SIX MONTHS RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (August 1, 2014) presented Group consolidated results for the six months to June 30, 2014.

IAG period highlights on results:

- Second quarter operating profit €380 million (2013: operating profit of €245 million before exceptional items), €135 million better than last year
- At constant currency, second quarter passenger unit revenue down 0.4 per cent (excluding Vueling up 0.1 per cent) and non-fuel unit costs down 4.4 per cent (excluding Vueling down 2.5 per cent)
- Revenue for the quarter up 6.7 per cent to €5,086 million, up 8.2 per cent at constant currency
- Fuel unit costs for the quarter down 9.3 per cent, 5.4 per cent at constant currency
- Operating profit for the half year €230 million (2013: operating loss €33 million before exceptional items), €263 million better than last year
- Cash of €4,904 million at June 30, 2014 was up €1,271 million on 2013 year end
- Adjusted gearing down 4 points to 46 per cent

Performance summary:

	Six months to June 30		
Financial data € million	**2014**	2013	Higher / (lower)
Passenger revenue	**8,177**	7,498	9.1 %
Total revenue	**9,289**	8,707	6.7 %
Operating profit/(loss) before exceptional items	**230**	(33)	
Exceptional items	**-**	(312)	
Operating profit/(loss) after exceptional items	**230**	(345)	
Profit/(loss) after tax	**96**	(503)	
Basic earnings/(loss) per share (€ cents)	**4.2**	(27.9)	
Operating figures	**2014**	2013	Higher / (lower)
Available seat kilometres (ASK million)	**120,892**	108,641	11.3 %
Revenue passenger kilometres (RPK million)	**95,331**	86,378	10.4 %
Seat factor (per cent)	**78.9**	79.5	(0.6pts)
Passenger revenue per RPK (€ cents)	**8.58**	8.68	(1.2)%
Passenger unit revenue per ASK (€ cents)	**6.76**	6.90	(2.0)%
Non-fuel unit costs per ASK (€ cents)	**5.10**	5.41	(5.7)%
€ million	**At June 30, 2014**	At December 31, 2013	Higher / (lower)
Cash and interest-bearing deposits	**4,904**	3,633	35.0 %
Adjusted net debt[1]	**5,249**	5,701	(7.9%)
Adjusted gearing[2]	**46%**	50%	(4pts)

[1] Adjusted net debt is net debt plus capitalised operating aircraft lease costs.
[2] 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 Officer, said:

“In the quarter, we made an operating profit of €380 million which is up from €245 million last year.

“This performance shows that we are making further solid progress. Our disciplined approach to capacity continues and we will make reductions where it makes sense as we go through the year. We are, therefore, trimming planned IAG capacity by around three percentage points for the winter 2014 season.

“All of our airlines had their highest second quarter operating result since 2007.

“British Airways’ operating profit was €332 million in the quarter, up from €247 million last year while Iberia made an operating profit of €16 million, compared to an operating loss of €35 million last year. Vueling’s operating profit was €30 million, up from €27 million last year.

"Iberia's restructuring continues to have a positive impact and last week Iberia signed an agreement that could lead to an additional reduction of up to 1,427 jobs. This will create new opportunities for Iberia to enhance its profitability further in the next two or three years. Based on the progress made at Iberia, we're pleased to announce today that eight Airbus A350-900s and eight Airbus A330-200s will be joining its longhaul fleet as replacement aircraft.

"In the half year, the Group made an operating profit of €230 million compared to an operating loss of €33 million last year. Revenue was up 6.7 per cent with non-fuel costs up 4.9 per cent. We have also improved our cash and adjusted gearing position since the end of last year".

Trading outlook

At current fuel prices and foreign exchange rates, we expect to improve operating profit for the 2014 full year by at least €500 million, from a 2013 base of €770 million. Passenger unit revenues should remain relatively flat, with margin expansion driven by a reduction in unit costs.

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 expenditures 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. 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 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 2013; these documents are available on www.iagshares.com.

IAG Investor Relations
2 World Business Centre Heathrow
Newall Road, London Heathrow Airport
HOUNSLOW TW6 2SF

Tel: +44 (0)208 564 2900
Investor.relations@iairgroup.com

CONSOLIDATED INCOME STATEMENT

	Six months to June 30				
€ million	**Total 2014**	Before exceptional items 2013	Exceptional items	Total 2013	Higher / (lower)
Passenger revenue	**8,177**	7,498		7,498	9.1 %
Cargo revenue	**488**	541		541	(9.8)%
Other revenue	**624**	668		668	(6.6)%
Total revenue	**9,289**	8,707		8,707	6.7 %
Employee costs	**2,096**	2,069	268	2,337	1.3 %
Fuel, oil costs and emissions charges	**2,898**	2,864	(3)	2,861	1.2 %
Handling, catering and other operating costs	**982**	924		924	6.3 %
Landing fees and en-route charges	**734**	655		655	12.1 %
Engineering and other aircraft costs	**606**	626	15	641	(3.2)%
Property, IT and other costs	**486**	457	5	462	6.3 %
Selling costs	**437**	398		398	9.8 %
Depreciation, amortisation and impairment	**571**	498	8	506	14.7 %
Aircraft operating lease costs	**260**	215	19	234	20.9 %
Currency differences	**(11)**	34		34	
Total expenditure on operations	**9,059**	8,740	312	9,052	3.6 %
Operating profit/(loss)	**230**	(33)	(312)	(345)	
Net non-operating costs	**(75)**	(144)	(17)	(161)	
Profit/(loss) before tax	**155**	(177)	(329)	(506)	
Tax	**(59)**	5	(2)	3	
Profit/(loss) after tax for the period	**96**	(172)	(331)	(503)	

Operating figures	**2014** [1]	2013 [1]	Higher / (lower)
Available seat kilometres (ASK million)	**120,892**	108,641	11.3 %
Revenue passenger kilometres (RPK million)	**95,331**	86,378	10.4 %
Seat factor (per cent)	**78.9**	79.5	(0.6pts)
Cargo tonne kilometres (CTK million)	**2,692**	2,756	(2.3)%
Passenger numbers (thousands)	**35,480**	29,137	21.8 %
Tonnes of cargo carried (thousands)	**441**	456	(3.3)%
Sectors (thousands)	**283,517**	244,141	16.1 %
Block hours (hours)	**819,466**	732,069	11.9 %
Average manpower equivalent	**59,140**	60,590	(2.4)%
Aircraft in service	**459**	435	5.5 %
Passenger revenue per RPK (€ cents)	**8.58**	8.68	(1.2)%
Passenger unit revenue per ASK (€ cents)	**6.76**	6.90	(2.0)%
Cargo revenue per CTK (€ cents)	**18.13**	19.63	(7.6)%
Fuel cost per ASK (€ cents)	**2.40**	2.64	(9.1)%
Total cost excluding fuel per ASK (€ cents)	**5.10**	5.41	(5.7)%
Total cost per ASK (€ cents)	**7.49**	8.04	(6.8)%

[1] Financial ratios are before exceptional items. For the six months to June 30, 2014 there are no exceptional items.

CONSOLIDATED INCOME STATEMENT

	Three months to June 30				
€ million	**Total 2014**	Before exceptional items 2013	Exceptional items	Total 2013	Higher / (lower)
Passenger revenue	**4,513**	4,152		4,152	8.7 %
Cargo revenue	**238**	271		271	(12.2)%
Other revenue	**335**	345		345	(2.9)%
Total revenue	**5,086**	4,768		4,768	6.7 %
Employee costs	**1,078**	1,038		1,038	3.9 %
Fuel, oil costs and emissions charges	**1,510**	1,503	(3)	1,500	0.5 %
Handling, catering and other operating costs	**530**	478		478	10.9 %
Landing fees and en-route charges	**399**	364		364	9.6 %
Engineering and other aircraft costs	**299**	319		319	(6.3)%
Property, IT and other costs	**255**	239	5	244	6.7 %
Selling costs	**224**	212		212	5.7 %
Depreciation, amortisation and impairment	**293**	250		250	17.2 %
Aircraft operating lease costs	**134**	120	(1)	119	11.7 %
Currency differences	**(16)**	-		-	
Total expenditure on operations	**4,706**	4,523	1	4,524	4.0 %
Operating profit	**380**	245	(1)	244	
Net non-operating costs	**(22)**	(63)	(17)	(80)	
Profit before tax	**358**	182	(18)	164	
Tax	**(78)**	(35)	(2)	(37)	
Profit after tax for the period	**280**	147	(20)	127	

Operating figures	**2014**	2013	Higher / (lower)
Available seat kilometres (ASK million)	**64,576**	58,282	10.8 %
Revenue passenger kilometres (RPK million)	**52,111**	47,392	10.0 %
Seat factor (per cent)	**80.7**	81.3	(0.6pts)
Cargo tonne kilometres (CTK million)	**1,321**	1,392	(5.1)%
Passenger numbers (thousands)	**20,196**	17,365	16.3 %
Tonnes of cargo carried (thousands)	**217**	229	(5.2)%
Sectors (thousands)	**156,045**	138,353	12.8 %
Block hours (hours)	**443,369**	401,203	10.5 %
Average manpower equivalent	**59,893**	60,728	(1.4)%
Passenger revenue per RPK (€ cents)	**8.66**	8.76	(1.1)%
Passenger unit revenue per ASK (€ cents)	**6.99**	7.12	(1.8)%
Cargo revenue per CTK (€ cents)	**18.02**	19.47	(7.4)%
Fuel cost per ASK (€ cents)	**2.34**	2.58	(9.3)%
Total cost excluding fuel per ASK (€ cents)	**4.95**	5.18	(4.4)%
Total cost per ASK (€ cents)	**7.29**	7.76	(6.1)%

Financial review:

Operating and market environment
The half year has seen broadly stable fuel prices, and a small benefit from foreign exchange rates, particularly from the pound sterling strength and US dollar weakness against the euro. Revenues in our domestic and Latin American markets have been flat to down, while rest of world revenues have grown or strongly grown. These changes have been largely driven by IAG capacity changes, offset in some cases by marginal declines in unit revenue. The World Cup and some macro weakness had a dilutive effect on Latin American revenues.

Acquisition
The performance for the six month period to June 30, 2014 includes Vueling's operations; the six month comparative period includes Vueling from April 26, 2013, the acquisition date.

Capacity
Overall capacity was up 11.3 per cent in the first six months of the year and traffic increased 10.4 per cent, decreasing seat factor 0.6 points to 78.9 per cent. Excluding Vueling, capacity was increased by 5.0 per cent, traffic was up 4.1 per cent, and seat factor was 78.8 per cent.

Revenue
Passenger revenue increased 9.1 per cent compared to the prior year six months with 1.2 points of adverse currency. Unit passenger revenue (per ASK) was down 0.9 per cent at constant currency ('ccy'). At the Group level, yield held flat while seat factor decreased. Excluding Vueling and at ccy, passenger unit revenue was down 0.1 per cent with a yield improvement of 0.8 per cent for the six months, but up 0.1 per cent for the three months to June 30, 2014.

Cargo revenue for the period decreased by 5.5 per cent at ccy or 3.3 per cent based on revenue per cargo tonne kilometre driven by weaker yields versus last year. From April 30, 2014, IAG Cargo has significantly reduced its freighter programme. The impact of winding down the freighter activity has had a negative impact on yields for the first six months to June 30, 2014 of approximately 1 per cent while overall contribution has improved.

Other revenue is down 6.6 per cent adversely impacted by the elimination of Iberia's handling and maintenance revenue related to Vueling, which was included in the comparative period leading up to the acquisition. The impact on revenue has been adverse by 14 points for the six months to June 30, 2014. Other revenue includes BA Holidays which has continued to see growth.

Costs
Employee unit costs improved 8.9 per cent, or 9.5 per cent at ccy. The average number of employees was reduced by 2.4 per cent while productivity improved by 14.0 per cent. Employee unit cost and productivity improvements resulted from the addition of Vueling, the Iberia Transformation Plan, and British Airways' efficient capacity growth.

Fuel unit costs decreased 9.1 per cent, or 6.4 per cent at ccy, driven by lower average fuel prices net of hedging and lower consumption with the introduction of more efficient aircraft with the addition of the Airbus A330, Airbus A380 and Boeing 787.

Landing fees and en-route charges increased 12.1 per cent, with approximately 0.5 per cent of currency benefits. The increase reflects the additional flying, with capacity up 11.3 per cent, and more sectors flown up 16.1 per cent. Sectors flown have increased more than capacity with the addition of Vueling to the Group.

Handling, catering and other operating costs increased by 6.3 per cent with approximately 0.5 per cent of currency benefits. Handling, catering and other operating costs has been positively impacted by the elimination of Iberia's handling related to Vueling, which was included in the comparative period leading up to the acquisition. The underlying increases in Handling, catering and other operating costs reflect the significant increase in passengers carried of 21.8 per cent during the period and the increase in BA Holidays' activity.

Engineering and other aircraft costs were down 3.2 per cent benefiting from approximately 2.5 points of currency. In addition to the consolidation impacts, Engineering and other aircraft costs are down reflecting the reduced freighter flying of IAG Cargo and less third party maintenance at Iberia.

Property, IT and other costs increased by 6.3 per cent including approximately 3 points of adverse currency impact. The underlying increase is driven primarily by the addition of Vueling.

Selling costs increased 9.8 per cent benefiting 1 point from currency differences. Selling costs rose with the additional passengers carried of 21.8 per cent and the investment in marketing at Iberia including costs associated with the new brand.

At June 30, 2014 the Group had 199 aircraft under operating lease, an increase of 18 from June last year. The additional leased aircraft primarily relate to Airbus A320 aircraft for Vueling.

Owned fleet also increased over the same period last year by six, with the introduction of the Airbus A380 and the Boeing 787 at British Airways supporting its fleet replacement programme. The number of aircraft at Iberia decreased over the same period last year in line with the capacity cuts throughout 2013 as part of its Transformation Plan. The Group depreciation charge increased by 14.7 per cent, reflecting the increase in owned aircraft, a change in the estimated residual value of the Boeing 747s and adversely impacted by currency.

At constant currency non-fuel unit costs decreased by 5.4 per cent and by 3.3 per cent excluding Vueling. Improvements are driven by the efficient growth at British Airways, the effect of the Transformation Plan at Iberia, and Vueling forming part of the Group.

Exceptional items
There have been no exceptional items in the six months to June 30, 2014. The prior period exceptional charge was €312 million to the operating result and related primarily to Iberia's Transformation Plan and the acquisition of Vueling.

Operating profit
IAG's operating profit for the six months was €230 million, compared to a loss of €33 million (before exceptional items) in the first half of 2013.

Non-operating items
The net non-operating charge was €75 million for the six months compared to a €144 million charge for the same period last year. The improvement primarily relates to a decrease in the net financing charge related to pensions and gains on derivatives not qualifying for hedge accounting.

In the prior period, an exceptional non-operating loss was recorded on the step acquisition of Vueling.

Taxation
For the six months to June 30, 2014 and 2013, deferred tax assets related to Iberia's losses have not been recognised. The recognition of Iberia's tax assets will be reviewed in the second half of the year as part of the annual Business planning process.

Profit after tax
The profit after tax for the six month period to June 30 was €96 million, compared to a loss of €503 million after exceptional items in 2013.

Exchange rates
For the six months to June 30, 2014, the reported results are impacted by translation currency from converting British Airways' results from sterling to the Group's reporting currency of euro. The net impact on the operating profit was €8 million favourable, with an increase in revenue of €171 million and an increase in cost of €163 million, reflecting a 2.5 per cent weakening of the euro versus the pound sterling.

The transactional exchange rate impact across the Group was adverse €279 million on revenues and favourable €275 million on costs with a net adverse impact of €4 million.

Therefore, the translation and transactional impact of exchange on revenue was €108 million adverse, on costs €112 million favourable and a net favourable impact of €4 million on the operating profit.

Cash
The Group's cash position was €4,904 million up €1,271 million from December 31, 2013. British Airways' cash position was €3,097 million, Iberia €814 million, Vueling €765 million and the parent and holding companies €228 million.

Included in the Group's cash balance are equivalent funds of €189 million which relate to funds recognised by Venezuela's Central Bank but not yet repatriated; €184 million was translated at a rate of 6.3 bolivar to the US dollar, the rate applicable throughout 2013; and the remaining €5 million at 10.4, the average rate applicable from the beginning of 2014.

Iberia is continuing to manage its exposure to the currency and the cash position has remained relatively flat since year end. Iberia is continuing to work with the authorities regarding the timing and conditions applicable to the repatriation of funds held in Venezuela. The time taken to repatriate cash has risen to 18 months.

Any historic funds repatriated at an exchange rate higher than the recognised rates will result in an impairment of cash held. Until an agreement is reached or the funds are officially devalued, any exchange loss is not recognised.

The adjusted net debt of the Group has decreased by €452 million to €5,249 million compared to December 31, 2013 and adjusted gearing improved by four points.

Principal risks and uncertainties

During the period 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 90 to 95 of the December 31, 2013 Annual Report and Accounts, remain relevant for the remaining six months of the year.

Strategic developments

On March 14, 2014 Iberia announced that it had signed a pay and productivity agreement with the main trade unions representing ground staff. The deal enabled the airline to submit competitive bids for handling contracts at 22 Spanish airports. The agreements signed with cabin crew and ground staff unions have already been ratified by the unions' assemblies.

In April 2014, Iberia signed labour agreements with its pilots, cabin crew and ground staff unions after ratification by the unions' assemblies.

On April 3, 2014 IAG announced that British Airways and Iberia's Joint Business with American Airlines was extended to include US Airways. The revenue sharing agreement now includes all scheduled flights operated by American and US Airways, British Airways, Iberia and Finnair between North America and Europe. US Airways brings 28 flights into the Joint Business, and gives customers of British Airways and Iberia access to more than 50 additional new destinations in North America.

On April 16, 2014 British Airways announced the location of the world's first facility to convert landfill waste to jet fuel. The airline has committed to buying all of the jet fuel from the plant being built in Essex by Solena Fuels which will go into production in 2017.

IAG Cargo signed a multi-year commercial agreement with Qatar Airways to purchase capacity on Qatar Airways operated air cargo freighters from May 1, 2014. Qatar Airways operates five Boeing 777F flights a week between Hong Kong and London, via Doha. IAG Cargo announced the end of its agreement with Global Supply Systems to lease three Boeing 747-8 freighters.

On May 1, 2014 Vueling started operations from its new base in Brussels. The airline also began services between Rome and Catania, connecting the capital with Southern Italy.

Vueling opened a new base in Palermo on June 10, 2014. Palermo is the third Vueling base in Italy. The city has connections available to 32 destinations in Italy and Europe via Rome Fiumicino.

On June 19, 2014 British Airways and Vueling announced a new codeshare agreement on 170 routes. These are largely centred on Vueling's operation in Italy with 37 international and 11 domestic destinations available from Vueling's Rome Fiumicino base. Other new routes on offer through the codeshare include London Heathrow to Bilbao and La Coruña, Cardiff to Malaga and Alicante, and Edinburgh to Barcelona.

On June 30, 2014 Iberia Express announced that it had signed the first bargaining agreement with its pilots' trade union UPPA. The agreement will expire on December 31, 2019 and will allow the airline to set up a stable labour framework.

On July 14, 2014 IAG converted 20 of the 100 Airbus 320neo options into firm orders. These aircraft will be delivered in 2018 and 2019 and will provide both cost savings and environmental benefits.

On July 24, 2014 Iberia and its trade unions reached a new agreement on collective redundancies for pilots and ground staff. This could lead to a reduction of up to 1,427 jobs at the airline. The agreement enables Iberia to continue with its Transformation Plan to introduce permanent structural changes across the airline and to facilitate profitable growth in the future. Iberia's cabin crew staff will not be affected by this agreement.

On July 31, 2014 the Board of IAG approved the settlement by Iberia of the derivative transaction over its entire stake in Amadeus IT Holding, S.A. (Amadeus) that it entered into in August 2012 with Nomura International Plc. The derivative transaction comprises a collar arrangement around Iberia's total Amadeus shareholding of 33,562,331 ordinary shares. The transaction was a risk management exercise that allowed Iberia to protect and lock-in the value of its Amadeus shares held in August 2012 and retain any improvement in that price by up to 10 per cent. Settlement will occur in equal instalments over a 100 trading day period commencing August 7, 2014. The proceeds of the sale will strengthen Iberia's liquidity and provide funding for the airline's Transformation Plan.

On July 31, 2014 the Board of IAG approved converting eight Airbus A350-900 aircraft options into firm orders and securing eight Airbus A330-200 aircraft for Iberia. These aircraft will replace 16 Airbus A340 family aircraft in Iberia's longhaul fleet and will be delivered between 2015 and 2020. Both aircraft will provide cost efficiencies and environmental benefits, enabling Iberia to replace its longhaul fleet with modern and fuel efficient aircraft.

Objectives
Our mission is to be the leading international airline group. This means we will:

- win the customer through service and value across our global network;
- deliver higher returns to our shareholders through leveraging cost and revenue opportunities across the Group;
- attract and develop the best people in the industry;
- provide a platform for quality international airlines, leaders in their markets, to participate in consolidation;
- retain the distinct cultures and brands of individual airlines.

By accomplishing our mission, IAG will help to shape the future of the industry, set new standards of excellence and provide sustainability, security and growth.

INTERNATIONAL CONSOLIDATED AIRLINES GROUP S.A.

Unaudited Condensed Consolidated Interim Financial Statements
January 1, 2014 – June 30, 2014

CONSOLIDATED INCOME STATEMENT

€ million	Total 2014	Six months to June 30 Before exceptional items 2013	Exceptional items	Total 2013
Passenger revenue	**8,177**	7,498		7,498
Cargo revenue	**488**	541		541
Other revenue	**624**	668		668
Total revenue	**9,289**	8,707		8,707
Employee costs	**2,096**	2,069	268	2,337
Fuel, oil costs and emissions charges	**2,898**	2,864	(3)	2,861
Handling, catering and other operating costs	**982**	924		924
Landing fees and en-route charges	**734**	655		655
Engineering and other aircraft costs	**606**	626	15	641
Property, IT and other costs	**486**	457	5	462
Selling costs	**437**	398		398
Depreciation, amortisation and impairment	**571**	498	8	506
Aircraft operating lease costs	**260**	215	19	234
Currency differences	**(11)**	34		34
Total expenditure on operations	**9,059**	8,740	312	9,052
Operating profit/(loss)	**230**	(33)	(312)	(345)
Finance costs	**(117)**	(127)		(127)
Finance income	**13**	13		13
Retranslation charges on currency borrowings	**(1)**	(4)		(4)
Gains on derivatives not qualifying for hedge accounting	**17**	7		7
Net credit relating to available-for-sale financial assets	**9**	-		-
Share of post-tax profits/(losses) in associates accounted for using the equity method	**1**	(10)		(10)
Profit/(loss) on sale of property, plant and equipment and investments	**4**	(2)	(17)	(19)
Net financing charge relating to pensions	**(1)**	(21)		(21)
Profit/(loss) before tax	**155**	(177)	(329)	(506)
Tax	**(59)**	5	(2)	3
Profit/(loss) after tax for the period	**96**	(172)	(331)	(503)
Attributable to:				
Equity holder of the parent	**86**	(184)		(515)
Non-controlling interest	**10**	12		12
	96	(172)		(503)
Basic earnings/(loss) per share (€ cents)	**4.2**			(27.9)
Diluted earnings/(loss) per share (€ cents)	**4.2**			(27.9)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	Six months to June 30 **2014**	2013
Items that may be reclassified subsequently to net profit		
Cash flow hedges:		
Fair value movements in equity	**103**	(237)
Reclassified and reported in net profit	**1**	21
Available-for-sale financial assets:		
Fair value movements in equity	**30**	132
Reclassified and reported in net profit	**(9)**	-
Currency translation differences	**149**	(48)
Total other comprehensive income for the period, net of tax	**274**	(132)
Profit/(loss) after tax for the period	**96**	(503)
Total comprehensive income for the period	**370**	(635)
Total comprehensive income is attributable to:		
Equity holders of the parent	**360**	(647)
Non-controlling interest	**10**	12
	370	(635)

Items in the consolidated Statement of comprehensive income above are disclosed net of tax.

CONSOLIDATED BALANCE SHEET

€ million	**June 30, 2014**	December 31, 2013
Non-current assets		
Property, plant and equipment	**11,192**	10,228
Intangible assets	**2,276**	2,196
Investments in associates	**26**	25
Available-for-sale financial assets	**1,094**	1,092
Employee benefit assets	**555**	485
Derivative financial instruments	**30**	35
Deferred tax assets	**498**	501
Other non-current assets	**192**	197
	15,863	14,759
Current assets		
Non-current assets held for sale	**7**	12
Inventories	**400**	411
Trade receivables	**1,581**	1,196
Other current assets	**734**	631
Derivative financial instruments	**103**	135
Other current interest-bearing deposits	**3,081**	2,092
Cash and cash equivalents	**1,823**	1,541
	7,729	6,018
Total assets	**23,592**	20,777
Shareholders' equity		
Issued share capital	**1,020**	1,020
Share premium	**5,867**	5,867
Treasury shares	**(8)**	(42)
Other reserves	**(2,616)**	(2,936)
Total shareholders' equity	**4,263**	3,909
Non-controlling interest	**307**	307
Total equity	**4,570**	4,216
Non-current liabilities		
Interest-bearing long-term borrowings	**5,072**	4,535
Employee benefit obligations	**808**	738
Deferred tax liability	**969**	884
Provisions for liabilities and charges	**1,769**	1,796
Derivative financial instruments	**45**	66
Other long-term liabilities	**248**	225
	8,911	8,244
Current liabilities		
Current portion of long-term borrowings	**601**	587
Trade and other payables	**8,597**	6,793
Derivative financial instruments	**485**	528
Current tax payable	**27**	11
Provisions for liabilities and charges	**401**	398
	10,111	8,317
Total liabilities	**19,022**	16,561
Total equity and liabilities	**23,592**	20,777

CONSOLIDATED CASH FLOW STATEMENT

€ million	Six months to June 30 2014	2013
Cash flows from operating activities		
Operating profit/(loss)	**230**	(345)
Depreciation, amortisation and impairment	**571**	506
Movement in working capital and other non-cash movements	**1,115**	1,064
Settlement of competition investigation	**(6)**	(32)
Cash payments to pension schemes (net of service costs)	**(21)**	(123)
Interest paid	**(74)**	(93)
Taxation	**3**	-
Net cash flows from operating activities from continuing operations	**1,818**	977
Net cash flows used in operating activities from discontinued operations	**(5)**	(20)
Net cash flows from operating activities	**1,813**	957
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	**(1,332)**	(939)
Sale of property, plant and equipment and intangible assets	**233**	396
Proceeds from sale of investments	**16**	-
Cash acquired on Business combination (net of proceeds)	**-**	282
Interest received	**18**	14
Increase in other current interest-bearing deposits	**(900)**	(174)
Dividends received	**-**	1
Other investing movements	**9**	5
Net cash flows from investing activities	**(1,956)**	(415)
Cash flows from financing activities		
Proceeds from long-term borrowings	**726**	49
Proceeds from convertible bond	**-**	386
Repayment of borrowings	**(172)**	(155)
Repayment of finance leases	**(147)**	(224)
Acquisition of own shares	**(23)**	(8)
Distributions made to holders of perpetual securities and others	**(10)**	(10)
Net cash flows from financing activities	**374**	38
Net increase in cash and cash equivalents	**231**	580
Net foreign exchange differences	**51**	9
Cash and cash equivalents at 1 January	**1,541**	1,362
Cash and cash equivalents at period end[1]	**1,823**	1,951
Interest-bearing deposits maturing after more than three months	**3,081**	1,676
Cash, cash equivalents and other interest-bearing deposits	**4,904**	3,627

[1] Included in the Group's cash balance are equivalent funds of €189 million which relate to funds recognised by Venezuela's Central Bank but not yet repatriated; €184 million was translated at a rate of 6.3 bolivar to the US dollar, the rate applicable throughout 2013; and the remaining €5 million at 10.4, the average rate applicable from the beginning of 2014.

Iberia is continuing to manage its exposure to the currency and the cash position has remained relatively flat since year end. Iberia is continuing to work with the authorities regarding the timing and conditions applicable to the repatriation of funds held in Venezuela. The time taken to repatriate cash has risen to 18 months.

Any historic funds repatriated at an exchange rate higher than the recognised rates will result in an impairment of cash held. Until an agreement is reached or the funds are officially devalued, any exchange loss is not recognised.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2014

€ million	Issued share capital	Share premium	Treasury shares	Other reserves[1]	**Total shareholder equity**	Non-controlling interest	**Total equity**
At January 1, 2014	1,020	5,867	(42)	(2,936)	**3,909**	307	**4,216**
Total comprehensive income for the period (net of tax)	-	-	-	360	**360**	10	**370**
Cost of share-based payments	-	-	-	16	**16**	-	**16**
Exercise of share options	-	-	57	(56)	**1**	-	**1**
Acquisition of own shares	-	-	(23)	-	**(23)**	-	**(23)**
Distributions made to holders of perpetual securities	-	-	-	-	**-**	(10)	**(10)**
At June 30, 2014	**1,020**	**5,867**	**(8)**	**(2,616)**	**4,263**	**307**	**4,570**

[1]Closing balance includes a retained deficit of €768 million (excluding pensions restatement: retained earnings of €1,281 million).

For the six months to June 30, 2013

€ million	Issued share capital	Share premium	Treasury shares	Other reserves[1]	Total shareholder equity	Non-controlling interest	Total equity
At January 1, 2013	928	5,280	(17)	(1,436)	4,755	300	5,055
Restatement	-	-	-	(2,077)	(2,077)	-	(2,077)
At January 1, 2013 (restated)	928	5,280	(17)	(3,513)	2,678	300	2,978
Total comprehensive income for the period (net of tax)	-	-	-	(647)	(647)	12	(635)
Cost of share-based payments	-	-	-	16	16	-	16
Exercise of share options	-	-	-	(1)	(1)	-	(1)
Acquisition of own shares	-	-	(9)	-	(9)	-	(9)
Equity portion of convertible bond issued	-	-	-	72	72	-	72
Non-controlling interest arising on Business combination	-	-	-	-	-	26	26
Distributions made to holders of perpetual securities	-	-	-	-	-	(10)	(10)
At June 30, 2013	928	5,280	(26)	(4,073)	2,109	328	2,437

[1]Closing balance includes a retained deficit of €1,834 million (excluding pensions restatement: retained earnings of €243 million).

NOTES TO THE ACCOUNTS
For the six months to June 30, 2014

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

On January 21, 2011 British Airways Plc and Iberia Líneas Aéreas de España S.A. Operadora (hereinafter 'British Airways' and 'Iberia' respectively) completed a merger transaction of the two companies to create a new European airline group, International Consolidated Airlines Group S.A. (hereinafter 'International Airlines Group', 'IAG' or the 'Group'). IAG is a Spanish company registered in Madrid and was incorporated on April 8, 2010.

IAG shares are traded on the London Stock Exchange's main market for listed securities and also on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia (the 'Spanish Stock Exchanges'), through the Spanish Stock Exchanges Interconnection System (Mercado Continuo Español).

The summary condensed consolidated financial statements were prepared in accordance with IAS 34 and authorised for issue by the Board of Directors on July 31, 2014. The condensed consolidated financial statements herein are not the Company's statutory accounts and are unaudited. The Directors consider that the Group has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the interim financial statements.

The basis of preparation and accounting policies set out in the IAG Annual Report and Accounts for the year to December 31, 2013 have been applied in the preparation of these summary condensed consolidated financial statements, except as disclosed in note 2. IAG's financial statements for the year to December 31, 2013 have been filed with the Registro Mercantil de Madrid, and are in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and with those of the Standing Interpretations issued by the IFRS Interpretations Committee. For the purposes of these statements IFRS also includes International Accounting Standards. The report of the auditors on those financial statements was unqualified.

2. ACCOUNTING POLICIES

The Group has adopted the following standards, interpretations and amendments from January 1, 2014:

IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements' and IFRS 12 'Disclosure of interest in other entities'; effective for periods beginning on or after January 1, 2014. IFRS 10 replaces the guidance on control and consolidation in IAS 27 and SIC 12 'Consolidation-special purpose entities'. IFRS 11 requires joint arrangements to be accounted for as a joint operation or as a joint venture depending on the rights and obligations of each party to the arrangement. IFRS 12 requires enhanced disclosure of the nature, risk and the financial effects associated with the Group's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single entity remains unchanged, as do the mechanics of consolidation. The application of these standards have no significant impact on the Group's net result or net assets.

IAS 32 (Amendment) 'Financial instruments: Presentation'; effective for periods beginning on or after January 1, 2014. The amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The application of this standard has no significant impact on the Group's net result or net assets.

IAS 36 (Amendment) 'Impairment of assets'; effective for periods beginning on or after January 1, 2014. The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The standard requires a change in the presentation of the Group's notes to the financial statements but has no impact on the Group's net result or net assets.

IAS 39 (Amendment) 'Financial instruments: Recognition and measurement'; effective for periods beginning on or after January 1, 2014. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specific criteria. The application of this standard has no significant impact on the Group's net result or net assets.

Other amendments resulting from improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. EXCEPTIONAL ITEMS

	Six months to June 30	
€ million	**2014**	2013
Restructuring costs - employee[1]	**-**	268
Restructuring costs - aircraft[1]	**-**	44
Business combination costs[2]	**-**	5
Pre-acquisition cash flow hedge impact[3]	**-**	(5)
Recognised in expenditure on operations	**-**	312
Loss on step acquisition[4]	**-**	17
Total exceptional charge before tax	**-**	329

There are no significant exceptional items in the six months to June 30, 2014.

(1) Restructuring costs
In the six months to June 30, 2013, a restructuring expense of €312 million was recognised in relation to the Iberia Transformation Plan. Employee restructuring costs associated with the Transformation Plan of Iberia were recorded in 2012, calculated based on Management's expectation of the application of the new labour law in Spain.

In 2013, €265 million of additional employee restructuring costs were charged to reflect the increased cost of the severance as proposed by the mediator agreement. Restructuring costs of €47 million associated with the return of leased aircraft and standing down owned aircraft were also recorded in the comparative period.

(2) Business combination costs
Transaction expenses of €5 million were recognised in relation to the Vueling Business combination in the six months to June 30, 2013.

(3) Derivatives and financial instruments
On January 21, 2011, Iberia had a portfolio of cash flow hedges with a net mark-to-market charge of €67 million recorded within Other reserves on the Balance sheet. On April 26, 2013, Vueling had a portfolio of cash flow hedges with a net mark-to-market charge which rounds to nil recorded within Other reserves in the Balance sheet. As these cash flow hedge positions unwind, Iberia and Vueling will recycle the impact from Other reserves through their respective Income statement.

The Group does not recognise the pre-acquisition cash flow hedge net position within Other reserves on the Balance sheet, resulting in fuel and aircraft operating lease costs being gross of the pre-acquisition cash flow hedge positions. For the six months to June 30, 2013 this had resulted in a decrease in reported aircraft operating lease costs of €2 million, a decrease in reported fuel expense of €3 million and a related €2 million tax charge.

(4) Loss on step acquisition
As a result of Iberia's initial investment in Vueling, the Business combination was achieved in stages. The Group revalued its initial investment in Vueling to fair value at the acquisition date resulting in a non-cash loss of €17 million recognised in the Loss on sale of property, plant and equipment and investments line within Exceptional items in the six months to June 30, 2013 Income statement.

4. SEASONALITY

The Group's business is highly seasonal with demand strongest during the summer months. Accordingly higher revenues and operating profits are usually expected in the latter six months of the financial year than in the first six months.

5. SEGMENT INFORMATION

a. Business segments

British Airways, Iberia and Vueling are managed as individual operating companies. Each company operates its network operations as a single business unit. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the IAG Management Committee. The IAG Management Committee makes resource allocation decisions based on network profitability, primarily by reference to the passenger markets in which the companies operate. The objective in making resource allocation decisions is to optimise consolidated financial results. Therefore, based on the way the Group treats its businesses, and the manner in which resource allocation decisions are made, the Group has three (2013: three) reportable operating segments for financial reporting purposes, reported as British Airways, Iberia and Vueling.

For the six months to June 30, 2014	**2014**				
€ million	British Airways	Iberia	Vueling	Unallocated	**Total**
Revenue					
External revenue	6,738	1,859	692	-	**9,289**
Inter-segment revenue	18	110	1	52	**181**
Segment revenue	6,756	1,969	693	52	**9,470**
Depreciation and amortisation	(488)	(76)	(5)	(2)	**(571)**
Operating profit/(loss)	**327**	**(95)**	**-**	**(2)**	**230**
Net non-operating costs					**(75)**
Profit before tax					**155**

For the six months to June 30, 2013	2013				
€ million	British Airways	Iberia	Vueling[(1)]	Unallocated	**Total**
Revenue					
External revenue	6,455	1,971	281	-	8,707
Inter-segment revenue	8	38	-	45	91
Segment revenue	6,463	2,009	281	45	8,798
Depreciation and amortisation	(416)	(91)	(1)	2	(506)
Operating profit/(loss)[(2)]	175	(551)	27	4	(345)
Net non-operating costs					(161)
Loss before tax					(506)

[(1)]The Vueling performance is reported under the Group accounting policies and represents results from the acquisition date of April 26, 2013

[(2)]The Iberia segment includes an exceptional charge of €312 million related to the Iberia Transformation Plan, and the Unallocated segment includes an exceptional credit of €5 million associated with derivatives and financial instruments, and an exceptional charge of €5 million related to business combination costs (note 3).

b. Geographical analysis

Revenue by area of original sale

	Six months to June 30	
€ million	**2014**	2013
UK	**3,239**	2,968
Spain	**1,420**	1,219
USA	**1,365**	1,299
Rest of world	**3,265**	3,221
	9,289	8,707

5. SEGMENT INFORMATION continued

b. Geographical analysis continued

Assets by area

At June 30, 2014

€ million	**Property, plant and equipment**	**Intangible assets**
UK	**9,865**	**1,103**
Spain	**1,283**	**1,134**
USA	**37**	**5**
Rest of world	**7**	**34**
Total	**11,192**	**2,276**

At December 31, 2013

€ million		
UK	8,891	1,022
Spain	1,296	1,138
USA	34	5
Rest of world	7	31
Total	10,228	2,196

6. FINANCE COSTS AND INCOME

	Six months to June 30	
€ million	**2014**	2013
Finance costs		
Interest payable on bank and other loans, finance charges payable under finance leases	**(101)**	(111)
Unwinding of discount on provisions	**(18)**	(20)
Capitalised interest on progress payments	**1**	2
Change in fair value of cross currency swaps	**1**	(1)
Currency credits on financial fixed assets	**-**	3
Total finance costs	**(117)**	(127)
Finance income		
Interest on other interest-bearing deposits	**13**	13
Total finance income	**13**	13
Net charge relating to pensions		
Net financing charge relating to pensions	**(1)**	(21)
Net financing charge relating to pensions	**(1)**	(21)

7. TAX

The tax charge for the six months to June 30, 2014 is €59 million (2013: €3 million credit). During the period €40 million of deferred tax assets related to current period tax losses incurred have not been recognised. The recovery of these tax losses will be reviewed as part of the annual Business Plan review in the second half of the year.

8. EARNINGS PER SHARE

The number of shares in issue at June 30, 2014 was 2,040,078,523 ordinary shares with a par value of €0.50 each (December 31, 2013: 2,040,078,523 ordinary shares of €0.50 each).

	Six months to June 30	
Millions	**2014**	2013
Weighted average number of ordinary shares in issue	**2,034**	1,849
Weighted average number for diluted earnings per share	**2,068**	2,169

	Six months to June 30	
€ cents	**2014**	2013
Basic earnings/(loss) per share	**4.2**	(27.9)
Diluted earnings/(loss) per share	**4.2**	(27.9)

9. DIVIDENDS

The Directors propose that no dividend be paid for the six months to June 30, 2014 (June 30, 2013: €nil).

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

€ million	Property, plant and equipment	Intangible assets
Net book value at January 1, 2014	10,228	2,196
Additions	1,295	52
Disposals	(229)	-
Depreciation, amortisation and impairment	(549)	(22)
Exchange movements	447	50
Net book value at June 30, 2014	**11,192**	**2,276**

€ million	Property, plant and equipment	Intangible assets
Net book value at January 1, 2013	9,926	1,965
Additions	866	53
Acquired through Business combination	3	134
Disposals	(399)	(24)
Depreciation, amortisation and impairment	(492)	(14)
Exchange movements	(394)	(46)
Net book value at June 30, 2013	9,510	2,068

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to €7,814 million for the Group commitments (December 31, 2013: €8,745 million). The majority of capital expenditure commitments are denominated in US dollars; as such the commitments are subject to the impact of changes in exchange rates.

11. IMPAIRMENT REVIEW

Goodwill and intangible assets with indefinite lives are tested for impairment annually (in the fourth quarter) and when circumstances indicate the carrying value may be impaired. The key assumptions used to determine the recoverable amount for the different cash generating units are disclosed in the Annual Report and Accounts 2013. For the six months to June 30, 2014 there are no indicators that the carrying value may exceed the recoverable amount.

12. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale of €7 million (2013: €12 million) represent six Boeing 737 engines (2013: four Boeing 737s and one Boeing 767 aircraft stood down). These are presented within the British Airways operating segment and will exit the business within 12 months of June 30, 2014.

13. FINANCIAL INSTRUMENTS

a. Financial assets and liabilities by category

The detail of the Group's financial instruments at June 30, 2014 and December 31, 2013 by nature and classification for measurement purposes is as follows:

At June 30, 2014	Financial assets						
€ million	Loans and receivables	Assets at FV through P&L	Derivatives used for hedging	Available for sale	Assets held to maturity	Non-financial assets	**Total carrying amount by balance sheet item**
Non-current assets							
Available-for-sale financial assets	-	-	-	1,094	-	-	**1,094**
Derivative financial instruments	-	-	30	-	-	-	**30**
Other non-current assets	175	-	-	-	-	17	**192**
Current assets							
Trade receivables	1,581	-	-	-	-	-	**1,581**
Other current assets	350	-	-	-	-	384	**734**
Derivative financial instruments	-	-	103	-	-	-	**103**
Other current interest-bearing deposits	2,615	-	-	-	466	-	**3,081**
Cash and cash equivalents	1,823	-	-	-	-	-	**1,823**

	Financial liabilities				
€ million	Loans and payables	Liabilities at FV through the P&L	Derivatives used for hedging	Non-financial liabilities	**Total carrying amount by balance sheet item**
Non-current liabilities					
Interest-bearing long-term borrowings	5,072	-	-	-	**5,072**
Derivative financial instruments	-	-	45	-	**45**
Other long-term liabilities	7	-	-	241	**248**
Current liabilities					
Current portion of long-term borrowings	601	-	-	-	**601**
Trade and other payables	3,546	-	-	5,051	**8,597**
Derivative financial instruments	-	-	485	-	**485**

13. FINANCIAL INSTRUMENTS continued

a. Financial assets and liabilities by category continued

At December 31, 2013

€ million	Financial assets					Non-financial assets	Total carrying amount by balance sheet item
	Loans and receivables	Assets at FV through P&L	Derivatives used for hedging	Available for sale	Assets held to maturity		
Non-current assets							
Available-for-sale financial assets	-	-	-	1,092	-	-	1,092
Derivative financial instruments	-	-	35	-	-	-	35
Other non-current assets	182	-	-	-	-	15	197
Current assets							
Trade receivables	1,196	-	-	-	-	-	1,196
Other current assets	270	-	-	-	-	361	631
Derivative financial instruments	-	-	135	-	-	-	135
Other current interest-bearing deposits	1,744	-	-	-	348	-	2,092
Cash and cash equivalents	1,541	-	-	-	-	-	1,541

€ million	Financial liabilities			Non-financial liabilities	Total carrying amount by balance sheet item
	Loans and payables	Liabilities at FV through the P&L	Derivatives used for hedging		
Non-current liabilities					
Interest-bearing long-term borrowings	4,535	-	-	-	4,535
Derivative financial instruments	-	-	66	-	66
Other long-term liabilities	7	-	-	218	225
Current liabilities					
Current portion of long-term borrowings	587	-	-	-	587
Trade and other payables	3,176	-	-	3,617	6,793
Derivative financial instruments	-	-	528	-	528

b. Fair value of financial assets and financial liabilities

The fair values of the Group's financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

13. FINANCIAL INSTRUMENTS continued

b. Fair value of financial assets and financial liabilities continued

The carrying amounts and fair values of the Group's financial assets and liabilities at June 30, 2014 are set as follows:

	Fair value				Carrying value
€ million	Level 1	Level 2	Level 3	**Total**	**Total**
Financial assets					
Available-for-sale financial assets	1,028	-	66	**1,094**	**1,094**
Derivatives[(1)]	-	133	-	**133**	**133**
Financial liabilities					
Interest-bearing loans and borrowings	451	5,596	-	**6,047**	**5,673**
Derivatives[(2)]	-	530	-	**530**	**530**

[(1)]Current portion of derivative financial assets is €103 million.
[(2)]Current portion of derivative financial liabilities is €485 million.

The carrying amounts and fair values of the Group's financial assets and liabilities at December 31, 2013 are set out as follows:

	Fair value				Carrying value
€ million	Level 1	Level 2	Level 3	Total	Total
Financial assets					
Available-for-sale financial assets	1,070	-	22	1,092	1,092
Derivatives[(1)]	-	170	-	170	170
Financial liabilities					
Interest-bearing loans and borrowings	465	4,930	-	5,395	5,122
Derivatives[(2)]	-	594	-	594	594

[(1)]Current portion of derivative financial assets is €135 million.
[(2)]Current portion of derivative financial liabilities is €528 million.

There were no transfers between Levels 1 and 2 during the period. Transfers between Levels 2 and 3 are addressed in the Level 3 reconciliation.

Out of the financial instruments listed in the previous table, only the interest-bearing loans and borrowings are not measured at fair value on a recurring basis.

The fair value of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying value largely due to the short-term maturities of those instruments.

The following methods and assumptions were used by the Group in estimating its fair value disclosures for Level 1 and Level 2 financial instruments. There have been no changes in the methods and assumptions used during the period:

Level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices present actual and regularly occurring market transactions on an arm's-length basis.

Instruments included in Level 1 comprise listed asset investments classified as available-for-sale and interest-bearing borrowings which are stated at market value at June 30, 2014.

13. FINANCIAL INSTRUMENTS continued

b. Fair value of financial assets and financial liabilities continued

Level 2
The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Forward currency transactions and over-the-counter fuel derivatives are entered into with various counterparties, principally financial institutions with investment grade ratings. These are measured at the market value of instruments with similar terms and conditions at the balance sheet date using forward pricing models. Counterparty and own credit risk is deemed to be not significant.

The fair value of the Group's interest-bearing borrowings and loans including leases are determined by discounting the remaining contractual cash flows at the relevant market interest rates at June 30, 2014.

The hedge of the available-for-sale asset takes the form of an equity collar. The valuation of this collar is based on a Black Scholes valuation model which takes into account the spot rate of the share price, the strike price, the stock volatility and the euro interest rate curve.

All resulting fair value estimates are included in Level 2 except for certain other investments which are explained below and classified as Level 3.

c. Level 3 financial assets reconciliation

The following table summarises key movements in Level 3 financial assets:

€ million	**June 30, 2014**	December 31, 2013
Opening balance	**22**	29
Gains recognised in the Income statement[1]	**-**	1
Gains recognised in Other comprehensive income[2]	**47**	-
Sales	**-**	(2)
Settlements	**(4)**	(6)
Exchange movements	**1**	-
Closing balance for the period	**66**	22

[1]Included in 'Net credit relating to available for sale financial assets' in the Income statement.
[2]Included in 'Available-for-sale financial assets: Fair value movements in equity' in Other comprehensive income.

During the six months to June 30, 2014 there were no transfers into or out of Level 3 fair value measurements.

The fair value of Level 3 financial assets cannot be measured reliably; as such these assets are stated at historic cost less accumulated impairment losses with the exception of the Group's investment in The Airline Group Limited. This unlisted investment had previously been valued at nil since the fair value could not be reasonably calculated. During the six months to June 30, 2014 certain other shareholders disposed of a combined holding of 49.9 per cent providing a market reference from which to determine a fair value. The investment remains classified as a Level 3 financial asset due to the valuation criteria applied not being observable, with the resultant fair value uplift being non-recurring in nature.

14. BORROWINGS

€ million	**June 30, 2014**	December 31, 2013
Current		
Bank and other loans	**125**	183
Finance leases	**476**	404
	601	587
Non-current		
Bank and other loans	**1,102**	1,169
Finance leases	**3,970**	3,366
	5,072	4,535

15. SHARE BASED PAYMENTS

During the period 5,899,182 conditional shares were awarded under the Group's Performance Share Plan (PSP) to key senior executives and selected members of the wider management team. No payment is due upon the vesting of the shares. The fair value of equity-settled share options granted is estimated as at the date of the award using the Monte-Carlo model, taking into account the terms and conditions upon which the options were awarded. The following are the inputs to the model for the PSP options granted in the period:

Expected share price volatility: 35 per cent
Expected life of options: 3 years
Weighted average share price: £4.35

The Group also made awards related to the 2013 performance year for qualifying employees under the Incentive Award Deferral Plan (IADP) during the period, under which 2,079,781 conditional shares were awarded.

Treasury shares
Treasury shares consist of shares directly held by the Company. During the period, a total of 4,400,000 shares were purchased in the Company. Shares issued to employees during the period as a result of employee share scheme exercises and vesting totalled 13,524,040.

16. EMPLOYEE BENEFIT OBLIGATIONS

The Group operates two principal funded defined benefit pension schemes in the UK, the Airways Pension Scheme (APS) and the New Airways Pension Scheme (NAPS), both of which are closed to new members. There have been no significant market fluctuations or movement in assumptions in the period.

17. PROVISIONS FOR LIABILITIES AND CHARGES

€ million	Employee leaving indemnities and other employee related provisions	Legal claims provisions	Restoration and handback provisions	Other provisions	**Total**
Net book value at January 1, 2014	1,274	101	684	135	**2,194**
Provisions recorded during the period	18	13	94	12	**137**
Utilised during the period	(68)	(15)	(45)	(14)	**(142)**
Release of unused amounts and other movements	(2)	(16)	(16)	(15)	**(49)**
Unwinding of discount	12	-	4	2	**18**
Exchange differences	2	1	6	3	**12**
Net book value at June 30, 2014	**1,236**	**84**	**727**	**123**	**2,170**
Analysis:					
Current	149	9	164	79	**401**
Non-current	1,087	75	563	44	**1,769**

18. CONTINGENT LIABILITIES

There were contingent liabilities at June 30, 2014 in respect of guarantees and indemnities entered into as part of the ordinary course of the Group's business. No material losses are likely to arise from such contingent liabilities. The Group is party to third party class and other actions relating to its passenger and cargo traffic. The Group has a number of defences to these class actions but is unable to reliably predict the outcome. A number of other lawsuits and regulatory proceedings are pending, the outcome of which in the aggregate is not expected to have a material effect on the Group's financial position or results of operations.

The Group has contingent liabilities which at June 30, 2014 amounted to €117 million (December 31, 2013: €124 million).

19. RELATED PARTY TRANSACTIONS

The Group had the following transactions in the ordinary course of business with related parties.

Sales and purchases of goods and services:

€ million	Six months to June 30 **2014**	 2013
Sales of goods and services		
Sales to associates	**27**	8
Sales to significant shareholders	**-**	-
Purchases of goods and services		
Purchases from associates	**6**	28
Purchases from significant shareholders	**-**	-

Period end balances arising from sales and purchases of goods and services:

€ million	**June 30, 2014**	December 31, 2013
Receivables from related parties		
Amounts owed by associates	**5**	7
Amounts owed by significant shareholders	**-**	-
Payables to related parties		
Amounts owed to associates	**7**	6
Amounts owed to significant shareholders	**-**	-

For the six months to June 30, 2014 the Group has not made any provision for doubtful debts arising relating to amounts owed by related parties (2013: €nil).

Board of Directors and Management Committee remuneration

Compensation received by the Group's key management personnel is as follows:

€ million	Six months to June 30 **2014**	 2013
Base salary, fees and benefits		
Board of Directors' remuneration	**2**	4
Management Committee remuneration	**3**	1

At June 30, 2014 the Board comprised 13 members (at June 30, 2013: 13 members) and the Management Committee comprised 8 members (at June 30, 2013: 6 members).

The Company provides life insurance for all Executive Directors and the Management Committee. For the six months to June 30, 2014 the Company's obligation was €23,000 (2013: €13,000).

At June 30, 2014 the transfer value of accrued pensions covered under defined benefit pension obligation schemes relating to the Management Committee totalled €6 million (2013: €5 million relating to both the Management Committee and the Board of Directors).

No loans or credit transactions were outstanding with Directors or officers of the Group at June 30, 2014 (2013: €nil).

20. POST BALANCE SHEET EVENTS

IAG converts 20 A320neo options into firm orders
On July 14, 2014 IAG converted 20 of the 100 Airbus 320neo options it announced in August 2013 into firm orders. These aircraft will be delivered in 2018 and 2019 and will provide both cost savings and environmental benefits. New technology and improved aerodynamics will lower fuel burn and CO_2 emissions by 15 per cent, as well as providing both noise and NO_x performance advantages.

Iberia reaches agreement with trade unions
On July 24, 2014 Iberia and its trade unions reached a new agreement on collective redundancies for pilots and ground staff. This could lead to a reduction of up to 1,427 jobs at the airline. The agreement enables Iberia to continue with its Transformation Plan to introduce permanent structural changes across the airline and to facilitate profitable growth in the future. Iberia's cabin crew staff will not be affected by this agreement.

Iberia to settle its hedging transaction over its entire stake in Amadeus
On July 31, 2014 the Board of IAG approved the settlement by Iberia of the derivative transaction over its entire stake in Amadeus IT Holding, S.A. (Amadeus) that it entered into in August 2012 with Nomura International Plc.

The derivative transaction comprises a collar arrangement around Iberia’s total Amadeus shareholding of 33,562,331 ordinary shares. The transaction was a risk management exercise that allowed Iberia to protect and lock-in the value of its Amadeus shares held in August 2012 and retain any improvement in that price by up to 10 per cent.

Settlement will occur in equal instalments over a 100 trading day period commencing August 7, 2014.

The proceeds of the sale will strengthen Iberia’s liquidity and provide funding for the airline’s Transformation Plan.

New longhaul aircraft for Iberia
On July 31, 2014 the Board of IAG approved converting eight Airbus A350-900 aircraft options into firm orders and securing eight Airbus A330-200 aircraft for Iberia. These aircraft will replace 16 Airbus A340 family aircraft in Iberia’s longhaul fleet and will be delivered between 2015 and 2020.

Both aircraft will provide cost efficiencies and environmental benefits, enabling Iberia to replace its longhaul fleet with modern and fuel efficient aircraft. The new technology and improved aerodynamics will lower fuel burn and CO_2 emissions per seat by 18 per cent, as well as providing both noise and NO_x performance advantages. IAG secured commercial terms for the Airbus A350 aircraft as part of the Group longhaul order announced in April 2013. The eight Airbus A330 aircraft will be obtained either by converting existing options from the 2011 Airbus order or from the operating lease market, depending on financial and delivery terms.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

LIABILITY STATEMENT OF COMPANY DIRECTORS FOR THE PURPOSES ENVISAGED UNDER ARTICLE 11.1.b OF SPANISH ROYAL DECREE 1362/2007 OF 19 OCTOBER (REAL DECRETO 1362/2007).

At a meeting of the Board of Directors held on July 31, 2014, the directors of International Consolidated Airlines Group, S.A. declare that, to the best of their knowledge, the half year condensed consolidated financial statements for the six months to June 30, 2014 were prepared in accordance with applicable accounting principles (IAS 34 as adopted by the European Union), offer a true and fair view of the assets, liabilities, financial situation and the results of International Consolidated Airlines Group, S.A. and of the companies that fall within the consolidated group taken as a whole, and the interim condensed consolidated management report includes an accurate analysis of the required information also in accordance with the Financial Conduct Authority's DTR 4.2.7R and DTR4.2.8R including an indication of important events in the period, a description of the principal risks and material related party transactions.

July 31, 2014

Antonio Vázquez Romero
Chairman

Martin Faulkner Broughton
Deputy Chairman

William Matthew Walsh
Chief Executive Officer

Enrique Dupuy de Lôme Chávarri
Chief Financial Officer

César Alierta Izuel

Patrick Jean Pierre Cescau

Denise Patricia Kingsmill

James Arthur Lawrence

María Fernanda Mejía

Marjorie Morris Scardino

José Pedro Pérez-Llorca y Rodrigo

Kieran Charles Poynter

Alberto Terol Esteban

REPORT ON LIMITED REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of International Consolidated Airlines Group, S.A. at the request of management:

Report on the condensed consolidated interim financial statements

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (hereinafter the interim financial statements) of International Consolidated Airlines Group, S.A. (hereinafter the parent) and subsidiaries (hereinafter the Group), which comprise the consolidated balance sheet at June 30, 2014 and the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity, and the condensed explanatory notes, all of which have been consolidated for the six-month period then ended. The parent's directors are responsible for the preparation of said interim condensed financial statements in accordance with the requirements established by IAS 34, "Interim Financial Reporting", adopted by the European Union for the preparation of interim condensed financial reporting in conformity with article 12 of Royal Decree 1362/2007 and the Disclosure and Transparency Rules issued by the United Kingdom's Financial Conduct Authority. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

We have performed our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making enquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit carried out in accordance with regulations on the auditing of accounts in force in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

During the course of our limited review, which under no circumstances can be considered an audit of accounts, no matter came to our attention which would lead us to conclude that the accompanying interim financial statements for the six-month period ended June 30, 2014 have not been prepared, in all material respects, in accordance with the requirements established by International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union in conformity with article 12 of Royal Decree 1362/2007 for the preparation of interim financial statements and the Disclosure and Transparency Rules issued by the United Kingdom's Financial Conduct Authority.

Emphasis paragraph

We draw attention to the matter described in accompany explanatory Note 1, which indicates that the abovementioned accompanying interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. Therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2013. This does not modify our conclusion.

Report on other legal and regulatory reporting requirements

The accompanying consolidated interim management report for the six-month period ended June 30, 2014 contains such explanations as the parent's directors consider necessary regarding significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended on June 30, 2014. Our work is limited to verifying the consolidated interim management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of International Consolidated Airlines Group, S.A. and its subsidiaries.

Paragraph on other issues

This report has been prepared at the request of management with regard to the publication of the semi-annual financial report required by article 35 of Securities Market Law 24/1988, of July 28, further developed by Royal Decree 1362/2007, of October 19 and the Disclosure and Transparency Rules issued by the United Kingdom's Financial Conduct Authority.

ERNST & YOUNG, S.L.

Rafael Páez Martínez

July 31, 2014

AIRCRAFT FLEET

Number in service with Group companies

	On balance sheet fixed assets	Off balance sheet operating leases	**Total June 30, 2014**	Total December 31, 2013	Changes since December 31, 2013	Future deliveries	Options
Airbus A318	2	-	**2**	2	-	-	-
Airbus A319	31	30	**61**	61	-	-	-
Airbus A320	44	119	**163**	140	23	72	202
Airbus A321	19	17	**36**	35	1	5	-
Airbus A330	-	8	**8**	5	3	-	8
Airbus A340-300	5	-	**5**	7	(2)	-	-
Airbus A340-600	3	14	**17**	17	-	-	-
Airbus A350	-	-	**-**	-	-	18	34
Airbus A380	6	-	**6**	3	3	6	7
Boeing 737-400	13	-	**13**	15	(2)	-	-
Boeing 747-400	48	-	**48**	51	(3)	-	-
Boeing 757-200	1	2	**3**	3	-	-	-
Boeing 767-300	18	-	**18**	20	(2)	-	-
Boeing 777-200	41	5	**46**	46	-	-	-
Boeing 777-300	9	2	**11**	8	3	1	-
Boeing 787	6	-	**6**	4	2	36	16
Embraer E170	6	-	**6**	6	-	-	-
Embraer E190	8	2	**10**	8	2	1	15
Group total	**260**	**199**	**459**	431	28	**139**	**282**

As well as those aircraft in service the Group also holds 25 aircraft (2013: 36) not in service.