IAG half year results 2024

Strong first half performance as we deliver our strategy. Interim dividend announced of 3 € cents per share.

Highlights

- Strong performance for H1 2024: operating profit of €1,309 million, €49 million ahead of H1 2023
  - Q2 operating profit of €1,241 million – broadly in line with a record Q2 2023 (€1,251 million)
- Continuing robust demand for travel in our markets supports positive unit revenue growth
- Transformation programme helping to deliver strong margins and profit in the medium term
  - Focused growth in our core markets
  - Making good progress with operational and customer initiatives at British Airways
  - Continuing good operational and financial performance in Spain
  - Further growth in our capital-light IAG Loyalty business; now including BA Holidays
- Significant increase in H1 free cash flow to €3.2 billion
- Strong balance sheet: 1.1x leverage; Investment grade at S&P and Moody's; refinanced Revolving Credit Facility
- Withdrawal from the Air Europa transaction in the best interests of our shareholders
- With confidence in the strategy and business model the Board has approved a 3 € cents per share interim dividend
- We remain committed to disciplined capital allocation and distributing excess cash to shareholders

Luis Gallego, IAG Chief Executive Officer, said:

"We see continuing strong demand for travel in the attractive core markets in which we operate: North Atlantic, Latin America and intra-Europe. We delivered a good performance in the first half of 2024, with operating profit €49 million ahead of the same period last year.

"We are pleased to announce a return to paying a dividend, which reflects our confidence in the business, our performance and our transformation. We are delivering on our strategy and our commitment to sustainable shareholder returns.

"We would like to thank our people working across the Group for their contribution to these positive results."

Financial summary:

	Six months to 30 June		Three months to 30 June	
Reported results (€ million)	**2024**	2023	**2024**	2023
Total revenue	**14,724**	13,583	**8,295**	7,694
Operating profit	**1,309**	1,260	**1,241**	1,251
Profit after tax	**905**	921	**909**	1,008
Basic earnings per share (€ cents)	**18.4**	18.6		
Cash, cash equivalents and interest-bearing deposits[1]	**9,698**	6,837		
Borrowings[1]	**16,115**	16,082		

Alternative performance measures (€ million)	**2024**	2023	**2024**	2023
Total revenue before exceptional items	**14,724**	13,583	**8,295**	7,694
Operating profit before exceptional items	**1,309**	1,260	**1,241**	1,251
Operating margin before exceptional items	**8.9%**	9.3%	**15.0%**	16.3%
Profit after tax before exceptional items[2]	**815**	921	**908**	1,008
Adjusted earnings per share (€ cents)	**15.6**	17.6		
Net debt[1]	**6,417**	9,245		
Net debt to EBITDA before exceptional items (times)[1]	**1.1**	1.7		
Total liquidity[1, 3]	**13,168**	11,624		

For definitions of Alternative performance measures, refer to IAG Annual report and accounts 2023.

1 The prior period comparative is 31 December 2023.
2 Exceptional items in 2024 (2023: nil) relate to the withdrawal from the Air Europa transaction and tax, as explained in the Financial review and Alternative performance measures section.
3 Total liquidity includes Cash, cash equivalents and interest-bearing deposits, plus committed and undrawn general and aircraft-specific financing facilities.

Financial highlights for the first six months of 2024

- Capacity (ASK) growth of 7.5% for the first half as we invest in our markets
- Passenger unit revenue for the half year increased by 2.9% - reflecting strong demand for travel as well as for our brand offerings
  - Our core markets are performing well – North Atlantic, Latin America and intra-Europe
  - We are seeing some softness in long-haul pricing in Dublin, as well as in the Asian markets, both of which are small in relation to IAG's total capacity.
- Non-fuel unit cost increased 1.8%, reflecting 2023 wage increases and investment in the business, offset by reduction in the cost of disruption
- The fuel cost increased by 7.4% to €3,814 million reflecting a small year-on-year reduction in the average hedged price and increased capacity as well as the impact of increasing ETS costs
- Operating profit of €1,309 million (2023: €1,260 million), a margin of 8.9%; Easter was earlier in 2024 than in 2023, which benefited Q1 2024 and had an adverse impact on Q2 2024 versus 2023
- Net debt of €6.4 billion (31 December 2023: €9.2 billion) benefitting from seasonal working capital inflows

Outlook for 2024

- Strong demand for travel, particularly in our core markets of the North Atlantic, Latin America and intra-Europe
- Our full year capacity (ASK) growth guidance remains the same at 7%; Q3 2024 to be c.+7%
- Our non-fuel unit cost is also as previously guided: to increase slightly overall in 2024
- Expect to generate significant free cash flow and maintain a strong balance sheet

Delivering our strategy

Our strong performance in the first half of 2024 and the announcement of a resumption of sustainable shareholder returns are evidence of the successful delivery of our strategy.

IAG has a business model and strategy that is focused on maximising total shareholder returns through a disciplined capital allocation framework. Since IAG's inception this has enabled us to establish a proven track record of delivering market-leading financial performance.

Our strategy seeks to deliver our medium-term objectives of operating margins of 12% to 15%; return on invested capital of 13% to 16%; and capacity growth from 2024 to 2026 of 4% to 5% per annum.

Building on our three strategic pillars, we have three main priorities to deliver our medium-term margin targets. These are as follows:

1 Transforming British Airways, to drive higher customer satisfaction, profits and margins
2 Leveraging our Spanish platforms, with a target to deliver over €1.5 billion of profit from our Spanish businesses
3 Growing IAG Loyalty for its higher growth, high margins and sustainable cash generation

These priorities are all underpinned by a Group-wide transformation programme to enable all our businesses to reach their full potential in the long term and with a strong foundation of capital discipline and a strong balance sheet.

Strengthening our core

We believe that aviation is a force for good, both for social and economic reasons, which is reflected in the strong demand for travel. This is a positive trend that has been sustained over the last fifty years.

Growing our global leadership positions
IAG is the leading European airline group in the North and South Atlantic, with extensive connectivity intra-Europe and with the rest of the world.

1 *Investing in the North Atlantic - the largest aviation market from Europe*
The North Atlantic is the largest long-haul market from Europe and is worth around €38 billion annually in revenue. It is now a more consolidated market among the carrier alliances and our Atlantic Joint Business represents around 58% share of the London – US market.

Aer Lingus continues to maximise its US point-of-sale opportunity, particularly to secondary cities, such as the return to Minneapolis this year as well as adding Denver. British Airways has deployed an additional 3% capacity across the North Atlantic in the first half. This includes further investment in frequencies and capacity this year to San Diego, Chicago and Nashville. Later this year Iberia will be able to expand and deepen its network to the US as it takes delivery of its first Airbus A321 XLR aircraft, allowing for more cost-effective flights. Finally LEVEL is building a focused long-haul, low-cost market from Barcelona, which is principally a point-to-point market. This means increasing its capacity to Miami, Los Angeles and Boston.

2 *Investing in the structurally growing Latin American market*
The Latin American market is a key driver in supporting our target of €1.5 billion operating profit from Spain, through Iberia and LEVEL. The market is the fastest growing from Spain with a 54% increase in revenue since 2019. This is driven by increased inward investment into Spain from Latin America, with the result being more premium customers for Iberia as well as increasing the amount of point-to-point traffic to and from Madrid.

Iberia is building its share in key, primary markets in Spanish-speaking countries, such as three-times-a-day frequencies to Mexico City and Buenos Aires and has been able to do so in a structurally more efficient way with the introduction of Airbus A350 aircraft. LEVEL is adding capacity to Santiago de Chile and Buenos Aires, benefitting partly from the advantageous exchange rate for Spanish tourists.

3 *Strong demand for travel in the European short-haul market*
The European short-haul market is a resilient market that has grown substantially over a number of years. IAG participates in the market through its network carriers, mainly providing onward connections to long-haul, as well as point-to-point services through BA Cityflyer, BA Euroflyer, Iberia Express and Vueling. IAG has the largest share in domestic Spain, Europe's largest domestic market and is growing its share of the tourist markets into Spain such as from the UK.

In the first half of the year Aer Lingus and British Airways have added leisure point-to-point destinations to drive efficient capacity growth. Iberia has added capacity to key European cities such as Milan, Paris and Rome, helping also to increase transfer traffic to its long-haul network. Vueling has delivered a strong performance as it strengthens its position in its core cities, and in particular at Barcelona.

Strengthening our portfolio of world-class brands and operations
Our performance in all areas of the strategy is supported by our Group-wide transformation programme. In particular it supports our objective of delivering higher levels of customer service and operations that will help to drive sustainable earnings growth.

Engaging with our people
Our people are critical to delivering our transformation.

Over the year to date we have recruited around 7,000 new colleagues, attracted by our strong brands in each of our markets. This investment in our people, who are helping to deliver improvements that include operational resilience at British Airways, means that headcount (after natural attrition) has increased by c.6% to an average of 73,000 employees at IAG.

Aligned with our medium-term value-creation targets, we are continually engaging with our workforce to secure multi-year agreements that balance the interests of both stakeholders. We are pleased that deals are now in place in most of our teams including the recent settlement with the Aer Lingus pilots.

Investing in our fleet
Investment in new aircraft is key to delivering our growth plans in an efficient and sustainable way, as well as improving our customer proposition.

We have had nine new aircraft deliveries in the first half of 2024, including six Airbus narrowbody aircraft and three Boeing and Airbus widebodies. These were delivered to Aer Lingus, British Airways and Iberia.

Vueling also took delivery of five Airbus A320ceo direct-leased aircraft in the first half of the year to provide backfill linked to the Pratt & Whitney 'GTF' engine maintenance issue.

We expect aircraft deliveries broadly to be to plan with 20 new aircraft in 2024 and 27 aircraft in 2025, with one Boeing 787 moving from 2024 to 2025. In line with the rest of the sector there continues to be some risk of slippage from both Boeing and Airbus.

We are expecting our first A321 XLR deliveries later this year. In general these will be used to support additional frequencies or routes to secondary cities. Iberia will receive the first aircraft and use it to strengthen transatlantic routes, initially to Washington and Boston.

More efficient operations
An efficient and resilient operational performance is vital for both customer satisfaction, being the biggest factor in customer NPS scores, as well as driving efficiency.

Iberia and Vueling have continued to perform well so far this year and are two of the most punctual airlines in the world.

British Airways has invested significantly to improve its operational performance from last year, including launching a new Heathrow Operating Model in April this year, involving better team structures, greater management oversight and investment in a number of technology and software tools to help decision-making. In the first half British Airways delivered On Time Performance (OTP) of 75.5%, a 15 percentage point increase versus the first six months of 2023, leading to lower disruption costs and better customer NPS.

There is still scope to improve our own performance, whilst recognising that the external operating environment remains challenging. We continue to see high levels of air traffic flow restrictions due to ATC staffing issues, despite Europe's ATC fees rising to record levels. Supply chain issues are also affecting aircraft technical availability.

Investing in our customers
We are investing to deliver better customer experiences across all our airlines, with a number of initiatives delivered in the first half of the year. These are driving improved customer NPS scores.

Reflecting its significant US customer base, Aer Lingus has implemented pre-check at its US airports, with 62% of customers eligible for the service, as well as refreshed lounges at San Francisco, Chicago and Boston.

British Airways is making further progress with its Club Suite rollout, which is now at 69% of the London Heathrow long-haul fleet, and is also starting a refresh of its lounges globally. Significant investment is being made in updating its website and customer app.

Iberia has a number of improvements planned in the second half, such as adding more baggage-friendly overhead bins on its Airbus A320s and improving customer accessibility.

Vueling is using digital tools throughout the customer journey to grow its ancillary revenue opportunities, support better customer service and improve operations.

Transformation supporting innovation and efficiency
Across our airlines, we are delivering transformation initiatives that will drive efficiencies. These include improvements to our digital infrastructure, as well as flight operations and organisational structures.

Aer Lingus has launched Connected Crew that gives cabin crew the ability to resolve operational and customer issues in real time.

Within its operational initiatives British Airways has implemented its Pathfinder tool to optimise aircraft allocation in response to network disruption. British Airways is also in the middle of a major commercial IT upgrade that will secure both revenue and cost benefits.

Iberia continued to develop Connected Operations tools, working to join up ramp, ground crew and cabin crew. The Digital Factory of Iberia continues to produce ultra-fast and low-cost tools that can be integrated into all areas of the business.

Vueling is using digital tools to improve decision-making in its Operational Control Centre, as well as in its maintenance planning processes.

Driving earnings growth through asset-light businesses

Our second strategic imperative is to generate capital-light earnings growth. The biggest element of this is the IAG Loyalty business, which has higher margins and returns than our airlines as well as attractive cash generation characteristics.

The business continues to grow strongly, focusing on encouraging its customers to 'earn and burn' more Avios. Over 23% more Avios were issued in the six months to 30 June 2024 than in the prior year and we have 13% more active customers than at the same point last year. Our non-airline partnerships are a key factor in financial performance and spend on UK Avios-earning credit cards is growing at four times the rate of the wider UK credit card market.

In April IAG Loyalty acquired BA Holidays from British Airways. This is expected to add significant value to the Loyalty business over time as well as increase the profitability of our Group holidays proposition.

A strong and sustainable business

Being an industry leader in the transition to Net Zero

We are transforming for the future by investing in sustainability. We were the first airline to commit to 10% Sustainable Aviation Fuel (SAF) use by 2030 and net zero emissions by 2050.

As a large component of our plans, alongside the purchase of more efficient aircraft, we are focused on securing a sufficient supply of SAF to be able to meet our targets. During 2024 this has included securing our largest-ever purchase agreement with Twelve, as well as more recent agreements with Repsol, EcoCeres and ST1. The agreement with Repsol is the largest purchase of SAF in Spain to date.

We are securing future volumes of SAF on competitive commercial terms and at significant scale, including direct investment. Due to the varying levels of financial support from outside the industry, we believe IAG's scale and commitment will translate to an advantage against smaller and less geographically-diverse airlines in the future.

Performing disciplined capital allocation and balance sheet management

IAG has a disciplined capital allocation framework that supports investment in the business as well as delivering sustainable shareholder returns over the long term.

Maintain a strong balance sheet

Our priority is to maintain a strong balance sheet, to ensure resilience in times of weaker macro- economic performance and to provide strong foundations for growth. We have a target to remain below 1.8x net debt to EBITDA before exceptional items through the cycle, as a proxy for Investment Grade. We would ordinarily maintain further headroom to this target to manage any exceptional volatility in the business.

We have improved our leverage significantly over the last couple of years as the business has returned to full strength and generated significant free cash flow. We are at 1.1x as of 30 June 2024, albeit with the benefit of seasonal working capital inflows, the majority of which we expect to unwind in the second half of the year.

IAG's financial strength is reflected in our Investment Grade status with our ratings agencies, with Moody's moving us to Baa3, whilst S&P has recently upgraded us to a Positive outlook. We have significant liquidity, at €13.2 billion, and we refinanced and upsized our Revolving Credit Facility to a $3.0 billion facility reflecting strong demand. We also cancelled our expensive £2.0 billion UKEF facility.

In addition, included in our cash and leverage scenario planning is a contingent liability regarding a potential claim by HMRC over the appropriate VAT accounting applied by IAG Loyalty, as disclosed in the Financial Review and note 6. We expect more clarity on the matter later this year.

Investing in the business

As noted above, we are prioritising investment in the business to deliver sustainable customer, operational and financial benefits and to achieve our margin and returns targets. This, alongside our ongoing transformation programme to improve the customer experience, innovation and sustainability, is starting to deliver improvements in OTP and customer NPS.

So far this year we have spent €1.4 billion on capital expenditure, and expect to spend around €3.3 billion, on fleet and fleet-related purchases, IT and other property and equipment. This excludes expenditure on ETS allowances, which are now separately disclosed.

On the same basis, in 2025 and 2026 we expect to spend an average of €4.0 billion per annum, with around two thirds of that being spent on new, efficient aircraft. The timing of fleet expenditure depends to some extent on our suppliers and it is possible that some delays will occur.

Committed to sustainable shareholder returns

With a strong balance sheet now secured and our investment programme well-established, we are now in a position to resume shareholder distributions. Accordingly, the Board is declaring an interim dividend of 3 € cents per share for the half year. In future we are more likely to return to announcing an interim dividend at the third quarter results, as we did before the COVID-19 pandemic.

Given the strong cash-generative nature of our business, we will look to pay a sustainable, regular dividend and to distribute any surplus capital generated to shareholders annually. This is consistent with our communicated capital allocation priorities of maintaining a strong balance sheet, considering inorganic growth opportunities and returning excess cash to shareholders.

Summary

- We remain confident in the long-term prospects of the business, with a strong performance in the first half of 2024
- Demand remains strong, whilst supply is constrained for the medium term
- Our transformation programme is going well, securing customer, operational and financial benefits
- We are focused on our strategy to deliver world-class margins and returns
- Confidence in the strategy and business model reflected in the return to paying dividends
- We remain committed to disciplined capital allocation and to distributing excess cash to shareholders

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Forward-looking statements:

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

Forward-looking statements often use words such as “expects”, “believes”, “may”, “will”, “could”, “should”, “continues”, “intends”, “plans”, “targets”, “predicts”, “estimates”, “envisages” or “anticipates” or other words of similar meaning or their negatives. They include, without limitation, any and all projections relating to the results of operations and financial conditions of International Consolidated Airlines Group, S.A. and its subsidiary undertakings from time to time (the ‘Group’), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure, acquisitions and divestments relating to the Group and discussions of the Group’s business plans, and its assumptions, expectations, objectives and resilience with respect to climate scenarios. All forward-looking statements in this announcement are based upon information known to the Group on the date of this announcement and speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

Actual results may differ from those expressed or implied in the forward-looking statements in this announcement as a result of any number of known and unknown risks, uncertainties and other factors, including, but not limited to, economic and geo-political, market, regulatory, climate, supply chain or other significant external events, many of which are difficult to predict and are generally beyond the control of the Group, and it is not reasonably possible to itemise each item. Accordingly, readers of this announcement are cautioned against relying on forward-looking statements. Further information on the primary risks of the business and the Group’s risk management process is set out in the Risk management and principal risk factors section in the Annual report and accounts 2023; this document is available on www.iairgroup.com. All forward-looking statements made on or after the date of this announcement and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section.

Alternative Performance Measures:

This announcement contains, in addition to the financial information prepared in accordance with International Financial Reporting Standards (‘IFRS’) and derived from the Group’s financial statements, alternative performance measures (‘APMs’) as defined in the Guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015. The performance of the Group is assessed using a number of APMs. These measures are not defined under IFRS, should be considered in addition to IFRS measurements, may differ to definitions given by regulatory bodies relevant to the Group and may differ to similarly titled measures presented by other companies. They 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’.

For definitions and explanations of APMs, refer to the APMs section in the most recent published financial report and in the IAG Annual report and accounts 2023. These documents are available on www.iairgroup.com.

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CONSOLIDATED INCOME STATEMENT

€ million	Six months to 30 June 2024	Six months to 30 June 2023	Six months Higher/(lower)	Three months to 30 June 2024	Three months to 30 June 2023	Three months Higher/(lower)
Passenger revenue	**13,043**	11,784	10.7 %	**7,411**	6,743	9.9 %
Cargo revenue	**566**	603	(6.1)%	**283**	280	1.1 %
Other revenue	**1,115**	1,196	(6.8)%	**601**	671	(10.4)%
Total revenue	**14,724**	13,583	8.4 %	**8,295**	7,694	7.8 %
Employee costs	**2,941**	2,610	12.7 %	**1,504**	1,353	11.2 %
Fuel costs and emissions charges	**3,814**	3,550	7.4 %	**2,025**	1,792	13.0 %
Handling, catering and other operating costs	**1,918**	1,796	6.8 %	**1,024**	1,020	0.4 %
Landing fees and en-route charges	**1,170**	1,104	6.0 %	**645**	620	4.0 %
Engineering and other aircraft costs	**1,289**	1,208	6.7 %	**711**	621	14.5 %
Property, IT and other costs	**548**	515	6.4 %	**268**	266	0.8 %
Selling costs	**577**	578	(0.2)%	**283**	298	(5.0)%
Depreciation, amortisation and impairment	**1,140**	983	16.0 %	**581**	497	16.9 %
Net gain on sale of property, plant and equipment	**-**	(17)	nm	**(1)**	(7)	(85.7)%
Currency differences	**18**	(4)	nm	**14**	(17)	nm
Total expenditure on operations	**13,415**	12,323	8.9 %	**7,054**	6,443	9.5 %
Operating profit	**1,309**	1,260	3.9 %	**1,241**	1,251	(0.8)%
Finance costs	**(471)**	(565)	(16.6)%	**(243)**	(291)	(16.5)%
Finance income	**187**	167	12.0 %	**112**	99	13.1 %
Net change in fair value of financial instruments	**(5)**	(13)	(61.5)%	**4**	(12)	nm
Net financing credit relating to pensions	**30**	51	(41.2)%	**16**	26	(38.5)%
Net currency retranslation (charges)/credits	**(24)**	149	nm	**20**	89	(77.5)%
Other non-operating credits/(charges)	**20**	(12)	nm	**(17)**	(4)	nm
Total net non-operating costs	**(263)**	(223)	17.9 %	**(108)**	(93)	16.1 %
Profit before tax	**1,046**	1,037	0.9 %	**1,133**	1,158	(2.2)%
Tax	**(141)**	(116)	21.6 %	**(224)**	(150)	49.3 %
Profit after tax for the period	**905**	921	(1.7)%	**909**	1,008	(9.8)%

ALTERNATIVE PERFORMANCE MEASURES

All figures in the tables below are before exceptional items. Refer to Alternative performance measures section for more detail.

	Six months to 30 June			Three months to 30 June		
	Before exceptional items			Before exceptional items		
€ million	**2024**	2023	Higher/ (lower)	**2024**	2023	Higher/ (lower)
Passenger revenue	**13,043**	11,784	10.7 %	**7,411**	6,743	9.9 %
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Net financing credit relating to pensions	**30**	51	(41.2)%	**16**	26	(38.5)%
Net currency retranslation (charges)/credits	**(24)**	149	nm	**20**	89	(77.5)%
Other non-operating credits/(charges)	**70**	(12)	nm	**33**	(4)	nm
Total net non-operating costs	**(213)**	(223)	(4.5)%	**(58)**	(93)	(37.6)%
Profit before tax	**1,096**	1,037	5.7 %	**1,183**	1,158	2.2 %
Tax	**(281)**	(116)	nm	**(275)**	(150)	83.3 %
Profit after tax for the period	**815**	921	(11.5)%	**908**	1,008	(9.9)%

Operating figures	**2024**	2023	Higher/ (lower)	**2024**	2023	Higher/ (lower)
Available seat kilometres (ASK million)	**165,653**	154,034	7.5 %	**88,969**	82,371	8.0 %
Revenue passenger kilometres (RPK million)	**140,862**	129,585	8.7 %	**77,111**	71,162	8.4 %
Passenger load factor (per cent)	**85.0**	84.1	0.9pts	**86.7**	86.4	0.3pts
Passenger numbers (thousands)	**58,230**	54,307	7.2 %	**31,869**	30,028	6.1 %
Cargo tonne kilometres (CTK million)	**2,485**	2,224	11.7 %	**1,268**	1,099	15.4 %
Sold cargo tonnes (thousands)	**317**	294	7.8 %	**162**	142	14.1 %
Sectors	**360,162**	342,036	5.3 %	**192,877**	184,536	4.5 %
Block hours (hours)	**1,097,882**	1,018,110	7.8 %	**592,426**	549,484	7.8 %
Average headcount	**72,783**	68,477	6.3 %	**n/a**	n/a	n/a
Aircraft in service	**592**	565	4.8 %	**n/a**	n/a	n/a
Passenger revenue per RPK (€ cents)	**9.26**	9.09	1.8 %	**9.61**	9.48	1.4 %
Passenger revenue per ASK (€ cents)	**7.87**	7.65	2.9 %	**8.33**	8.19	1.8 %
Cargo revenue per CTK (€ cents)	**22.78**	27.11	(16.0)%	**22.32**	25.48	(12.4)%
Fuel cost per ASK (€ cents)	**2.30**	2.30	(0.1)%	**2.28**	2.18	4.6 %
Non-fuel costs per ASK (€ cents)	**5.80**	5.70	1.8 %	**5.65**	5.65	0.1 %
Total cost per ASK (€ cents)	**8.10**	8.00	1.2 %	**7.93**	7.82	1.4 %

FINANCIAL REVIEW for the six months to 30 June 2024

IAG capacity

In the first six months of 2024, passenger capacity operated, measured in available seat kilometres (ASKs), rose by 7.5% versus the same period in 2023.

Capacity operated by airline

	ASKs higher/(lower) v2023	Passenger load factor (%)	Higher/(lower) v2023
Aer Lingus	2.4 %	79.4	(1.4)pts
British Airways	5.2 %	83.3	1.5pts
Iberia	17.4 %	86.6	0.0pts
LEVEL	19.1 %	94.8	0.3pts
Vueling	1.4 %	91.7	1.5pts
Group	**7.5 %**	**85.0**	**0.9pts**

Iberia's growth of 17.4% versus the first six months of 2023 is principally driven by the increase in its number of Airbus A350-900 aircraft in service flying to North and South America, with 22 A350-900 aircraft in service at the end of the first six months, compared with 16 at 30 June 2023.

Basis of preparation

In its assessment of going concern over the period of at least 12 months from the date of approval of this report (the 'going concern period'), the Board has considered the impact of a severe but plausible downside scenario and sensitivities, together with aircraft financing requirements. Consequently the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence over the going concern period, and hence continue to adopt the going concern basis.

Unless stated otherwise, all figures and variances quoted below relate to the first six months of 2024 compared with the first six months of 2023 on a reported basis (including exceptional items).

Summary

Reported results € million	**2024**	2023	Higher/(lower) vly
Operating profit	**1,309**	1,260	49
Profit before tax	**1,046**	1,037	9
Profit after tax	**905**	921	(16)

The Group's operating profit for the first six months increased by €49 million versus the first six months of 2023, driven by higher passenger unit revenues, partially offset by reduced cargo revenue and the impact of an increase in non-fuel unit costs, as discussed further below. The increase in operating profit was despite adverse foreign exchange impacts of €102 million.

Summary of exceptional items

Termination of the agreement with Globalia to purchase Air Europa Holdings

Due to the Group's assessment that its intended acquisition of the remaining 80% of the share capital of Air Europa Holdings that it does not currently own was no longer probable, with a subsequent decision on 1 August 2024 to withdraw from the acquisition, a contractual €50 million break-fee became payable. Accordingly, the Group has recognised an exceptional charge to Other non-operating credits/(charges) within the Income statement in the first six months of 2024. The related tax credit was €5 million. See note 20 to the condensed consolidated interim financial statements and Alternative performance measures section for further information.

Revocation of Royal Decree-Law 2/2016 in Spain

On 18 January 2024 the *Tribunal Constitucional* (Constitutional Court) in Spain ruled that the Royal Decree-Law 3/2016, introducing a number of amendments to the corporate income tax law, was unconstitutional. The amendments were accordingly revoked, leading to the recognition of an exceptional tax credit of €135 million in the first six months of 2024. See Alternative performance measures section for further information.

There were no exceptional items in the first six months of 2023.

Alternative performance measures (before exceptional items) € million	**2024**	2023	Higher/(lower) vly
Operating profit	**1,309**	1,260	49
Profit before tax	**1,096**	1,037	59
Profit after tax	**815**	921	(106)

Revenue

€ million	**2024**	Higher/(lower) vly (%)	Higher/(lower) vly
Passenger revenue	**13,043**	10.7 %	1,259
Cargo revenue	**566**	(6.1)%	(37)
Other revenue	**1,115**	(6.8)%	(81)
Total revenue	**14,724**	8.4 %	1,141

Passenger revenue

The increase in passenger revenue of €1,259 million, or 10.7%, was ahead of the increase in passenger capacity of 7.5%, driven by higher yields, measured as passenger revenue per revenue passenger kilometre ('RPK'), up 1.8%, together with higher passenger load factors, with the Group passenger load factor 0.9 points higher. These improvements led to an increase in passenger unit revenue, measured as passenger revenue per ASK of 2.9%. The growth in passenger revenue was linked to the increase in capacity and continued strong leisure demand, with corporate travel continuing to recover more slowly.

Passenger revenue by region

Six months to 30 June 2024	Proportion of total ASKs 2024	ASKs higher/(lower) v2023	Passenger load factor (%)	Passenger load factor higher/(lower) v2023	Passenger revenue per ASK higher/(lower) v2023[1]
North Atlantic	30.5 %	3.6 %	82.8	1.1pts	4.0 %
Latin America and Caribbean	19.9 %	15.8 %	87.1	0.1pts	(3.0)%
Europe	25.3 %	7.2 %	85.8	1.2pts	2.6 %
Domestic (Spain and UK)	8.0 %	5.9 %	89.1	1.1pts	1.4 %
Africa, Middle East and South Asia	12.2 %	– %	82.0	0.2pts	(2.0)%
Asia Pacific	4.1 %	36.4 %	87.7	(0.7)pts	(13.5)%
Total network	**100.0 %**	**7.5 %**	**85.0**	**0.9pts**	**2.9 %**

Three months to 30 June 2024	Proportion of total ASKs 2024	ASKs higher/(lower) v2023	Passenger load factor (%)	Passenger load factor higher/(lower) v2023	Passenger revenue per ASK higher/(lower) v2023[1]
North Atlantic	32.1 %	6.1 %	86.7	(0.5)pts	2.0 %
Latin America and Caribbean	18.4 %	17.2 %	87.3	0.2pts	(4.7)%
Europe	26.8 %	5.8 %	87.0	1.0pts	1.0 %
Domestic (Spain and UK)	7.7 %	5.4 %	90.8	0.3pts	(2.3)%
Africa, Middle East and South Asia	10.6 %	(0.6)%	81.1	0.6pts	(0.3)%
Asia Pacific	4.4 %	31.7 %	87.9	(0.2)pts	(14.5)%
Total network	**100.0 %**	**8.0 %**	**86.7**	**0.3pts**	**1.8 %**

1 Passenger revenue per ASK for total network is based on total passenger revenue divided by ASKs. For the analysis by region, passenger revenue excludes certain items that are not directly assigned at a route level, including joint business payments or receipts, foreign exchange hedging gains or losses, EC261 compensation and adjustments to assumptions for unused tickets.

Cargo revenue

Cargo revenue, at €566 million, was €37 million lower than in 2023. Cargo volumes, measured in cargo tonne kilometres (CTKs), were 11.7% higher than the previous year. Cargo yields, measured as cargo revenue per cargo tonne kilometre, were 16.0% below those of 2023, impacted by the increase in global passenger airline capacity across the industry and elevated prices in the first six months of 2023. An increased demand for sea-to-air freight conversion from South Asia and the Middle East helped to partially offset the decline in revenue versus the previous year.

Other revenue

Other revenue, at €1,115 million was down €81 million versus 2023, including the impact of the ending of a contract relating to travel for retired Spanish citizens, with an offset in handling costs and only a minor impact on operating profit.

Operating costs

Total operating expenditure rose from €12,323 million in 2023 to €13,415 million in 2024, an increase of 8.9%, linked to the higher volume of flights and an increase in non-fuel unit costs, which increased by 1.8% versus the first six months of 2023, in line with investments in the airlines' operations and customer experience, the impact of wage increases in the second half of 2023 and supplier cost increases, partially mitigated by the impact of the Group's transformation initiatives.

Employee costs

	2024	Higher/(lower) vly (%)	Higher/(lower) vly
Employee costs, € million	**2,941**	12.7 %	331
Employee costs per ASK, € cents	**1.78**	4.8 %	

The rise in employee costs of €331 million or 12.7% versus 2023 reflected the timing of wage settlements, a number of which occurred in the second half of 2023. Employee numbers also rose as the airlines increased their flying activity and prepared for increased flying schedules for the summer period. Average headcount was 6.3% higher than in the first six months of 2023.

Fuel costs and emissions charges

	2024	Higher/(lower) vly (%)	Higher/(lower) vly
Fuel costs and emissions charges, € million	**3,814**	7.4 %	264
Fuel costs and emissions charges per ASK, € cents	**2.30**	(0.1)%	

Fuel costs and emissions charges were up €264 million, or 7.4% versus 2023, reflecting increased flying volumes, with the Group's effective fuel price net of fuel hedging and related foreign currency hedging down marginally versus 2023, offset by increased provisions for the cost of complying with emissions trading schemes, which rose to €158 million, versus €110 million in the first six months of 2023. Fuel consumption and costs benefitted from the Group's continued investment in new aircraft.

Supplier costs

€ million	2024	Higher/(lower) vly (%)	Higher/(lower) vly
Handling, catering and other operating costs	**1,918**	6.8 %	122
Landing fees and en-route charges	**1,170**	6.0 %	66
Engineering and other aircraft costs	**1,289**	6.7 %	81
Property, IT and other costs	**548**	6.4 %	33
Selling costs	**577**	(0.2)%	(1)
Currency differences	**18**	nm	22
Total Supplier costs	**5,520**	6.2 %	323
Supplier costs per ASK, € cents	**3.33**	(1.2)%	

Total supplier costs rose by €323 million, or 6.2%, to €5,520 million, with the impact of the Group's cost transformation initiatives partially mitigating the impacts of inflation and the additional operating cost arising from the Group's investment in customer experience and IT. Supplier unit costs were down by 1.2% versus 2023.

Ownership costs

Ownership costs include depreciation, amortisation and impairment of tangible and intangible assets, including right of use assets, and the net gain on sale of property, plant and equipment.

	2024	Higher/(lower) vly (%)	Higher/(lower) vly
Depreciation, amortisation and impairment	**1,140**	16.0 %	157
Net gain on sale of property, plant and equipment	**–**	nm	(17)
Ownership costs, € million	**1,140**	18.0 %	174
Ownership costs per ASK, € cents	**0.69**	9.7 %	

The increase in ownership costs versus 2023 is mainly driven by the increase in the Group's fleet of aircraft, which is linked to the airlines' growth in capacity and their investments in new, more fuel-efficient aircraft, together with customer-focused investments, such as new and improved seats in business cabins. The net gain on sale of property, plant and equipment in 2023 of €17 million reflected the disposal of aircraft withdrawn from service and related spare parts.

Exchange rate impact

Exchange rate impacts are calculated by retranslating current year results at prior year exchange rates. The reported revenues and expenditures are impacted by the translation of currencies other than euro, primarily pound sterling related to British Airways and IAG Loyalty, to the Group's reporting currency of euro. From a transaction perspective, the Group's performance is impacted by the fluctuation of exchange rates, primarily exposure to the pound sterling, euro and US dollar. The Group typically generates a surplus in most currencies in which it does business, except the US dollar, for which capital expenditure, debt repayments and fuel purchases typically create a deficit which is managed and partially hedged. The Group hedges its economic exposure from transacting in foreign currencies but does not hedge the translation impact of reporting in euro.

Overall, in the first six months of 2024 the Group's operating profit before exceptional items was reduced by €102 million due to adverse exchange rate impacts.

Exchange rate impact before exceptional items

	2024		
€ million Favourable/(adverse)	**Translation impact**	**Transaction impact**	**Total exchange impact**
Total exchange impact on revenue	216	(174)	**42**
Total exchange impact on operating expenditures	(195)	51	**(144)**
Total exchange impact on operating profit	21	(123)	**(102)**

Operating profit before exceptional items by operating company

	2024	2023	Higher/(lower)
British Airways (£ million)[1]	**555**	496	59
Aer Lingus (€ million)	**9**	40	(31)
Iberia (€ million)	**362**	372	(10)
Vueling (€ million)	**97**	96	1
IAG Loyalty (£ million)[1]	**193**	170	23

1 2023 comparatives restated for the transfer of BA Holidays from British Airways to IAG Loyalty. See note 4 for further information.

The €31 million reduction in operating profit before exceptional items for Aer Lingus was partly due to an industrial dispute with its pilots' union, which impacted the Aer Lingus operation in late June and July, together with weaker trading. Iberia and Vueling continued to deliver strong profits, following record profits in the first six months of 2023.

Total net non-operating costs

Total net non-operating costs for the six months were €263 million, versus €223 million in 2023. Finance costs of €471 million were €94 million lower than in 2023, mainly reflecting the voluntary early repayment in the second half of 2023 of debt drawn as a result of the impact of the COVID-19 pandemic in 2020 and 2021. Net currency retranslation resulted in a charge of €24 million in 2024, principally reflecting US dollar foreign exchange movements, versus a credit of €149 million in 2023. Other non-operating credits of €20 million (2023: charges of €12 million) include net gains on derivative contracts for which hedge accounting is not applied, and a charge of €50 million (2023: €nil) in relation to the termination of the agreement to purchase Air Europa Holdings.

Tax

The tax charge on the profit for the six months was €141 million (2023: tax charge of €116 million), with an effective tax rate of 13% (2023: 11%). Excluding the exceptional items outlined above, the tax charge on the profit for the six months was €281 million, with an effective tax rate of 26%.

The substantial majority of the Group's activities are taxed where the main operations are based: in Spain, the UK and Ireland, which have statutory corporation tax rates of 25%, 25% and 12.5% respectively for 2024. The expected tax rate for the Group is determined by applying the relevant corporation tax rate to the profits or losses of each jurisdiction. The geographical distribution of profits and losses in the Group results in the expected tax rate being 25% for the six months to 30 June 2024.

The difference between the actual effective tax rate of 13% and the expected tax rate of 25% is principally due to the Group having recorded an adjustment to current and deferred tax in respect of prior periods which arose as a result of the revocation of Royal Decree-Law 3/2016 in Spain. See Alternative performance measures section for further information.

IAG Loyalty VAT

Since 2022, HMRC in the UK has been considering the appropriate VAT accounting to be applied by IAG Loyalty, which currently recognises VAT on the redemption of Avios depending on the associated redemption product, for which the vast majority are flights that are zero-rated. The Group's current VAT accounting is based on a ruling issued by HMRC. The Group, along with its legal and tax advisors, considers the existing VAT accounting remains appropriate.

At the date of this report, HMRC has not issued a decision on what it considers to be the appropriate VAT accounting IAG Loyalty should apply and as such it is not possible to reliably estimate what the range of potential exposures are, if any.

HMRC has issued IAG Loyalty with VAT assessments to protect its position in respect of historical periods for the 31 months ended September 2020 that amount to €247 million. Were HMRC to issue further VAT assessments, applying the same methodology as those already issued, up to 30 June 2024, the Group estimates these would amount to €710 million.

In the event that HMRC issue an adverse decision, the Group will need to advance the matter to the First-tier Tribunal (Tax) and to do so, will need to pay to HMRC, without admission of liability, the total amount of assessments having been issued to the Group at that date, which will be recoverable, in part or in full, should the Group be successful through litigation in the case.

The Directors are satisfied that it is not probable that an adverse outcome will eventuate and accordingly, the Group does not consider it appropriate to record any provision for this matter at 30 June 2024.

Refer to note 6 of the condensed consolidated interim financial statements for further information.

Aircraft deliveries and financing

Number of aircraft	**Delivered in the six months to 30 June 2024**	Of which financed in the six months to 30 June 2024	Aircraft delivered in 2023 and financed in the six months to 30 June 2024
Airbus A320neo (Aer Lingus)	**2**	–	–
Airbus A320neo (British Airways)	**3**	–	–
Airbus A321neo (British Airways)	**1**	–	1
Airbus A350-1000 (British Airways)	**1**	1	1
Boeing 787-10 (British Airways)	**1**	1	–
Airbus A350-900 (Iberia)	**1**	1	2
Airbus A320ceo (Vueling direct lease)	**5**	5	–
Total	**14**	8	4

During the six months, the Group took delivery of 14 aircraft, including five Airbus A320ceo aircraft for Vueling to provide backfill for additional aircraft maintenance requirements linked to the Pratt & Whitney 'GTF' engines issue. The Group anticipates financing the substantial majority of its aircraft delivered in 2024, with financing to be drawn either in the remainder of the year, or in early 2025. During the first six months of 2024, the Group financed four aircraft delivered in 2023. In June 2024, Iberia exercised an option with Airbus to purchase one additional A350-900 for delivery in 2026.

Free cash flow

€ million	Six months to 30 June 2024	2023[1]	Variance
Net cash flows from operating activities	**4,581**	3,994	587
Acquisition of property, plant and equipment and intangible assets	**(1,411)**	(1,284)	(127)
Free cash flow	**3,170**	2,710	460

1 The 2023 results include a reclassification to conform with the current period presentation for Carbon-related assets.

Reporting of carbon-related assets (ETS allowances)

The Group has changed its presentation of assets relating to ETS allowances, now presenting ETS allowances within carbon-related and other assets, rather than as intangible assets in the Balance sheet. Within the Cash flow statement, the difference between the expense included in the Income statement within fuel costs and emissions charges that arises from flight activities and the actual cash spent in the period acquiring ETS allowances is shown as a separate row, 'purchase of carbon assets net of the change in carbon obligations', as an operating cash flow. Previously, a provision movement was shown within operating activities and the actual cash spent in the period acquiring ETS allowances was shown as an investing cash flow within acquisition of property, plant and equipment and intangible assets. There is no impact on Free cash flow resulting from this change. The prior period Balance sheet and Cash flow statement have been re-presented to align with the current classification.

Cash flows from operating activities

€ million	Six months to 30 June 2024	2023[1]	Variance
Operating profit	**1,309**	1,260	49
Depreciation, amortisation and impairment	**1,140**	983	157
Net gain on disposal of property, plant and equipment	**-**	(17)	17
Pension contributions net of service costs	**(1)**	(9)	8
Increase in provisions (excluding carbon-related obligations)[1]	**75**	33	42
Purchase of carbon assets net of the change in carbon obligations[1]	**(34)**	(135)	101
Unrealised currency differences	**86**	(44)	130
Other movements	**43**	11	32
Interest paid	**(419)**	(486)	67
Interest received	**161**	160	1
Tax paid	**(45)**	(53)	8
Movement in working capital	**2,266**	2,291	(25)
Net cash flows from operating activities	**4,581**	3,994	587

1 The 2023 results include a reclassification to conform with the current period presentation for carbon-related assets.

The increase in the net cash inflow from operating activities versus the first six months of 2023 of €587 million includes the impact of improved operating profit, higher depreciation, amortisation and impairment, lower purchases of carbon-related assets and reduced interest payments, following a voluntary early repayment of debt in the second half of 2023. The movement in working capital of €2,266 million principally relates to the normal seasonal inflow of leisure bookings ahead of the peak summer travel period.

Cash flows from investing activities

€ million	Six months to 30 June 2024	2023[1]	Variance
Acquisition of property, plant and equipment and intangible assets[1]	**(1,411)**	(1,284)	(127)
Sale of PPE, intangible assets and investments[1]	**426**	253	173
Increase in other current interest-bearing deposits	**(572)**	(869)	297
Other investing movements	**10**	9	1
Net cash flows from investing activities	**(1,547)**	(1,891)	344

1 The 2023 results include a reclassification to conform with the current period presentation for Carbon-related assets.

The acquisition of property, plant and equipment and intangible assets of €1,411 million reflects the Group's continued investment in new aircraft, product enhancements, maintenance, IT and ground equipment. The sale of property, plant and equipment and intangible assets of €426 million principally relates to sale and leaseback transactions for three wide-bodied aircraft, with one further wide-bodied sale and leaseback transaction expected in the second half of the year.

Cash flows from financing activities

€ million	Six months to 30 June 2024	2023	Variance
Proceeds from borrowings	**520**	614	(94)
Repayment of borrowings	**(216)**	(360)	144
Repayment of lease liabilities	**(1,092)**	(839)	(253)
Of which:			
Operating leases	**(466)**	(475)	9
Finance leases in place on 1 January 2019	**(626)**	(364)	(262)
Settlement of derivative financial instruments	**(40)**	(66)	26
Acquisition of treasury shares	**-**	(65)	65
Other financing movements	**(2)**	-	(2)
Net cash flows from financing activities	**(830)**	(716)	(114)

Proceeds from borrowings of €520 million relate to finance lease transactions in respect of three wide-bodied and one narrow-bodied aircraft, with further finance lease transactions expected in the second half of 2024. One wide-bodied finance lease was committed as of 30 June 2024 and has been included in committed and undrawn aircraft facilities at that date. Repayment of borrowings reflects lease principal repayments on asset finance liabilities and in 2023 also included the amortisation of debt drawn in 2020; the remainder of this debt was repaid early in the second half of 2023. The Group has included a split of the repayment of lease liabilities between principal payments relating to (i) operating leases; and (ii) finance leases that were entered into prior to the Group's adoption of IFRS 16 on 1 January 2019.

No treasury shares were acquired in the first six months of 2024; during July 2024, the Group acquired 27,064,575 treasury shares to hedge its requirement to deliver part of the consideration for its intended acquisition of Air Europa Holdings in shares; following the Group's withdrawal from this acquisition, these treasury shares will be applied to meeting requirements to deliver shares to employees arising from employee incentive schemes.

Net debt and leverage

€ million	30 June 2024	31 December 2023
Total borrowings	**16,115**	16,082
Cash, cash equivalents and current interest-bearing deposits	**9,698**	6,837
Net debt	**6,417**	9,245
Rolling four quarters EBITDA before exceptional items	**5,776**	5,570
Net debt to EBITDA before exceptional items	**1.1**	1.7

The main driver of the reduction in leverage versus 31 December 2023 was the increase in cash during the six months, which increased mainly due to the normal seasonal inflow of bookings for future travel periods during the first six months of the year, along with the profit generated in the period.

During the six months, Moody's upgraded its credit rating of IAG and British Airways to investment grade (Baa3) and S&P affirmed its investment grade (BBB-) rating of IAG, revising its outlook to positive.

Liquidity

€ million	30 June 2024	31 December 2023
Cash, cash equivalents and current interest-bearing deposits	**9,698**	6,837
Committed and undrawn general and overdraft facilities	**3,321**	4,412
Committed and undrawn aircraft facilities	**149**	375
Total	**13,168**	11,624

The Group entered into a new five-year $3.0 billion (€2.8 billion), sustainability-linked, secured Revolving Credit Facility (RCF), accessible by British Airways, Iberia and Aer Lingus, each of which has separate limits. As a consequence, the Group extinguished its $1.755 billion (€1.6 billion) secured Revolving Credit Facility and British Airways extinguished its two £1.0 billion Export Development Guarantee Facilities that were partially guaranteed by the UK Export Finance (total value: €2.4 billion). The three extinguished facilities were not drawn in the period prior to cancellation and the new $3.0 billion RCF was not drawn at 30 June 2024.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has continued to maintain its framework and processes to identify, assess, and manage risks. The principal risks and uncertainties affecting the Group are detailed in the Risk management and principal risk factors section of the 2023 Annual report and accounts and these remain relevant at the date of this report. The Board has continued to monitor and assess risks in the light of changes that influence or impact the Group and the aviation industry and closely reviews how risks combine to create increased threats. Where further action has been required, the Board has considered potential mitigations, and, where appropriate or feasible, the Group has implemented or confirmed plans that would address those risks or retain them within the Board's determined Group risk appetite.

In assessing its principal risks, the Group has considered its risk environment including: geopolitical tensions; operational and technical resilience, particularly air traffic control (ATC) and engines availability and reliability; regulator or government reviews that could disrupt airlines' revenue models; the Group's industrial relations landscape and the risk of breakdown in industrial negotiations; disruption recovery from IT outages; transformation, including Artificial Intelligence (AI) adoption; and managing its cost base. No new principal risks were identified through the risk management discussions and assessments in the year to date. From the risks identified in the 2023 Annual report and accounts, given the current environment, the main risks that continue to be a key area of focus, due to their potential implications for the Group, are outlined below.

• Brand and customer trust. Operational resilience and customer satisfaction underpin customer trust. Reliability, including on-time performance, and customer support through disruption are key to our brand's values and how our customers experience flying with our airlines. The Group continues to improve its disruption management capabilities and build operational buffers to help minimise any impact disruption may have and to ensure that our customers choose to fly with the Group's airlines.

• Critical third parties in the supply chain. The aviation sector continues to be affected by its reliance on the global supply chain and the impacts of delays in aircraft deliveries, scarcity of components and engines on aircraft turnarounds, aircraft on the ground and aircraft utilisation, airports' resilience weaknesses, particularly London Heathrow and ATC and their ability to adapt to a high demand environment, with weather and skillset shortages driving increased restrictions. The Group airlines proactively assess schedules for operability and the Group continues to work with all critical suppliers to understand any potential disruption which could impact the availability of new fleet, engines or critical goods or reliability of critical services, particularly third party application and network services.

• Economic, political and regulatory environment. Increased regulation and political intervention drive increased levels of cost and impact the ability of airlines to set capacity and pricing, which may impact on the Group's revenue streams and business model. In Spain, Vueling was subject to a sanction resolution from the Spanish Ministry of Consumer Affairs that the Group believes drives competitive distortion in the market. Wider macroeconomic events may continue to drive market uncertainty and volatility impacting demand. The rise of populist governments and government policy globally sees increased protectionism which could result in market or competitive distortion and a trend for increased scrutiny from regulators and tax authorities which could see changes that increase costs to airlines. The Group continues to monitor the implications for trade and the threat of introduction of changes to tariff regimes given potential government changes in the year.

• Operational resilience. Shortages in the supply chain, airspace and ATC restrictions, availability of experienced licensed resource, including engineers and pilots, industrial unrest and strike action, can all impact the operational environment of the Group's airlines as well as the operations of the businesses on which the Group relies. The Group continues with its ambitious IT infrastructure transformation agenda to modernise and digitalise its IT estates. The Group is focused on minimising any unplanned outages or disruption to customers with additional resilience built into the airlines' networks.

• People, culture and employee relations. Our people, their engagement and cultural appetite and mindset for change are critical to the Group's current performance and future success. Shortages in engineers across the aviation sector and in the Group's airlines may impact maintenance delivery timelines unless experienced engineers can be secured. Additionally, pilot entry into the Group's airlines is critical to keep the operations resilient and meet future growth plans. Across the Group, collective bargaining is in place with various unions. In April and May, the Vueling French pilot group initiated strike action and in June Aer Lingus saw ballots for industrial action from its pilot group with consequent impact to flight schedules and operations. Where agreements are open, and there is a threat of strike action or ballot for action, our airlines continue to engage with unions, as well as governments and Labour Courts where relevant, to address concerns arising within the negotiations, manage customer disruption and to allow the airlines to secure sustainable collective agreements.

• Sustainable aviation. The plan to decarbonise aviation has resulted in fragmentation of policy measures and support offered by governments for green initiatives across the different regions in which the Group airlines operate. As Sustainable Aviation Fuel (SAF) infrastructure and availability still lags demand for SAF, mandates and other tax-based measures may disproportionately impact the Group's airlines versus their competitors.

• Transformation, innovation and AI. The Group continues to focus on its cost base to offset inflationary price increases in the supply chain and the additional costs of resilience to ensure that the Group is well prepared for any further external headwinds that may impact the aviation industry. Opportunities for AI adoption to drive efficiencies and better insights have been identified across the Group's businesses. The people impacts of change and the talent and skillsets needed for the future size and shape of the Group's businesses are considered as part of the Group's transformation and innovation programmes.

The Board and its sub committees have been apprised of regulatory, competitor and governmental responses on an ongoing basis.

Traffic and capacity statistics - Group

	Six months to 30 June			Three months to 30 June		
	2024	2023	Higher/(lower) vly	**2024**	2023	Higher/(lower) vly
Passengers carried ('000s)	**58,230**	**54,307**	**7.2 %**	**31,869**	**30,028**	**6.1 %**
North Atlantic	6,282	5,997	4.8 %	3,713	3,541	4.9 %
Latin America and Caribbean	3,532	3,055	15.6 %	1,747	1,486	17.6 %
Europe	30,232	27,865	8.5 %	16,796	15,773	6.5 %
Domestic (Spain and UK)	14,442	13,835	4.4 %	7,758	7,490	3.6 %
Africa, Middle East and South Asia	3,112	3,089	0.7 %	1,493	1,461	2.2 %
Asia Pacific	630	466	35.2 %	362	277	30.7 %
Revenue passenger kilometres (million)	**140,862**	**129,585**	**8.7 %**	**77,111**	**71,162**	**8.4 %**
North Atlantic	41,853	39,818	5.1 %	24,772	23,492	5.4 %
Latin America and Caribbean	28,680	24,744	15.9 %	14,264	12,139	17.5 %
Europe	35,982	33,075	8.8 %	20,725	19,360	7.1 %
Domestic (Spain and UK)	11,786	10,985	7.3 %	6,243	5,901	5.8 %
Africa, Middle East and South Asia	16,587	16,548	0.2 %	7,643	7,634	0.1 %
Asia Pacific	5,974	4,415	35.3 %	3,464	2,636	31.4 %
Available seat kilometres (million)	**165,653**	**154,034**	**7.5 %**	**88,969**	**82,371**	**8.0 %**
North Atlantic	50,525	48,766	3.6 %	28,564	26,931	6.1 %
Latin America and Caribbean	32,932	28,438	15.8 %	16,332	13,931	17.2 %
Europe	41,931	39,116	7.2 %	23,835	22,518	5.8 %
Domestic (Spain and UK)	13,226	12,486	5.9 %	6,872	6,518	5.4 %
Africa, Middle East and South Asia	20,225	20,232	– %	9,426	9,481	(0.6)%
Asia Pacific	6,814	4,996	36.4 %	3,940	2,992	31.7 %
			Pts Var			Pts Var
Passenger load factor (%)	**85.0**	**84.1**	**0.9**	**86.7**	**86.4**	**0.3**
North Atlantic	82.8	81.7	1.1	86.7	87.2	(0.5)
Latin America and Caribbean	87.1	87.0	0.1	87.3	87.1	0.2
Europe	85.8	84.6	1.2	87.0	86.0	1.0
Domestic (Spain and UK)	89.1	88.0	1.1	90.8	90.5	0.3
Africa, Middle East and South Asia	82.0	81.8	0.2	81.1	80.5	0.6
Asia Pacific	87.7	88.4	(0.7)	87.9	88.1	(0.2)
Cargo tonne kilometres (million)	**2,485**	**2,224**	**11.7 %**	**1,268**	**1,099**	**15.4 %**

Traffic and capacity statistics – by airline

	Six months to 30 June			Three months to 30 June		
	2024	2023	Higher/(lower) vly	**2024**	2023	Higher/(lower) vly
Aer Lingus						
Passengers carried ('000s)	**5,144**	5,054	1.8 %	**3,040**	3,059	(0.6)%
Revenue passenger kilometres (million)	**11,951**	11,880	0.6 %	**7,337**	7,444	(1.4)%
Available seat kilometres (million)	**15,047**	14,694	2.4 %	**8,884**	8,767	1.3 %
Passenger load factor (%)/Pts variance	**79.4**	80.8	-1.4pts	**82.6**	84.9	-2.3pts
Cargo tonne kilometres (million)	**87**	71	22.5 %	**47**	39	20.5 %
British Airways						
Passengers carried ('000s)	**22,110**	20,511	7.8 %	**11,770**	11,077	6.3 %
Revenue passenger kilometres (million)	**71,171**	66,437	7.1 %	**38,187**	35,920	6.3 %
Available seat kilometres (million)	**85,454**	81,213	5.2 %	**44,795**	42,475	5.5 %
Passenger load factor (%)/Pts variance	**83.3**	81.8	1.5pts	**85.2**	84.6	0.6pts
Cargo tonne kilometres (million)	**1,815**	1,652	9.9 %	**921**	811	13.6 %
Iberia						
Passengers carried ('000s)	**12,648**	11,472	10.3 %	**6,647**	5,991	10.9 %
Revenue passenger kilometres (million)	**36,145**	30,766	17.5 %	**19,300**	16,189	19.2 %
Available seat kilometres (million)	**41,723**	35,526	17.4 %	**22,030**	18,455	19.4 %
Passenger load factor (%)/Pts variance	**86.6**	86.6	0.0pts	**87.6**	87.7	-0.1pts
Cargo tonne kilometres (million)	**564**	483	16.8 %	**289**	241	19.9 %
LEVEL						
Passengers carried ('000s)	**379**	318	19.2 %	**239**	189	26.5 %
Revenue passenger kilometres (million)	**3,254**	2,725	19.4 %	**1,998**	1,569	27.3 %
Available seat kilometres (million)	**3,434**	2,883	19.1 %	**2,109**	1,623	29.9 %
Passenger load factor (%)/Pts variance	**94.8**	94.5	0.3pts	**94.7**	96.7	-2.0pts
Cargo tonne kilometres (million)	**19**	18	5.6 %	**11**	8	37.5 %
Vueling						
Passengers carried ('000s)	**17,949**	16,952	5.9 %	**10,173**	9,712	4.7 %
Revenue passenger kilometres (million)	**18,341**	17,777	3.2 %	**10,289**	10,040	2.5 %
Available seat kilometres (million)	**19,995**	19,718	1.4 %	**11,151**	11,051	0.9 %
Passenger load factor (%)/Pts variance	**91.7**	90.2	1.5pts	**92.3**	90.9	1.4pts
Cargo tonne kilometres (million)	**n/a**	n/a	n/a	**n/a**	n/a	n/a

INTERNATIONAL CONSOLIDATED AIRLINES GROUP S.A.

Unaudited Condensed Consolidated Interim Financial Statements
1 January 2024 – 30 June 2024

CONSOLIDATED INCOME STATEMENT

€ million	Six months to 30 June 2024	2023
Passenger revenue	**13,043**	11,784
Cargo revenue	**566**	603
Other revenue	**1,115**	1,196
Total revenue	**14,724**	13,583
Employee costs	**2,941**	2,610
Fuel costs and emissions charges	**3,814**	3,550
Handling, catering and other operating costs	**1,918**	1,796
Landing fees and en-route charges	**1,170**	1,104
Engineering and other aircraft costs	**1,289**	1,208
Property, IT and other costs	**548**	515
Selling costs	**577**	578
Depreciation, amortisation and impairment	**1,140**	983
Net gain on sale of property, plant and equipment	**-**	(17)
Currency differences	**18**	(4)
Total expenditure on operations	**13,415**	12,323
Operating profit	**1,309**	1,260
Finance costs	**(471)**	(565)
Finance income	**187**	167
Net change in fair value of financial instruments	**(5)**	(13)
Net financing credit relating to pensions	**30**	51
Net currency retranslation (charges)/credits	**(24)**	149
Other non-operating credits/(charges)	**20**	(12)
Total net non-operating costs	**(263)**	(223)
Profit before tax	**1,046**	1,037
Tax	**(141)**	(116)
Profit after tax for the period	**905**	921
Attributable to:		
Equity holders of the parent	**905**	921
Non-controlling interest	**-**	-
	905	921
Basic earnings per share (€ cents)	**18.4**	18.6
Diluted earnings per share (€ cents)	**17.3**	17.6

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months to 30 June	
€ million	**2024**	2023
Items that may be reclassified subsequently to net profit		
Cash flow hedges:		
Fair value movements in equity	**164**	(287)
Reclassified and reported in net profit	**(21)**	(43)
Fair value movements on cost of hedging	**105**	(114)
Cost of hedging reclassified and reported in net profit	**28**	36
Currency translation differences	**54**	33
Items that will not be reclassified to net profit		
Fair value movements on other equity investments	**(12)**	62
Fair value movements on liabilities attributable to credit risk changes	**(19)**	(83)
Remeasurements of post-employment benefit obligations	**204**	(476)
Total other comprehensive income/(loss) for the period, net of tax	**503**	(872)
Profit after tax for the period	**905**	921
Total comprehensive income for the period	**1,408**	49
Total comprehensive income is attributable to:		
Equity holders of the parent	**1,408**	49
Non-controlling interest	**–**	–
	1,408	49

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

CONSOLIDATED BALANCE SHEET

€ million	30 June 2024	31 December 2023[1, 2]
Non-current assets		
Property, plant and equipment	**20,472**	19,776
Intangible assets[1]	**3,474**	3,332
Investments accounted for using the equity method	**46**	47
Other equity investments	**179**	188
Employee benefit assets	**1,642**	1,380
Derivative financial instruments	**94**	42
Deferred tax assets	**839**	1,202
Carbon-related and other non-current assets[1]	**953**	762
	27,699	26,729
Current assets		
Inventories	**588**	494
Trade receivables	**1,927**	1,559
Carbon-related and other current assets[1]	**1,995**	1,821
Current tax receivable	**324**	159
Derivative financial instruments	**228**	81
Current interest-bearing deposits	**1,983**	1,396
Cash and cash equivalents	**7,715**	5,441
	14,760	10,951
Total assets	**42,459**	37,680
Shareholders' equity		
Issued share capital	**497**	497
Share premium	**7,770**	7,770
Treasury shares	**(94)**	(100)
Other reserves	**(3,407)**	(4,895)
Total shareholders' equity	**4,766**	3,272
Non-controlling interest	**6**	6
Total equity	**4,772**	3,278
Non-current liabilities		
Borrowings[2]	**12,917**	13,105
Employee benefit obligations	**174**	175
Deferred tax liability	**2**	4
Provisions	**2,973**	2,831
Deferred revenue	**232**	257
Derivative financial instruments	**37**	106
Other long-term liabilities	**351**	219
	16,686	16,697
Current liabilities		
Borrowings[2]	**3,198**	2,977
Trade and other payables	**6,281**	5,590
Deferred revenue	**10,439**	7,766
Derivative financial instruments	**183**	461
Current tax payable	**–**	2
Provisions	**900**	909
	21,001	17,705
Total liabilities	**37,687**	34,402
Total equity and liabilities	**42,459**	37,680

1 The 2023 results include a reclassification to conform with the current period presentation for Carbon-related assets. There is no impact on the total assets or total liabilities of the Group. Further information is given in note 1.
2 The 2023 results include a reclassification to conform with the current period presentation of the convertible bond between non-current and current Borrowings as a result of the revision to IAS 1 effective from 1 January 2024. Further information is given in note 1.

CONSOLIDATED CASH FLOW STATEMENT

€ million	Six months to 30 June 2024	2023[1]
Cash flows from operating activities		
Operating profit	**1,309**	1,260
Depreciation, amortisation and impairment	**1,140**	983
Net gain on disposal of property, plant and equipment	**–**	(17)
Employer contributions to pension schemes	**(10)**	(20)
Pension scheme service costs	**9**	11
Increase in provisions (excluding carbon-related obligations)[1]	**75**	33
Purchase of carbon assets net of the change in carbon obligations[1]	**(34)**	(135)
Unrealised currency differences	**86**	(44)
Other movements	**43**	11
Interest paid	**(419)**	(486)
Interest received	**161**	160
Tax paid	**(45)**	(53)
Net cash flows from operating activities before movements in working capital	**2,315**	1,703
Increase in trade receivables	**(349)**	(406)
Increase in inventories	**(86)**	(54)
Increase in other receivables and current assets (excluding carbon-related assets)[1]	**(402)**	(248)
Increase in trade payables	**254**	54
Increase in deferred revenue	**2,583**	2,382
Increase in other payables and current liabilities	**266**	563
Net movement in working capital	**2,266**	2,291
Net cash flows from operating activities	**4,581**	3,994
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets[1]	**(1,411)**	(1,284)
Sale of property, plant and equipment and intangible assets	**426**	242
Proceeds from sale of investments	**–**	11
Increase in other current interest-bearing deposits	**(572)**	(869)
Other investing movements	**10**	9
Net cash flows from investing activities	**(1,547)**	(1,891)
Cash flows from financing activities		
Proceeds from borrowings	**520**	614
Repayment of borrowings	**(216)**	(360)
Repayment of lease liabilities	**(1,092)**	(839)
Settlement of derivative financial instruments	**(40)**	(66)
Acquisition of treasury shares	**–**	(65)
Other financing movements	**(2)**	-
Net cash flows from financing activities	**(830)**	(716)
Net increase in cash and cash equivalents	**2,204**	1,387
Net foreign exchange differences	**70**	145
Cash and cash equivalents at 1 January	**5,441**	9,196
Cash and cash equivalents at period end	**7,715**	10,728
Reconciliation to Total cash, cash equivalents and other interest-bearing deposits		
Cash and cash equivalents at period end	**7,715**	10,728
Interest-bearing deposits maturing after more than three months	**1,983**	1,282
Cash, cash equivalents and other interest-bearing deposits	**9,698**	12,010

1 The 2023 results include a reclassification to conform with the current period presentation for Carbon-related assets. Further information is given in note 1.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to 30 June 2024

€ million	Issued share capital	Share premium	Treasury shares	Other reserves	**Total shareholders' equity**	Non-controlling interest	**Total equity**
1 January 2024	497	7,770	(100)	(4,895)	**3,272**	6	**3,278**
Total comprehensive income for the period (net of tax)	–	–	–	1,408	**1,408**	–	**1,408**
Hedges transferred and reported in the Balance sheet	–	–	–	56	**56**	–	**56**
Cost of share-based payments	–	–	–	31	**31**	–	**31**
Vesting of share-based payment schemes	–	–	6	(7)	**(1)**	–	**(1)**
30 June 2024	**497**	**7,770**	**(94)**	**(3,407)**	**4,766**	**6**	**4,772**

For the six months to 30 June 2023

€ million	Issued share capital	Share premium	Treasury shares	Other reserves	Total shareholders' equity	Non-controlling interest	Total equity
1 January 2023	497	7,770	(28)	(6,223)	2,016	6	2,022
Total comprehensive income for the period (net of tax)	–	–	–	49	49	–	49
Hedges transferred and reported in the Balance sheet	–	–	–	44	44	–	44
Cost of share-based payments	–	–	–	28	28	–	28
Vesting of share-based payment schemes	–	–	4	(5)	(1)	–	(1)
Acquisition of treasury shares	–	–	(65)	–	(65)	–	(65)
30 June 2023	497	7,770	(89)	(6,107)	2,071	6	2,077

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 (hereinafter the 'Company') is a Spanish company registered in Madrid and was incorporated on 17 December 2009. On 21 January 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 26 April 2013, and Aer Lingus Group Plc ('Aer Lingus') on 18 August 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 (as adopted by the EU) and authorised for issue by the Board of Directors on 1 August 2024. The condensed consolidated interim financial statements herein are not the Company's statutory accounts and are unaudited.

The same basis of preparation and accounting policies set out in the IAG Annual report and accounts for the year to 31 December 2023 have been applied in the preparation of these condensed consolidated interim financial statements, other than those matters described below. IAG's financial statements for the year to 31 December 2023 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.

Change in presentation of results

Carbon-related assets and liabilities

During the course of 2024, with the increased prominence of Emission Trading Systems/Schemes (ETS) and the introduction of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) from 1 January 2024, the Group has elected to make a number of amendments to its presentation and disclosure of the Group's emissions assets and obligations:

- Purchased emission allowances, previously presented within Intangible assets, have been reclassified to Carbon-related and other assets, to reflect their operating nature;
- Those purchased emission allowances expected to be extinguished or retired within 12 months of the balance sheet date have now been classified within current assets; and
- The associated presentation within the Cash flow statement of these purchased emission allowances has been reclassified from Acquisition of property, plant and equipment and intangible assets within Net cash flows from investing activities, to a separate line item within Net cash flows from operating activities. This reclassification aligns with the recognition of such expenses within Operating profit in the Income statement.

These changes have resulted in the Balance sheet at 31 December 2023 and the Cash flow statement for the six months to 30 June 2023 being updated to conform with the current year presentation. Refer to note 19 for further details.

Balance sheet – presentation of convertible bond

On 31 October 2022, the IASB issued the amendments to IAS 1 – classification of liabilities as current or non-current (the 'Amendments'), which the Group has adopted from 1 January 2024. The Amendments require the €825 million convertible bond that matures in 2028 to be reclassified from a non-current liability to a current liability with the comparative presentation as at 31 December 2023 also reclassified.

The Amendments require that where the conversion feature of a convertible instrument does not meet the recognition criteria for separate presentation within equity and where the associated bond holders have the irrevocable right to exercise the conversion feature within twelve months of the balance sheet date, that such convertible instruments be presented as current.

As a result, the Balance sheet at 31 December 2023 includes a reclassification to conform with the current year presentation of non-current and current Borrowings. Refer to note 19 for further details.

Going concern

At 30 June 2024, the Group had total liquidity of €13,168 million (31 December 2023: total liquidity of €11,624 million), comprising cash, cash equivalents and interest-bearing deposits of €9,698 million, €3,321 million of committed and undrawn general facilities and a further €149 million of committed and undrawn aircraft specific facilities. At 30 June 2024, the Group has no financial covenants associated with its loans and borrowings.

In its assessment of going concern, the Group has modelled two scenarios referred to below as the Base Case and the Downside Case over the period of at least twelve months from the date of the approval of these condensed consolidated interim financial statements ('the going concern period'). The Group's three-year business plan, used in the creation of the Base Case, approved by the Board in December 2023, was subsequently refreshed with the latest available internal and external information in June and July 2024. The refreshed business plan takes into account the Board's and management's views on capacity, based on the potential impact of the wider economic and geopolitical environments on the Group's businesses across the going concern period. The key inputs and assumptions underlying the Base Case through to 30 September 2025, include:

- capacity modelled by geographical region with total capacity to remain above the levels achieved in 2023 throughout the going concern period;
- passenger unit revenue per ASK is forecast to remain above the levels achieved in 2023 throughout the going concern period;
- the Group has assumed that the committed and undrawn general facilities of €3,321 million will not be drawn over the going concern period. The availability of certain of these facilities reduces over time, with €2,811 million being available to the Group at 30 September 2025;

- the Group has assumed that the undrawn aircraft facilities of €149 million, relating to specific financing structures, will be utilised over the going concern period;
- the Group has assumed that the €500 million bond that matures in March 2025 will not be refinanced;
- of the capital commitments detailed in note 9, €2,804 million is due to be paid over the period to 30 September 2025; and
- while the Group does not expect to finance all expected aircraft deliveries over the going concern period, for those it does expect to finance, it has forecast securing between 90% and 100% (depending on aircraft type), or €2,280 million, of the aircraft financing that is currently uncommitted, to align with the timing and payments for those aircraft deliveries it expects to finance, including aircraft delivered prior to the Balance sheet date that had not had their financing secured at the Balance sheet date.

The Downside Case applies stress to the Base Case to model adverse commercial and operational impacts over the going concern period, represented by: reduced levels of capacity operated in each month, including reductions of 25% for three months over the going concern period; reduced passenger unit revenue per available seat kilometre (ASK); increases in the price of jet fuel by 20% above that assumed in the Base Case; and increased operational costs. In the Downside Case, over the going concern period capacity would be 10% down on average when compared to the Base Case. The Downside Case assumes that none of available general facilities are required to be drawn. The Downside Case assumes that IAG Loyalty will be required to pay €710 million of VAT to HMRC in the UK in order to appeal the matter to the First tier Tax tribunal (see note 6). The Directors consider the Downside Case to be a severe but plausible scenario.

Having reviewed the Base Case and the Downside Case, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence for a period of at least 12 months from the date of approval of these condensed consolidated interim financial statements and hence continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements at 30 June 2024.

2 ACCOUNTING POLICIES

Critical judgement and estimates

Except as described below, the accounting policies adopted in the presentation of the condensed consolidated interim financial statements for the six months to 30 June 2024 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year to 31 December 2023.

In preparing the condensed consolidated interim financial statements for the six months to 30 June 2024, except as described below, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses consistent with those disclosed in the Group's annual consolidated financial statements for the year to 31 December 2023.

Impairment indicator assessment of non-financial assets
At 30 June 2024 the Group recognised €2,445 million in respect of intangible assets with an indefinite life, including goodwill.

Goodwill and intangible assets with indefinite economic lives are tested, as part of the cash-generating units to which they relate, for impairment annually and at other times when such indicators exist. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which use a weighted average multi-scenario discounted cash flow model, which are then compared to the carrying amount of the associated cash-generating unit.

At 30 June 2024, the Group has applied judgement in the consideration as to whether either external or internal sources of information would indicate that one or more of the cash generating units may be impaired. Such significant judgement included the changes, since the last impairment test date, in interest rates and other market rates of return that influence the pre-tax discount rate used in the value-in-use modelling as well as broader changes and expected changes in the short, medium and long-term economic environment.

The Group considers that the impact of changes in significant assumptions would impact the pre-tax discount rate applied to the value-in-use of each cash generating units. However, the level of headroom for each cash generating unit at the last testing date was of such a magnitude that any plausible adverse change in the pre-tax discount rates would not lead to the recognition of an impairment charge. In addition, a reasonable possible further increase in the pre-tax discount rate of 2.5 percentage points would not lead to the recognition of an impairment charge.

In addition, the Group has not identified any adverse external or internal source of information when compared to impairment analysis performed at the last testing date. Such analysis has considered, but not limited to, internal updated forecasts (as detailed above in relation to going concern), external short term macro-economic forecasts, external long-term GDP forecasts and external jet fuel forward price curves.

Accordingly, at 30 June 2024, no impairment test has been undertaken.

Determining whether the HMRC enquiries into the IAG Loyalty VAT accounting gives rise to a provision or a contingent liability
The Group applies judgement in the determination as to whether it considers the outcome of the enquiries between IAG Loyalty and His Majesty's Revenue and Customs (HMRC), in the UK, on the IAG Loyalty VAT accounting, is more probable than not to result in an adverse outcome to the Group, and accordingly whether to record the matter as a provision or as a contingent liability.

In forming its judgement, the Group has reviewed the emerging view issued by HMRC and the correspondence with HMRC on this matter, including having considered the historical tax ruling issued by HMRC to the Group on this matter. At 30 June 2024 and through to the date of this report, the Directors are satisfied that it is not probable that an adverse outcome will eventuate. Accordingly, the Group does not consider it appropriate to record any provision for this matter and a contingent liability has been disclosed. Further information is given in note 6.

New standards, amendments and interpretations adopted by the Group

The following amendments and interpretations apply for the first time in 2024, but do not have a material impact on the consolidated financial statements of the Group:

- Disclosures: Supplier finance arrangements - Amendments to IAS 7 and IFRS 7 effective for periods beginning on or after 1 January 2024; and
- Lease liability in a sale and leaseback – Amendments to IFRS 16 effective for periods beginning on or after 1 January 2024.

In addition, Classification of liabilities as current or non-current and non-current liabilities with covenants - Amendments to IAS 1 is effective for periods beginning on or after 1 January 2024. These amendments have had a material impact on the consolidated financial statements of the Group and the details of which are given above and in note 19.

Significant changes and transactions in the current reporting period

The financial performance and position of the Group was affected by the following significant events and transactions in the six month period to 30 June 2024:

- On 14 June 2024, the Group entered into a five-year $3.0 billion, sustainability-linked, secured Revolving Credit Facility, with two 1-year extension options available subject to the approval of lenders, accessible by British Airways, Iberia and Aer Lingus, each of which has separate limits. At 30 June 2024 no amounts had been drawn under the facility. Concurrent to entering into the facility, the Group extinguished its $1,755 million secured Revolving Credit Facility, which was due to mature, in part, in March 2025 with the remainder maturing in March 2026; and
- On 28 June 2024, as a result of securing the aforementioned Revolving Credit Facility, British Airways extinguished its two £1.0 billion Export Development Guarantee Facilities that were partially guaranteed by the UK Export Finance, which were due to mature in equal amounts in November 2026 and September 2028.

3 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.

4 SEGMENT INFORMATION

a Business segment

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 (IAG MC).

The Group has a number of entities which are managed as individual operating companies including airline, loyalty and platform functions. Each operating company 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 operating companies 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.

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, Aer Lingus and IAG Loyalty have been identified for financial reporting purposes as reportable operating segments. LEVEL is also an operating segment but does not exceed the quantitative thresholds to be reportable and management has concluded that there are currently no other reasons why LEVEL should be separately disclosed.

There are varying levels of transactions between operating segments, which principally relate to the provision of maintenance services from the Iberia operating segment to the other operating segments, the provision of flight services by the airlines to the IAG Loyalty segment and the provision of loyalty services from IAG Loyalty to the airline operating segments.

The platform functions of the business primarily support the airline and loyalty 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 regularly by the IAG MC and are included within Other Group companies.

For the six months to 30 June 2024

€ million	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty	Other Group companies[1]	Total
	2024						
Revenue							
Passenger revenue	7,184	2,699	1,475	1,012	493	180	**13,043**
Cargo revenue	414	121	–	27	–	4	**566**
Other revenue	44	442	8	8	613	–	**1,115**
External revenue	7,642	3,262	1,483	1,047	1,106	184	**14,724**
Inter-segment revenue	217	228	–	6	170	224	**845**
Segment revenue	7,859	3,490	1,483	1,053	1,276	408	**15,569**
Depreciation and amortisation charge	(644)	(231)	(136)	(82)	(11)	(36)	**(1,140)**
Operating profit/(loss)	**647**	**362**	**97**	**9**	**228**	**(34)**	**1,309**
Exceptional items	–	–	–	–	–	–	**–**
Operating profit/(loss) before exceptional items	**647**	**362**	**97**	**9**	**228**	**(34)**	**1,309**
Net non-operating costs							**(263)**
Profit before tax							**1,046**
Total assets	25,581	10,117	3,616	2,385	4,056	(3,296)	**42,459**
Total liabilities	(20,732)	(9,113)	(3,940)	(2,241)	(3,967)	2,306	**(37,687)**

1 Includes eliminations on total assets of €16,905 million and total liabilities of €5,928 million.

For the six months to 30 June 2023

€ million	British Airways[1]	Iberia	Vueling	Aer Lingus	IAG Loyalty[1]	Other Group companies[2]	Total
	2023						
Revenue							
Passenger revenue	6,613	2,368	1,418	976	260	149	11,784
Cargo revenue	448	120	–	31	–	4	603
Other revenue	43	521	8	5	619	–	1,196
External revenue	7,104	3,009	1,426	1,012	879	153	13,583
Inter-segment revenue	185	237	–	7	139	198	766
Segment revenue	7,289	3,246	1,426	1,019	1,018	351	14,349
Depreciation and amortisation charge	(548)	(196)	(127)	(72)	(7)	(33)	(983)
Operating profit/(loss)	567	372	96	40	195	(10)	1,260
Exceptional items	–	–	–	–	–	–	–
Operating profit/(loss) before exceptional items	567	372	96	40	195	(10)	1,260
Net non-operating costs							(223)
Profit before tax							1,037
Total assets	25,748	9,933	3,534	2,166	3,675	(2,530)	42,526
Total liabilities	(23,306)	(9,458)	(4,106)	(2,193)	(2,906)	1,520	(40,449)

1 During the six months to 30 June 2024, the Group has changed its internal organisation, resulting in BA Holidays, a previously fully owned and consolidated subsidiary of British Airways Plc, being transferred from the British Airways segment to the IAG Loyalty segment, which aligns with the revised reporting to the IAG MC. Accordingly, the Group has restated its previously reported segmental information for the six months to 30 June 2023. There is no change to the total segmental results of the Group.

2 Includes eliminations on total assets of €16,420 million and total liabilities of €5,805 million.

b Other revenue

€ million	Six months to 30 June 2024	2023
Holiday and hotel services	**421**	443
Maintenance and overhaul services	**372**	368
Brand and marketing	**191**	168
Ground handling services	**69**	62
Other	**62**	155
	1,115	1,196

c Geographical analysis

Revenue by area of original sale

€ million	Six months to 30 June 2024	2023
UK	**5,219**	4,668
Spain	**2,552**	2,461
USA	**2,534**	2,372
Rest of world	**4,419**	4,082
	14,724	13,583

Assets by area

30 June 2024

€ million	**Property, plant and equipment**	**Intangible assets**
UK	**13,473**	**1,490**
Spain	**5,572**	**1,325**
USA	**73**	**16**
Rest of world	**1,354**	**643**
	20,472	**3,474**

31 December 2023

€ million	Property, plant and equipment	Intangible assets[1]
UK	12,764	1,374
Spain	5,644	1,320
USA	100	18
Rest of world	1,268	620
	19,776	3,332

1 The results for 2023 include a reclassification of ETS allowances from Intangible assets to Carbon-related and other assets. An amount of €577 million has been reclassified from Intangible assets.

5 FINANCE COSTS, INCOME AND OTHER NON-OPERATING CREDITS/(CHARGES)

a Finance costs

€ million	Six months to 30 June 2024	2023
Interest expense on:		
Bank borrowings	**(7)**	(130)
Asset financed liabilities	**(96)**	(82)
Lease liabilities	**(249)**	(250)
Bonds	**(31)**	(32)
Provisions unwinding of discount	**(56)**	(42)
Other borrowings	**(43)**	(32)
Capitalised interest on progress payments	**18**	13
Other finance costs	**(7)**	(10)
	(471)	(565)

b Finance income

€ million	2024	2023
Interest on other interest-bearing deposits, cash and cash equivalents	**187**	164
Other finance income	**–**	3
	187	167

c Net change in fair value of financial instruments

€ million	2024	2023
Net change in the fair value of convertible bond	**(5)**	(13)

d Net financing credit relating to pensions

€ million	2024	2023
Net financing credit relating to pensions	**30**	51

e Other non-operating credits/(charges)

€ million	2024	2023
Gain on sale of investments	**–**	10
Share of profits in investments accounted for using the equity method	**1**	–
Realised gains/(losses) on derivatives not qualifying for hedge accounting	**36**	(22)
Unrealised gains on derivatives not qualifying for hedge accounting	**34**	–
Net change in the fair value associated with fair value hedges	**(1)**	–
Air Europa Holdings termination settlement expense[1]	**(50)**	–
	20	(12)

1 Refer to note 20 for further information.

6 TAX

The tax charge in the Income statement was as follows:

	Six months to 30 June	
€ million	2024	2023
Current tax	**113**	(134)
Deferred tax	**(254)**	18
Total tax	**(141)**	(116)

The effective tax rate was 13% (2023: 11%). The substantial majority of the Group's activities are taxed where the main operations are based, being Spain, the UK, and Ireland, with corporation tax rates during the first six months of 2024 of 25%, 25% and 12.5% respectively. The expected tax rate for the Group is determined by applying the relevant corporation tax rate to the profits or losses of each jurisdiction. The geographical distribution of profits and losses in the Group results in the expected tax rate being 25%.

The difference between the actual effective tax rate of 13% and the expected tax rate of 25% for the six month period to 30 June 2024 is primarily due to the Group having recorded an adjustment to current and deferred tax in respect of prior periods which arose as a result of the revocation of Royal Decree-Law 3/2016 in Spain, which has been classified as an exceptional item. Refer to Alternative performance measures section for further detail.

The details of the unrecognised temporary differences and losses are given in the table below:

€ million	30 June 2024	31 December 2023
Income tax losses		
Spanish corporate income tax losses	**34**	569
Openskies SASU trading losses	**405**	406
Other trading losses	**7**	13
	446	988
Other losses and temporary differences		
Spanish deductible temporary differences	**238**	238
UK capital losses	**348**	341
Irish capital losses	**17**	17
	603	596

None of the unrecognised temporary differences or losses have an expiry date.

As at 30 June 2024, the Group had unrecognised tax losses and other temporary differences of €446 million and €603 million respectively that the Group does not reasonably expect to utilise. The Group only recognises net deferred tax assets in relation to temporary differences and losses to the extent it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Management utilises judgement in order to assess the probability of recoverability. In applying the aforementioned judgement, had the Group extended the period of future cash flow projections indefinitely, then the amount of unrecognised tax losses would have reduced by €41 million.

Revocation of Royal Decree-Law 3/2016 in Spain

The exceptional tax credit of €135 million, recorded in the six months to 30 June 2024 relates to the revocation of Royal Decree-Law 3/2016 (RDL 3/2016), for fiscal years 2016 to 2023, by the *Tribunal Constitucional* (Constitutional Court) in Spain on 18 January 2024.

Prior to the introduction of RDL 3/2016, the Spanish subsidiaries of the Group were permitted to offset up to 70% of their taxable profits with historical accumulated tax losses (to the extent there were sufficient tax losses to do so) and the impairment of subsidiaries was treated as deductible for tax purposes. With the introduction of the RDL 3/2016, this limitation of tax losses applied to taxable profits was reduced to 25% and the deductibility for tax purposes of historical impairments of subsidiaries that had occurred prior to 2013 was reversed. The revocation by the Tribunal Constitucional in January 2024 principally means that the loss limitation reverts to 70% and historical impairments in subsidiaries revert to being deductible for tax purposes, giving rise to the aforementioned exceptional tax credit.

During the six months to 30 June 2024, the Group received €9 million from the Spanish tax authorities relating to fiscal years 2016 to 2022. By the end of 2024 at the earliest, the Group expects to receive a further €73 million of the claims relating to fiscal years 2016 to 2022, and refunds of €108 million relating to fiscal year 2023.

Engagement with tax authorities

The Group is subject to audit and enquiry by tax authorities in the territories in which it operates, and engages with those tax authorities in a cooperative manner. Since 2023, the Directorate General of GST Intelligence (DGGI) in India has been enquiring into the quantum and nature of any services provided by the corporate head offices of a number of international airlines, including British Airways, to their Indian branches. As at 30 June 2024 and through to the date of these financial statements, the DGGI's enquiries are ongoing.

Pillar Two minimum effective tax rate reform

The Group is subject to the global minimum top-up tax under Pillar Two tax legislation, effective for the Group from 1 January 2024. Any top-up tax predominantly relates to the Group's operations in Ireland, where the statutory tax rate is 12.5%.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

In the Group's principal jurisdictions of operation, the UK and Ireland approved legislation in 2023 and, whilst Spain approved draft legislation on 4 June 2024 to adopt the Pillar Two legislation, this has not yet been substantively enacted. As a result of the Irish legislation, the Group's Irish operations will be liable for any top-up tax, instead of the ultimate parent company. At 30 June 2024, the Group's liability to top up tax was not material.

Tax-related contingent liabilities

The Group has certain contingent liabilities that could be reliably estimated, across all taxes at 30 June 2024 amounting to €126 million (31 December 2023: €110 million), excluding the IAG Loyalty VAT matter (explained below). While the Group does not consider it more likely than not that there will be material losses on these matters, given the inherent uncertainty associated with tax litigation and tax audits, there can be no guarantee that material losses will not eventuate. As the Group considers that its chances of success in each of these matters is more probable than not, it is not appropriate to make a provision for these amounts. Included in the tax related contingent liabilities are the following:

Merger gain

Following tax audits covering the period 2011 to 2014, the Spanish Tax Authorities issued a corporate income tax assessment to the Company regarding the merger in 2011 between British Airways and Iberia (the "Merger"). The maximum exposure in this case is €102 million (31 December 2023: €100 million), being the amount in the tax assessment with an estimate of the interest accrued on that assessment through to 30 June 2024.

The Company appealed the assessment to the *Tribunal Económico-Administrativo Central* or 'TEAC' (Central Administrative Tax Tribunal). On 23 October 2019, the TEAC ruled in favour of the Spanish Tax Authorities. The Company subsequently appealed this ruling to the *Audiencia Nacional* (National High Court) on 20 December 2019, and on 24 July 2020 filed submissions in support of its case. To assist it in its deliberations as to whether a gain arose from the Merger, on 15 September 2023, the *Audiencia Nacional* commissioned an independent accounting expert to provide a report on the appropriate basis of accounting. As at 30 June 2024 and through to the date of these condensed consolidated interim financial statements, the *Audiencia Nacional* has not ruled on whether a gain arose from the Merger. The Company does not expect a hearing at the *Audiencia Nacional* on this case until the second half of 2025 at the earliest.

The Company disputes the technical merits of the assessment and ruling of the TEAC. Based on legal advice and an external accounting expert's opinion, the Company believes that it has strong arguments to support its appeal. The Company does not consider it appropriate to make a provision for these amounts and accordingly has classified this matter as a contingent liability.

Should the Company be unsuccessful in its appeal to the *Audiencia Nacional*, it would re-assess its position and the associated accounting treatment accordingly.

Within the context of the aforementioned tax audits, the Spanish tax authorities concluded on the value of Iberia's business within the Merger. This valuation was contested by the Company in a separate case, where no tax liability is due. The Company believes there are technical merits for a higher value, something that would indirectly reduce the quantum of the merger gain assessed in the dispute described above. On 18 January 2024, the *Audiencia Nacional* served notice on its judgment issued on 13 December 2023, whereby it ruled in favour of the Spanish tax authorities in respect of the valuation of Iberia's business within the Merger. On 28 February 2024, the Company submitted a request for an appeal of the judgment to the Supreme Court in Spain. The Company does not expect to receive a decision from the Supreme Court on its request for an appeal until the first half of 2025. If an appeal on this matter was ultimately successful, it would reduce the exposure of the merger gain described above.

IAG Loyalty VAT

As reported in the 2023 Annual report and accounts, and through to the date of this report, His Majesty's Revenue and Customs (HMRC) has been considering: (i) the appropriate VAT accounting to be applied by Avios Group (AGL) Limited, a controlled undertaking of the Group trading as IAG Loyalty; and (ii) the validity of a historical ruling (the Ruling) issued by HMRC to the Group. As a result, HMRC, since March 2022, has issued VAT assessments to IAG Loyalty in respect of historical periods for the 31 months ended September 2020, which amount to €247 million (£209 million). These assessments are made to protect HMRC's position in respect of the historical periods from becoming time barred. These assessments become payable if HMRC issues a decision consistent with the methodology applied in determining the VAT assessments issued to date and requests payment.

During the second quarter of 2023, HMRC shared with the Group its emerging view on the appropriate VAT accounting. HMRC's emerging view asserts that the charges made by IAG Loyalty are for participating/membership in the Avios scheme and the associated charges are subject to VAT. This emerging view differs to the current VAT accounting approach by IAG Loyalty, which is based on the Ruling issued by HMRC. Accordingly, IAG Loyalty accounts for VAT depending on the nature of the redemption products for which Avios are redeemed, the vast majority of which are flights which are zero-rated. HMRC's emerging view excludes any consideration of the validity of the Ruling.

As at the date of this report, while HMRC has not updated its emerging view and has not issued a final decision on the appropriate VAT accounting, the Group has reviewed HMRC's emerging view with its legal and tax advisors and considers that accounting for VAT depending on the nature of the redemption products for which Avios are redeemed remains appropriate. The Group expects HMRC to issue a decision during the remainder of 2024.

Should HMRC issue a decision on the appropriate VAT treatment that aligns with its emerging view, or reach an alternative view that otherwise differs to the Group's current VAT accounting approach, the Group reserves the right to appeal the case to the First-tier Tribunal (Tax) in the UK.

While the Group has continued to engage with HMRC on the underlying facts, circumstances and technical analysis of the appropriate VAT accounting to apply, HMRC has, during the six months to 30 June 2024, notified IAG Loyalty that its ongoing provisional analysis, which does not constitute a decision, is that the Ruling has been defunct from 2012, at the latest. The Group, having reviewed its position with its legal and tax advisors, considers that it has a legitimate expectation that it can rely upon the Ruling. Should HMRC issue a decision on the validity of the Ruling that aligns with its current ongoing provisional analysis the Group reserves the right to apply for a Judicial Review to the High Court in the UK, into whether HMRC acted lawfully in asserting that the Ruling was defunct with retrospective effect and whether IAG Loyalty had a legitimate expectation that it could rely upon the Ruling. The Group expects HMRC to issue a decision as to the validity of the Ruling during the remainder of 2024.

As at the date of this report, the Group is in the process of gathering and evaluating all relevant information pursuant to the commencement of potential litigation noted above, referred to as the Data Collection process. The Group expects the Data Collection process to be completed during the remainder of 2024.

While at the date of this report the Group has not paid any amount to HMRC in relation to HMRC's assessments, in the event that the Group needs to advance the matter to the First-tier Tribunal (Tax), the Group will need to pay to HMRC, without admission of liability, the total amount of assessments issued to the Group at that date, which will be recoverable, in part or in full, should the Group be successful through litigation in the case. The timing of any such payments will be dependent on current ongoing discussions with HMRC.

For the period of March 2018 to 30 June 2024, the Group considers the range of potential exposures, and as a result the range of potential payments, in relation to this matter to be between €nil and €710 million (£nil and £600 million), excluding any associated interest and potential penalties that may be imposed. The upper end of this range has been determined by applying the same methodology to that applied in the aforementioned assessments issued to the date of this report. Of these amounts, the Group expects between €nil to €260 million (£nil to £220 million) to be recoverable as input VAT for certain subsidiaries of the Group, predominantly by British Airways.

In the 2023 Annual report and accounts, issued on 5 March 2024, the Group, having reviewed the position with its legal and tax advisors did not consider it probable that an adverse outcome from litigation would eventuate. While the Group is undertaking the aforementioned Data Collection process, the Directors remain satisfied at 30 June 2024 and through to the date of this report, that it is not probable that an adverse outcome will eventuate and that any possible obligation that might arise in the future has a wide range of potential outcomes. Accordingly, the Group does not consider it appropriate to record any provision for this matter at 30 June 2024.

7 EARNINGS PER SHARE AND SHARE CAPITAL

	Six months to 30 June	
Millions	**2024**	2023
Weighted average number of ordinary shares in issue used for basic earnings per share	**4,918**	4,950
Assumed conversion on convertible bonds	**245**	245
Dilutive employee share schemes outstanding	**113**	102
Weighted average number of ordinary shares used for diluted earnings per share	**5,276**	5,297

	Six months to 30 June	
€ cents	**2024**	2023
Basic earnings per share	**18.4**	18.6
Diluted earnings per share	**17.3**	17.6

The number of ordinary shares in issue at 30 June 2024 was 4,971,476,010 (31 December 2023: 4,971,476,010) with a par value of €0.10 each.

The effect of the assumed conversion of the IAG €825 million convertible bond 2028 and outstanding employee share schemes is dilutive for the six months to 30 June 2024 and 30 June 2023 due to the reported profit after tax for the periods.

8 DIVIDENDS

An interim dividend of 3 € cents per share was proposed and approved by the Board of Directors on 1 August 2024 (30 June 2023: €nil). It is payable from 9 September 2024 to shareholders who are on the register at 6 September 2024. This interim dividend amounting to €147 million has not been recognised as a liability in these summary condensed consolidated interim financial statements. It will be recognised in total equity in the year to 31 December 2024.

The future dividend capacity of the Group is dependent on the liquidity requirements and the distributable reserves of the Group's main operating companies and their capacity to pay dividends to the Company, together with the Company's distributable reserves and liquidity.

As at 30 June 2024 the Group had no restrictions on the payment of dividends from the Group's main operating companies to the Company, other than for British Airways, which agreed with the Trustee of its main UK defined benefit pension scheme (NAPS) as part of the triennial valuation as at 31 March 2021 that, subject to the scheme being in technical deficit, any dividends paid to IAG from 1 January 2024 through to 31 December 2024, will trigger a pension contribution of 50% of the amount of the dividend. For the period of 1 January 2025 to 30 September 2025, any dividend in excess of 50% of British Airways' profit after tax will trigger a pension contribution of 50% of the amount of the dividend in excess of the 50% of profit after tax. At 30 June 2024, NAPS was in technical surplus, and any dividend that British Airways were to pay to IAG, would not trigger a payment into NAPS unless NAPS were to move back into technical deficit. Further details on the British Airways dividend restrictions agreed with NAPS are given in note 34a of the 2023 Annual report and accounts.

9 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT OF USE ASSETS

€ million	Other property, plant and equipment	Right of use	**Total Property, plant and equipment**	**Intangible assets[2]**
Net book value at 1 January 2024	11,242	8,534	19,776	3,332
Additions	1,315	406	1,721	220
Modifications	–	160	160	–
Disposals	(426)	–	(426)	–
Reclassifications[1]	469	(469)	–	–
Depreciation and amortisation charge	(473)	(560)	(1,033)	(107)
Exchange movements	179	95	274	29
Net book value at 30 June 2024	**12,306**	**8,166**	**20,472**	**3,474**

€ million	Other property, plant and equipment	Right of use	Total Property, plant and equipment	Intangible assets[2]
Net book value at 1 January 2023	9,649	8,697	18,346	3,149
Additions	1,156	141	1,297	129
Modifications	–	114	114	–
Disposals	(202)	–	(202)	(1)
Reclassifications[1]	181	(181)	–	–
Depreciation and amortisation charge	(374)	(519)	(893)	(90)
Exchange movements	161	105	266	27
Net book value at 30 June 2023	10,571	8,357	18,928	3,214

1 Amounts with a net book value of €469 million (six months to 30 June 2023: €181 million) were reclassified from ROU assets to Owned Property, plant and equipment at the cessation of the respective leases. The assets reclassified relate to leases with purchase options that were grandfathered as ROU assets upon transition to IFRS 16, for which the Group had been depreciating over the expected useful life of the aircraft, incorporating the purchase option.

2 The results for 2023 include a reclassification of ETS allowances from Intangible assets to Carbon-related and other assets. Amounts of €577 million and €543 million at 1 January 2024 and 30 June 2023, respectively, have been reclassified from Intangible assets.

At 30 June 2024, bank and other loans of the Group are secured on owned fleet assets with a net book value of €5,106 million (31 December 2023: €4,736 million).

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to €12,067 million (31 December 2023: €12,706 million). The majority of capital expenditure commitments are for fleet and are denominated in US dollars, and as such are subject to changes in exchange rates.

10 OTHER EQUITY INVESTMENTS

Other equity investments include the following:

€ million	30 June 2024	31 December 2023
Unlisted securities	179	188
	179	188

Investment in Air Europa Holdings
Consistent with the approach at 31 December 2023, the Group has designated its investment in Air Europa Holdings as measured at fair value through Other comprehensive income. At 30 June 2024, the Group determined the fair value of the investment in Air Europa Holdings using both the market approach and the income approach, whereby the Group used both observable market data and unobservable inputs. The fair value was determined on the stand-alone basis of Air Europa Holdings without consideration of potential synergies that could be obtained if the Group were able to obtain control over the operations of Air Europa Holdings. The resultant fair value at 30 June 2024 was €130 million, representing an increase of €1 million since 1 January 2024, which has been recorded within Other comprehensive income.

In determining the fair value of the investment in Air Europa Holdings at 30 June 2024, the Group used the following significant unobservable inputs: (i) revenue compound annual growth rate of 3.8%; (ii) an EBITDA margin range of 3.6% to 6.5%; and (iii) a risk-adjusted pre-tax discount rate of 13.7%.

11 BORROWINGS

	30 June 2024			31 December 2023[1]		
€ million	Current	Non-current	Total	Current	Non-current	Total
Bank and other loans	616	1,298	1,914	113	1,840	1,953
Convertible bond[1]	765	–	765	735	–	735
Asset financed liabilities	323	4,526	4,849	303	4,124	4,427
Lease liabilities	1,494	7,093	8,587	1,826	7,141	8,967
Interest-bearing long-term borrowings	3,198	12,917	16,115	2,977	13,105	16,082

1 The 31 December 2023 total borrowings include a reclassification to conform with the current basis of presentation, where the non-current portion of the 2028 convertible bond, amounting to €726 million at 31 December 2023, has been reclassified as a current liability. Further information is given in notes 1 and 19.

Banks and other loans are repayable up to the year 2029. Long-term borrowings of the Group amounting to €4,909 million (31 December 2023: €4,516 million) are secured on owned fleet assets with a net book value of €5,106 million (31 December 2023: €4,736 million). Asset financed liabilities are all secured on the associated aircraft or other property, plant and equipment.

Details of the 2028 convertible bond
The convertible bond provides bondholders with dividend protection and includes a total of 244,850,715 options at inception and at 30 June 2024 to convert into ordinary shares of IAG. The Group also holds an option to redeem the convertible bond, in full or in part, in cash in the event that bondholders exercise their right to convert the bond into ordinary shares of IAG.

The convertible bond is recorded at its fair value, which at 30 June 2024 was €765 million (31 December 2023: €735 million), representing an increase of €30 million since 1 January 2024. Of this increase, the charge recorded in Other comprehensive income arising from credit risk of the convertible bonds was €25 million and a charge recorded within Finance costs in the Income statement attributable to changes in market conditions of €5 million.

Supplemental information - Disclosure of contractual lease obligations
The following table provides supplemental information regarding the Group's total contractual lease obligations, split between operating and finance leases that are reported within Lease liabilities and those contractual lease arrangements reported as Asset financed liabilities that do not meet the definition of a lease liability under IFRS. While the distinction between operating and finance leases is not applied for lessees under IFRS, the table below disaggregates operating and financing leases based on their contractual definitions and is consistent with the definitions applied for lessors under IFRS. The Group believes that this disaggregation of Lease liabilities is useful to the users of the financial statements in understanding the financing structure the Group has entered into.

€ million	Operating leases	Finance leases	Total lease liabilities[1]	Asset financed liabilities	Total
1 January 2024	6,460	2,507	8,967	4,427	13,394
Additions and modifications of leases	530	8	538	522	1,060
Repayments and interest expense	(466)	(623)	(1,089)	(186)	(1,275)
Other	181	(10)	171	86	257
30 June 2024	6,705	1,882	8,587	4,849	13,436
Repayment of principal within financing activities	466	626	1,092	193	1,285
Repayment of interest within operating activities	205	40	245	86	331
Total repayments in the Cash flow statement[2,3]	671	666	1,337	279	1,616

€ million	Operating leases	Finance leases	Total lease liabilities[1]	Asset financed liabilities	Total
1 January 2023	6,204	3,415	9,619	3,819	13,438
Additions and modifications of leases	258	13	271	615	886
Repayments and interest expense	(475)	(350)	(825)	(122)	(947)
Other	(37)	(83)	(120)	(106)	(226)
30 June 2023	5,950	2,995	8,945	4,206	13,151
Repayment of principal within financing activities	475	364	839	129	968
Repayment of interest within operating activities	188	41	229	73	302
Total repayments in the Cash flow statement[2,3]	663	405	1,068	202	1,270

1 Upon transition to IFRS 16 on 1 January 2019, all finance leases were grandfathered as Lease liabilities.
2 Includes both the repayment of principal and interest.
3 Excludes cash flows associated with low-value leases and variable lease payments for which the Group does not recognise within lease liabilities.

12 FINANCIAL INSTRUMENTS

a Financial assets and liabilities by category

The detail of the Group's financial instruments at 30 June 2024 and 31 December 2023 by nature and classification for measurement purposes is as follows:

30 June 2024

	Financial assets				
€ million	Amortised cost	Fair value through Other comprehensive income	Fair value through Income statement	Non-financial assets	**Total carrying amount by balance sheet item**
Non-current assets					
Other equity investments	–	179	–	–	**179**
Derivative financial instruments	–	–	94	–	**94**
Other non-current assets	221	–	–	732	**953**
Current assets					
Trade receivables	1,927	–	–	–	**1,927**
Other current assets	705	–	–	1,290	**1,995**
Derivative financial instruments	–	–	228	–	**228**
Other current interest-bearing deposits	1,983	–	–	–	**1,983**
Cash and cash equivalents	7,715	–	–	–	**7,715**

	Financial liabilities			
€ million	Amortised cost	Fair value through Income statement	Non-financial liabilities	**Total carrying amount by balance sheet item**
Non-current liabilities				
Lease liabilities	7,093	–	–	**7,093**
Interest-bearing long-term borrowings	5,824	–	–	**5,824**
Derivative financial instruments	–	37	–	**37**
Other long-term liabilities	272	–	79	**351**
Current liabilities				
Lease liabilities	1,494	–	–	**1,494**
Current portion of long-term borrowings	939	765	–	**1,704**
Trade and other payables	5,875	–	406	**6,281**
Derivative financial instruments	–	183	–	**183**

31 December 2023

€ million	Financial assets: Amortised cost	Financial assets: Fair value through Other comprehensive income	Financial assets: Fair value through Income statement	Non-financial assets	Total carrying amount by balance sheet item
Non-current assets					
Other equity investments	–	188	–	–	188
Derivative financial instruments	–	–	42	–	42
Other non-current assets[2]	211	–	–	551	762
Current assets					
Trade receivables	1,559	–	–	–	1,559
Other current assets[2]	545	–	–	1,276	1,821
Derivative financial instruments	–	–	81	–	81
Other current interest-bearing deposits	1,396	–	–	–	1,396
Cash and cash equivalents	5,441	–	–	–	5,441

€ million	Financial liabilities: Amortised cost	Financial liabilities: Fair value through Income statement	Non-financial liabilities	Total carrying amount by balance sheet item
Non-current liabilities				
Lease liabilities	7,141	–	–	7,141
Interest-bearing long-term borrowings[1]	5,964	–	–	5,964
Derivative financial instruments	–	106	–	106
Other long-term liabilities	151	–	68	219
Current liabilities				
Lease liabilities	1,826	–	–	1,826
Current portion of long-term borrowings[1]	416	735	–	1,151
Trade and other payables	5,198	–	392	5,590
Derivative financial instruments	–	461	–	461

1 The 2023 total borrowings include a reclassification to conform with the current basis of presentation, where the non-current portion of the 2028 convertible bond, amounting to €726 million at 31 December 2023, has been reclassified as a current liability. Further information is given in notes 1 and 19.

2 The results for 2023 include a reclassification of ETS allowances from Intangible assets to Carbon-related and other assets. Amounts of €330 million and €247 million at 31 December 2023, have been reclassified to Other non-current assets and Other current assets, respectively. Further information is given in notes 1 and 19.

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 and using the following methods and assumptions:

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 represent actual and regularly occurring market transactions on an arm's length basis. Level 1 methodologies (market values at the balance sheet date) were used to determine the fair value of listed asset investments classified as equity investments and listed interest-bearing borrowings. The fair value of financial liabilities and financial assets incorporates own credit risk and counterparty credit risk, respectively.

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.

Derivative instruments are measured based on the market value of instruments with similar terms and conditions using forward pricing models, which include forward exchange rates, forward interest rates, forward fuel curves and corresponding volatility surface data at the balance sheet date. The determination of the fair value of derivative financial assets and liabilities are detailed in the 2023 Annual report and accounts.

The fair value of the Group's interest-bearing borrowings, excluding lease liabilities, is determined by discounting the remaining contractual cash flows at the relevant market interest rates at the balance sheet date. The fair value of the Group's interest-bearing borrowings is adjusted for own credit risk.

Level 3: Inputs for the asset or liability that are not based on observable market data. The principal method of such valuation is performed using a valuation model that considers the present value of the dividend cash flows expected to be generated by the associated assets. For the methodology in the determination of the fair value of the investment in Air Europa Holdings, refer to note 10.

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.

The carrying amounts and fair values of the Group's financial assets and liabilities at 30 June 2024 are as follows:

	Fair value				Carrying value
€ million	Level 1	Level 2	Level 3	Total	**Total**
Financial assets					
Other equity investments	1	–	178	179	**179**
Other non-current financial assets	–	3	–	3	**18**
Derivative financial assets[1]	–	322	–	322	**322**
Financial liabilities					
Interest-bearing loans and borrowings	2,469	4,338	–	6,807	**7,528**
Derivative financial liabilities[2]	–	220	–	220	**220**

1 Current portion of derivative financial assets is €228 million.
2 Current portion of derivative financial liabilities is €183 million.

The carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2023 are set out below:

	Fair value				Carrying value
€ million	Level 1	Level 2	Level 3	Total	Total
Financial assets					
Other equity investments	1	–	187	188	188
Other non-current financial assets	–	12	–	12	25
Derivative financial assets[1]	–	123	–	123	123
Financial liabilities					
Interest-bearing loans and borrowings	2,429	4,064	–	6,493	7,115
Derivative financial liabilities[2]	–	567	–	567	567

1 Current portion of derivative financial assets is €81 million.
2 Current portion of derivative financial liabilities is €461 million.

There have been no transfers between levels of fair value hierarchy during the period. Financial assets, other equity instruments, financial liabilities and derivative financial assets and liabilities are all measured at fair value in the consolidated financial statements. Interest-bearing borrowings, with the exception of the €825 million convertible bond due 2028 which is measured at fair value, are measured at amortised cost.

c Level 3 financial assets reconciliation

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

€ million	**30 June 2024**	31 December 2023
Opening balance for the period	**187**	55
Additions	**1**	5
Transfers to Level 1 financial assets	**–**	(1)
Net (losses)/gains recognised in Other comprehensive income	**(11)**	128
Exchange movement	**1**	–
Closing balance for the period	**178**	187

13 SHARE BASED PAYMENTS

During the six months to 30 June 2024, 27,040,505 awards were made under the Group's Restricted Share Plan to key senior executives and selected members of the wider management team. The fair value of equity-settled share awards granted is the share price at the date of the grant. 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 Group also made awards under the Group's Incentive Award Deferral Plan and Full Potential Incentive Plan during the period, under which 464,685 and 799,780 conditional shares were awarded, respectively.

14 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), both of which are in the UK and are closed to new members.

APS has been closed to new members since 1984, but remains open to future accrual. The benefits provided under APS are based on final average pensionable pay and, for the majority of members, are subject to inflationary increases in payment.

NAPS has been closed to new members since 2003 and closed to future accrual since 2018. Following closure, members' deferred pensions are increased annually by inflation up to 5% per annum (measured using the Government's annual Pension Increase (Review) Orders, which since 2011 have been based on CPI).

Triennially, the Trustees of APS and NAPS undertake actuarial valuations, which are subsequently agreed with British Airways to determine the cash contributions and any deficit payment plans through to the next valuation date, as well as ensuring that the schemes have sufficient funds available to meet future benefit payments to members. These actuarial valuations are prepared using the principles set out in UK Pension legislation. This differs from the IAS 19 'Employee benefits' valuation, which is used for deriving the Income statement and Balance sheet positions and uses a best-estimate approach overall. The different purpose and principles lead to different assumptions being used, and therefore a different estimate for the liabilities and funding levels.

At 30 June 2024, the triennial valuations as at 31 March 2024 for both APS and NAPS had not been finalised and accordingly the latest actuarial valuations performed as at 31 March 2021 resulted in a technical surplus of €343 million (£295 million) for APS and a technical deficit of €1,887 million (£1,650 million) for NAPS. The actuarial valuations performed for APS and NAPS are different to the valuation performed as at 30 June 2024 under IAS 19 'Employee Benefits' mainly due to timing differences of the measurement dates and to the specific scheme assumptions in the actuarial valuation performed as at 31 March 2021 compared with IAS 19 requirements used in the accounting valuation assumptions as at the reporting date.

Cash payments and funding arrangements
Cash payments in respect to pension obligations comprise normal employer contributions by the Group and deficit contributions based on the agreed deficit payment plan with NAPS. Total payments for the six months to 30 June 2024 net of service costs made by the Group were €1 million (six months to 30 June 2023: €20 million). The Group expects to pay €1 million in employer contributions to APS and NAPS over the six month period to 31 December 2024.

Deficit contributions and deferred deficit contributions
At the date of the actuarial valuation, being 31 March 2021, the actuarial deficit of NAPS amounted to €1,887 million. In order to address the deficit in the scheme, the Group has committed to deficit contribution payments through to 31 May 2032. The deficit contribution plan includes an over-funding protection mechanism, based on the triennial valuation methodology for measuring the deficit, whereby deficit contributions are suspended if the funding position reaches 100%, with a mechanism for contributions to resume if the contribution level subsequently falls below 100%, or until such point as the scheme funding level reaches 100%.

During the six months to 30 June 2024, the NAPS funding position exceeded 100% and accordingly deficit contributions were suspended. At 30 June 2024, the valuation of the funding level incorporates significant forward-looking assumptions, such that the Group currently does not expect to make further deficit contributions. Given the long-term nature of the NAPS scheme, these assumptions are subject to uncertainty and there can be no guarantee that deficit contributions will not resume in the future or that additional deficit contributions will not need to be incorporated into future triennial actuarial valuations.

Scheme assets

	30 June 2024			
€ million	**APS**	**NAPS**	**Other**	**Total**
Scheme assets at fair value[1, 3]	5,952	16,193	423	**22,568**
Present value of scheme liabilities[1]	(5,878)	(14,097)	(570)	**(20,545)**
Net pension asset/(liability)	74	2,096	(147)	**2,023**
Effect of the asset ceiling[2]	(18)	(524)	(3)	**(545)**
Other employee benefit obligations	–	–	(10)	**(10)**
30 June 2024	56	1,572	(160)	**1,468**
Represented by:				
Employee benefit asset				**1,642**
Employee benefit obligation				**(174)**
Net employee benefit asset				**1,468**

	31 December 2023			
€ million	APS	NAPS	Other	Total
Scheme assets at fair value[1]	6,070	16,724	393	23,187
Present value of scheme liabilities[1]	(6,048)	(14,644)	(547)	(21,239)
Net pension asset/(liability)	22	2,080	(154)	1,948
Effect of the asset ceiling[2]	(7)	(728)	–	(735)
Other employee benefit obligations	–	–	(8)	(8)
31 December 2023	15	1,352	(162)	1,205
Represented by:				
Employee benefit asset				1,380
Employee benefit obligation				(175)
Net employee benefit asset				1,205

1 Includes Additional Voluntary Contributions (AVCs), which the Trustees hold as assets to secure additional benefits on a defined contribution basis for those members who elect to make such AVCs. At 30 June 2024, such assets were €325 million (31 December 2023: €322 million) with a corresponding amount recorded in the scheme liabilities.
2 Both APS and NAPS are in an IAS 19 accounting surplus, which would be available to the Group as a refund upon wind up of the scheme. This refund is restricted due to withholding taxes that would be payable by the Trustee arising on both the net pension asset and the future contractual minimum funding requirements. On 22 November 2023, the UK Government announced that it intended to reduce the rate of withholding taxes that would be payable by the Trustee from 35% to 25%. This change was substantively enacted on 11 March 2024. The resultant impact on the asset ceiling amounted to a reduction of €215 million (£184 million), with a corresponding increase in the net employee benefit asset.
3 Included within the fair value of scheme assets are €2 billion of private equities and alternatives at 30 June 2024, where the fair value has been determined based on the most recent third-party valuations. The dates of these valuations typically precede the reporting date and have been adjusted for any cash movements between the date of the valuation and the reporting date. Typically, the valuation approach and inputs for these investments are not through to the reporting date unless there are indications of significant market movements.

Scheme liability assumptions

At 30 June 2024, the assumptions used to determine the obligations under the APS and NAPS were reviewed and updated to reflect the market condition at that date. Principal assumptions were as follows:

	30 June 2024		31 December 2023	
Per cent per annum	**APS**	**NAPS**	APS	NAPS
Discount rate	**5.10**	**5.15**	4.50	4.55
Rate of increase in pensionable pay	**3.35**	**–**	3.20	–
Rate of increase of pensions in payment	**3.35**	**2.80**	3.20	2.65
RPI rate of inflation	**3.35**	**3.15**	3.20	3.00
CPI rate of inflation	**2.85**	**2.80**	2.65	2.65

Further information on the basis of the assumptions is included in note 34 of the Annual report and accounts for the year to 31 December 2023.

15 PROVISIONS

€ million	Restoration and handback provisions	Restructuring provisions	Employee leaving indemnities and other employee related provisions	Legal claims and contractual disputes provisions	Carbon obligations	Other provisions	**Total**
Net book value 1 January 2024	2,529	94	735	82	247	53	**3,740**
Provisions recorded during the period	318	–	22	8	158	16	**522**
Reclassifications	(17)	–	–	–	–	–	**(17)**
Utilised during the period	(150)	(16)	(21)	(13)	–	(16)	**(216)**
Extinguished during the period	–	–	–	–	(231)	–	**(231)**
Release of unused amounts	(32)	(1)	–	(9)	(3)	–	**(45)**
Unwinding of discount	53	–	3	–	–	–	**56**
Remeasurements	6	–	–	–	–	–	**6**
Exchange differences	54	–	1	1	2	–	**58**
Net book value 30 June 2024	**2,761**	**77**	**740**	**69**	**173**	**53**	**3,873**
Analysis:							
Current	680	55	65	46	47	7	**900**
Non-current	2,081	22	675	23	126	46	**2,973**
	2,761	77	740	69	173	53	**3,873**

16 FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks: market risk (including fuel price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. The principal impacts of these on the condensed consolidated interim financial statements are discussed below.

Fuel price risk

The Group is exposed to fuel price risk. In order to mitigate such risk, under the Group's fuel price risk management strategy a variety of over the counter derivative instruments are entered into. The Group strategy is to hedge a proportion of fuel consumption up to two years within the approved hedging profile.

At 30 June 2024, the fair value of net asset derivative instruments was €121 million (31 December 2023: net liability of €115 million), representing an increase of €236 million since 1 January 2024.

Foreign currency risk

The Group is exposed to foreign currency risk on revenue, purchases and borrowings that are denominated in a currency other than the functional currency of each of the Group's operating companies, being pound sterling and the euro. The currencies in which these transactions are denominated are primarily US dollar pound sterling and the euro. The Group has a number of strategies to hedge foreign currency risk including hedging a proportion of its foreign currency sales and purchases for up to three years.

At 30 June 2024, the fair value of foreign currency net liability derivative instruments was €47 million (31 December 2023: net liability of €357 million), representing a decrease of €310 million since 1 January 2024.

Interest rate risk

The Group is exposed to changes in interest rates on debt and on cash deposits. In order to mitigate the interest rate risk, the Group's policies allow a variety of over the counter derivative instruments to be entered into.

At 30 June 2024, the fair value of net asset derivative instruments was €28 million (31 December 2023: net asset of €28 million), in line with the balance at 1 January 2024.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has policies and procedures to monitor the risk by assigning limits to each counterparty by underlying exposure and by operating company and by only entering into transactions with counterparties with a very low credit risk.

At each period end, the Group assesses the effect of counterparties' and the Group's own credit risk on the fair value of derivatives and any ineffectiveness arising is immediately recognised in the Income statement within Other non-operating expenses.

17 CONTINGENT LIABILITIES

There are a number of legal and regulatory proceedings against the Group in a number of jurisdictions which at 30 June 2024, where they could be reliably estimated, excluding the case relating to the Vueling commercial hand luggage policy detailed below, amounted to €6 million (31 December 2023: €58 million). The Group does not consider it probable that there will be an outflow of economic resources with regard to these proceedings and accordingly no provisions have been recorded.

Contingent liabilities associated with income taxes, deferred taxes and indirect taxes are presented in note 6.

Included in contingent liabilities is the following:

Vueling commercial hand luggage policy
During 2023, Vueling received a number of information requests from the *Ministerio de Consumo* (Ministry of Consumer Affairs) in Spain, with regard to its commercial hand luggage policy. On 12 January 2024, the *Ministerio de Consumo* issued Vueling with a List of Charges asserting that the Vueling commercial hand luggage policy infringes consumers' rights under Article 47.1 of the Royal Legislative Decree 1/2007 in Spain.

Subsequently, on 14 May 2024, the *Ministerio de Consumo* issued Vueling with a Sanctioning Resolution, covering the 26 month period to 31 December 2023, which reconfirmed the details of the List of Charges and fined Vueling. On 14 June 2024 Vueling appealed the Sanctioning Resolution to the Minister for Social Rights, Consumer Affairs and Agenda 2030. The Sanctioning Resolution is not enforceable until such time as a response to the associated appeal is received, which is expected during the remainder of 2024. While not material, the Group, in conjunction with its advisors, considers the disclosure of the amount of the fine could prejudice seriously the position of the Group in its ongoing appeals process.

The Group, with its advisors, has reviewed the List of Charges, the Sanctioning Resolution and the correspondence from the *Ministerio de Consumo* and considers it has strong arguments to support its commercial hand luggage policy and does not consider it probable that an adverse outcome will result in the future. As such, the Group does not consider it appropriate to record any provision.

18 RELATED PARTY TRANSACTIONS

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

	Six months to 30 June	
€ million	**2024**	2023
Sales of goods and services		
Sales to associates	**3**	3
Sales to significant shareholders	**126**	142
Purchases of goods and services		
Purchases from associates	**30**	28
Purchases from significant shareholders	**77**	69

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

€ million	30 June 2024	31 December 2023
Receivables from related parties		
Amounts owed by associates	**20**	18
Amounts owed by significant shareholders	**116**	136
Payables to related parties		
Amounts owed to associates	**4**	6
Amounts owed to significant shareholders	**24**	12

For the six months to 30 June 2024, the Group has not made any provision for expected credit loss arising relating to amounts owed by related parties (2023: nil).

Board of Directors and Management Committee remuneration

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

	Six months to 30 June	
€ million	**2024**	2023
Base salary, fees and benefits		
Board of Directors' remuneration		
Short-term benefits	**2**	2
Share-based payments	**–**	–
Management Committee remuneration		
Short-term benefits	**5**	4
Share-based payments	**3**	–

For the six months to 30 June 2024, the Board of Directors includes remuneration for one Executive Director (30 June 2023: one Executive Director). The Management Committee includes remuneration for 11 members (30 June 2023: 13 members), and excludes remuneration for the Executive Director.

The Company provides life insurance for the Executive Director and all members of the Management Committee. For the six months to 30 June 2024 the Company's obligation was €24,000 (2023: €23,000).

At 30 June 2024 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 (2023: €3 million).

No loan or credit transactions were outstanding with Directors or officers of the Group at 30 June 2024 (2023: nil).

19 CHANGE IN ACCOUNTING POLICIES

The Group has applied the amendments to IAS 1 for the first time for the six months to 30 June 2024 with the comparative period to 31 December 2023 restated to conform with the current presentation of the Balance sheet. Further information is given in note 1.

While the Group has maintained its accounting policy for emissions allowances, it has, during the six months to 30 June 2024, changed how it presents the associated assets and liabilities in the Balance sheet and associated classification in the Cash flow statement. Further information is given in note 1.

The following tables summarise the impacts of these changes on the Balance sheet as at 31 December 2023 and on the Cash flow statement for the six months to 30 June 2023:

Consolidated balance sheet (extract as at 31 December 2023)

€ million	As reported	IAS 1 amendments	Carbon-related adjustments	Restated
Non-current assets				
Intangible assets	3,909	–	(577)	3,332
Carbon-related and other non-current assets	432	–	330	762
Other	22,635	–	–	22,635
	26,976	**–**	**(247)**	**26,729**
Current assets				
Carbon-related and other current assets	1,574	–	247	1,821
Other	9,130	–	–	9,130
	10,704	**–**	**247**	**10,951**
Total assets	**37,680**	**–**	**–**	**37,680**
Total equity	**3,278**	**–**	**–**	**3,278**
Non-current liabilities				
Borrowings	13,831	(726)	–	13,105
Other non-current liabilities	3,592	–	–	3,592
	17,423	**(726)**	**–**	**16,697**
Current liabilities				
Borrowings	2,251	726	–	2,977
Other current liabilities	14,728	–	–	14,728
	16,979	**726**	**–**	**17,705**
Total liabilities	**34,402**	**–**	**–**	**34,402**
Total equity and liabilities	**37,680**	**–**	**–**	**37,680**

Consolidated cash flow statement (extract for the six months to 30 June 2023)

	Six months to 30 June		
€ million	As reported	Carbon-related adjustments	Restated
Cash flows from operating activities			
Operating profit	1,260	–	1,260
Increase in provisions (excluding carbon-related obligations)	123	(90)	33
Purchase of carbon assets net of the change in carbon obligations	–	(135)	(135)
Other cash flows from operating activities	2,836	–	2,836
Net cash flows from operating activities	**4,219**	**(225)**	**3,994**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	(1,509)	225	(1,284)
Other cash flows from investing activities	(607)	–	(607)
Net cash flows from investing activities	**(2,116)**	**225**	**(1,891)**
Net cash flows from financing activities	**(716)**	**–**	**(716)**
Net increase in cash and cash equivalents	1,387	–	1,387
Net foreign exchange differences	145	–	145
Cash and cash equivalents at 1 January	9,196	–	9,196
Cash and cash equivalents at period end	**10,728**	**–**	**10,728**

20 POST BALANCE SHEET EVENTS

Interim dividend

An interim dividend of 3 € cents per share was proposed and approved by the Board of Directors on 1 August 2024 (30 June 2023: €nil). It is payable from 9 September 2024 to shareholders who are on the register at 6 September 2024. This interim dividend amounting to €147 million has not been recognised as a liability in these summary condensed consolidated interim financial statements. It will be recognised in total equity in the year to 31 December 2024.

Termination of the agreement with Globalia to purchase Air Europa Holdings

On 23 February 2023, the Group entered into an agreement with Globalia to purchase the remaining 80% of the share capital of Air Europa Holdings that it had not previously owned. The acquisition was subject to approval by relevant competition authorities. The agreement stipulates that at any time over a 24 month period from execution of the agreement, if any relevant approval is not obtained, or if the Group decides not to proceed with the acquisition, the Group is required to pay a break-fee to Globalia of €50 million. In addition, at any time over this 24 month period, if the Group decides to or it is probable that either any relevant approval is not obtained or that the Group will not proceed with the acquisition, then the break-fee shall be recognised within the financial statements.

On 1 August 2024 the Group decided to withdraw from the acquisition. As a result, the withdrawal was an adjusting post-balance sheet event and the break-fee became payable. The Group has recorded an exceptional charge of €50 million within Other non-operating credits/(charges) in the Income statement for the six month period to 30 June 2024, with a corresponding Other creditor recognised in the Balance sheet at 30 June 2024.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

LIABILITY STATEMENT OF 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 1 August 2024, the Directors of International Consolidated Airlines Group, S.A. state that, to the best of their knowledge, the condensed consolidated interim financial statements for the six months to 30 June 2024 prepared in accordance with the applicable international accounting standards, offer a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the interim consolidated management report includes a fair review of the required information.

1 August 2024

Javier Ferrán Larraz
Chairman

Luis Gallego Martín
Chief Executive Officer

Peggy Bruzelius

Eva Castillo Sanz

Margaret Ewing

Maurice Lam

Bruno Matheu

Heather Ann McSharry

Robin Phillips

Emilio Saracho Rodríguez de Torres

Lucy Nicola Shaw

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Limited Review Report on the Condensed Consolidated Interim Financial Statements

To the Shareholders of International Consolidated Airlines Group, S.A. commissioned by 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 (the "interim financial statements") of International Consolidated Airlines Group, S.A. (the "Company") and subsidiaries (together the "Group"), which comprise the balance sheet at 30 June 2024, the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and the explanatory notes thereto for the six-month period then ended (all condensed and consolidated). The Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts 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

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2024 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial statements.

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Emphasis of Matter

We draw your attention to the accompanying note 1, which states that these interim financial statements do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2023. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim management report for the six-month period ended 30 June 2024 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim management report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2024. Our work is limited to the verification of the consolidated interim management report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of International Consolidated Airlines Group, S.A. and subsidiaries.

Other Matter

This report has been prepared at the request of management in relation to the publication of the six-monthly financial report required by article 100 of Law 6/2023 of 17 March 2023 on Securities Markets and Investment Services.

KPMG Auditores, S.L.

Bernardo Rücker-Embden

1 August 2024

AIRCRAFT FLEET

Number in service with Group companies

	Owned	Finance lease	Operating lease	**Total 30 June 2024**	Total 31 December 2023	Changes since 31 December 2023	Future deliveries	Options[1]
Airbus A319ceo	12	–	28	**40**	41	(1)	–	–
Airbus A320ceo	51	10	132	**193**	190	3	9	–
Airbus A320neo	2	38	28	**68**	66	2	44	40
Airbus A321ceo	14	–	29	**43**	43	–	–	–
Airbus A321neo	4	7	19	**30**	29	1	32	–
Airbus A321 LR	–	–	8	**8**	8	–	–	–
Airbus A321 XLR	–	–	–	**–**	–	–	14	14
Airbus A330-200	2	1	18	**21**	19	2	–	–
Airbus A330-300	4	4	12	**20**	20	–	–	–
Airbus A350-900	1	6	15	**22**	21	1	2	14
Airbus A350-1000	–	16	2	**18**	17	1	–	36
Airbus A380	4	8	–	**12**	12	–	–	–
Boeing 737-8200	–	–	–	**–**	–	–	25	100
Boeing 737-10	–	–	–	**–**	–	–	25	–
Boeing 777-200	38	2	3	**43**	43	–	–	–
Boeing 777-300	9	–	7	**16**	16	–	–	–
Boeing 777-9	–	–	–	**–**	–	–	18	24
Boeing 787-8	8	2	2	**12**	12	–	–	–
Boeing 787-9	1	8	9	**18**	18	–	–	–
Boeing 787-10	–	6	2	**8**	7	1	10	6
Embraer E190	9	–	11	**20**	20	–	–	–
Group total	**159**	**108**	**325**	**592**	**582**	**10**	**179**	**234**

Aircraft are reported based on their contractual definitions as opposed to their accounting determination. For accounting purposes, while all operating leases are presented as lease liabilities, finance leases are presented as either lease liabilities or asset financed liabilities, depending on the nature of the individual arrangement.

1 The options to purchase 100 Boeing 737 aircraft allow for flexibility in the choice of variant.

As well as those aircraft in service the Group also holds 9 aircraft (31 December 2023: 9) not in service.

ALTERNATIVE PERFORMANCE MEASURES

The performance of the Group is assessed using a number of alternative performance measures (APMs), some of which have been identified as key performance indicators of the Group. These measures are not defined under International Financial Reporting Standards (IFRS), should be considered in addition to IFRS measurements, may differ to definitions given by regulatory bodies applicable to the Group and may differ to similarly titled measures presented by other companies. They are used to measure the outcome of the Group's strategy based on the Group's strategic imperatives of: strengthening our core; driving earnings growth through asset-light businesses; and operating under a strengthened financial and sustainability framework.

During the six months to 30 June 2024, the Group has made no changes to its pre-existing disclosures and treatments of APMs compared to those disclosed in the Annual report and accounts for the year to 31 December 2023.

The definition of each APM, together with a reconciliation to the nearest measure prepared in accordance with IFRS is presented below.

a Profit after tax before exceptional items

Exceptional items are those that in the Board's and management's view need to be separately disclosed by virtue of their size or incidence to supplement the understanding of the entity's financial performance. The Management Committee of the Group uses financial performance on a pre-exceptional basis to evaluate operating performance and to make strategic, financial and operational decisions, and externally because it is widely used by security analysts and investors in evaluating the performance of the Group between reporting periods and against other companies.

While there have been two exceptional items recorded in the six months to 30 June 2024, no exceptional items were recorded in the six months to 30 June 2023.

The table below reconciles the statutory Income statement to the Income statement before exceptional items of the Group:

	Six months to 30 June					
€ million	**Statutory 2024**	**Exceptional items**	**Before exceptional items 2024**	Statutory 2023	Exceptional items	Before exceptional items 2023
Passenger revenue	**13,043**	**-**	**13,043**	11,784	-	11,784
Cargo revenue	**566**	**-**	**566**	603	-	603
Other revenue	**1,115**	**-**	**1,115**	1,196	-	1,196
Total revenue	**14,724**	**-**	**14,724**	13,583	-	13,583
Employee costs	**2,941**	**-**	**2,941**	2,610	-	2,610
Fuel costs and emissions charges	**3,814**	**-**	**3,814**	3,550	-	3,550
Handling, catering and other operating costs	**1,918**	**-**	**1,918**	1,796	-	1,796
Landing fees and en-route charges	**1,170**	**-**	**1,170**	1,104	-	1,104
Engineering and other aircraft costs	**1,289**	**-**	**1,289**	1,208	-	1,208
Property, IT and other costs	**548**	**-**	**548**	515	-	515
Selling costs	**577**	**-**	**577**	578	-	578
Depreciation, amortisation and impairment	**1,140**	**-**	**1,140**	983	-	983
Net gain on sale of property, plant and equipment	**-**	**-**	**-**	(17)	-	(17)
Currency differences	**18**	**-**	**18**	(4)	-	(4)
Total expenditure on operations	**13,415**	**-**	**13,415**	12,323	-	12,323
Operating profit	**1,309**	**-**	**1,309**	1,260	-	1,260
Finance costs	**(471)**	**-**	**(471)**	(565)	-	(565)
Finance income	**187**	**-**	**187**	167	-	167
Net change in fair value of financial instruments	**(5)**	**-**	**(5)**	(13)	-	(13)
Net financing credit relating to pensions	**30**	**-**	**30**	51	-	51
Net currency retranslation (charges)/credits	**(24)**	**-**	**(24)**	149	-	149
Other non-operating credits/(charges)[1]	**20**	**(50)**	**70**	(12)	-	(12)
Total net non-operating costs	**(263)**	**(50)**	**(213)**	(223)	-	(223)
Profit before tax	**1,046**	**(50)**	**1,096**	1,037	-	1,037
Tax[2]	**(141)**	**140**	**(281)**	(116)	-	(116)
Profit after tax for the period	**905**	**90**	**815**	921	-	921

€ million	Three months to 30 June **Statutory 2024**	**Exceptional items**	**Before exceptional items 2024**	Statutory 2023	Exceptional items	Before exceptional items 2023
Passenger revenue	**7,411**	**–**	**7,411**	6,743	–	6,743
Cargo revenue	**283**	**–**	**283**	280	–	280
Other revenue	**601**	**–**	**601**	671	–	671
Total revenue	**8,295**	**–**	**8,295**	7,694	–	7,694
Employee costs	**1,504**	**–**	**1,504**	1,353	–	1,353
Fuel costs and emissions charges	**2,025**	**–**	**2,025**	1,792	–	1,792
Handling, catering and other operating costs	**1,024**	**–**	**1,024**	1,020	–	1,020
Landing fees and en-route charges	**645**	**–**	**645**	620	–	620
Engineering and other aircraft costs	**711**	**–**	**711**	621	–	621
Property, IT and other costs	**268**	**–**	**268**	266	–	266
Selling costs	**283**	**–**	**283**	298	–	298
Depreciation, amortisation and impairment	**581**	**–**	**581**	497	–	497
Net gain on sale of property, plant and equipment	**(1)**	**–**	**(1)**	(7)	–	(7)
Currency differences	**14**	**–**	**14**	(17)	–	(17)
Total expenditure on operations	**7,054**	**–**	**7,054**	6,443	–	6,443
Operating profit	**1,241**	**–**	**1,241**	1,251	–	1,251
Finance costs	**(243)**	**–**	**(243)**	(291)	–	(291)
Finance income	**112**	**–**	**112**	99	–	99
Net change in fair value of financial instruments	**4**	**–**	**4**	(12)	–	(12)
Net financing credit relating to pensions	**16**	**–**	**16**	26	–	26
Net currency retranslation credits	**20**	**–**	**20**	89	–	89
Other non-operating (charges)/credits[1]	**(17)**	**(50)**	**33**	(4)	–	(4)
Total net non-operating costs	**(108)**	**(50)**	**(58)**	(93)	–	(93)
Profit before tax	**1,133**	**(50)**	**1,183**	1,158	–	1,158
Tax[2]	**(224)**	**51**	**(275)**	(150)	–	(150)
Profit after tax for the period	**909**	**1**	**908**	1,008	–	1,008

1 Termination of the agreement with Globalia to purchase Air Europa Holdings

The exceptional charge of €50 million represents the amount agreed with Globalia to terminate the agreement, signed on 23 February 2023, to purchase the remaining 80% of the share capital of Air Europa Holdings that the Group had not previously owned. On 1 August 2024, the Group exercised its right to withdraw from the acquisition and as such the agreement was terminated. The exceptional charge has been recorded within Other non-operating credits/(charges) in the Income statement with a corresponding Other creditor recognised in the Balance sheet. The related tax credit was €5 million.

2 Revocation of Royal Decree-Law 3/2016 in Spain

The exceptional tax credit of €135 million, recorded in the six months to 30 June 2024 relates to the revocation of Royal Decree-Law 3/2016 (RDL 3/2016), for fiscal years 2016 to 2023, by the *Tribunal Constitucional* (Constitutional Court) in Spain on 18 January 2024.

Prior to the introduction of RDL 3/2016, the Spanish subsidiaries of the Group were permitted to offset up to 70% of their taxable profits with historical accumulated tax losses (to the extent there were sufficient tax losses to do so) and the impairment of subsidiaries was treated as deductible for tax purposes. With the introduction of the RDL 3/2016, this limitation of tax losses applied to taxable profits was reduced to 25% and the deductibility for tax purposes of historical impairments of subsidiaries that had occurred prior to 2013 was reversed. The revocation by the Tribunal Constitucional in January 2024 principally means that the loss limitation reverts to 70% and historical impairments in subsidiaries revert to being deductible for tax purposes, giving rise to the aforementioned exceptional tax credit.

During the six months to 30 June 2024, the Group received €9 million from the Spanish tax authorities relating to fiscal years 2016 to 2022. By the end of 2024 at the earliest, the Group expects to receive a further €73 million of the claims relating to fiscal years 2016 to 2022, and refunds of €108 million relating to fiscal year 2023.

b Adjusted earnings per share (KPI)

Adjusted 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, when applicable, of the assumed conversion of the bonds and employee share schemes outstanding.

	Six months to 30 June	
€ million	**2024**	2023
Profit after tax attributable to equity holders of the parent	**905**	921
Exceptional items	**90**	–
Profit after tax attributable to equity holders of the parent before exceptional items	**815**	921
Income statement impact of convertible bonds	**7**	13
Adjusted profit	**822**	934
Weighted average number of ordinary shares in issue used for basic earnings per share	**4,918**	4,950
Weighted average number of ordinary shares used for diluted earnings per share	**5,276**	5,297
Basic earnings per share (€ cents)	**18.4**	18.6
Basic earnings per share before exceptional items (€ cents)	**16.6**	18.6
Adjusted earnings per share before exceptional items (€ cents)	**15.6**	17.6

c Ownership costs

Ownership costs represent the income statement impact of the historical purchase of capital assets and is defined as depreciation, amortisation and impairment, arising on both property, plant and equipment and intangible assets, and the Net gain on sale of property, plant and equipment. The Group believes that this measure is useful to the users of the financial statements in understanding the impact of capital assets in deriving the operating result of the Group.

€ million	**2024**	2023
Depreciation, amortisation and impairment	**1,140**	983
Net gain on sale of property, plant and equipment	**–**	(17)
Ownership costs	**1,140**	966

d Airline non-fuel costs per ASK

The Group monitors airline unit costs (per available seat kilometre (ASK), a standard airline measure of capacity) as a means of tracking operating efficiency of the core airline business. As fuel costs can vary with commodity prices, the Group monitors fuel and non-fuel costs individually. Within non-fuel costs are the costs associated with generating Other revenue, which typically do not represent the costs of transporting passengers or cargo and instead represent the costs of handling and maintenance for other airlines, non-flight products in BA Holidays and costs associated with other miscellaneous non-flight revenue streams. Airline non-fuel costs per ASK is defined as total operating expenditure before exceptional items, less fuel costs and emission charges and less non-flight specific costs divided by total available seat kilometres (ASKs), and is shown on a constant currency basis (abbreviated to 'ccy').

€ million	**Six months to 30 June 2024 Reported**	**ccy adjustment[1]**	**Six months to 30 June 2024 ccy**	Six months to 30 June 2023
Total expenditure on operations	13,415	(144)	13,271	12,323
Less: exceptional items in operating expenditure	–	–	–	–
Less: fuel costs and emission charges	3,814	(29)	3,785	3,550
Non-fuel costs	9,601	(115)	9,486	8,773
Less: Non-flight specific costs	960	(15)	945	1,030
Airline non-fuel costs	8,641	(100)	8,541	7,743
ASKs (millions)	165,653		165,653	154,034
Airline non-fuel unit costs per ASK (€ cents)	**5.22**		**5.16**	5.03

1 Refer to note h for the definition of the ccy adjustment.

e Free cash flow (KPI)

Free cash flow represents the cash generated by the businesses and is defined as the net cash flows from operating activities taken from the Cash flow statement, less the cash flows associated with the acquisition of property, plant and equipment and intangible assets reported in net cash flows from investing activities from the Cash flow statement. The Group believes that this measure is useful to the users of the financial statements in understanding the cash generating ability of the Group to support operations and maintain its capital assets.

	Six months to 30 June	
€ million	**2024**	2023[1]
Net cash flows from operating activities	**4,581**	3,994
Acquisition of property, plant and equipment and intangible assets	**(1,411)**	(1,284)
Free cash flow	**3,170**	2,710

1 The results for 2023 include a reclassification between Cash flows from investing activities and Cash flows from operating activities. Refer to notes 1 and 19 for further information. There is no change in Free cash flow.

f Net debt to EBITDA before exceptional items (KPI)

To supplement total borrowings as presented in accordance with IFRS, the Group reviews net debt to EBITDA before exceptional items to assess its level of net debt in comparison to the underlying earnings generated by the Group in order to evaluate the underlying business performance of the Group. This measure is used to monitor the Group's leverage and to assess financial headroom against internal and external security analyst and investor benchmarks.

Net debt is defined as long-term borrowings (both current and non-current), less cash, cash equivalents and current interest-bearing deposits. Net debt excludes supply chain financing arrangements which are classified within trade payables.

EBITDA before exceptional items is defined as the rolling four quarters operating result before exceptional items, interest, taxation, depreciation, amortisation and impairment.

The Group believes that this additional measure, which is used internally to assess the Group's financial capacity, is useful to the users of the financial statements in helping them to see how the Group's financial capacity has changed over the year. It is a measure of the profitability of the Group and of the core operating cash flows generated by the business model.

€ million	**30 June 2024**	31 December 2023
Interest-bearing long-term borrowings	**16,115**	16,082
Less: Cash and cash equivalents	**7,715**	5,441
Less: Other current interest-bearing deposits	**1,983**	1,396
Net debt	**6,417**	9,245
Operating profit	**3,556**	3,507
Add: Depreciation, amortisation and impairment	**2,220**	2,063
EBITDA	**5,776**	5,570
Add: Exceptional items	**–**	–
EBITDA before exceptional items	**5,776**	5,570
Net debt to EBITDA before exceptional items (times)	**1.1**	1.7

g Return on invested capital (KPI)

The Group monitors return on invested capital (RoIC) as it gives an indication of the Group's capital efficiency relative to the capital invested, as well as the ability to fund growth and to pay dividends. RoIC is defined as the rolling four quarters EBITDA before exceptional items, less fleet depreciation adjusted for inflation, depreciation of other property, plant and equipment, and amortisation of software intangibles, divided by average invested capital and is expressed as a percentage.

Invested capital is defined as the average of property, plant and equipment and software intangible assets over a 12-month period between the opening and closing net book values. The fleet aspect of property, plant and equipment is inflated over the average age of the fleet to approximate the replacement cost of the associated assets.

€ million	**30 June 2024**	31 December 2023
EBITDA before exceptional items	**5,776**	5,570
Less: Fleet depreciation multiplied by inflation adjustment	**(2,128)**	(1,976)
Less: Other property, plant and equipment depreciation	**(212)**	(194)
Less: Software intangible amortisation	**(202)**	(185)
	3,234	3,215
Invested capital		
Average fleet value[1]	**17,456**	16,919
Less: Average progress payments[2]	**(1,020)**	(993)
Fleet book value less progress payments	**16,436**	15,926
Inflation adjustment[3]	***1.18***	*1.18*
	19,420	18,811
Average net book value of other property, plant and equipment[4]	**2,244**	2,143
Average net book value of software intangible assets[5]	**827**	737
Total invested capital	**22,491**	21,691
Return on invested capital	**14.4%**	14.8%

1 The average net book value of aircraft is calculated from an amount of €18,103 million at 30 June 2024 and €16,809 million at 30 June 2023.
2 The average net book value of progress payments is calculated from an amount of €1,070 million at 30 June 2024 and €969 million at 30 June 2023.
3 Presented to two decimal places and calculated using a 1.5 per cent inflation (30 June 2023: 1.5 per cent inflation) rate over the weighted average age of the fleet at 30 June 2024: 11.3 years (30 June 2023: 11.1 years).
4 The average net book value of other property, plant and equipment is calculated from an amount of €2,369 million at 30 June 2024 and €2,119 million at 30 June 2023.
5 The average net book value of software intangible assets is calculated from an amount of €964 million at 30 June 2024 and €689 million at 30 June 2023.

h Results on a constant currency basis

Movements in foreign exchange rates impact the Group's financial results. The IAG Board and Management Committee review the results, including revenue and operating costs at constant rates of exchange. These financial measures are calculated at constant rates of exchange based on a retranslation, at prior year exchange rates, of the current year's results of the Group. Although the Board and Management Committee do not believe that these measures are a substitute for IFRS measures, the Board and Management Committee do believe that such results excluding the impact of currency fluctuations year-on-year provide additional useful information to investors regarding the Group's operating performance on a constant currency basis. Accordingly, the financial measures at constant currency within the discussion of the Group Financial review should be read in conjunction with the information provided in the Group financial statements.

The following table represents the main average and closing exchange rates for the reporting periods. Where 2024 figures are stated at a constant currency basis, they have applied the 2023 rates stated below:

Foreign exchange rates

	Average six months to 30 June		Closing at 30 June	Closing at 31 December
	2024	2023	**2024**	2023
Pound sterling to euro	**1.17**	1.14	**1.18**	1.16
Euro to US dollar	**1.08**	1.08	**1.07**	1.09
Pound sterling to US dollar	**1.26**	1.24	**1.27**	1.27

i Liquidity

The Board and the Management Committee monitor liquidity in order to assess the resilience of the Group to adverse events and uncertainty and develop funding initiatives to maintain this resilience.

Liquidity is used by analysts, investors and other users of the financial statements as a measure to the financial health and resilience of the Group.

Liquidity is defined as Cash and cash equivalents plus Current interest-bearing deposits, plus Committed and undrawn general, plus aircraft financing facilities and overdraft facilities.

€ million	**30 June 2024**	31 December 2023
Cash and cash equivalents	**7,715**	5,441
Current interest-bearing deposits	**1,983**	1,396
Committed and undrawn general facilities	**3,268**	4,359
Committed and undrawn aircraft facilities	**149**	375
Overdrafts and other facilities	**53**	53
Total liquidity	**13,168**	11,624