.3 %	**(201)**	(247)
Profit after tax for the period	**806**	803	573	1,376	0.4 %	**806**	1,408

Operating figures	**2019**	2018[1]	Higher/ (lower)
Available seat kilometres (ASK million)	**163,431**	154,571	5.7 %
Revenue passenger kilometres (RPK million)	**135,678**	127,370	6.5 %
Seat factor (per cent)	**83.0**	82.4	0.6pts
Cargo tonne kilometres (CTK million)	**2,801**	2,771	1.1 %
Passenger numbers (thousands)	**55,885**	52,731	6.0 %
Sold cargo tonnes (thousands)	**346**	343	0.9 %
Sectors	**376,034**	359,227	4.7 %
Block hours (hours)	**1,102,024**	1,051,548	4.8 %
Average manpower equivalent	**65,027**	63,517	2.4 %
Aircraft in service	**588**	565	4.1 %
Passenger revenue per RPK (€ cents)	**7.85**	7.80	0.6 %
Passenger revenue per ASK (€ cents)	**6.52**	6.43	1.3 %
Cargo revenue per CTK (€ cents)	**19.85**	20.10	(1.2)%
Fuel cost per ASK (€ cents)	**1.80**	1.58	13.9 %
Non-fuel costs per ASK (€ cents)	**4.93**	4.87	1.2 %
Total cost per ASK (€ cents)	**6.73**	6.45	4.3 %

[1] Pro forma financial information is based on the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 'Leases' from January 1, 2018. A reconciliation of the pro forma financial information to the Group's statutory results is included in the Alternative performance measures section.

[2] The 2018 statutory results for the Group are the consolidated results including the impact of the exceptional items. There are no exceptional items in the six months to June 30, 2019.

CONSOLIDATED INCOME STATEMENT

	Three months to June 30					Statutory	
	Statutory	Pro forma					
€ million	Total 2019	Before exceptional items 2018[1]	Exceptional items	Total 2018[1]	Higher/ (lower)	2019	2018[2]
Passenger revenue	**6,003**	5,523		5,523	8.7 %	**6,003**	5,523
Cargo revenue	**281**	281		281	-	**281**	281
Other revenue	**487**	380		380	28.2 %	**487**	380
Total revenue	**6,771**	6,184		6,184	9.5 %	**6,771**	6,184
Employee costs	**1,288**	1,219	16	1,235	5.7 %	**1,288**	1,235
Fuel, oil costs and emissions charges	**1,570**	1,325		1,325	18.5 %	**1,570**	1,325
Handling, catering and other operating costs	**789**	718		718	9.9 %	**789**	719
Landing fees and en-route charges	**596**	579		579	2.9 %	**596**	579
Engineering and other aircraft costs	**546**	438		438	24.7 %	**546**	431
Property, IT and other costs	**211**	205	3	208	2.9 %	**211**	242
Selling costs	**270**	263		263	2.7 %	**270**	263
Depreciation, amortisation and impairment	**520**	494		494	5.3 %	**520**	311
Aircraft operating lease costs	**-**	-		-	-	**-**	220
Currency differences	**21**	43		43	(51.2)%	**21**	43
Total expenditure on operations	**5,811**	5,284	19	5,303	10.0 %	**5,811**	5,368
Operating profit	**960**	900	(19)	881	6.7 %	**960**	816
Finance costs	**(144)**	(147)		(147)	(2.0)%	**(144)**	(63)
Finance income	**12**	7		7	71.4 %	**12**	7
Net financing credit relating to pensions	**7**	8		8	(12.5)%	**7**	8
Net currency retranslation credits/(charges)	**68**	(25)		(25)	(372.0)%	**68**	(25)
Other non-operating credits	**18**	27		27	(33.3)%	**18**	27
Total net non-operating costs	**(39)**	(130)		(130)	(70.0)%	**(39)**	(46)
Profit before tax	**921**	770	(19)	751	19.6 %	**921**	770
Tax	**(185)**	(154)	4	(150)	20.1 %	**(185)**	(156)
Profit after tax for the period	**736**	616	(15)	601	19.5 %	**736**	614

Operating figures	2019	2018[1]	Higher/ (lower)
Available seat kilometres (ASK million)	**88,008**	83,478	5.4 %
Revenue passenger kilometres (RPK million)	**74,800**	70,150	6.6 %
Seat factor (per cent)	**85.0**	84.0	1.0pts
Cargo tonne kilometres (CTK million)	**1,410**	1,415	(0.4)%
Passenger numbers (thousands)	**31,503**	29,777	5.8 %
Sold cargo tonnes (thousands)	**172**	173	(1.1)%
Sectors	**207,024**	197,136	5.0 %
Block hours (hours)	**600,662**	571,404	5.1 %
Average manpower equivalent	**66,402**	64,799	2.5 %
Passenger revenue per RPK (€ cents)	**8.03**	7.87	1.9 %
Passenger revenue per ASK (€ cents)	**6.82**	6.62	3.1 %
Cargo revenue per CTK (€ cents)	**19.93**	19.86	0.4 %
Fuel cost per ASK (€ cents)	**1.78**	1.59	12.4 %
Non-fuel costs per ASK (€ cents)	**4.82**	4.74	1.6 %
Total cost per ASK (€ cents)	**6.60**	6.33	4.3 %

[1] Pro forma financial information is based on the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 'Leases' from January 1, 2018. A reconciliation of the pro forma financial information to the Group's statutory results is included in the Alternative performance measures section.
[2] The 2018 statutory results for the Group are the consolidated results including the impact of the exceptional items. There are no exceptional items in the three months to June 30, 2019.

FINANCIAL REVIEW

Operating profit overview
IAG's operating profit for the six months to June 30, 2019 was €1,095 million before exceptional items, a decrease of €145 million from last year. British Airways made a profit of €873 million before exceptional items (2018 pro forma: €907 million, 2018 statutory: €868 million); Iberia made a profit of €109 million (2018 pro forma: €147 million, 2018 statutory: €102 million); Aer Lingus made a profit of €78 million (2018 pro forma: €106 million, 2018 statutory: €104 million) and Vueling's profit was €5 million (2018 pro forma: €22 million, 2018 statutory: €11 million loss).

Strategic overview
On May 23, the Chilean Supreme Court rejected the proposed joint business between IAG and LATAM Airlines Group. This will mean that Chilean consumers will lose out on the benefits that this agreement would have provided which include better links between Europe and Chile, greater choice of flights and enhanced frequent flyer benefits. IAG is assessing the impact of the ruling in the joint business which has already been approved by regulators in Brazil, Colombia and Uruguay.

On June 18, IAG announced an order for eight Airbus A321XLR aircraft for Iberia and six for Aer Lingus, plus 14 options. The airlines will be among the launch customers for the extra long-range narrowbody aircraft with their first deliveries scheduled for 2023. The A321XLR will be used to expand both Aer Lingus and Iberia's existing longhaul fleets. Each aircraft will be fitted with economy and business cabins including fully flat seats.

IAG also signed a letter of intent with Boeing for 200 737 aircraft to join its fleet, which is subject to formal agreement. The mix of 737-8 and 737-10 aircraft would be delivered between 2023 and 2027 and powered by CFM Leap engines. It is anticipated that the aircraft would be used by a number of the Group's airlines including Vueling, LEVEL and British Airways at London Gatwick airport.

On June 28, IAG launched and priced a €1 billion dual tranche offer of senior unsecured bonds. The first tranche will mature in July 2023 and the second tranche will mature in July 2027. The proceeds of the transaction will be used to fund the repurchase of the €500 million 0.25 per cent convertible bond due in November 2020 and other corporate purposes.

Basis of preparation
The Group has adopted the new accounting standard IFRS 16 'Leases' from January 1, 2019, and has used the modified retrospective transition approach. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. On the Balance sheet, obligations to make future payments under leases, previously classified as operating leases, are recognised as debt with the associated right of use assets (ROU). In the Income statement, the operating lease costs are replaced with depreciation (within operating expenditure) and lease interest expense (within non-operating expenditure). For further information see pages 170 to 171 of the 2018 Annual Report and Accounts.

The following review is against a pro forma basis for 2018, which provides a consistent basis for comparison with 2019 results. Pro forma results for 2018 are the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 from January 1, 2018, and have been prepared using the same assumptions used for the IFRS 16 transition adjustment at January 1, 2019 (set out in note 33 of IAG's 2018 Annual Report and Accounts) adjusted for any new aircraft leases entered into during 2018 and using the incremental borrowing rates at January 1, 2019. The IFRS 16 adjustments for aircraft lease liabilities are based on US dollar exchange rates at the transition date.

Principal risks and uncertainties
The Group has continued to maintain and operate its structure and processes to identify, assess and manage risks. The principal risks and uncertainties affecting the Group, detailed on pages 30 to 36 of the 2018 Annual Report and Accounts, remain relevant.

Operating and market environment
Average commodity fuel prices for the six months were slightly lower than in the same period last year, although effective fuel prices were higher than in 2018, principally due to hedging profits in 2018 not repeated in 2019 and the strengthening of the US dollar.

The US dollar was stronger against both the euro and pound sterling, whilst the average euro to pound sterling exchange rate for the first six months was at similar levels to the previous year.

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 six months, the net impact of translation was €7 million favourable.

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 adverse by €60 million for the period, increasing revenues by €150 million and costs by €210 million.

The net impact of translation and transaction exchange for the Group was €53 million adverse.

FINANCIAL REVIEW

Capacity

In the first six months of 2019, IAG capacity, measured in available seat kilometres (ASKs), was higher by 5.7 per cent with increases across all regions. Vueling increased its capacity through new routes and additional frequencies across its domestic market, with Balearic and Canary Islands performing well throughout 2019. Iberia increased its capacity primarily through additional frequencies on its Latin and North American routes, in particular Mexico, Chile and New York. Aer Lingus growth includes the full year impact of routes to Philadelphia and Seattle launched in 2018. British Airways increased capacity through additional frequencies, primarily in Latin America and the Caribbean, together with new destinations, including flights to Charleston, Pittsburgh and Osaka from London Heathrow. LEVEL longhaul capacity growth reflected the impact of the launch of LEVEL France in July 2018. In addition LEVEL launched shorthaul bases in Vienna in July 2018 and in Amsterdam in April 2019.

Revenue

Passenger revenue increased 7.2 per cent versus last year. Passenger unit revenue (passenger revenue per ASK) was flat at constant currency ('ccy') from lower yields (passenger revenue/revenue passenger kilometre), with passenger load factor higher by 0.6 points at 83.0 per cent. Passenger unit revenues rose in the Domestic, AMESA (Africa Middle East and South Asia) and North America regions, was broadly flat in Asia Pacific and fell in Europe and LACAR (Latin America and the Caribbean). In the six months to June 30, 2019 the Group carried over 55 million passengers, up 6.0 per cent versus last year.

Cargo revenue decreased 0.2 per cent, which represented a decrease of 3.1 per cent at constant currency, reflecting the weak market conditions seen in air freight and global trade.

Other revenue was up 24.3 per cent, excluding currency impacts up 20.3 per cent. Other revenue rose from higher BA Holidays revenue and from Iberia's third party maintenance business.

Costs

Employee costs increased 5.0 per cent compared to last year. On a unit basis and at ccy, employee unit costs improved 1.2 per cent with salary awards, primarily inflation-linked, more than offset by efficiency initiatives achieved across the Group and the closure of the British Airways NAPS pension scheme to future accrual on March 31, 2018. The average number of employees was 2.4 per cent higher than 2018, reflecting the growth in capacity, with productivity, measured as ASKs per average manpower equivalent, up 3.3 per cent for the Group.

Fuel costs increased 20.5 per cent, with fuel unit costs up 8.6 per cent at ccy from higher average fuel prices net of hedging, mainly due to hedging profits in 2018 not repeated in 2019. The introduction of new fleet continued to drive efficiencies.

Supplier costs increased by 8.5 per cent and on a unit basis at ccy were up 0.6 per cent on the previous year, including the additional costs incurred to drive higher other revenue in British Airways and Iberia.

Ownership costs increased 5.7 per cent on the previous year, with the number of aircraft in service growing from 565 to 588. Ownership costs on a unit basis and at ccy were broadly in line with 2018.

Overall non-fuel unit costs at ccy were down 0.1 per cent versus a year ago, with the impact of growth and efficiency measures across the Group more than offsetting price increases and the additional costs incurred to grow Iberia's MRO and BA Holidays' revenues.

Operating profit

The Group's operating profit for the period was €1,095 million, a decrease of €145 million versus 2018 (a decrease of €640 million on a statutory basis after exceptional items), and down €92 million at ccy, including the impact of fuel headwinds.

Exceptional items

There were no exceptional items in the half year. In 2018, the Group recognised an exceptional gain of €678 million, due to the closure of British Airways' NAPS and BARP pension schemes, and an exceptional charge of €58 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 period were €88 million in 2019, compared with €248 million (2018 statutory: €80 million) in 2018. The change was primarily from the net retranslation of debt and hedging instruments, resulting in a credit of €138 million in 2019, compared with a charge of €4 million in the previous year.

The tax charge for the period was €201 million before exceptional items, with an effective tax rate for the Group of 20 per cent (2018: 19 per cent).

The profit after tax for the six months was €806 million (2018 pro forma: €1,376 million after exceptional items, 2018 statutory: €1,408 million after exceptional items), a decrease of €570 million versus last year, principally driven by the net impact in 2018 of the reduction in pension liabilities associated with the closure of the British Airways NAPS pension scheme to future accrual and restructuring costs.

Cash and leverage

The Group's cash position of €8,031 million was broadly in line with June 30, 2018. Net debt at the end of the period, including the debt associated with right of use assets, was €4.8 billion and net debt to EBITDA was 0.9 times.