SIX MONTHS YEAR RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (July 29, 2016) presented Group consolidated results for the six months to June 30, 2016.

IAG period highlights on results:

- Second quarter operating profit €555 million before exceptional items (2015: operating profit of €530 million), excluding Aer Lingus €487 million
- Net foreign exchange operating profit impact for the quarter adverse €148 million
- Passenger unit revenue for the quarter down 10.2 per cent and at constant currency down 6.2 per cent (excluding Aer Lingus and at constant currency down 6.5 per cent)
- Non-fuel unit costs before exceptional items for the quarter down 1.1 per cent and at constant currency up 0.8 per cent (excluding Aer Lingus and at constant currency up 1.3 per cent)
- Fuel unit costs before exceptional items for the quarter down 31.2 per cent, down 29.3 per cent at constant currency
- Operating profit before exceptional items for the half year €710 million (2015: operating profit €555 million), up 27.9 per cent. Excluding Aer Lingus €668 million
- Cash of €6,561 million at June 30, 2016 was up €705 million on 2015 year end
- Adjusted gearing down 1 point to 53 per cent and adjusted net debt to EBITDAR improved 0.2 to 1.7 times

Performance summary:

	Six months to June 30		
Financial data € million	**2016**	2015	Higher / (lower)
Passenger revenue	**9,539**	9,149	4.3 %
Total revenue	**10,786**	10,363	4.1 %
Operating profit before exceptional items	**710**	555	27.9 %
Exceptional items	**79**	-	-
Operating profit after exceptional items	**789**	555	42.2 %
Profit after tax	**554**	332	66.9 %
Basic earnings per share (€ cents)	**26.8**	15.8	11.0pts
Operating figures	**2016**	2015	Higher / (lower)
Available seat kilometres (ASK million)	**142,915**	127,243	12.3 %
Seat factor (per cent)	**80.0**	79.3	0.7pts
Passenger unit revenue per ASK (€ cents)	**6.67**	7.19	(7.2)%
Non-fuel unit costs per ASK (€ cents)	**5.33**	5.32	0.0 %
	June 30, 2016	December 31, 2015	Higher / (lower)
Cash and interest-bearing deposits	**6,561**	5,856	12.0 %
Adjusted net debt [1]	**7,889**	8,510	(7.3)%
Adjusted net debt to EBITDAR	**1.7**	1.9	(0.2)
Adjusted gearing [2]	**53%**	54%	(1pt)

[1] Adjusted net debt is net debt plus capitalised rolling four quarter aircraft operating lease costs.

[2] Adjusted gearing is adjusted net debt, divided by adjusted net debt and adjusted equity.

Willie Walsh, IAG Chief Executive Officer, said:

"We're reporting another strong performance in quarter 2 with an operating profit of €555 million before exceptional items which is up from €530 million compared to last year. Excluding Aer Lingus it would be €487 million.

"Our performance this quarter saw a negative currency impact of €148 million, primarily due to the weak pound. Numerous external factors affected our airlines including the impact of terrorism, uncertainty around the UK's EU referendum and Spain's political situation and increased weakness in Latin American economies. This led to a softer than expected trading environment, especially in June. In addition, the airlines' operations have been considerably disrupted by 22 air traffic control strikes in Europe so far this year. This has impacted our passenger revenues.

"Our non-fuel unit costs fell 1.1 per cent but are up 0.8 per cent at constant currency, following the significant cost reductions achieved last year.

“In spite of the vast majority of our planned capital expenditure this year occurring in the first half, cash was €705 million higher than at the end of 2015.

“In the half year, we made an operating profit of €710 million before exceptional items compared to €555 million in 2015. Excluding Aer Lingus it was €668 million.”

Trading outlook

We have continued to experience a weaker trading environment in our UK point-of-sale business, which represents around one third of total revenue. On top of this, continued pound sterling weakness would reduce pound sterling profits when translated into euros in what is traditionally the most profitable part of the year.

In addition, like other European airlines, our operations around Europe have recently suffered from significant weather and Air Traffic Control strike disruption, resulting in over a thousand flights having to be cancelled. We expect at least €80 million disruption costs to be booked in the second half of the year as a result, with the additional risk of revenue dilution. This will affect Vueling more than other operating companies, as IAG’s short haul operations have had to bear the bulk of the disruption.

We continue to intensify our long-established cost control and capacity discipline. Cost initiatives currently in the planning stage will benefit our earnings from 2017. However, we also expect reductions in underlying non-fuel unit cost of around 1 per cent at constant currency in 2016 (the same as our previous guidance). This is on top of very significant fuel cost reductions as our historic hedges unwind. We have reduced our planned capacity growth for the second half of the year, and have 2017 capacity growth and capex under review.

Although visibility of revenue trends for quarter 4 remains low, we already have 74 per cent of our expected revenue booked for quarter 3. Based on current fuel price and currency levels, and given our high visibility over H2 cost reductions, we expect low double digit percentage growth in pre-exceptional operating profit in 2016.

We expect full year equity free cash flow to be within our long-term €1.5 billion to €2.5 billion range. This provides a high degree of coverage for ongoing ordinary dividends.

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, (responsible for arranging the release of this announcement).

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 2015; these documents are available on www.iagshares.com.

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CONSOLIDATED INCOME STATEMENT

€ million	Six months to June 30 Before exceptional items 2016	Exceptional items	Total 2016	Total 2015[1]	Higher/ (lower)
Passenger revenue	**9,539**		9,539	9,149	4.3 %
Cargo revenue	**503**		503	540	(6.9)%
Other revenue	**744**		744	674	10.4 %
Total revenue	**10,786**		10,786	10,363	4.1 %
Employee costs	**2,467**	(51)	2,416	2,328	6.0 %
Fuel, oil costs and emissions charges	**2,465**	(28)	2,437	3,033	(18.7)%
Handling, catering and other operating costs	**1,297**		1,297	1,161	11.7 %
Landing fees and en-route charges	**1,044**		1,044	827	26.2 %
Engineering and other aircraft costs	**811**		811	700	15.9 %
Property, IT and other costs	**442**		442	366	20.8 %
Selling costs	**489**		489	459	6.5 %
Depreciation, amortisation and impairment	**658**		658	620	6.1 %
Aircraft operating lease costs	**337**		337	305	10.5 %
Currency differences	**66**		66	9	633.3 %
Total expenditure on operations	**10,076**	(79)	9,997	9,808	2.7 %
Operating profit	**710**	79	789	555	27.9 %
Net non-operating costs	**(101)**		(101)	(143)	(29.4)%
Profit before tax	**609**	79	688	412	47.8 %
Tax	**(120)**	(14)	(134)	(80)	50.0 %
Profit after tax for the period	**489**	65	554	332	47.3 %

Operating figures	2016[2]	2015	Higher/ (lower)
Available seat kilometres (ASK million)	**142,915**	127,243	12.3 %
Revenue passenger kilometres (RPK million)	**114,295**	100,875	13.3 %
Seat factor (per cent)	**80.0**	79.3	0.7pts
Cargo tonne kilometres (CTK million)	**2,654**	2,607	1.8 %
Passenger numbers (thousands)	**46,676**	38,638	20.8 %
Tonnes of cargo carried (thousands)	**375**	432	(13.1)%
Sectors	**338,804**	288,135	17.6 %
Block hours (hours)	**986,914**	860,439	14.7 %
Average manpower equivalent	**63,032**	58,958	6.9 %
Aircraft in service	**541**	472	14.6 %
Passenger revenue per RPK (€ cents)	**8.35**	9.07	(8.0)%
Passenger unit revenue per ASK (€ cents)	**6.67**	7.19	(7.2)%
Cargo revenue per CTK (€ cents)	**18.95**	20.71	(8.5)%
Fuel cost per ASK (€ cents)	**1.72**	2.38	(27.6)%
Non-fuel unit costs per ASK (€ cents)	**5.33**	5.32	0.0 %
Total cost per ASK (€ cents)	**7.05**	7.71	(8.5)%

[1]The prior year consolidated Income statement includes reclassifications to conform to the current year presentation. Refer to note 1 for further details.
[2]Financial ratios are before exceptional items.

CONSOLIDATED INCOME STATEMENT

	Three months to June 30				
€ million	**Before exceptional items 2016**	**Exceptional items**	**Total 2016**	Total 2015[1]	Higher/ (lower)
Passenger revenue	**5,074**		5,074	5,013	1.2 %
Cargo revenue	**241**		241	274	(12.0)%
Other revenue	**393**		393	369	6.5 %
Total revenue	**5,708**		5,708	5,656	0.9 %
Employee costs	**1,241**	(51)	1,190	1,204	3.1 %
Fuel, oil costs and emissions charges	**1,274**	(15)	1,259	1,644	(22.5)%
Handling, catering and other operating costs	**690**		690	610	13.1 %
Landing fees and en-route charges	**570**		570	465	22.6 %
Engineering and other aircraft costs	**407**		407	366	11.2 %
Property, IT and other costs	**218**		218	167	30.5 %
Selling costs	**237**		237	232	2.2 %
Depreciation, amortisation and impairment	**320**		320	314	1.9 %
Aircraft operating lease costs	**149**		149	161	(7.5)%
Currency differences	**47**		47	(37)	(227.0)%
Total expenditure on operations	**5,153**	(66)	5,087	5,126	0.5 %
Operating profit	**555**	66	621	530	4.7 %
Net non-operating costs	**(57)**		(57)	(81)	(29.6)%
Profit before tax	**498**	66	564	449	10.9 %
Tax	**(102)**	(12)	(114)	(91)	12.1 %
Profit after tax for the period	**396**	54	450	358	10.6 %

Operating figures	**2016[2]**	2015	Higher/ (lower)
Available seat kilometres (ASK million)	**76,764**	68,138	12.7 %
Revenue passenger kilometres (RPK million)	**62,073**	54,977	12.9 %
Seat factor (per cent)	**80.9**	80.7	0.2pts
Cargo tonne kilometres (CTK million)	**1,334**	1,293	3.2 %
Passenger numbers (thousands)	**26,307**	21,960	19.8 %
Tonnes of cargo carried (thousands)	**171**	214	(20.4)%
Sectors	**186,741**	159,505	17.1 %
Block hours (hours)	**536,786**	468,935	14.5 %
Average manpower equivalent	**64,323**	59,859	7.5 %
Passenger revenue per RPK (€ cents)	**8.17**	9.12	(10.4)%
Passenger unit revenue per ASK (€ cents)	**6.61**	7.36	(10.2)%
Cargo revenue per CTK (€ cents)	**18.06**	21.19	(14.8)%
Fuel cost per ASK (€ cents)	**1.66**	2.41	(31.2)%
Non-fuel unit costs per ASK (€ cents)	**5.05**	5.11	(1.1)%
Total cost per ASK (€ cents)	**6.71**	7.52	(10.8)%

[1]The prior year consolidated Income statement includes reclassifications to conform to the current year presentation.
[2]Financial ratios are before exceptional items.

FINANCIAL REVIEW

Operating profit overview
IAG's operating profit for the six months to June 30, 2016 was €710 million before exceptional items, an improvement of €155 million from last year. British Airways made a profit of €631 million before exceptional items (2015: €488 million); Iberia made a loss of €6 million (2015: loss €18 million); Aer Lingus made a profit of €42 million and Vueling's loss was €54 million (2015: loss €5 million).

Operating and market environment
In the first half of 2016, the Group performance was negatively impacted by terrorist attacks, the UK referendum vote to exit the EU, operational disruption including air traffic control industrial action and adverse exchange rates (including a devaluation of the naira), partially offset by lower fuel prices.

IAG remains sensitive to economic conditions in the markets in which it operates. Deterioration in either a domestic market or the global economy may have a material impact on our financial position, while foreign exchange and interest rate movements create volatility. The risk of economic uncertainty within the UK may extend into the longer term following the UK's vote to exit the EU, as disclosed in our 2015 Annual Report and Accounts.

The UK referendum vote to remain or exit the EU resulted in economic uncertainty throughout the period and in particular quarter two. The Group experienced weak trading conditions in June leading up to and following the vote, with an emphasis in our premium cabins. The weak trading conditions together with the foreign exchange impacts have impacted the Group's profitability for quarter 2.

The vote to exit also created volatility in the foreign exchange markets. Weakening of the pound sterling impacted the translation of the Group's sterling subsidiaries and reduced the Group's profits, net assets and other reserves. Although the Group's expected profitability for 2016 has decreased, the reduction has not impacted the carrying value of its intangible assets and goodwill. The reduction in interest rates increased British Airways' employee pension accounting obligation and decreased other reserves. Sensitivities on our pension plans are included in note 32 of the 2015 Annual Report and Accounts and the impact of changes in assumptions for the six months to June 30, 2016 are included in note 17.

Following the UK's vote to exit the EU, there has been no immediate regulatory impact on the Group's ability to operate its business effectively or on its regulatory structure. Regulation of the airline industry covers many of our activities including route flying rights, airport landing rights, departure taxes, security and environmental controls. Excessive taxes or increases in regulation may impact on our operational and financial performance. The terms of the UK withdrawal from the other EU member states must be negotiated. At this stage, we do not believe it will have a significant impact on our business, as disclosed in our 2015 Annual Report and Accounts.

Throughout the period, the Group has suffered network disruption from air traffic control industrial action. Although management has plans to mitigate these risks to the extent feasible, there has been an impact on our profitability.

For further information on our economic exposure, see *Foreign exchange, derivatives and hedging* section.

Principal risks and uncertainties
We have continued to maintain and operate our structure and processes to identify, assess and manage risks. The impact of the UK referendum has been considered as part of the Group's overall risk assessment, and the effects are set out earlier in this report. The principal risks and uncertainties affecting us, detailed on pages 47 to 54 of the December 31, 2015 Annual Report and Accounts, remain relevant for the remaining six months of the year.

Basis of presentation
The Group's performance for the six month period to June 30, 2016 includes Aer Lingus' operations. Aer Lingus was acquired on August 18, 2015, therefore the Group's six month performance to June 30, 2015 excludes Aer Lingus.

In 2016 the Group reviewed and amended the reporting of individual line items in the consolidated Income statement to better reflect the nature of underlying transactions and improve comparability between reporting periods. For more information see note 1.

Capacity
IAG increased capacity (available seat kilometres or ASKs) by 12.3 per cent in the first six months of the year and traffic volumes rose 13.3 per cent, increasing seat factor to 80.0 per cent. Excluding Aer Lingus, capacity was increased by 3.9 per cent. Iberia and Vueling continued their growth patterns while British Airways' capacity increase reflects changes to its network and aircraft.

Revenue
Passenger revenue increased 4.3 per cent compared to the prior period, and excluding Aer Lingus and currency, passenger revenue was down 2.2 per cent. Passenger unit revenue (passenger revenue per ASK) was down 5.5 per cent at constant currency ('ccy') from lower yields (passenger revenue/revenue passenger kilometre) partially offset by higher volumes. Yields decreased at British Airways and Iberia with continued fare pressure on oil related routes and lower demand from economic uncertainty related to the UK referendum vote, weakening of currencies throughout Latin America, Africa and Middle East and the compounding impact of terrorist attacks. Vueling's passenger revenue performance was adversely impacted by the terrorist attacks and operational disruption including air traffic control industrial action. Aer Lingus revenue performance has been strong since acquisition, in particular across the North Atlantic. The Group has maintained its volumes in the first half of 2016 with seat factor rising 0.7 points.

Cargo revenue for the period decreased by 6.9 per cent, excluding Aer Lingus and currency down 10.7 per cent. Cargo yields are down impacted by a market capacity imbalance and from cycling over a strong base, which saw the benefits of the US port strike in quarter one last year. Cargo volumes were broadly flat excluding Aer Lingus, and up including Aer Lingus.

Other revenue was up 10.4 per cent, excluding currency benefits and Aer Lingus up 12.0 per cent. The Group saw higher activity at BA Holidays and in Iberia's third party maintenance and handling businesses. There was also an increase in Avios revenue for the period.

Costs

Employee costs increased 6.0 per cent, excluding Aer Lingus and currency up 1.6 per cent. On a unit basis the improvement was 3.3 per cent at ccy with savings from manpower initiatives and lower variable pay, partially offset by salary awards and crew training. The average number of employees rose 6.9 per cent for the Group primarily due to the addition of Aer Lingus. Productivity increased 3.6 per cent (5.1 per cent including Aer Lingus), with improvements at British Airways, Iberia and Aer Lingus.

Fuel costs decreased 18.7 per cent, with fuel unit costs at ccy down 29.8 per cent. Fuel benefited from lower average fuel prices net of hedging and efficiencies from the introduction of new fleet and improved operational procedures.

Handling, catering and other operating costs rose 11.7 per cent, excluding currency and Aer Lingus up 8.2 per cent. The increase reflects additional compensation fees and baggage claims related to operational disruption, partially due to air traffic control industrial action in France. In addition, the Group costs rose from an increase in revenue related activity. The passenger business carried 8.3 per cent more passengers (20.8 per cent including Aer Lingus) and Iberia's third party handling rose and BA Holidays' sales increased.

Landing fees and en-route charges rose 26.2 per cent, excluding currency and Aer Lingus up 8.3 per cent. The performance reflects higher overflying charges and additional volume, with ASKs up 3.9 per cent and sectors flown up 1.0 per cent. In addition, the prior period benefited from one time recoveries.

Engineering and other aircraft costs increased 15.9 per cent, excluding currency and Aer Lingus up 6.3 per cent. Increases are driven by additional third party maintenance activity at Iberia, higher flying hours and price, partially offset by the renegotiation of engine manufacturer contracts in 2015.

Property, IT and other costs increased 20.8 per cent and on an underlying basis up 10.1 per cent. Property lease costs rose following a new agreement for terminal 7 at the JFK airport and the loss of sub-leased revenues.

Selling costs increased 6.5 per cent, excluding Aer Lingus and currency impacts, broadly flat. Volume increases were offset by price savings and through other management initiatives.

Ownership costs rose 7.6 per cent, excluding Aer Lingus and currency impacts flat. Ownership costs increased from the accelerated depreciation of Iberia's Airbus A340-300s which began in the second half of 2015, while Vueling has 13 additional aircraft compared to the same period last year. Ownership costs benefited from a lower net charge related to British Airways' replacement fleet (Boeing 787s and Airbus A380s) and from a tax court ruling in Iberia resulting in a €30 million provision release.

At constant currency non-fuel unit costs increased 0.7 per cent, excluding Aer Lingus and adjusted for BA Holidays flat. Improvements were made at all carriers with the exception of Vueling. Vueling non-fuel unit costs were adversely impacted by a maintenance provision release in the base, additional compensation costs related to disruption and from higher employee costs, with a 22.5 per cent rise in employees.

Exceptional items

The Group made changes to the US PRMB (Post-Retirement Medical Benefits) during 2016 to bring the level of benefits in line with national trends in the US. These changes resulted in recognition of a one-off gain in employee costs of €51 million during the year and a related tax charge of €10 million.

Under the Business combination standard, gains or losses on cash flow hedges acquired should not be recycled to the income statement but recognised in equity. Following the acquisition of Aer Lingus, IAG continued to unwind the cash flow fuel hedges acquired in the before exceptional items column. A credit was recognised in the exceptional items column reversing the impact of unwinding the cash flow hedges to reach the total Fuel, oil costs and emissions charges.

Non-operating items

The net non-operating cost was €101 million for the six months compared to €143 million for the same period last year. Net currency retranslation charges on long-term provisions reduced by €25 million with less euro to US dollar volatility than last year. The net financing credit for pensions improved €14 million, with an equal offset in net financing costs.

Taxation

The tax charge for the six months to June 30, 2016 is €134 million after exceptional items (2015: €80 million charge) with an effective tax rate of 20 per cent.

Profit after tax and exceptional items

The profit after tax for the six month period to June 30 was €554 million (2015: €332 million).

Foreign exchange, derivatives and hedging
For the six months to June 30, 2016, the average pound sterling exchange rate weakened against both the US dollar and the euro, while the euro weakened against the US dollar, resulting in a net negative impact on the operating profit for the Group of €210 million.

Transaction exchange impact
From a transaction 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, with the exception of the US dollar, as capital expenditure, debt repayments and fuel purchases paid in US dollars typically create a deficit. The Group hedges its transaction exposures; note 26 of IAG's 2015 Annual Report and Accounts outlines the Group's approach to financial risk management.

For the six months to June 30, 2016, the transactional exchange rate impact for the Group was favourable €134 million on revenues, adverse €312 million on costs, including a €22 million charge for the devaluation of the naira. The net adverse impact on transactions was €178 million, impacted by the strengthening of the US dollar.

At June 30, 2016, the Group's net US dollar exposure to cash flows (excluding capital expenditure) was around $1.9 billion for the remainder of the year, of which 75 per cent was hedged; and around $2.4 billion and 49 per cent for the twelve months to December 31, 2017.

The Group's euro functional subsidiaries' (Aer Lingus, Iberia, and Vueling) remaining exposure to the pound sterling was less than £40 million, and British Airways' net euro surplus was approximately €150 million.

Translation exchange impact
IAG's results are also 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. In the six months to June 30, 2016, the Group earned all (2015: all) of its operating profit in pound sterling. For the full year 2015, 82 per cent of the Group's operating profit was in pound sterling.

For the six months, the net impact of translation exchange on operating profit was €32 million adverse, with a decrease in revenues of €321 million and decrease in cost of €289 million.

Fuel
During the period, oil prices maintained an upward trend, but were down significantly versus last year. At June 30, 2016, the Group's hedged fuel price position was 74 per cent on average for the remainder of the year, and 43 per cent on average for the twelve months to December 31, 2017.

Cash
The Group's cash position was €6,561 million up €705 million from December 31, 2015 with adverse foreign exchange of €501 million. British Airways' cash position was €2,961 million, Iberia €1,178 million, Aer Lingus €1,030 million, Vueling €750 million and the parent and other Group companies €642 million.

Compared to December 31, 2015 the Group's adjusted net debt decreased by €621 million to €7,889 million and adjusted net debt to EBITDAR improved 0.2 points to 1.7 times. Adjusted gearing improved by one point to 53 per cent.

INTERNATIONAL CONSOLIDATED AIRLINES GROUP S.A.

Unaudited Condensed Consolidated Interim Financial Statements
January 1, 2016 – June 30, 2016

CONSOLIDATED INCOME STATEMENT

€ million	Six months to June 30 Before exceptional items 2016	Exceptional items (note 4)	Total 2016	Total 2015[1]
Passenger revenue	**9,539**		**9,539**	9,149
Cargo revenue	**503**		**503**	540
Other revenue	**744**		**744**	674
Total revenue	**10,786**		**10,786**	10,363
Employee costs	**2,467**	**(51)**	**2,416**	2,328
Fuel, oil costs and emissions charges	**2,465**	**(28)**	**2,437**	3,033
Handling, catering and other operating costs	**1,297**		**1,297**	1,161
Landing fees and en-route charges	**1,044**		**1,044**	827
Engineering and other aircraft costs	**811**		**811**	700
Property, IT and other costs	**442**		**442**	366
Selling costs	**489**		**489**	459
Depreciation, amortisation and impairment	**658**		**658**	620
Aircraft operating lease costs	**337**		**337**	305
Currency differences	**66**		**66**	9
Total expenditure on operations	**10,076**	**(79)**	**9,997**	9,808
Operating profit	**710**	**79**	**789**	555
Finance costs	**(153)**		**(153)**	(141)
Finance income	**18**		**18**	19
Net currency retranslation charges	**(4)**		**(4)**	(29)
Gains on derivatives not qualifying for hedge accounting	**21**		**21**	15
Net gain related to available-for-sale financial assets	**3**		**3**	2
Share of profits in investments accounted for using the equity method	**3**		**3**	-
Profit/(loss) on sale of property, plant and equipment and investments	**3**		**3**	(3)
Net financing credit/(charge) relating to pensions	**8**		**8**	(6)
Profit before tax	**609**	**79**	**688**	412
Tax	**(120)**	**(14)**	**(134)**	(80)
Profit after tax for the period	**489**	**65**	**554**	332
Attributable to:				
Equity holders of the parent	**479**		**544**	322
Non-controlling interest	**10**		**10**	10
	489		**554**	332
Basic earnings per share (€ cents)	**23.6**		**26.8**	15.8
Diluted earnings per share (€ cents)	**22.7**		**25.6**	15.4

[1]The prior year consolidated Income statement includes reclassifications to conform to the current year presentation. Refer to note 1 for further details.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months to June 30	
€ million	**2016**	2015
Items that may be reclassified subsequently to net profit		
Cash flow hedges:		
Fair value movements in equity	**(392)**	222
Reclassified and reported in net profit	**712**	608
Available-for-sale financial assets:		
Fair value movements in equity	**1**	(2)
Reclassified and reported in net profit	**-**	(5)
Currency translation differences	**(468)**	298
Items that will not be reclassified to net profit		
Remeasurements of post-employment benefit obligations (note 17)	**(1,256)**	(152)
Total other comprehensive income for the period, net of tax	**(1,403)**	969
Profit after tax for the period	**554**	332
Total comprehensive income for the period	**(849)**	1,301
Total comprehensive income is attributable to:		
Equity holders of the parent	**(859)**	1,291
Non-controlling interest	**10**	10
	(849)	1,301

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

CONSOLIDATED BALANCE SHEET

€ million	**June 30, 2016**	December 31, 2015
Non-current assets		
Property, plant and equipment	**13,239**	13,672
Intangible assets	**3,038**	3,246
Investments accounted for using the equity method	**41**	41
Available-for-sale financial assets	**68**	74
Employee benefit assets	**878**	957
Derivative financial instruments	**88**	62
Deferred tax assets	**658**	723
Other non-current assets	**443**	365
	18,453	19,140
Current assets		
Non-current assets held for sale	**13**	5
Inventories	**440**	520
Trade receivables	**1,545**	1,196
Other current assets	**1,056**	1,235
Current tax receivable	**77**	79
Derivative financial instruments	**199**	198
Other current interest-bearing deposits	**3,493**	2,947
Cash and cash equivalents	**3,068**	2,909
	9,891	9,089
Total assets	**28,344**	28,229
Shareholders' equity		
Issued share capital	**1,066**	1,020
Share premium	**6,105**	5,867
Treasury shares	**(96)**	(113)
Other reserves	**(2,596)**	(1,548)
Total shareholders' equity	**4,479**	5,226
Non-controlling interest	**308**	308
Total equity	**4,787**	5,534
Non-current liabilities		
Interest-bearing long-term borrowings	**7,768**	7,498
Employee benefit obligations	**1,677**	858
Deferred tax liability	**253**	419
Provisions for liabilities and charges	**2,085**	2,049
Derivative financial instruments	**85**	282
Other long-term liabilities	**207**	223
	12,075	11,329
Current liabilities		
Current portion of long-term borrowings	**1,051**	1,132
Trade and other payables	**3,933**	3,803
Deferred revenue on ticket sales	**5,543**	4,374
Derivative financial instruments	**471**	1,328
Current tax payable	**-**	124
Provisions for liabilities and charges	**484**	605
	11,482	11,366
Total liabilities	**23,557**	22,695
Total equity and liabilities	**28,344**	28,229

CONSOLIDATED CASH FLOW STATEMENT

	Six months to June 30	
€ million	**2016**	2015
Cash flows from operating activities		
Operating profit	**789**	555
Depreciation, amortisation and impairment	**658**	620
Movement in working capital	**1,620**	909
Increase in trade and other receivables, prepayments, inventories and current assets	***(739)***	*(745)*
Increase in trade and other payables, deferred revenue on ticket sales and current liabilities	***2,359***	*1,654*
Payments related to restructuring (net of provision)	**(91)**	(101)
Employer contributions to pension schemes	**(680)**	(484)
Pension scheme service costs	**108**	127
Provision and other non-cash movements	**66**	99
Interest paid	**(107)**	(97)
Taxation	**(104)**	(37)
Net cash flows from operating activities	**2,259**	1,591
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	**(1,731)**	(606)
Sale of property, plant and equipment and intangible assets	**83**	103
Net proceeds from sale of investments	**-**	6
Interest received	**21**	23
Increase in other current interest-bearing deposits	**(861)**	(483)
Increase in financial assets	**(103)**	-
Dividends received	**1**	1
Other investing movements	**5**	3
Net cash flows from investing activities	**(2,585)**	(953)
Cash flows from financing activities		
Net proceeds from long-term borrowings	**1,083**	325
Repayment of borrowings	**(74)**	(72)
Repayment of finance leases	**(259)**	(288)
Acquisition of treasury shares	**(25)**	(20)
Distributions made to holders of perpetual securities and other	**(10)**	(11)
Dividend paid	**(40)**	-
Net cash flows from financing activities	**675**	(66)
Net increase in cash and cash equivalents	**349**	572
Net foreign exchange differences	**(190)**	124
Cash and cash equivalents at 1 January	**2,909**	1,528
Cash and cash equivalents at period end	**3,068**	2,224
Interest-bearing deposits maturing after more than three months	**3,493**	4,197
Cash, cash equivalents and other interest-bearing deposits	**6,561**	6,421

At June 30, 2016 British Airways held €53 million equivalent of restricted cash in Nigeria.

At June 30, 2016 Aer Lingus held €48 million of restricted cash within interest-bearing deposits maturing after more than three months relating to the pension escrow.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2016

€ million	Issued share capital	Share premium	Treasury shares	Other reserves[1]	**Total shareholders' equity**	Non-controlling interest	**Total equity**
January 1, 2016	1,020	5,867	(113)	(1,548)	**5,226**	308	**5,534**
Total comprehensive income for the period (net of tax)	-	-	-	(859)	**(859)**	10	**(849)**
Cost of share-based payments	-	-	-	26	**26**	-	**26**
Vesting of share-based payment schemes	-	-	42	(76)	**(34)**	-	**(34)**
Acquisition of treasury shares	-	-	(25)	-	**(25)**	-	**(25)**
Dividend	-	(106)	-	(106)	**(212)**	-	**(212)**
Issue of ordinary shares related to conversion of convertible bond	46	344	-	(33)	**357**	-	**357**
Distributions made to holders of perpetual securities	-	-	-	-	-	(10)	**(10)**
June 30, 2016	**1,066**	**6,105**	**(96)**	**(2,596)**	**4,479**	**308**	**4,787**

[1]Closing balance includes retained earnings of €331 million (excluding pensions restatement: retained earnings of €2,380 million).

For the six months to June 30, 2015

€ million	Issued share capital	Share premium	Treasury shares	Other reserves[1]	Total shareholders' equity	Non-controlling interest	Total equity
January 1, 2015	1,020	5,867	(6)	(3,396)	3,485	308	3,793
Total comprehensive income for the period (net of tax)	-	-	-	1,291	1,291	10	1,301
Cost of share-based payments	-	-	-	17	17	-	17
Vesting of share-based payment schemes	-	-	5	(3)	2	-	2
Acquisition of treasury shares	-	-	(20)	-	(20)	-	(20)
Dividend of a subsidiary	-	-	-	-	-	(1)	(1)
Distributions made to holders of perpetual securities	-	-	-	-	-	(10)	(10)
June 30, 2015	1,020	5,867	(21)	(2,091)	4,775	307	5,082

[1]Closing balance includes a retained deficit of €50 million (excluding pensions restatement: retained earnings of €1,999 million).

NOTES TO THE ACCOUNTS
For the six months to June 30, 2016

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 July 28, 2016. 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 basis of preparation and accounting policies set out in the IAG Annual Report and Accounts for the year to December 31, 2015 have been applied in the preparation of these condensed consolidated interim financial statements, except as disclosed in note 2. IAG's financial statements for the year to December 31, 2015 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.

On May 6, 2016 IAG announced that it had exercised its option to redeem all of its outstanding €390 million 1.75 per cent convertible bonds due in 2018. As an alternative to the redemption of the bonds, the bondholders had the option under the terms and conditions to exchange bonds for ordinary shares in the Company. In June 2016, all remaining bondholders exercised their option to exchange their convertible bonds for ordinary shares, resulting in the issue of 91,981,118 new shares.

The financial statements for the prior year include reclassifications that were made to conform to the current year presentation.

In 2016 the Group reviewed and amended the reporting of individual line items in the consolidated Income statement to better reflect the nature of underlying transactions and improve comparability between reporting periods. As a result, for the year to December 31, 2015, revenue previously reported as Other revenue has been reclassified to Passenger revenue and Cargo revenue. Expenditure in respect of certain subcontracted services, previously allocated to Property, IT and other costs, has been reclassified to Handling, catering and other operating costs. These reclassifications have not affected reported total revenue, expenditure or operating profit for 2015. Details of these adjustments are provided in the table below.

Consolidated income statement for the six months to June 30, 2015

€ million	Previously reported	Reclassification	After reclassification
Passenger revenue	9,119	30	9,149
Cargo revenue	505	35	540
Other revenue	739	(65)	674
Total revenue	10,363	-	10,363
Handling, catering and other operating costs	1,061	100	1,161
Property, IT and other costs	466	(100)	366
Other expenditure on operations	8,281	-	8,281
Total expenditure on operations	9,808	-	9,808
Operating profit	555	-	555

2. ACCOUNTING POLICIES

The Group has adopted the following standards, interpretations and amendments for the first time in the six months to June 30, 2016:

IAS 1 (Amendment) 'Presentation of financial statements' disclosure initiative; effective for periods beginning on or after January 1, 2016. The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements, and the disclosure of accounting policies. The adoption of the amendments has not resulted in a significant change to the presentation and disclosures in the Group's financial statements.

IAS 19 (Amendment) 'Defined Benefit plans: Employee contributions'; effective for periods beginning on or after February 1, 2015. The amendments clarify the application of IAS 19 'Employee Benefits' (2011) to plans that require employees or third parties to contribute towards the cost of benefits. The amendments have not resulted in a change to the financial position or performance of the Group.

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. BUSINESS COMBINATION

On August 18, 2015, the Group acquired 100 per cent of the issued ordinary share capital of Aer Lingus Group for €2.55 per share.

The fair values of the assets and liabilities arising from the acquisition were presented in the financial statements for the year to December 31, 2015 on a provisional basis. During the six months to June 30, 2016 the valuation exercise was finalised, resulting in an increase of €58 million to the fair value of property, plant and equipment arising from the acquisition, and a related €7 million deferred tax liability.

The goodwill is recognised as follows:

€ million	
Cash consideration	1,351
Fair value of identifiable net assets	1,079
Goodwill	**272**

4. EXCEPTIONAL ITEMS

	Six months to June 30	
€ million	**2016**	2015
Revision in US past service cost benefits [1]	**(51)**	-
Pre-acquisition cash flow hedge impact [2]	**(28)**	-
Recognised in expenditure on operations	**(79)**	-
Tax on exceptional items	**14**	-
Total exceptional credit after tax	**(65)**	-

[1] *Revision in US past service cost benefits*
During the period the Group made changes to the US PRMB (Post-Retirement Medical Benefits) to further bring the level of benefits in line with national trends seen in the US. This scheme is accounted for in a similar way to a defined benefit plan, so any reduction in benefit results in the recognition of a past service gain when the plan amendment occurs. This change has resulted in a one-off gain in employee costs of €51 million in the six months to June 30, 2016, and a related tax charge of €10 million.

[2] *Derivatives and financial instruments*
Under IFRS 3 Business combinations, gains or losses on cash flow hedges acquired should not be recycled to the income statement but recognised in equity. Following the acquisition of Aer Lingus, IAG continued to unwind the cash flow fuel hedges acquired in reported fuel expense. For the six months to June 30, 2016, a credit of €28 million was recognised as an exceptional item, reversing the impact of unwinding the cash flow hedges to arrive at the total Fuel, oil costs and emissions charges. A related tax charge of €4 million was also recognised.

5. 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.

6. SEGMENT INFORMATION

a. Business segments

British Airways, Iberia, Vueling, Aer Lingus and Avios are managed as individual operating companies. Each airline 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 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 four (2015: three) reportable operating segments for financial reporting purposes, reported as British Airways, Iberia, Vueling and Aer Lingus.

In 2016, the Avios business has been treated as a separate operating unit and is included in Other Group companies in the Business segment information; it is not a separate reportable segment. In 2015, Avios was part of the British Airways and Iberia operating segments based on ownership. The 2015 comparatives have been restated to reflect this change.

Other Group companies include Avios and the head office companies IAG, IAG GBS and IAG Cargo.

For the six months to June 30, 2016

	2016					
€ million	British Airways	Iberia	Vueling	Aer Lingus	Other Group companies	**Total**
Revenue						
External revenue	6,875	1,982	857	787	285	**10,786**
Inter-segment revenue	238	151	-	-	230	**619**
Segment revenue	7,113	2,133	857	787	515	**11,405**
Depreciation, amortisation and impairment	(487)	(115)	(9)	(37)	(10)	**(658)**
Operating profit/(loss) before exceptional items	**631**	**(6)**	**(54)**	**42**	**97**	**710**
Exceptional items (note 4)	51	-	-	-	28	**79**
Operating profit/(loss) after exceptional items	**682**	**(6)**	**(54)**	**42**	**125**	**789**
Net non-operating costs						**(101)**
Profit before tax						**688**

For the six months to June 30, 2015

	2015				
€ million	British Airways	Iberia	Vueling	Other Group companies	Total
Revenue					
External revenue	7,365	2,013	786	199	10,363
Inter-segment revenue	162	169	-	219	550
Segment revenue	7,527	2,182	786	418	10,913
Depreciation, amortisation and impairment	(520)	(87)	(6)	(7)	(620)
Operating profit/(loss)	488	(18)	(5)	90	555
Net non-operating costs					(143)
Profit before tax					412

NOTES TO THE ACCOUNTS continued
For the six months to June 30, 2016

6. SEGMENT INFORMATION

b. Geographical analysis

Revenue by area of original sale

	Six months to June 30	
€ million	**2016**	2015
UK	**3,854**	3,826
Spain	**1,659**	1,577
USA	**1,731**	1,582
Rest of world	**3,542**	3,378
	10,786	10,363

Assets by area

June 30, 2016

€ million	**Property, plant and equipment**	**Intangible assets**
UK	**10,345**	**1,203**
Spain	**2,103**	**1,214**
USA	**24**	**12**
Rest of world	**767**	**609**
Total	**13,239**	**3,038**

December 31, 2015

€ million	Property, plant and equipment	Intangible assets
UK	11,112	1,346
Spain	1,798	1,222
USA	26	14
Rest of world	736	664
Total	13,672	3,246

7. FINANCE COSTS AND INCOME

	Six months to June 30	
€ million	**2016**	2015
Finance costs		
Interest payable on bank and other loans, finance charges payable under finance leases	**(141)**	(132)
Unwinding of discount on provisions	**(11)**	(11)
Capitalised interest on progress payments	**1**	1
Change in fair value of cross currency swaps	**(2)**	1
Total finance costs	**(153)**	(141)
Finance income		
Interest on other interest-bearing deposits	**18**	19
Total finance income	**18**	19

8. TAX

The tax charge for the six months to June 30, 2016 is €134 million (2015: €80 million charge), and the effective tax rate is 20 per cent.

The UK corporation tax rate is reducing from 20 per cent to 19 per cent effective from April 1, 2017 and from 19 per cent to 18 per cent effective from April 1, 2020. A further reduction to 17 per cent effective from April 1, 2020 has been announced and is expected to be enacted later in 2016. The effect of the corporation tax rate reduction is expected to be a deferred tax credit of €42 million through the income statement.

9. EARNINGS PER SHARE AND SHARE CAPITAL

	Six months to June 30	
Millions	**2016**	2015
Weighted average number of ordinary shares in issue	**2,030**	2,039
Weighted average number for diluted earnings per share	**2,210**	2,161

	Six months to June 30	
€ cents	**2016**	2015
Basic earnings per share	**26.8**	15.8
Diluted earnings per share	**25.6**	15.4

During the six months to June 30, 2016 the Company issued 92,910,220 ordinary shares as a result of the conversion of the €390 million 1.75 per cent convertible bonds due in 2018, resulting in a €46 million increase of Issued share capital and a €344 million increase in Share premium. The ordinary shares issued have the same rights as the other shares in issue.

The number of shares in issue at June 30, 2016 was 2,132,988,743 (June 30, 2015: 2,040,078,523) ordinary shares with a par value of €0.50 each.

10. DIVIDENDS

The Directors do not propose a dividend be paid for the six months to June 30, 2016 (June 30, 2015: nil).

The final dividend of 10 € cents per share for the year to December 31, 2015 was approved at the annual general meeting on June 16, 2016. This final dividend, amounting to €212 million, has been recognised as a liability at June 30, 2016 and was paid from July 4, 2016.

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

€ million	**Property, plant and equipment**	**Intangible assets**
Net book value at January 1, 2016	13,672	3,246
Additions	1,685	70
Acquired through Business combination	58	(51)
Disposals	(101)	(18)
Reclassifications	(25)	11
Depreciation, amortisation and impairment	(609)	(49)
Exchange movements	(1,441)	(171)
Net book value at June 30, 2016	**13,239**	**3,038**

€ million	Property, plant and equipment	Intangible assets
Net book value at January 1, 2015	11,784	2,438
Additions	575	69
Disposals	(102)	(31)
Reclassifications	(11)	11
Depreciation, amortisation and impairment	(591)	(29)
Exchange movements	1,051	124
Net book value at June 30, 2015	12,706	2,582

Capital expenditure authorised and contracted but not provided for in the accounts amounts to €14,307 million (December 31, 2015: €16,091 million). The majority of capital expenditure commitments are denominated in US dollars, and as such are subject to changes in foreign exchange rates.

12. 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 IAG Annual Report and Accounts for the year to December 31, 2015. For the six months to June 30, 2016, following consideration of the impact of the UK referendum, the Group has concluded that there are no indicators that the carrying value may exceed the recoverable amount.

13. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale of €13 million represent one Boeing 737-400 engine and one Airbus A340-300 aircraft. These are presented within the British Airways and Iberia operating segments respectively and will exit the business within 12 months of June 30, 2016.

Assets held for sale with a net book value of €4 million were disposed of during the six months to June 30, 2016, related to the sale of three Boeing 737-400 airframes and eight Boeing 737-400 engines, resulting in a profit of €2 million.

At December 31, 2015 the non-current assets held for sale of €5 million represented three Boeing 737-400 airframes and nine Boeing 737-400 engines that had been stood down from use and were being marketed for sale. These were presented within the British Airways segment.

14. FINANCIAL INSTRUMENTS

a. Financial assets and liabilities by category

The detail of the Group's financial instruments at June 30, 2016 and December 31, 2015 by nature and classification for measurement purposes is as follows:

June 30, 2016

€ million	Financial assets: Loans and receivables	Financial assets: Derivatives used for hedging	Financial assets: Available-for-sale	Non-financial assets	**Total carrying amount by balance sheet item**
Non-current assets					
Available-for-sale financial assets	-	-	68	-	**68**
Derivative financial instruments	-	88	-	-	**88**
Other non-current assets	422	-	-	21	**443**
Current assets					
Trade receivables	1,545	-	-	-	**1,545**
Other current assets	426	-	-	630	**1,056**
Non-current assets held for sale	-	-	-	13	**13**
Derivative financial instruments	-	199	-	-	**199**
Other current interest-bearing deposits	3,493	-	-	-	**3,493**
Cash and cash equivalents	3,068	-	-	-	**3,068**

€ million	Financial liabilities: Loans and payables	Financial liabilities: Derivatives used for hedging	Non-financial liabilities	**Total carrying amount by balance sheet item**
Non-current liabilities				
Interest-bearing long-term borrowings	7,768	-	-	**7,768**
Derivative financial instruments	-	85	-	**85**
Other long-term liabilities	7	-	200	**207**
Current liabilities				
Current portion of long-term borrowings	1,051	-	-	**1,051**
Trade and other payables	3,626	-	307	**3,933**
Derivative financial instruments	-	471	-	**471**

14. FINANCIAL INSTRUMENTS continued

a. Financial assets and liabilities by category

December 31, 2015	Financial assets				
€ million	Loans and receivables	Derivatives used for hedging	Available-for-sale	Non-financial assets	Total carrying amount by balance sheet item
Non-current assets					
Available-for-sale financial assets	-	-	74	-	74
Derivative financial instruments	-	62	-	-	62
Other non-current assets	345	-	-	20	365
Current assets					
Trade receivables	1,196	-	-	-	1,196
Other current assets	545	-	-	690	1,235
Non-current assets held for sale	-	-	-	5	5
Derivative financial instruments	-	198	-	-	198
Other current interest-bearing deposits	2,947	-	-	-	2,947
Cash and cash equivalents	2,909	-	-	-	2,909

	Financial liabilities			
€ million	Loans and payables	Derivatives used for hedging	Non-financial liabilities	Total carrying amount by balance sheet item
Non-current liabilities				
Interest-bearing long-term borrowings	7,498	-	-	7,498
Derivative financial instruments	-	282	-	282
Other long-term liabilities	10	-	213	223
Current liabilities				
Current portion of long-term borrowings	1,132	-	-	1,132
Trade and other payables	3,442	-	361	3,803
Derivative financial instruments	-	1,328	-	1,328

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.

14. FINANCIAL INSTRUMENTS continued

b. Fair value of financial assets and financial liabilities

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

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 the balance sheet date.

Instruments included in Level 2 include derivatives and interest-bearing borrowings.

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 including leases is determined by discounting the remaining contractual cash flows at the relevant market interest rates at the balance sheet date.

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

The carrying amounts and fair values of the Group's financial assets and liabilities at June 30, 2016 are set as follows:

€ million	Fair value Level 1	Level 2	Level 3	Total	**Carrying value Total**
Financial assets					
Available-for-sale financial assets	9	-	59	68	**68**
Derivatives [(1)]	-	287	-	287	**287**
Financial liabilities					
Interest-bearing borrowings	1,290	7,703	-	8,993	**8,819**
Derivatives [(2)]	-	556	-	556	**556**

[(1)]Current portion of derivative financial assets is €199 million.
[(2)]Current portion of derivative financial liabilities is €471 million.

December 31, 2015

€ million	Fair value Level 1	Level 2	Level 3	Total	Carrying value Total
Financial assets					
Available-for-sale financial assets	9	-	65	74	74
Derivatives [(1)]	-	260	-	260	260
Financial liabilities					
Interest-bearing borrowings	2,102	7,248	-	9,350	8,630
Derivatives [(2)]	-	1,610	-	1,610	1,610

[(1)]Current portion of derivative financial assets is €198 million
[(2)]Current portion of derivative financial liabilities is €1,328 million

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

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

14. FINANCIAL INSTRUMENTS continued

c. Level 3 financial assets reconciliation

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

€ million	**June 30, 2016**	December 31, 2015
Opening balance for the year	**65**	65
Settlements	**-**	(5)
Exchange movements	**(6)**	5
Closing balance for the period	**59**	65

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, an unlisted investment. During 2014 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 in 2014 being non-recurring in nature.

15. BORROWINGS

€ million	**June 30, 2016**	December 31, 2015
Current		
Bank and other loans	**487**	576
Finance leases	**564**	556
	1,051	1,132
Non-current		
Bank and other loans	**1,835**	2,176
Finance leases	**5,933**	5,322
	7,768	7,498

Following the announcement by the Group that it had exercised its option to redeem all of its outstanding €390 million 1.75 per cent convertible bonds due 2018, in June 2016 all remaining bondholders exercised their option to exchange their convertible bonds for ordinary shares, resulting in the issuance of 91,981,118 new shares.

In the six months to June 30, 2016, the Group issued bonds totalling €49 million; €11 million 2.5 per cent coupon repayable in 2018, and €38 million 2.5 per cent coupon repayable in 2019.

16. SHARE BASED PAYMENTS

During the period 5,125,613 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. 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, 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 options granted in the year:

Expected share price volatility: 30 per cent
Expected life of options: 3 years
Weighted average share price: £5.41

The Group also made awards under the Group's Incentive Award Deferral Plan during the period, under which 1,915,957 conditional shares were awarded.

17. 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.

				June 30, 2016
€ million	APS	NAPS	Other	**Total**
Scheme assets at fair value	9,240	16,620	391	**26,251**
Present value of scheme liabilities	(7,860)	(18,000)	(671)	**(26,531)**
Net pension asset/(liability)	1,380	(1,380)	(280)	**(280)**
Effect of the asset ceiling	(508)	-	-	**(508)**
Other employee benefit obligations	-	-	(11)	**(11)**
June 30, 2016	872	(1,380)	(291)	**(799)**

Represented by:	
Employee benefit asset	**878**
Employee benefit obligation	**(1,677)**
	(799)

				December 31, 2015
€ million	APS	NAPS	Other	Total
Scheme assets at fair value	9,916	17,997	429	28,342
Present value of scheme liabilities	(8,405)	(18,460)	(805)	(27,670)
Net pension asset/(liability)	1,511	(463)	(376)	672
Effect of the asset ceiling	(561)	-	-	(561)
Other employee benefit obligations	-	-	(12)	(12)
December 31, 2015	950	(463)	(388)	99

Represented by:	
Employee benefit asset	957
Employee benefit obligation	(858)
	99

At June 30, 2016, the assumptions used to determine the obligations under the APS and NAPS were reviewed and updated to reflect market conditions at that date. The change in assumptions has resulted in a charge to Other comprehensive income of €1,256 million (net of tax). Key assumptions were as follows:

	APS		NAPS	
Per cent per annum	**June 30, 2016**	December 31, 2015	**June 30, 2016**	December 31, 2015
Inflation (CPI)	**1.60**	1.85	**1.60**	2.00
Inflation (RPI)	**2.70**	2.85	**2.70**	3.00
Salary increases (as RPI)	**2.70**	2.85	**2.70**	3.00
Discount rate	**2.70**	3.60	**2.90**	3.85

Pension contributions for APS and NAPS were determined by an actuarial valuation made as at March 31, 2012 using assumptions and methodologies agreed with the Trustees of each scheme.

The Group is currently in discussions with the Trustees of the APS and NAPS over the latest actuarial valuations as at March 31, 2015. Although discussions have been constructive, further work is required beyond June 30, 2016 (the date set by the statutory framework) to finalise the valuations and conclude a satisfactory agreement.

18. PROVISIONS FOR LIABILITIES AND CHARGES

€ million	Restoration and handback provisions	Restructuring	Employee leaving indemnities and other employee related provisions	Legal claims provisions	Other provisions	**Total**
Net book value at January 1, 2016	1,013	744	579	235	83	**2,654**
Provisions recorded during the period	148	15	12	7	48	**230**
Utilised during the period	(82)	(91)	(11)	(6)	(47)	**(237)**
Release of unused amounts and other movements	(9)	(5)	-	(35)	(2)	**(51)**
Unwinding of discount	3	1	7	-	-	**11**
Exchange differences	(26)	(2)	(2)	(1)	(7)	**(38)**
Net book value June 30, 2016	**1,047**	**662**	**585**	**200**	**75**	**2,569**
Analysis:						
Current	177	190	67	9	41	**484**
Non-current	870	472	518	191	34	**2,085**

19. CONTINGENT LIABILITIES

The Group has certain contingent liabilities and guarantees, which at June 30, 2016 amounted to €125 million (December 31, 2015: €172 million). No material losses are likely to arise from such contingent liabilities and guarantees. The Group also had the following claims:

Cargo
The Group is party to a number of legal proceedings in the English courts relating to a decision by the European Commission in 2010 which fined British Airways and ten other airline groups for participating in a cartel in respect of air cargo prices. The decision was partially annulled as against British Airways following an appeal to the general court of the European Union and the fine was refunded in full. It is not yet clear what the European Commission's next steps will be. The original decision has led to a large number of claimants seeking, in proceedings brought in the English courts, to recover damages from British Airways which 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 awarded.

The Group 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.

We are currently unable to determine whether the Group has an existing obligation as a result of the past event.

Other
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.

20. 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:

	Six months to June 30	
€ million	**2016**	2015
Sales of goods and services		
Sales to associates	**4**	7
Sales to significant shareholders	**18**	5
Purchases of goods and services		
Purchases from associates	**23**	21
Purchases from significant shareholders	**29**	2

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

€ million	**June 30, 2016**	December 31, 2015
Receivables from related parties		
Amounts owed by associates	**3**	3
Amounts owed by significant shareholders	**1**	1
Payables to related parties		
Amounts owed to associates	**6**	3
Amounts owed to significant shareholders	**-**	4

For the six months to June 30, 2016 the Group has not made any provision for doubtful debts arising relating to amounts owed by related parties (2015: nil).

Board of Directors and Management Committee remuneration

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

	Six months to June 30	
€ million	**2016**	2015
Base salary, fees and benefits		
Board of Directors' remuneration	**2**	2
Management Committee remuneration	**3**	3

At June 30, 2016 the Board of Directors includes remuneration for two Executive Directors (June 30, 2015: two Executive Directors). The Management Committee includes remuneration for nine members (June 30, 2015: eight members).

The Company provides life insurance for all Executive Directors and the Management Committee. For the six months to June 30, 2016 the Company's obligation was €25,000 (2015: €26,000).

At June 30, 2016 the transfer value of accrued pensions covered under defined benefit pension obligation schemes, relating to the current members of the Management Committee totalled €4 million (2015: €8 million).

No loans or credit transactions were outstanding with Directors or officers of the Group at June 30, 2016 (2015: nil).

21. 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 July 28, 2016, 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, 2016, 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 true and fair review of the information required.

July 28, 2016

Antonio Vázquez Romero
Chairman

William Matthew Walsh
Chief Executive Officer

Marc Jan Bolland

Patrick Jean Pierre Cescau

Enrique Dupuy de Lôme Chávarri

Denise Patricia Kingsmill

James Arthur Lawrence

María Fernanda Mejía Campuzano

Kieran Charles Poynter

Emilio Saracho Rodríguez de Torres

Marjorie Morris Scardino

Alberto Terol Esteban

AIRCRAFT FLEET

Number in service with Group companies

	On balance sheet fixed assets	Off balance sheet operating leases	**Total June 30, 2016**	Total December 31, 2015	Changes since December 31, 2015	Future deliveries	Options
Airbus A318	2	-	**2**	2	-	-	-
Airbus A319	34	32	**66**	68	(2)	-	-
Airbus A320	68	157	**225**	222	3	95	128
Airbus A321	26	21	**47**	43	4	19	-
Airbus A330-200	7	1	**8**	4	4	9	7
Airbus A330-300	4	8	**12**	12	-	2	-
Airbus A340-300	4	-	**4**	7	(3)	-	-
Airbus A340-600	4	13	**17**	17	-	-	-
Airbus A350	-	-	**-**	-	-	43	57
Airbus A380	12	-	**12**	10	2	-	7
Boeing 747-400	39	-	**39**	40	(1)	-	-
Boeing 757-200	1	2	**3**	3	-	-	-
Boeing 767-300	11	-	**11**	12	(1)	-	-
Boeing 777-200	41	5	**46**	46	-	-	-
Boeing 777-300	9	3	**12**	12	-	-	-
Boeing 787-800	8	-	**8**	8	-	1	12
Boeing 787-900	10	-	**10**	5	5	11	6
Boeing 787-1000	-	-	**-**	-	-	12	-
Embraer E170	6	-	**6**	6	-	-	-
Embraer E190	9	4	**13**	12	1	1	15
Group total	**295**	**246**	**541**	**529**	**12**	**193**	**232**

As well as those aircraft in service the Group also holds 3 aircraft (2015: 11) not in service.