

SIX MONTHS RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (August 3, 2018) presented Group consolidated results for the six months to June 30, 2018.

IAG period highlights on results:

- Second quarter operating profit €835 million before exceptional items (2017 restated⁽¹⁾: €790 million)
- Net foreign exchange operating profit impact for the quarter adverse €66 million
- Passenger unit revenue for the quarter down 1.9 per cent, up 2.3 per cent at constant currency
- Non-fuel unit costs before exceptional items for the quarter down 4.5 per cent, down 2.0 per cent at constant currency
- Fuel unit costs for the quarter up 6.7 per cent, up 15.0 per cent at constant currency
- Operating profit before exceptional items for the half year €1,115 million (2017 restated⁽¹⁾: €950 million), up 17.4 per cent
- Cash of €8,146 million at June 30, 2018 was up €202 million on June 30, 2017 and adjusted net debt to EBITDAR improved by 0.3 to 1.2 times

Performance summary:

Highlights € million	Six months to June 30		Higher / (lower)
	2018	2017 (restated) ⁽¹⁾	
Passenger revenue	9,938	9,591	3.6 %
Total revenue	11,206	10,867	3.1 %
Operating profit before exceptional items	1,115	950	17.4 %
Exceptional items	620	(77)	nm
Operating profit after exceptional items	1,735	873	98.7%
Available seat kilometres (ASK million)	154,570	147,210	5.0 %
Passenger revenue per ASK (€ cents)	6.43	6.52	(1.3)%
Non-fuel costs per ASK (€ cents)	4.95	5.22	(5.1)%

Alternative performance measures	2018	2017 (restated) ⁽¹⁾	Higher / (lower)
Profit after tax before exceptional items (€ million)	835	669	24.8 %
Adjusted earnings per share (€ cents)	39.1	30.3	28.7 %
Adjusted net debt (€ million)	6,198	7,024	(11.8)%
Adjusted net debt to EBITDAR	1.2	1.5	(0.3x)

Statutory results € million	2018	2017 (restated) ⁽¹⁾	Higher / (lower)
Profit after tax and exceptional items	1,408	607	132.0 %
Basic earnings per share (€ cents)	68.3	28.3	141.6 %
Cash and interest-bearing deposits	8,146	7,944	2.5 %
Interest-bearing long-term borrowings	7,432	8,024	(7.4)%

Definitions included in the Alternative performance measures section.

⁽¹⁾Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'; refer to note 2.

Willie Walsh, IAG Chief Executive Officer, said:

"We're reporting another good set of results in quarter 2 with an operating profit of €835 million before exceptional items, up from €790 million last year.

"There was a strong performance in both unit revenue and costs. At constant currency, our passenger unit revenue increased by 2.3 per cent while non-fuel unit costs went down 2.0 per cent.

“Unfortunately, French Air Traffic Control strikes continued to challenge our airlines’ operations causing disruption to our customers. Vueling was particularly affected and incurred an additional €20 million of disruption costs in the quarter. These strikes are also having a significant negative impact on the Spanish economy and tourism.

“In July, LEVEL started flights from Paris Orly to Montreal and Guadeloupe. We are committed to accelerating LEVEL’s growth and its fleet will increase to a total of seven A330-200 aircraft in Paris and Barcelona next year. Also, we launched LEVEL shorthaul operations from Vienna where it will have four A321 aircraft that will operate to 14 European destinations.”

Trading outlook

At current fuel prices and exchange rates, IAG still expects its operating profit for 2018 to show an increase year-on-year. Both passenger unit revenue and non-fuel unit costs are expected to improve at constant currency.

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This announcement contains inside information and is disclosed in accordance with the Company’s obligations under the Market Abuse Regulation (EU) No 596/2014.

Enrique Dupuy, Chief Financial Officer

Forward-looking statements:

Certain statements included in this report are forward-looking and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements can typically be identified by the use of forward-looking terminology, such as “expects”, “may”, “will”, “could”, “should”, “intends”, “plans”, “predicts”, “envisages” or “anticipates” and include, without limitation, any projections relating to results of operations and financial conditions of International Consolidated Airlines Group S.A. and its subsidiary undertakings from time to time (the ‘Group’), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and divestments relating to the Group and discussions of the Group’s Business plan. All forward-looking statements in this report are based upon information known to the Group on the date of this report. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the forward-looking statements in this report to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. Further information on the primary risks of the business and the risk management process of the Group is given in the Annual Report and Accounts 2017; these documents are available on www.iagshares.com.

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CONSOLIDATED INCOME STATEMENT

Six months to June 30

€ million	Before exceptional items 2018	Exceptional items	Total 2018	Before exceptional items 2017 (restated) ⁽¹⁾	Exceptional items	Total 2017 (restated) ⁽¹⁾	Higher/(lower) ⁽²⁾
Passenger revenue	9,938		9,938	9,591		9,591	3.6 %
Cargo revenue	557		557	538		538	3.5 %
Other revenue	711		711	738		738	(3.7)%
Total revenue	11,206		11,206	10,867		10,867	3.1 %
Employee costs	2,373	(628)	1,745	2,370	77	2,447	0.1 %
Fuel, oil costs and emissions charges	2,437		2,437	2,236		2,236	9.0 %
Handling, catering and other operating costs	1,364		1,364	1,349		1,349	1.1 %
Landing fees and en-route charges	1,051		1,051	1,045		1,045	0.6 %
Engineering and other aircraft costs	822		822	927		927	(11.3)%
Property, IT and other costs	446	8	454	438		438	1.8 %
Selling costs	534		534	494		494	8.1 %
Depreciation, amortisation and impairment	618		618	603		603	2.5 %
Aircraft operating lease costs	422		422	446		446	(5.4)%
Currency differences	24		24	9		9	166.7 %
Total expenditure on operations	10,091	(620)	9,471	9,917	77	9,994	1.8 %
Operating profit	1,115	620	1,735	950	(77)	873	17.4 %
Net non-operating costs	(80)		(80)	(115)		(115)	(30.4)%
Profit before tax	1,035	620	1,655	835	(77)	758	24.0 %
Tax	(200)	(47)	(247)	(166)	15	(151)	20.5 %
Profit after tax for the period	835	573	1,408	669	(62)	607	24.8 %

Operating figures	2018 ⁽²⁾	2017 (restated) ⁽¹⁾⁽²⁾	Higher/(lower) ⁽²⁾
Available seat kilometres (ASK million)	154,570	147,210	5.0 %
Revenue passenger kilometres (RPK million)	127,371	119,157	6.9 %
Seat factor (per cent)	82.4	80.9	1.5pts
Cargo tonne kilometres (CTK million)	2,771	2,786	(0.5)%
Passenger numbers (thousands)	52,731	48,806	8.0 %
Sold cargo tonnes (thousands)	343	340	0.9 %
Sectors	359,227	342,428	4.9 %
Block hours (hours)	1,051,548	1,006,319	4.5 %
Average manpower equivalent	63,517	63,240	0.4 %
Aircraft in service	565	546	3.5 %
Passenger revenue per RPK (€ cents)	7.80	8.05	(3.1)%
Passenger revenue per ASK (€ cents)	6.43	6.52	(1.3)%
Cargo revenue per CTK (€ cents)	20.10	19.31	4.1 %
Fuel cost per ASK (€ cents)	1.58	1.52	3.8 %
Non-fuel costs per ASK (€ cents)	4.95	5.22	(5.1)%
Total cost per ASK (€ cents)	6.53	6.74	(3.1)%

⁽¹⁾Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'; refer to note 2.

⁽²⁾Financial ratios are before exceptional items.

CONSOLIDATED INCOME STATEMENT

Three months to June 30

€ million	Before exceptional items 2018	Exceptional items	Total 2018	Before exceptional items 2017 (restated) ⁽¹⁾	Exceptional items	Total 2017 (restated) ⁽¹⁾	Higher/ (lower) ⁽²⁾
Passenger revenue	5,523		5,523	5,320		5,320	3.8 %
Cargo revenue	281		281	271		271	3.7 %
Other revenue	380		380	356		356	6.7 %
Total revenue	6,184		6,184	5,947		5,947	4.0 %
Employee costs	1,219	16	1,235	1,218	58	1,276	0.1 %
Fuel, oil costs and emissions charges	1,325		1,325	1,174		1,174	12.9 %
Handling, catering and other operating costs	719		719	738		738	(2.6)%
Landing fees and en-route charges	579		579	569		569	1.8 %
Engineering and other aircraft costs	431		431	452		452	(4.6)%
Property, IT and other costs	239	3	242	223		223	7.2 %
Selling costs	263		263	242		242	8.7 %
Depreciation, amortisation and impairment	311		311	301		301	3.3 %
Aircraft operating lease costs	220		220	223		223	(1.3)%
Currency differences	43		43	17		17	152.9 %
Total expenditure on operations	5,349	19	5,368	5,157	58	5,215	3.7 %
Operating profit	835	(19)	816	790	(58)	732	5.7 %
Net non-operating costs	(46)		(46)	(48)		(48)	(4.2)%
Profit before tax	789	(19)	770	742	(58)	684	6.3 %
Tax	(160)	4	(156)	(145)	11	(134)	10.3 %
Profit after tax for the period	629	(15)	614	597	(47)	550	5.4 %

Operating figures	2018 ⁽²⁾	2017 (restated) ⁽¹⁾⁽²⁾	Higher/ (lower) ⁽²⁾
Available seat kilometres (ASK million)	83,478	78,906	5.8 %
Revenue passenger kilometres (RPK million)	70,150	65,213	7.6 %
Seat factor (per cent)	84.0	82.6	1.4pts
Cargo tonne kilometres (CTK million)	1,414	1,419	(0.4)%
Passenger numbers (thousands)	29,778	27,659	7.7 %
Sold cargo tonnes (thousands)	173	173	-
Sectors	197,136	188,755	4.4 %
Block hours (hours)	571,403	545,609	4.7 %
Average manpower equivalent	64,799	64,255	0.8 %
Passenger revenue per RPK (€ cents)	7.87	8.16	(3.5)%
Passenger revenue per ASK (€ cents)	6.62	6.74	(1.9)%
Cargo revenue per CTK (€ cents)	19.87	19.10	4.1 %
Fuel cost per ASK (€ cents)	1.59	1.49	6.7 %
Non-fuel costs per ASK (€ cents)	4.82	5.05	(4.5)%
Total cost per ASK (€ cents)	6.41	6.54	(2.0)%

⁽¹⁾Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'.

⁽²⁾Financial ratios are before exceptional items.

FINANCIAL REVIEW

Operating profit overview

IAG's operating profit for the six months to June 30, 2018 was €1,115 million before exceptional items, an improvement of €165 million from last year. British Airways made a profit of €868 million before exceptional items (2017 restated: €740 million); Iberia made a profit of €102 million (2017 restated: €87 million); Aer Lingus made a profit of €104 million (2017 restated: €53 million) and Vueling's loss was €11 million (2017 restated: loss €7 million).

Strategic overview

British Airways closed its New Airways Pension Scheme (NAPS) to future accrual and British Airways Retirement Plan (BARP) to future contributions from March 31, 2018. The schemes have been replaced by a flexible defined contribution scheme, the British Airways Pension Plan (BAPP). The changes resulted in a one-off reduction of the NAPS IAS 19 defined benefit liability of €872 million and associated transitional arrangement cash costs of €192 million.

British Airways successfully launched a \$608.6 million EETC bond issue to fund aircraft deliveries. The bonds were combined with Japanese Operating Leases with Call Option (JOLCO) of \$259 million, bringing the total raised to \$868 million. The transaction includes Class AA and Class A Certificates with an underlying collateral pool consisting of 11 aircraft: two new Boeing 787-9, delivered between March and April 2018, one Boeing 787-8 delivered in September 2017, one new Boeing 787-8 delivered in June 2018 and seven new Airbus A320 NEO aircraft, scheduled for delivery between April and October 2018. The Class AA Certificates (\$409.8 million) have an annual coupon, payable quarterly, of 3.800 per cent and the Class A Certificates (\$198.8 million) have an annual coupon, payable quarterly, of 4.125 per cent.

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

Principal risks and uncertainties

We have continued to maintain and operate our structure and processes to identify, assess and manage risks. The principal risks and uncertainties affecting us, detailed on pages 29 to 34 of the December 31, 2017 Annual Report and Accounts, remain relevant for the remainder of the year.

Operating and market environment

Fuel prices rose significantly in the six-month period, partially offset by a weaker US dollar against both the euro and the pound sterling. The euro weakened against the pound sterling during the period, although to a lesser extent. Exchange rates were net negative for the Group.

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 €26 million adverse with a decrease in revenues of €217 million and a decrease in costs of €191 million.

From a transactional perspective, the Group's financial performance is impacted by fluctuations in exchange rates, primarily from the US dollar, euro and pound sterling. The Group generates a surplus in most currencies in which it does business, 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 positive by €18 million, decreasing revenues by €294 million and costs by €312 million.

The net impact of translation and transaction exchange for the Group was €8 million adverse.

Basis of preparation

The Group has adopted IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments' from January 1, 2018. The prior year consolidated income statement has been restated. The main change arising on adoption of IFRS 15 is on the recognition and measurement of revenue associated with the Group's loyalty programmes. Revenue associated with performance obligations arising on the sale of loyalty points, including revenue allocated to brand and marketing services and revenue allocated to Avios points, has been determined based on the relative stand-alone selling price of each performance obligation. Revenue associated with brand and marketing services is recognised as the points are issued. Revenue allocated to the Avios points is deferred and recognised when the points are redeemed. The impact of assessing the stand-alone selling prices of the individual performance obligations has resulted in a greater portion of revenue being deferred on issuance, because the stand-alone selling price of the points was higher than the fair value applied under IFRIC 13 'Customer loyalty programmes'. In addition, as required on implementation of IFRS 15, the Group reassessed all incomplete contracts at the date of initial application for any remaining performance obligations. This resulted in an increase in the number of points deferred in respect of incomplete contracts and which are expected to be redeemed in the future. The adjustment to opening retained earnings at January 1, 2017 arising from these loyalty revenue recognition changes amounted to €403 million.

Under IFRS 15, the Group's previously reported revenues for the six month period to June 30, 2017 were reduced by €21 million and operating expenditure increased by €4 million, resulting in a reduction in operating profit of €25 million. Under IFRS 9, a €77 million charge to net non-operating costs was reclassified to Other comprehensive income reflecting primarily the unrealised movement in the time value of derivative options which is now recognised in Other comprehensive income. The impact of the restatements in the income statement increased the tax charge by €12 million. For further information see note 2 of the condensed consolidated interim financial statements.

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

FINANCIAL REVIEW

Capacity

In the first six months of 2018, IAG capacity, measured in available seat kilometres (ASKs) was higher by 5.0 per cent with increases across all regions except Asia Pacific.

Vueling continued its aim to reduce the seasonality of its network through growth in the first half of the year. However its plans were affected by a challenging operational environment due to French air traffic control strikes leading to significant level of cancellations. Iberia increased its capacity primarily through additional frequencies in its domestic market, to European cities and on its North American routes. Iberia also launched its new route to San Francisco. Aer Lingus growth reflects the full year impact of routes launched in 2017, and the impact of new routes to Philadelphia and Seattle. British Airways introduced flights to Nashville from London Heathrow, and also launched Canadian flights from Gatwick. LEVEL longhaul capacity growth reflected the full year impact of its second year in operation. Passenger load factor for the Group rose 1.5 points to 82.4 per cent.

Revenue

Passenger revenue increased 3.6 per cent versus last year. Passenger unit revenue (passenger revenue per ASK) increased 2.9 per cent at constant currency ('ccy') from both higher yields (passenger revenue/revenue passenger kilometre) and passenger load factor. For the six months to June 30, 2018 passenger revenue per ASK improved in all regions except for Asia Pacific which saw mixed performance. The Group's revenue performance was strong in North America, Europe and Latin America. While the domestic market performance rose, quarter two was down due to the operational disruption at Vueling. In the six months to June 30, 2018 the Group carried over 52 million passengers up 8.0 per cent versus last year.

Cargo revenue increased 3.5 per cent, 10.2 per cent at constant currency versus last year. The cargo performance was strong with an increase in cargo yield (cargo revenue / cargo tonne kilometres) and an increase in tonnes carried. The Asia Pacific region performed well and mix improved from Constant Climate Critical products.

Other revenue was down 3.7 per cent, excluding currency impact up 3.5 per cent. Other revenue rose from higher BA Holidays revenue and from rental revenue at New York JFK, partially offset by a decrease in Iberia's third party maintenance business.

Costs

Employee costs increased 0.1 per cent compared to last year. On a unit basis and at ccy, employee unit costs improved 2.4 per cent with salary awards primarily RPI linked, offset by efficiency and restructuring initiatives across the airlines. The replacement of British Airways NAPS and BARP plans with a flexible defined contribution scheme also led to a net reduction in pension costs. The average number of employees rose 0.4 per cent, while productivity increased 4.5 per cent with improvements at British Airways, Iberia, Vueling and Aer Lingus.

Fuel costs increased by 9.0 per cent with fuel unit costs up significantly at 12.8 per cent at ccy from average fuel prices net of hedging.

Handling, catering and other operating costs rose 1.1 per cent, excluding currency up 5.5 per cent. The year on year comparison is impacted by a €65 million charge in the base related to a power failure at British Airways in May 2017 causing operational disruption. Otherwise the Group's Handling, catering and other operating costs rose c.10 per cent excluding currency, half of which is from an increase in passengers carried. The remaining increase in Handling, catering and other operating costs reflects higher volumes from BA Holidays c.1pt, additional investment in the customer (lounges, catering, service delivery) c.1pt and EU 261 compensation costs related to air traffic control strikes c.3pts. In the six months to June 30, 2018, air traffic control strikes and regulations have significantly impacted our operations, in particular Vueling's.

Landing fees and en-route charges rose 0.6 per cent, excluding currency up 3.3 per cent. The rise is from an increase in flying hours up 4.5 per cent and in sectors flown up 4.9 per cent.

Engineering and other aircraft costs decreased 11.3 per cent, excluding currency down 2.9 per cent. The decrease is from the timing of third party maintenance activity at Iberia and engine compensation credits from a manufacturer.

Property, IT and other costs rose 1.8 per cent, excluding currency up 5.3 per cent. The increase primarily reflects higher IT costs and inflation on rent and rates.

Selling costs increased 8.1 per cent, excluding currency up 12.1 per cent due to higher volumes and distribution costs. The rise in distribution costs reflects the new business model introduced in November 2017 with a corresponding increase in passenger revenues and more direct access to customers.

Ownership costs decreased 0.9 per cent, excluding currency up 3.9 per cent. The increase reflects higher depreciation charges for the Boeing 747 fleet from lower expected residual values and incremental wet lease costs incurred to operate the acquired Monarch slots at London Gatwick airport. The Group had 565 aircraft in service at June 30, 2018 (2017: 549 aircraft in service).

At constant currency non-fuel costs per ASK decreased 1.5 per cent. Adjusted for non-airline businesses (such as MRO, handling, BA Holidays) and currency down 1.8 per cent. The improvement in cost performance was due to efficient growth and from management initiatives.

FINANCIAL REVIEW

Non-operating costs, taxation and profit after tax

The Group's net non-operating costs for the six month period were €80 million compared to €115 million in 2017. The decrease is from unrealised gains on the revaluation of derivatives not qualifying for hedge accounting and a net financing credit related to pensions. The Group also recognised a loss on the sale and lease back of two aircraft and from a loss on disposal of inventory. The Group's finance income and costs for the six month period are in line with last year.

The tax charge for the period was €200 million before exceptional items with an effective tax rate for the Group of 19 per cent (2017: 20 per cent). The tax charge on exceptional items in the period was €47 million with an effective tax rate of 8 per cent, impacted by the recognition of withholding tax on the reduction of the defined benefit liability (2017: 19 per cent).

The profit after tax before exceptional items for the six months' period to June 30, 2018 was €835 million (2017 restated: €669 million), an increase of €166 million or 24.8 per cent versus last year.

Exceptional items

The changes noted in the strategic overview regarding the closure of the British Airways NAPS and BARP pension schemes resulted in a one-off reduction of the defined benefit liability of €872 million and associated transitional arrangement cash costs of €192 million. These items are presented net, as an exceptional item within the Income statement of €678 million.

In 2018, the Group also recognised an exceptional charge of €58 million (2017 restated: €77 million) related primarily to the continuation of British Airways' transformation initiatives.

Cash and leverage

The Group's cash position of €8,146 million was up €202 million over the same period last year while adjusted net debt decreased €826 million including a reduction in on-balance sheet debt. Adjusted net debt to EBITDAR was lower by 0.3 to 1.2 times.

INTERNATIONAL CONSOLIDATED AIRLINES GROUP S.A.

Unaudited Condensed Consolidated Interim Financial Statements
January 1, 2018 - June 30, 2018

CONSOLIDATED INCOME STATEMENT

Six months to June 30

€ million	Before	Exceptional	Total	Before	Exceptional	Total
	exceptional			exceptional		
	items	items	2018	(restated) ⁽¹⁾	items	(restated) ⁽¹⁾
Passenger revenue	9,938		9,938	9,591		9,591
Cargo revenue	557		557	538		538
Other revenue	711		711	738		738
Total revenue	11,206		11,206	10,867		10,867
Employee costs	2,373	(628)	1,745	2,370	77	2,447
Fuel, oil costs and emissions charges	2,437		2,437	2,236		2,236
Handling, catering and other operating costs	1,364		1,364	1,349		1,349
Landing fees and en-route charges	1,051		1,051	1,045		1,045
Engineering and other aircraft costs	822		822	927		927
Property, IT and other costs	446	8	454	438		438
Selling costs	534		534	494		494
Depreciation, amortisation and impairment	618		618	603		603
Aircraft operating lease costs	422		422	446		446
Currency differences	24		24	9		9
Total expenditure on operations	10,091	(620)	9,471	9,917	77	9,994
Operating profit	1,115	620	1,735	950	(77)	873
Finance costs	(111)		(111)	(113)		(113)
Finance income	21		21	15		15
(Loss)/profit on sale of property, plant and equipment and investments	(27)		(27)	(3)		(3)
Net gain related to equity investments	3		3	1		1
Share of profits in investments accounted for using the equity method	1		1	1		1
Realised gains/(losses) on derivatives not qualifying for hedge accounting	3		3	(7)		(7)
Unrealised gains/(losses) on derivatives not qualifying for hedge accounting	23		23	(6)		(6)
Net financing credit/(charge) relating to pensions	11		11	(16)		(16)
Net currency retranslation credits/(charges)	(4)		(4)	13		13
Total net non-operating costs	(80)		(80)	(115)		(115)
Profit before tax	1,035	620	1,655	835	(77)	758
Tax	(200)	(47)	(247)	(166)	15	(151)
Profit after tax for the period	835	573	1,408	669	(62)	607
Attributable to:						
Equity holders of the parent	825		1,398	659		597
Non-controlling interest	10		10	10		10
	835		1,408	669		607
Basic earnings per share (€ cents)	40.3		68.3	31.2		28.3
Diluted earnings per share (€ cents)	39.1		65.9	30.3		27.5

⁽¹⁾Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'; refer to note 2.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

€ million	Six months to June 30	
	2018	2017 (restated) ⁽¹⁾
<i>Items that may be reclassified subsequently to net profit</i>		
Cash flow hedges:		
Fair value movements in equity	740	(470)
Reclassified and reported in net profit	(235)	7
Fair value movements on cost of hedging	1	(60)
Currency translation differences	30	(114)
<i>Items that will not be reclassified to net profit</i>		
Fair value movements on equity instruments	-	5
Remeasurements of post-employment benefit obligations	-	184
Total other comprehensive income for the period, net of tax	536	(448)
Profit after tax for the period	1,408	607
Total comprehensive income for the period	1,944	159
Total comprehensive income is attributable to:		
Equity holders of the parent	1,934	149
Non-controlling interest	10	10
	1,944	159

⁽¹⁾Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'; refer to note 2.

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

CONSOLIDATED BALANCE SHEET

€ million	June 30, 2018	December 31, 2017 (restated) ⁽¹⁾
Non-current assets		
Property, plant and equipment	12,254	11,846
Intangible assets	3,133	3,018
Investments accounted for using the equity method	28	30
Other equity investments	73	79
Employee benefit assets	1,763	1,023
Derivative financial instruments	380	145
Deferred tax assets	473	523
Other non-current assets	274	376
	18,378	17,040
Current assets		
Inventories	473	432
Trade receivables	1,738	1,463
Other current assets	1,215	958
Current tax receivable	117	258
Derivative financial instruments	721	405
Other current interest-bearing deposits	3,577	3,384
Cash and cash equivalents	4,569	3,292
	12,410	10,192
Total assets	30,788	27,232
Shareholders' equity		
Issued share capital	1,029	1,029
Share premium	6,022	6,022
Treasury shares	(569)	(77)
Other reserves	1,291	(348)
Total shareholders' equity	7,773	6,626
Non-controlling interest	307	307
Total equity	8,080	6,933
Non-current liabilities		
Interest-bearing long-term borrowings	6,444	6,401
Employee benefit obligations	291	792
Deferred tax liability	714	526
Provisions for liabilities and charges	2,128	2,113
Derivative financial instruments	61	114
Other long-term liabilities	215	222
	9,853	10,168
Current liabilities		
Current portion of long-term borrowings	988	930
Trade and other payables	4,611	3,723
Deferred revenue on ticket sales	6,591	4,742
Derivative financial instruments	60	111
Current tax payable	23	78
Provisions for liabilities and charges	582	547
	12,855	10,131
Total liabilities	22,708	20,299
Total equity and liabilities	30,788	27,232

⁽¹⁾Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'; refer to note 2.

CONSOLIDATED CASH FLOW STATEMENT

€ million	Six months to June 30	
	2018	2017 (restated) ⁽¹⁾
Cash flows from operating activities		
Operating profit after exceptional items	1,735	873
Depreciation, amortisation and impairment	618	603
Movement in working capital	1,673	1,756
<i>Increase in trade receivables, prepayments, inventories and other current assets</i>	(394)	(429)
<i>Increase in trade and other payables, deferred revenue on ticket sales and current liabilities</i>	2,067	2,185
Payments related to restructuring	(97)	(122)
Employer contributions to pension schemes ⁽²⁾	(655)	(569)
Pension scheme service costs	52	117
Provision and other non-cash movements	(579)	65
Interest paid	(66)	(63)
Interest received	14	17
Taxation	26	18
Net cash flows from operating activities	2,721	2,695
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(1,266)	(687)
Sale of property, plant and equipment and intangible assets	186	236
Proceeds from sale of investments	-	15
Increase in other current interest-bearing deposits	(185)	(887)
Other investing movements	67	37
Net cash flows from investing activities	(1,198)	(1,286)
Cash flows from financing activities		
Proceeds from long-term borrowings	452	92
Repayment of borrowings	(53)	(59)
Repayment of finance leases	(441)	(313)
Acquisition of treasury shares	(132)	(198)
Distributions made to holders of perpetual securities and other	(10)	(10)
Dividend paid	(47)	(43)
Net cash flows from financing activities	(231)	(531)
Net increase in cash and cash equivalents	1,292	878
Net foreign exchange differences	(15)	(141)
Cash and cash equivalents at 1 January	3,292	3,337
Cash and cash equivalents at period end	4,569	4,074
Interest-bearing deposits maturing after more than three months	3,577	3,870
Cash, cash equivalents and other interest-bearing deposits	8,146	7,944

At June 30, 2018 Aer Lingus held €44 million of restricted cash (2017: €45 million) within interest-bearing deposits maturing after more than three months to be used for employee related obligations.

⁽¹⁾Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'; refer to note 2.

⁽²⁾Includes transitional arrangement cash costs associated with changes to the British Airways pension schemes. Refer to note 3 'Exceptional Items'.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2018

€ million	Issued share capital	Share premium	Treasury shares	Other reserves ⁽¹⁾	Total shareholders' equity	Non-controlling interest	Total equity
January 1, 2018 as reported	1,029	6,022	(77)	115	7,089	307	7,396
Restatement for adoption of new standards	-	-	-	(463)	(463)	-	(463)
At January 1, 2018 (restated)	1,029	6,022	(77)	(348)	6,626	307	6,933
Total comprehensive income for the period (net of tax)	-	-	-	1,934	1,934	10	1,944
Cost of share-based payments	-	-	-	10	10	-	10
Vesting of share-based payment schemes	-	-	8	(10)	(2)	-	(2)
Acquisition of treasury shares	-	-	(500)	-	(500)	-	(500)
Dividend	-	-	-	(295)	(295)	-	(295)
Distributions made to holders of perpetual securities	-	-	-	-	-	(10)	(10)
June 30, 2018	1,029	6,022	(569)	1,291	7,773	307	8,080

⁽¹⁾Closing balance includes retained earnings of €3,401 million.

For the six months to June 30, 2017

€ million	Issued share capital	Share premium	Treasury shares	Other reserves ⁽¹⁾	Total shareholders' equity	Non-controlling interest	Total equity
January 1, 2017 as reported	1,066	6,105	(96)	(1,719)	5,356	308	5,664
Restatement for adoption of new standards	-	-	-	(430)	(430)	-	(430)
At January 1, 2017 (restated)	1,066	6,105	(96)	(2,149)	4,926	308	5,234
Total comprehensive income for the period (net of tax)	-	-	-	149	149	10	159
Cost of share-based payments	-	-	-	18	18	-	18
Vesting of share-based payment schemes	-	-	19	(31)	(12)	-	(12)
Acquisition of treasury shares	-	-	(500)	-	(500)	-	(500)
Dividend	-	-	-	(262)	(262)	-	(262)
Distributions made to holders of perpetual securities	-	-	-	-	-	(10)	(10)
June 30, 2017	1,066	6,105	(577)	(2,275)	4,319	308	4,627

⁽¹⁾Closing balance includes retained earnings of €991 million.

NOTES TO THE ACCOUNTS

For the six months to June 30, 2018

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

International Consolidated Airlines Group S.A. (hereinafter 'International Airlines Group', 'IAG' or the 'Group') is a leading European airline group, formed to hold the interests of airline and ancillary operations. IAG is a Spanish company registered in Madrid and was incorporated on April 8, 2010. 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 becoming the first two airlines of the Group. Vueling Airlines S.A. ('Vueling') was acquired on April 26, 2013, and Aer Lingus Group Plc ('Aer Lingus') on August 18, 2015.

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 condensed consolidated interim financial statements were prepared in accordance with IAS 34 and authorised for issue by the Board of Directors on August 2, 2018. The condensed consolidated interim 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 same basis of preparation and accounting policies set out in the IAG Annual Report and Accounts for the year to December 31, 2017 have been applied in the preparation of these condensed consolidated interim financial statements, except as adjusted for the implementation of IFRS 9 and IFRS 15 as described below. IAG's financial statements for the year to December 31, 2017 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 of the International Accounting Standards Board (IASB). The report of the auditors on those financial statements was unqualified.

2. ACCOUNTING POLICIES

The Group has adopted IFRS 15 'Revenue from contracts with customers' from January 1, 2018. The standard establishes a five-step model that applies to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods and services and at a point when the performance obligations associated with these goods and services have been satisfied.

The Group has identified the following changes to revenue recognition on adoption of the standard:

- Loyalty revenue – revenue associated with performance obligations arising on the sale of loyalty points, including revenue allocated to brand and marketing services and revenue allocated to Avios points, has been determined based on the relative stand-alone selling price of each performance obligation. Revenue associated with brand and marketing services is recognised as the points are issued. Revenue allocated to the Avios points is deferred and recognised when the points are redeemed. The impact of assessing the stand-alone selling prices of the individual performance obligations has resulted in a greater portion of revenue being deferred on issuance, because the stand-alone selling price of the points was higher than the fair value applied under IFRIC 13 'Customer loyalty programmes'.

As required on implementation of IFRS 15, the Group reassessed all incomplete contracts at the date of initial application for any remaining performance obligations. This resulted in an increase in the number of points deferred in respect of incomplete contracts and which are expected to be redeemed in the future.

The Group also changed the way that costs associated with the redemption of Avios points with third parties are presented. The revenue arising from these transactions is presented net of the related costs as IAG is considered to be an agent rather than principal.

- Passenger revenue – revenue associated with ancillary services that was previously recognised when paid, such as administration fees, is deferred to align with the recognition of revenue associated with the related travel.
- Cargo revenue – interline cargo revenue is presented gross rather than net of related costs as IAG is considered to be principal rather than agent in these transactions.
- Other revenue – revenue associated with maintenance activities and holiday revenue with performance obligations that are fulfilled over time, is recognised over the performance obligation period.

The Group has applied the standard on a fully retrospective basis and restated prior year comparatives on adoption of IFRS 15. The adjustment to opening retained earnings at January 1, 2017 arising from the changes to loyalty revenue recognition amounted to €403 million. Deferred revenue on ticket sales increased by €497 million and the tax liability decreased by €94 million. Other changes to revenue recognition resulted in a charge to retained earnings at January 1, 2017 of €27 million.

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

2. ACCOUNTING POLICIES continued

For the year ended December 31, 2017, adjustments to reflect IFRS 15 resulted in a reduction to revenue of €92 million and a reduction to operating costs of €27 million, resulting in a reduction in operating profit of €65 million.

The Group has adopted IFRS 9 'Financial Instruments' from January 1, 2018. The standard amends the classification and measurement models for financial assets and adds new requirements to address the impairment of financial assets. It also introduces a new hedge accounting model to more closely align hedge accounting with risk management strategy and objectives.

The Group will continue to recognise most financial assets at amortised cost. Equity investments, previously classified as available-for-sale, are measured at fair value through Other comprehensive income, with no recycling of gains and losses. In addition, the Group has adopted a new impairment model for trade receivables and other financial assets, with no material adjustment to existing provisions.

The Group continues to undertake hedging activity in line with its financial risk management objectives and policies. Movements in the time value of options are now classified as cost of hedging and recognised in Other comprehensive income, with prior year comparatives restated. At January 1, 2017 there was a reclassification of €38 million of post-tax gains from retained earnings to unrealised gains and losses in Other reserves to reflect this reclassification. For the year ended December 31, 2017, adjustments to reflect IFRS 9 resulted in a post-tax charge of €42 million previously recognised in the Income statement being recognised in Other comprehensive income in the same period.

Impact on financial statements

The following tables summarise the impact of adopting IFRS 15 and IFRS 9 on the Consolidated income statement for the six months to June 30, 2017 and the Consolidated balance sheet as at December 31, 2017.

Consolidated income statement (extract for the six months to June 30, 2017)

€ million	Previously reported	IFRS 15 adjustments	IFRS 9 adjustments	Restated
Passenger revenue	9,575	16	-	9,591
Cargo revenue	516	22	-	538
Other revenue	797	(59)	-	738
Total revenue	10,888	(21)	-	10,867
Handling, catering and other operating costs	1,357	(8)	-	1,349
Engineering and other aircraft costs	915	12	-	927
Other expenditure on operations	7,718	-	-	7,718
Total expenditure on operations	9,990	4	-	9,994
Operating profit	898	(25)	-	873
Unrealised (losses)/gains on derivatives not qualifying for hedge accounting	(72)	-	66	(6)
Net currency retranslation (charges)/credits	2	-	11	13
Other non-operating items	(122)	-	-	(122)
Profit before tax	706	(25)	77	758
Tax	(139)	5	(17)	(151)
Profit after tax for the six months to June 30, 2017	567	(20)	60	607

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

2. ACCOUNTING POLICIES continued

Consolidated balance sheet (extract as at December 31, 2017)

€ million	Previously reported	IFRS 15 adjustments	Restated
Non-current assets			
Deferred tax assets	521	2	523
Other non-current assets	16,517	-	16,517
	17,038	2	17,040
Current assets			
Trade receivables	1,494	(31)	1,463
Other current assets	8,729	-	8,729
	10,223	(31)	10,192
Total assets	27,261	(29)	27,232
Total equity	7,396	(463)	6,933
Non-current liabilities			
Deferred tax liability	531	(5)	526
Other non-current liabilities	9,642	-	9,642
	10,173	(5)	10,168
Current liabilities			
Trade and other payables	3,766	(43)	3,723
Deferred revenue on ticket sales	4,159	583	4,742
Current tax payable	179	(101)	78
Other current liabilities	1,588	-	1,588
	9,692	439	10,131
Total liabilities	19,865	434	20,299
Total equity and liabilities	27,261	(29)	27,232

The Group has not adopted any other standards, amendments or interpretations in the six months to June 30, 2018 that have had a significant change to its financial performance or position.

IFRS 16 'Leases' will be adopted by the Group from January 1, 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. The Group has a number of operating leases for assets including aircraft, property and other equipment. Details of the Group's operating lease commitments are disclosed in note 23 of IAG's 2017 Annual Report and Accounts.

The Group is currently assessing the impact of the new standard and expects its implementation to have a significant impact on the financial statements from the date of adoption. The main changes will be as follows:

- The amounts recognised as assets and liabilities on adoption of IFRS 16 will be subject to a number of judgements, estimates and assumptions. This includes:
 - Judgements when reviewing current agreements (such as agreements for terminal capacity) to determine whether they contain leases as defined under the new standard.
 - Assumptions used to calculate the discount rate to apply to lease obligations, which is likely to be based on the incremental borrowing rate for the estimated lease term.
 - Estimation of the lease term, including options to extend the lease where the Group is reasonably certain to extend.
- Interest-bearing borrowings and non-current assets will increase on implementation of the standard as obligations to make future payments under leases currently classified as operating leases will be recognised on the Balance sheet, along with the related 'right-of-use' asset. On adoption, it is expected that the Group will adopt the modified retrospective transition approach, with lease obligations, which are predominantly US dollar denominated, recognised at the exchange rate ruling on the date of adoption and the appropriate incremental borrowing rate at that date. The related 'right-of-use' asset will be recognised at the exchange rate ruling at the commencement of the lease.
- There will be a reduction in expenditure on operations and an increase in finance costs as operating lease costs are replaced with depreciation and lease interest expense.
- The Group's Alternative Performance Measures will also be impacted. These comprise Operating profit and lease adjusted operating margin; Adjusted earnings per share; EBITDAR; Return on Invested Capital; Adjusted net debt to EBITDAR; and Equity free cash flow. The definitions of these metrics will be reviewed on adoption of IFRS 16 to ensure that they continue to measure the outcome of the Group's strategy and monitor performance against long-term planning targets.

For future reporting periods after adoption, foreign exchange movements on lease obligations, which are predominantly denominated in US dollars, will be remeasured at each balance sheet date, however the right-of-use asset will be recognised at the historic exchange rate. This will create volatility in the Income statement.

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

3. EXCEPTIONAL ITEMS

€ million	Six months to June 30	
	2018	2017
Restructuring costs ⁽¹⁾	58	77
Employee benefit obligations ⁽²⁾	(678)	-
Recognised in expenditure on operations	(620)	77
Total exceptional (credit)/charge before tax	(620)	77
Tax on exceptional items	47	(15)
Total exceptional (credit)/charge after tax	(573)	62

⁽¹⁾ Restructuring costs

British Airways has embarked on a series of transformation proposals to develop a more efficient and cost effective structure. The overall costs of the programme primarily comprise employee severance costs. Costs incurred in the six months to June 30, 2018 in respect of this programme amount to €58 million (2017: €77 million), with a related tax credit of €11 million (2017: €15 million).

⁽²⁾ Employee benefit obligations

British Airways closed its New Airways Pension Scheme (NAPS) to future accrual and British Airways Retirement Plan (BARP) to future contributions from March 31, 2018. The schemes have been replaced by a flexible defined contribution scheme, the British Airways Pension Plan (BAPP). The changes resulted in a one-off reduction of the NAPS IAS 19 defined benefit liability of €872 million and associated transitional arrangement cash costs of €192 million through employee costs. These items are presented net, together with BARP closure costs, as an exceptional item within the Income Statement of €678 million, with a related tax charge of €58 million.

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

The Group has a number of entities which are managed as individual operating companies including airline and platform functions. Each airline operates its network operations as a single business unit and the IAG MC assesses performance based on measures including operating profit, and makes resource allocation decisions for the airlines 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.

The Group has determined its operating segments based on the way that it treats its businesses and the manner in which resource allocation decisions are made. British Airways, Iberia, Vueling and Aer Lingus have been identified for financial reporting purposes as reportable operating segments. Avios and LEVEL are also operating segments but do not exceed the quantitative thresholds to be reportable and management has concluded that there are currently no other reasons why they should be separately disclosed.

The platform functions of the business primarily support the airline operations. These activities are not considered to be reportable operating segments as they either earn revenues incidental to the activities of the Group and resource allocation decisions are made based on the passenger business, or are not reviewed by the IAG MC and are included within Other Group companies.

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

5. SEGMENT INFORMATION continued

a Business segments continued

For the six months to June 30, 2018

	2018					
€ million	British Airways	Iberia	Vueling	Aer Lingus	Other Group companies ⁽¹⁾	Total
Revenue						
Passenger revenue	6,159	1,715	999	867	198	9,938
Cargo revenue	413	119	-	25	-	557
Other revenue	290	287	7	4	123	711
External revenue	6,862	2,121	1,006	896	321	11,206
Inter-segment revenue	239	196	-	3	244	682
Segment revenue	7,101	2,317	1,006	899	565	11,888
Depreciation, amortisation and impairment	(441)	(104)	(11)	(40)	(22)	(618)
Operating profit/(loss) before exceptional items	868	102	(11)	104	52	1,115
Exceptional items (note 3)	620	-	-	-	-	620
Operating profit/(loss) after exceptional items	1,488	102	(11)	104	52	1,735
Net non-operating costs						(80)
Profit before tax						1,655
Total assets	21,295	6,565	2,058	2,141	(1,271)	30,788
Total liabilities	(12,998)	(4,675)	(1,727)	(1,247)	(2,061)	(22,708)

⁽¹⁾Includes eliminations on total assets of €14,204 million and total liabilities of €3,720 million.

For the six months to June 30, 2017 (restated)

	2017					
€ million	British Airways	Iberia	Vueling	Aer Lingus	Other Group companies ⁽¹⁾	Total
Revenue						
Passenger revenue	6,113	1,652	891	803	132	9,591
Cargo revenue	402	113	-	23	-	538
Other revenue	275	339	11	6	107	738
External revenue	6,790	2,104	902	832	239	10,867
Inter-segment revenue	227	197	-	-	229	653
Segment revenue	7,017	2,301	902	832	468	11,520
Depreciation, amortisation and impairment	(442)	(92)	(10)	(39)	(20)	(603)
Operating profit/(loss) before exceptional items	740	87	(7)	53	77	950
Exceptional items (note 3)	(77)	-	-	-	-	(77)
Operating profit/(loss) after exceptional items	663	87	(7)	53	77	873
Net non-operating costs						(115)
Profit before tax						758
Total assets	18,872	6,079	1,515	1,976	(1,210)	27,232
Total liabilities	(12,117)	(4,358)	(1,253)	(1,055)	(1,516)	(20,299)

⁽¹⁾Includes eliminations on total assets of €13,031 million and total liabilities of €2,744 million.

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

5. SEGMENT INFORMATION continued

b Geographical analysis

Revenue by area of original sale

€ million	Six months to June 30	
	2018	2017 (restated)
UK	3,658	3,503
Spain	1,716	1,637
USA	1,916	1,969
Rest of world	3,916	3,758
	11,206	10,867

Assets by area

June 30, 2018

€ million	Property, plant and equipment	Intangible assets
UK	9,171	1,284
Spain	2,245	1,246
USA	16	5
Rest of world	822	598
	12,254	3,133

December 31, 2017

€ million	Property, plant and equipment	Intangible assets
UK	9,013	1,171
Spain	2,050	1,241
USA	18	6
Rest of world	765	600
	11,846	3,018

6. FINANCE COSTS AND INCOME

€ million	Six months to June 30	
	2018	2017
Finance costs		
Interest payable on bank and other loans, finance charges payable under finance leases	(103)	(106)
Unwinding of discount on provisions	(14)	(9)
Capitalised interest on progress payments	6	3
Change in fair value of cross currency swaps	-	(1)
Total finance costs	(111)	(113)
Finance income		
Interest on other interest-bearing deposits	14	15
Other finance income	7	-
Total finance income	21	15

7. TAX

The tax charge for the six months to June 30, 2018 is €247 million (2017 restated: €151 million), and the effective tax rate is 14.9 per cent (2017 restated: 19.9 per cent).

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

8. EARNINGS PER SHARE AND SHARE CAPITAL

Millions	Six months to June 30	
	2018	2017
Weighted average number of ordinary shares in issue	2,046	2,111
Weighted average number for diluted earnings per share	2,135	2,202

€ cents	Six months to June 30	
	2018	2017 (restated)
Basic earnings per share	68.3	28.3
Diluted earnings per share	65.9	27.5

The number of shares in issue at June 30, 2018 was 2,057,989,294 (December 31, 2017: 2,057,989,294) ordinary shares with a par value of €0.50 each.

In February 2018, the Group announced its intention to carry out a share buyback programme of up to €500 million, as part of its corporate finance strategy to return cash to shareholders while reinvesting in the business and managing leverage. The programme started in May 2018 and will complete by December 28, 2018. During the period to June 30, 2018 the Group purchased 18,127,318 shares, amounting to €143 million. The outstanding payment obligation of the share buyback programme totalling €357 million is included in Trade and other payables in the consolidated balance sheet.

9. DIVIDENDS

The Directors propose that no dividend be paid for the six months to June 30, 2018 (June 30, 2017: nil).

The final dividend of 14.5 € cents per share for the year to December 31, 2017 was approved at the annual general meeting on June 14, 2018. This final dividend, amounting to €295 million, has been recognised as a liability at June 30, 2018 and was paid from July 2, 2018.

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

€ million	Property, plant and equipment	Intangible assets
Net book value at January 1, 2018	11,846	3,018
Additions	1,113	189
Disposals	(216)	(18)
Depreciation, amortisation and impairment	(553)	(65)
Exchange movements	64	9
Net book value at June 30, 2018	12,254	3,133

€ million	Property, plant and equipment	Intangible assets
Net book value at January 1, 2017	12,227	3,037
Additions	654	77
Disposals	(235)	(16)
Depreciation, amortisation and impairment	(543)	(60)
Exchange movements	(378)	(48)
Net book value at June 30, 2017	11,725	2,990

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to €11,031 million (December 31, 2017: €12,137 million). The majority of capital expenditure commitments are denominated in US dollars, and as such are subject to 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 for the year to December 31, 2017. For the six months to June 30, 2018 there are no indicators that the carrying value may exceed the recoverable amount.

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

12. FINANCIAL INSTRUMENTS

a. Financial assets and liabilities by category

The detail of the Group's financial instruments at June 30, 2018 and December 31, 2017 by nature and classification for measurement purposes is as follows:

June 30, 2018

€ million	Financial assets				Total carrying amount by balance sheet item
	Loans and receivables	Derivatives used for hedging	Equity Investments	Non-financial assets	
Non-current assets					
Other equity investments	-	-	73	-	73
Derivative financial instruments	-	380	-	-	380
Other non-current assets	134	-	-	140	274
Current assets					
Trade receivables	1,738	-	-	-	1,738
Other current assets	358	-	-	857	1,215
Derivative financial instruments	-	721	-	-	721
Other current interest-bearing deposits	3,577	-	-	-	3,577
Cash and cash equivalents	4,569	-	-	-	4,569

€ million	Financial liabilities			Total carrying amount by balance sheet item
	Loans and payables	Derivatives used for hedging	Non-financial liabilities	
Non-current liabilities				
Interest-bearing long-term borrowings	6,444	-	-	6,444
Derivative financial instruments	-	61	-	61
Other long-term liabilities	21	-	194	215
Current liabilities				
Current portion of long-term borrowings	988	-	-	988
Trade and other payables	4,279	-	332	4,611
Derivative financial instruments	-	60	-	60

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

12. FINANCIAL INSTRUMENTS continued

a. Financial assets and liabilities by category continued

December 31, 2017

€ million	Financial assets				Total carrying amount by balance sheet item
	Loans and receivables	Derivatives used for hedging	Equity Investments	Non-financial assets	
Non-current assets					
Other equity investments	-	-	79	-	79
Derivative financial instruments	-	145	-	-	145
Other non-current assets	200	-	-	176	376
Current assets					
Trade receivables	1,463	-	-	-	1,463
Other current assets	337	-	-	621	958
Derivative financial instruments	-	405	-	-	405
Other current interest-bearing deposits	3,384	-	-	-	3,384
Cash and cash equivalents	3,292	-	-	-	3,292

€ million	Financial liabilities			Total carrying amount by balance sheet item
	Loans and payables	Derivatives used for hedging	Non-financial liabilities	
Non-current liabilities				
Interest-bearing long-term borrowings	-	6,401	-	6,401
Derivative financial instruments	-	-	114	114
Other long-term liabilities	-	15	207	222
Current liabilities				
Current portion of long-term borrowings	-	930	-	930
Trade and other payables	-	3,411	312	3,723
Derivative financial instruments	-	-	111	111

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. 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;

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

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

The fair value of cash and cash equivalents, other current interest-bearing deposits, trade receivables, other current assets and trade and other payables approximate their carrying value largely due to the short-term maturities of these instruments.

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

12. FINANCIAL INSTRUMENTS continued

b. Fair value of financial assets and financial liabilities continued

The following methods and assumptions were used by the Group in estimating its fair value disclosures for financial instruments:

Level 1: The fair value of listed asset investments classified as equity investments and listed interest-bearing borrowings is based on market value at the balance sheet date.

Level 2: The fair value of derivatives and other interest-bearing borrowings is determined as follows:

- Forward currency transactions and over-the-counter fuel derivatives 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 including leases is determined by discounting the remaining contractual cash flows at the relevant market interest rates at the balance sheet date.

Level 3: The fair value of unquoted investments has been determined based on the most recent arm's length transaction for an identical instrument.

The carrying amounts and fair values of the Group's financial assets and liabilities at June 30, 2018 are as follows:

€ million	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	Total
Financial assets					
Other equity investments	16	-	57	73	73
Derivatives ⁽¹⁾	-	1,101	-	1,101	1,101
Financial liabilities					
Interest-bearing borrowings	1,115	6,426	-	7,541	7,432
Derivatives ⁽²⁾	-	121	-	121	121

⁽¹⁾Current portion of derivative financial assets is €721 million.

⁽²⁾Current portion of derivative financial liabilities is €60 million.

The carrying amounts and fair values of the Group's financial assets and liabilities at December 31, 2017 are set out below:

€ million	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	Total
Financial assets					
Other equity investments	23	-	56	79	79
Derivatives ⁽¹⁾	-	550	-	550	550
Financial liabilities					
Interest-bearing borrowings	1,079	6,379	-	7,458	7,331
Derivatives ⁽²⁾	-	225	-	225	225

⁽¹⁾Current portion of derivative financial assets is €405 million.

⁽²⁾Current portion of derivative financial liabilities is €111 million.

There have been no transfers between levels of fair value hierarchy during the period.

The financial instruments listed in the previous table are measured at fair value for reporting purposes with the exception of the interest-bearing borrowings.

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

12. FINANCIAL INSTRUMENTS continued

c. Level 3 financial assets reconciliation

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

€ million	June 30, 2018	December 31, 2017
Opening balance for the period	56	58
Additions	1	1
Exchange movements	-	(3)
Closing balance for the period	57	56

For unquoted investments, fair value has been determined based on the most recent arm's length transaction for an identical instrument. The Group monitors transactions of these instruments on a regular basis to ensure the fair value is based on the most recent arm's length price.

13. BORROWINGS

€ million	June 30, 2018	December 31, 2017
Current		
Bank and other loans	209	183
Finance leases	779	747
	988	930
Non-current		
Bank and other loans	1,579	1,641
Finance leases	4,865	4,760
	6,444	6,401

14. SHARE BASED PAYMENTS

During the period 4,614,568 nil-cost options were awarded under the Group's Performance Share Plan (PSP) to key senior executives and selected members of the wider management team. The Group settles the employees' tax obligations arising from the issue of the shares directly with the relevant tax authority in cash and an equivalent number of shares is withheld by the Group upon vesting. The fair value of equity-settled share awards granted is estimated at the date of the award using the Monte-Carlo model, taking into account the terms and conditions upon which the options were awarded, or based on the share price at the date of grant, dependent on the performance criteria attached. The following are the inputs to the model for the PSP awards granted in the period:

Expected share price volatility: 35 per cent
Expected life of options: 4.6 years
Weighted average share price (£): £6.91

The Group also made awards under the Group's Incentive Award Deferral Plan during the period, under which 1,986,531 conditional shares were awarded.

15. EMPLOYEE BENEFIT OBLIGATIONS

The principal funded defined benefit pension schemes within the Group are the Airways Pension Scheme ('APS') and the New Airways Pension Scheme ('NAPS').

NAPS was closed to future accrual from 31 March 2018, resulting in a reduction of the defined benefit obligation. Following closure members' deferred pensions will now be increased annually by inflation up to five per cent per annum (measured using CPI), which is generally lower than the previous assumption for pay growth which included pay rises and promotions. NAPS members were offered a choice of transition arrangements, including non-cash options to increase their NAPS pensions prior to closure. The net financial effect of the closure offset by the non-cash transition arrangements was a past service gain of €872 million. Transition costs of €192 million were paid either directly to members or into their pension accounts. British Airways currently makes deficit contributions to NAPS of €341 million per annum, plus additional contributions of up to €171 million per year depending on the cash balance at the end of March each year. As part of the closure of NAPS, British Airways agreed to make certain additional transition payments to NAPS members, if the deficit had reduced more than expected at either the 2018 or 2021 valuations. No allowance for such payments has been made in the valuation of the defined benefit obligation at half year.

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

15. EMPLOYEE BENEFIT OBLIGATIONS continued

€ million	June 30, 2018			
	APS	NAPS	Other	Total
Scheme assets at fair value	9,020	19,774	584	29,378
Present value of scheme liabilities	(7,318)	(18,056)	(852)	(26,226)
Net pension asset/(liability)	1,702	1,718	(268)	3,152
Effect of the asset ceiling	(609)	(1,062)	-	(1,671)
Other employee benefit obligations	-	-	(9)	(9)
June 30, 2018	1,093	656	(277)	1,472

Represented by:	
Employee benefit assets	1,763
Employee benefit obligations	(291)
	1,472

€ million	December 31, 2017			
	APS	NAPS	Other	Total
Scheme assets at fair value	9,185	19,558	429	29,172
Present value of scheme liabilities	(7,606)	(20,060)	(697)	(28,363)
Net pension asset/(liability)	1,579	(502)	(268)	809
Effect of the asset ceiling	(570)	-	-	(570)
Other employee benefit obligations	-	-	(8)	(8)
December 31, 2017	1,009	(502)	(276)	231

Represented by:	
Employee benefit assets	1,023
Employee benefit obligations	(792)
	231

At 30 June 2018, the assumptions used to determine the obligations under the APS and NAPS were reviewed and updated to reflect market conditions at that date. Key assumptions were as follows:

Per cent per annum	APS		NAPS	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Inflation (CPI)	2.00	2.05	1.95	2.05
Inflation (RPI)	3.10	3.15	3.05	3.15
Salary increases	3.10	3.15	n/a	3.15
Discount rate	2.65	2.45	2.80	2.55

Further information on the basis of the assumptions is included in note 31 of the Annual Report and Accounts for the year to 31 December 2017.

Pension contributions for APS and NAPS were determined by actuarial valuations made as at 31 March 2012 and 31 March 2015 respectively, using assumptions and methodologies agreed between the Company and Trustees of each scheme.

The triennial valuation as at 31 March 2015 for APS was deferred as a result of legal proceedings (note 17).

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

16. PROVISIONS FOR LIABILITIES AND CHARGES

€ million	Restoration and handback provisions	Restructuring provisions	Employee leaving indemnities and other employee related provisions	Legal claims provisions	Other provisions	Total
Net book value January 1, 2018	1,125	727	599	140	69	2,660
Provisions recorded during the period	185	63	209	18	30	505
Utilised during the period	(87)	(97)	(192)	(22)	(32)	(430)
Release of unused amounts	(36)	(4)	-	(18)	(4)	(62)
Unwinding of discount	4	2	8	-	-	14
Exchange differences	21	-	1	2	(1)	23
Net book value June 30, 2018	1,212	691	625	120	62	2,710
Analysis:						
Current	126	291	60	79	26	582
Non-current	1,086	400	565	41	36	2,128
	1,212	691	625	120	62	2,710

17. CONTINGENT LIABILITIES

The Group has certain contingent liabilities which at June 30, 2018 amounted to €100 million (December 31, 2017: €93 million). No material losses are likely to arise from such contingent liabilities. The Group also has the following claims:

Cargo

The European Commission issued a decision in which it found that British Airways, and 10 other airline groups, had engaged in cartel activity in the air cargo sector (Original Decision). British Airways was fined €104 million. Following an appeal, the decision was subsequently partially annulled against British Airways (and annulled in full against the other appealing airlines) (GC Judgment), and the fine was refunded in full. British Airways appealed the partial annulment to the Court of Justice, but that appeal was rejected.

In parallel, the European Commission chose not to appeal the GC Judgment, and instead adopted a new decision in March 2017 (New Decision). The New Decision re-issued fines against all the participating carriers, which match those contained in the Original Decision. British Airways has therefore again been fined €104 million. British Airways has appealed the New Decision to the GC again (as have other carriers).

A large number of claimants have brought proceedings in the English courts, to recover damages from British Airways which, relying on the findings in the Commission decisions, they claim arise from the alleged cartel activity. It is not possible at this stage to predict the outcome of the proceedings, which British Airways will vigorously defend. British Airways has joined the other airlines alleged to have participated in cartel activity to these proceedings to contribute to such damages, if any are awarded.

British Airways is also party to similar litigation in a number of other jurisdictions including Germany, the Netherlands and Canada together with a number of other airlines. At present, the outcome of the proceedings is unknown. In each case, the precise effect, if any, of the alleged cartelising activity on the claimants will need to be assessed.

Pensions

The Trustee of the Airways Pension Scheme (APS) had proposed an additional discretionary increase above CPI for pensions in payment for the year ended March 31, 2014. British Airways challenged the decision and initiated legal proceedings to determine the legitimacy of the discretionary increase. The High Court issued a judgment in May 2017, which determined that the Trustee had the power to grant discretionary increases, whilst reiterating the Trustee must take into consideration all relevant factors, and ignore irrelevant factors. British Airways appealed the judgment to the Court of Appeal. On July 5, 2018 the Court of Appeal released its judgment, upholding British Airways' appeal, concluding the Trustee did not have the power to introduce a discretionary increase rule. British Airways will not have to reflect the increase in liabilities of €14 million that would have applied had the proposed increase for the 2013/14 scheme year been paid by the Trustee. Following the judgment, the Trustee was allowed permission to appeal to the Supreme Court; whether an appeal will be made is not yet certain.

NOTES TO THE ACCOUNTS continued

For the six months to June 30, 2018

17. CONTINGENT LIABILITIES continued

Guarantees

British Airways has provided collateral on certain payments to its pension scheme, APS and NAPS, which at June 30, 2018 amounted to €285 million (December 31, 2017: €283 million). This amount would be payable in the event that the pension schemes are not fully funded on a conservative basis with a gilts based discount rate on January 1, 2019 and will be determined by the scheme actuary.

In addition, a guarantee amounting to €262 million (2017: €260 million) was issued by a third party in favour of APS, triggered in the event of British Airways' insolvency.

The Group also has other guarantees and indemnities entered into as part of the normal course of business, which at June 30, 2018 are not expected to result in material losses for the Group.

18. 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	
	2018	2017
Sales of goods and services		
Sales to associates	4	3
Sales to significant shareholders	15	24
Purchases of goods and services		
Purchases from associates	25	24
Purchases from significant shareholders	52	42

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

€ million	June 30,	December 31,
	2018	2017
Receivables from related parties		
Amounts owed by associates	8	2
Amounts owed by significant shareholders	2	1
Payables to related parties		
Amounts owed to associates	1	3
Amounts owed to significant shareholders	1	3

For the six months to June 30, 2018 the Group has not made any provision for doubtful debts arising relating to amounts owed by related parties (2017: 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	
	2018	2017
Base salary, fees and benefits		
Board of Directors' remuneration	2	2
Management Committee remuneration	4	3

At June 30, 2018 the Board of Directors includes remuneration for two Executive Directors (June 30, 2017: two Executive Directors). The Management Committee includes remuneration for 11 members (June 30, 2017: ten members).

The Company provides life insurance for all Executive Directors and the Management Committee. For the six months to June 30, 2018 the Company's obligation was €30,000 (2017: €16,000).

At June 30, 2018 the transfer value of accrued pensions covered under defined benefit obligation schemes, relating to the Management Committee totalled €5 million (2017: €4 million).

No loans or credit transactions were outstanding with Directors or officers of the Group at June 30, 2018 (2017: nil).

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2018

19. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

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 held on August 2, 2018, the Directors of International Consolidated Airlines Group, S.A. (the "Company") state that, to the best of their knowledge, the condensed consolidated financial statements for the six months to June 30, 2018, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the companies that fall within the consolidated group taken as a whole, and that the interim management report includes a fair review of the information required.

August 2, 2018

Antonio Vázquez Romero
Chairman

William Matthew Walsh
Chief Executive Officer

Marc Jan Bolland

Patrick Jean Pierre Cescau

Enrique Dupuy de Lôme Chávarri

Deborah Linda Kerr

María Fernanda Mejía Campuzano

Kieran Charles Poynter

Emilio Saracho Rodríguez de Torres

Marjorie Morris Scardino

Lucy Nicola Shaw

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 balance sheet at June 30, 2018, the income statement, the statement of other comprehensive income, the cash flow statement, the statement of changes in equity, and the explanatory notes, all of which have been condensed and consolidated for the six-month period then ended. The parent's directors are responsible for the preparation of said interim 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 Guidance and Transparency Rules of 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, 2018 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Emphasis paragraph

We draw attention to the matter described in the accompanying explanatory Note 1 in the interim financial statements, 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, 2017.

Report on other legal and regulatory reporting requirements

The accompanying consolidated interim management report for the six-month period ended June 30, 2018 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, 2018. 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 119 of Royal Legislative Decree 4/2015, of October 23, which approves the consolidated text of the Securities Market Law developed by Royal Decree 1362/2007, of October 19 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

ERNST & YOUNG, S.L.

Hildur Eir Jónsdóttir

3 August 2018

ALTERNATIVE PERFORMANCE MEASURES

The performance of the Group is assessed using a number of alternative performance measures (APMs). The Group's results are presented both before and after exceptional items. Exceptional items are those that in management's view need to be separately disclosed by virtue of their size and incidence. Exceptional items are disclosed in note 3 of the condensed consolidated interim financial statements. In addition, the Group's results are described using certain measures that are not defined under IFRS and are therefore considered to be APMs. These APMs are used to measure the outcome of the Group's strategy based on 'Unrivalled customer proposition', 'Value accretive and sustainable growth' and 'Efficiency and innovation'. The definition of each APM presented in this report, together with a reconciliation to the nearest measure prepared in accordance with IFRS is presented below.

Adjusted earnings per share

Earnings are based on results before exceptional items after tax and adjusted for earnings attributable to equity holders and interest on convertible bonds, divided by the weighted average number of ordinary shares, adjusted for the dilutive impact of the assumed conversion of the bonds and employee share schemes outstanding.

€ million	June 30, 2018	June 30, 2017 (restated) ⁽¹⁾
Earnings attributable to equity holders of the parent	1,398	597
Exceptional items	(573)	62
Earnings attributable to equity holders of the parent before exceptional items	825	659
Interest expense on convertible bonds	9	9
Adjusted earnings	834	668
Weighted average number of shares used for diluted earnings per share	2,135	2,202
Weighted average number of shares used for basic earnings per share	2,046	2,111
Adjusted earnings per share (€ cents)	39.1	30.3
Basic earnings per share before exceptional items (€ cents)	40.3	31.2

⁽¹⁾Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'; refer to note 2.

EBITDAR

EBITDAR is calculated as the rolling four quarter operating profit before exceptional items, depreciation, amortisation and impairment and aircraft operating lease costs.

€ million	June 30, 2018	December 31, 2017 (restated) ⁽¹⁾	June 30, 2017 (restated) ⁽¹⁾
Operating profit before exceptional items	3,115	2,950	2,735
Depreciation, amortisation and impairment	1,199	1,184	1,232
Aircraft operating lease costs	864	888	868
EBITDAR	5,178	5,022	4,835

⁽¹⁾Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'; refer to note 2.

Adjusted net debt to EBITDAR

Adjusted net debt is calculated as long-term borrowings, less cash and cash equivalents and other current interest-bearing deposits, plus annual aircraft operating lease costs multiplied by 8. This is divided by EBITDAR to arrive at adjusted net debt to EBITDAR.

€ million	June 30, 2018	December 31, 2017 (restated) ⁽¹⁾	June 30, 2017 (restated) ⁽¹⁾
Interest-bearing long-term borrowings	7,432	7,331	8,024
Cash and cash equivalents	(4,569)	(3,292)	(4,074)
Other current interest-bearing deposits	(3,577)	(3,384)	(3,870)
Net debt	(714)	655	80
Aircraft operating lease costs multiplied by 8	6,912	7,104	6,944
Adjusted net debt	6,198	7,759	7,024
EBITDAR	5,178	5,022	4,835
Adjusted net debt to EBITDAR	1.2	1.5	1.5

⁽¹⁾Restated for new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'; refer to note 2.

AIRCRAFT FLEET

Number in service with Group companies

	On balance sheet fixed assets	Off balance sheet operating leases	Total June 30, 2018	Total December 31, 2017	Changes since December 31, 2017	Future deliveries	Options
Airbus A318	1	-	1	1	-	-	-
Airbus A319	22	41	63	64	(1)	-	-
Airbus A320	76	156	232	218	14	83	128
Airbus A321	27	24	51	51	-	22	-
Airbus A330-200	7	12	19	17	2	3	-
Airbus A330-300	6	10	16	15	1	-	-
Airbus A340-600	11	6	17	17	-	-	-
Airbus A350	1	-	1	-	1	42	52
Airbus A380	12	-	12	12	-	-	7
Boeing 747-400	36	-	36	36	-	-	-
Boeing 757-200	-	1	1	3	(2)	-	-
Boeing 767-300	8	-	8	8	-	-	-
Boeing 777-200	41	5	46	46	-	-	-
Boeing 777-300	9	3	12	12	-	3	-
Boeing 787-8	10	-	10	9	1	2	-
Boeing 787-9	9	9	18	16	2	-	18
Boeing 787-10	-	-	-	-	-	12	-
Embraer E170	6	-	6	6	-	-	-
Embraer E190	9	7	16	15	1	-	-
Group total	291	274	565	546	19	167	205

As well as those aircraft in service the Group also holds 9 aircraft (2017: 5) not in service.

The above table excludes 4 Boeing 757-200 on wet leases until 2019.