

## SIX MONTHS RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (July 29, 2022) presents its Group consolidated results for the six months to June 30, 2022.

### IAG returns to profit in the second quarter following strong recovery in demand across all airlines

IAG financial results highlights for the period:

- Operating profit for the second quarter €293 million (2021: operating loss €967 million), and operating profit before exceptional items €287 million (2021: operating loss before exceptional items €1,045 million)
- Operating loss for the half year €438 million (2021: operating loss €2,035 million), and operating loss before exceptional items €467 million (2021: operating loss before exceptional items €2,180 million)
- Profit after tax and exceptional items for the second quarter €133 million (2021: loss €981 million) and profit after tax before exceptional items €127 million (2021: loss €1,045 million)
- Loss after tax and exceptional items for the half year €654 million (2021: loss €2,048 million) and loss after tax before exceptional items €683 million (2021: loss €2,169 million)
- Strong liquidity at June 30, 2022:
  - Total liquidity increased to €13,489 million (December 31, 2021: €11,986 million)
  - Cash<sup>1</sup> of €9,190 million, up €1,247 million on December 31, 2021, with significantly positive working capital, driven principally by bookings for travel in the second half of the year
  - Committed and undrawn general and aircraft financing facilities of €4,299 million (December 31, 2021: €4,043 million), including an additional €200 million loan facility for Aer Lingus from the Ireland Strategic Investment Fund
- Net debt at June 30, 2022 was down €688 million since December 31, 2021 to €10,979 million, reflecting the seasonal benefit on cash of bookings for travel in the second half of the year

### Customer demand continues to recover strongly

- Passenger capacity in quarter 2 was 78% of 2019 (Q1 guidance: c80%), up from 65% in quarter 1, driven primarily by IAG's key regions of European shorthaul (capacity 89% of 2019), North America (84%) and Latin America & Caribbean (81%)
- Passenger unit revenue in quarter 2 increased by 6.4% compared to 2019, helping to offset lower capacity and higher fuel costs, driven by passenger revenue yield 10.6% higher than in 2019
- Load factor of 81.8% (3.2 points lower than in 2019, but higher than 72.2% in quarter 1)
- By the end of quarter 2, premium leisure revenue had almost fully recovered to 2019's level, despite capacity being significantly lower. Business channel revenue had recovered to c.60% of 2019's level
- In response to the challenging operational environment at Heathrow, British Airways' capacity was limited to 69.1% in quarter 2 (compared to 57.4% in quarter 1) and plans to increase to c.75% in quarter 3
- IAG's overall passenger capacity plans for the remainder of 2022 are c.80% in quarter 3 and c.85% in quarter 4, a reduction of 5% for the second half of the year compared to previous guidance, mainly due to the challenges at Heathrow; full-year capacity is expected to be c.78% of 2019 (compared to c.80% previously), with North America close to 2019 capacity by the end of the year
- SAF (Sustainable Aviation Fuel) purchase commitments increased to \$865 million (from \$400 million previously) for the next 20 years, including a quarter of IAG's SAF target for 2030 (10% of total fuel needs)

### Performance summary:

	Six months to June 30		
Reported results (€ million)	2022	2021	Higher / (lower)
Passenger revenue	7,604	1,141	nm
Total revenue	9,351	2,212	nm
Operating loss	(438)	(2,035)	(78.5)%
Loss after tax	(654)	(2,048)	(68.1)%
Basic loss per share (€ cents)	(13.2)	(41.2)	(68.0)%
Cash, cash equivalents and interest-bearing deposits <sup>2</sup>	9,190	7,943	15.7 %
Borrowings <sup>2</sup>	20,169	19,610	2.9 %
Alternative performance measures <sup>3</sup> (€ million)	2022	2021	Higher / (lower)
Passenger revenue before exceptional items	7,604	1,136	nm
Total revenue before exceptional items	9,351	2,207	nm
Operating loss before exceptional items	(467)	(2,180)	(78.6)%
Loss after tax before exceptional items	(683)	(2,169)	(68.5)%
Adjusted loss per share (€ cents)	(13.8)	(43.7)	(68.4)%
Net debt <sup>2</sup>	10,979	11,667	(5.9)%
Available seat kilometres (ASK million)	117,710	34,041	nm
Passenger revenue per ASK (€ cents)	6.46	3.34	93.6 %
Non-fuel costs per ASK (€ cents)	6.16	11.02	(44.1)%

<sup>1</sup>Cash comprises cash, cash equivalents and interest-bearing deposits.

<sup>2</sup>The prior year comparative is December 31, 2021.

<sup>3</sup>For definitions refer to the IAG 2021 Annual Report and Accounts.

**Luis Gallego, IAG Chief Executive Officer, said:**

“In the second quarter we returned to profit for the first time since the start of the pandemic following a strong recovery in demand across all our airlines. This result supports our outlook for a full year operating profit.

“Our performance reflected a significant increase in capacity, load factor and yield compared to the first quarter.

“Premium leisure remains strong while business travel continues a steady recovery in all airlines.

“Iberia and Vueling were the best performing carriers within the Group. The Spanish domestic market and routes to Latin America continued to lead the recovery with demand exceeding 2019 levels last month.

“Forward bookings show sustained strength and North Atlantic demand continues to grow following the lifting of the US COVID testing requirements in June.

“Although bookings into the fourth quarter are seasonally low at this time of year, we are seeing no signs of any weakness in demand.

“Our industry continues to face historic challenges due to the unprecedented scaling up in operations, especially in the UK where the operational challenges of Heathrow airport have been acute. Our airline teams remain focused on enhancing operational resilience and improving customer experience. I would like to thank those customers affected for their loyalty and patience and our colleagues for their hard work and commitment. We will continue working with the industry to address these issues as aviation emerges from its biggest crisis ever.

“In line with our net zero commitment by 2050, we have announced the addition of 50 new Boeing 737s and 59 Airbus A320 Neo family aircraft subject to shareholder approval. These modern, fuel-efficient planes will see us over 60 per cent through our shorthaul fleet replacement by 2028.

“As we build back operational resilience, our strong portfolio of brands, ability to deliver efficiencies through our Group scale, strong capital discipline and our leadership position in sustainability will generate long term shareholder value.”

**Trading outlook**

IAG expects pre-exceptional operating profit to be significantly improved for quarter 3 2022 compared to quarter 2 and to be positive for full year 2022. Net cash flow from operating activities is expected to be significantly positive for the year. This assumes no further setbacks related to COVID-19 and government-imposed restrictions or material impacts from geopolitical developments. Net debt is expected to increase by year end compared with the end of 2021.

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

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, the current economic and geopolitical environment and ongoing recovery from the COVID-19 pandemic and uncertainties about its impact and duration, 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 2021 Annual Report and Accounts; this document is available on [www.iairgroup.com](http://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. Many of these risks are, and will be, exacerbated by the ongoing uncertainty from the recovery from the COVID-19 pandemic and any further disruption to the global airline industry as well as the current economic and geopolitical environment.

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## CONSOLIDATED INCOME STATEMENT

€ million	Six months to June 30			Three months to June 30		
	2022	2021 <sup>1</sup>	Higher/ (lower)	2022	2021 <sup>1</sup>	Higher/ (lower)
Passenger revenue	7,604	1,141	nm	4,949	682	nm
Cargo revenue	843	769	9.6 %	411	419	(1.9)%
Other revenue	904	302	nm	556	143	nm
<b>Total revenue</b>	<b>9,351</b>	<b>2,212</b>	<b>nm</b>	<b>5,916</b>	<b>1,244</b>	<b>nm</b>
Employee costs	2,167	1,288	68.2 %	1,122	666	68.5 %
Fuel, oil costs and emissions charges	2,566	497	nm	1,648	271	nm
Handling, catering and other operating costs	1,322	367	nm	780	194	nm
Landing fees and en-route charges	847	287	nm	489	160	nm
Engineering and other aircraft costs	928	419	nm	553	212	nm
Property, IT and other costs	435	353	23.2 %	231	169	36.7 %
Selling costs	442	159	nm	241	89	nm
Depreciation, amortisation and impairment	1,015	920	10.3 %	484	450	7.6 %
Currency differences	67	(43)	nm	75	-	-
Total expenditure on operations	9,789	4,247	nm	5,623	2,211	nm
<b>Operating (loss)/profit</b>	<b>(438)</b>	<b>(2,035)</b>	<b>(78.5)%</b>	<b>293</b>	<b>(967)</b>	<b>nm</b>
Finance costs	(480)	(401)	19.7 %	(247)	(224)	10.3 %
Finance income	3	4	(25.0)%	2	1	nm
Net change in fair value of financial instruments	130	38	nm	70	38	84.2 %
Net financing credit relating to pensions	13	1	nm	6	2	nm
Net currency retranslation charges	(197)	(13)	nm	(136)	-	-
Other non-operating credits	126	70	80.0 %	85	30	nm
Total net non-operating costs	(405)	(301)	34.6 %	(220)	(153)	43.8 %
<b>(Loss)/profit before tax</b>	<b>(843)</b>	<b>(2,336)</b>	<b>(63.9)%</b>	<b>73</b>	<b>(1,120)</b>	<b>nm</b>
Tax	189	288	(34.4)%	60	139	(56.8)%
<b>(Loss)/profit after tax for the period</b>	<b>(654)</b>	<b>(2,048)</b>	<b>(68.1)%</b>	<b>133</b>	<b>(981)</b>	<b>nm</b>

<sup>1</sup>The 2021 results include a reclassification to conform with the presentation adopted in the 2021 Annual Report and Accounts regarding the fair value movements of the convertible bond. Further information is given in note 1.

## ALTERNATIVE PERFORMANCE MEASURES

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

€ million	Six months to June 30			Three months to June 30		
	Before exceptional items			Before exceptional items		
	2022	2021 <sup>1</sup>	Higher/ (lower)	2022	2021 <sup>1</sup>	Higher/ (lower)
Passenger revenue	7,604	1,136	nm	4,949	682	nm
Cargo revenue	843	769	9.6 %	411	419	(1.9)%
Other revenue	904	302	nm	556	143	nm
<b>Total revenue</b>	<b>9,351</b>	<b>2,207</b>	<b>nm</b>	<b>5,916</b>	<b>1,244</b>	<b>nm</b>
Employee costs	2,167	1,288	68.2 %	1,122	666	68.5 %
Fuel, oil costs and emissions charges	2,566	637	nm	1,648	349	nm
Handling, catering and other operating costs	1,322	367	nm	780	194	nm
Landing fees and en-route charges	847	287	nm	489	160	nm
Engineering and other aircraft costs	928	419	nm	553	212	nm
Property, IT and other costs	458	353	29.7 %	231	169	36.7 %
Selling costs	442	159	nm	241	89	nm
Depreciation, amortisation and impairment	1,021	920	11.0 %	490	450	8.9 %
Currency differences	67	(43)	nm	75	-	-
Total expenditure on operations	9,818	4,387	nm	5,629	2,289	nm
<b>Operating (loss)/profit</b>	<b>(467)</b>	<b>(2,180)</b>	<b>(78.6)%</b>	<b>287</b>	<b>(1,045)</b>	<b>nm</b>
Finance costs	(480)	(401)	19.7 %	(247)	(224)	10.3 %
Finance income	3	4	(25.0)%	2	1	nm
Net change in fair value of financial instruments	130	38	nm	70	38	84.2 %
Net financing credit relating to pensions	13	1	nm	6	2	nm
Net currency retranslation charges	(197)	(13)	nm	(136)	-	-
Other non-operating credits	126	70	80.0 %	85	30	nm
Total net non-operating costs	(405)	(301)	34.6 %	(220)	(153)	43.8 %
<b>(Loss)/profit before tax</b>	<b>(872)</b>	<b>(2,481)</b>	<b>(64.9)%</b>	<b>67</b>	<b>(1,198)</b>	<b>nm</b>
Tax	189	312	(39.4)%	60	153	(60.8)%
<b>(Loss)/profit after tax for the period</b>	<b>(683)</b>	<b>(2,169)</b>	<b>(68.5)%</b>	<b>127</b>	<b>(1,045)</b>	<b>nm</b>

Operating figures <sup>2</sup>	2022	2021 <sup>1</sup>	Higher/ (lower)	2022	2021 <sup>1</sup>	Higher/ (lower)
Available seat kilometres (ASK million)	117,710	34,041	nm	68,630	19,245	nm
Revenue passenger kilometres (RPK million)	91,546	16,748	nm	56,114	9,969	nm
Seat factor (per cent)	77.8	49.2	28.6pts	81.8	51.8	30.0pts
Passenger numbers (thousands)	39,969	8,080	nm	25,592	5,468	nm
Cargo tonne kilometres (CTK million)	1,939	1,853	4.6 %	949	999	(5.0)%
Sold cargo tonnes (thousands)	276	248	11.3 %	137	131	4.6 %
Sectors	277,368	77,956	nm	169,668	50,256	nm
Block hours (hours)	796,719	260,094	nm	474,636	151,186	nm
Average manpower equivalent <sup>3</sup>	55,658	50,813	9.5 %	58,746	50,692	15.9 %
Aircraft in service	549	529	3.8 %	n/a	n/a	-
Passenger revenue per RPK (€ cents)	8.31	6.78	22.5 %	8.82	6.84	28.9 %
Passenger revenue per ASK (€ cents)	6.46	3.34	93.6 %	7.21	3.54	nm
Cargo revenue per CTK (€ cents)	43.48	41.50	4.8 %	43.31	41.94	3.3 %
Fuel cost per ASK (€ cents)	2.18	1.87	16.5 %	2.40	1.81	32.4 %
Non-fuel costs per ASK (€ cents)	6.16	11.02	(44.1)%	5.80	10.08	(42.5)%
Total cost per ASK (€ cents)	8.34	12.89	(35.3)%	8.20	11.89	(31.0)%

<sup>1</sup>The 2021 results include a reclassification to conform with the presentation adopted in the 2021 Annual Report and Accounts regarding the fair value movements of the convertible bond. Further information is given in note 1.

<sup>2</sup>Financial ratios are before exceptional items. Refer to Alternative performance measures section for detail.

<sup>3</sup>Included in the average manpower equivalent are staff on furlough, wage support and equivalent schemes, including the Temporary Redundancy Plan arrangements in Spain. Further information is given in note 19.

## FINANCIAL REVIEW

### ***Developments since last report (May 6, 2022)***

In line with the Group's strategy to return fleet capacity to 2019 levels and replace end of life aircraft, a number of new aircraft orders have been announced in the period. These orders for modern, more fuel-efficient aircraft can be used for any airline in the Group and will bring both cost efficiencies and environmental benefits to IAG's airlines.

On May 19, the Group announced it had reached agreement with Boeing to order 25 737-8200 and 25 737-10 aircraft, plus 100 options. The aircraft will be delivered between 2023 and 2027 and will be used for shorthaul fleet renewal. The fleet order is subject to approval by IAG shareholders.

On June 30, the Group announced that it had converted 22 Airbus A320 Neo family options into firm orders for 17 A320 Neos and 5 A321 Neos for delivery in 2024 and 2025. The aircraft will be used to replace A320 Ceo family aircraft in the Group's shorthaul fleet.

On July 28, the Group announced that it is converting 12 A320 Neo family options into firm orders and is ordering a further 25 A320 Neo family aircraft, with the option to purchase 50 additional aircraft. The firm orders will replace existing Airbus A320 Ceo family aircraft and are for delivery between 2025 and 2028; the split between A320 Neos and A321 Neos will be determined nearer to delivery. The order is subject to approval by IAG shareholders.

### ***Basis of preparation***

At June 30, 2022, the Group had total liquidity of €13,489 million, comprising cash and interest-bearing deposits of €9,190 million, €3,171 million of committed and undrawn general facilities and a further €1,128 million of committed and undrawn aircraft specific facilities. The Group has been successful in raising financing since the outbreak of COVID-19, having financed all aircraft deliveries in 2020 and 2021 and all those it has sought to finance in the six months to June 30, 2022; the Group continues to secure aircraft financing on long-term arrangements.

In its assessment of going concern over the period to December 31, 2023 (the 'going concern period'), the Group has prepared extensive modelling, including considering a plausible but severe downside scenario and further sensitivities to the downside scenario. Having reviewed these scenarios and sensitivities, 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 in preparing the condensed consolidated interim financial statements for the six months to June 30, 2022. In adopting the going concern basis of accounting, the condensed consolidated interim financial statements have been prepared without the inclusion of a material uncertainty, which has been removed since the 2021 Annual Report and Accounts. The removal of the material uncertainty arises from the reduction in uncertainty over the going concern period due to both the continued recovery subsequent to the COVID-19 pandemic and the strength of the Group's liquidity at June 30, 2022.

### ***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, detailed on pages 100 to 121 of the 2021 Annual Report and Accounts, remain relevant. The Board has continued to monitor and assess risks across the Group in the light of changes that influence the Group and the aviation industry.

As the sector and markets more widely come out of pandemic restrictions, the Group continues to carefully assess how its principal risks have evolved and how the severity or likelihood of occurrence of certain risks has changed, as well as identifying emerging risks related to competitive and market risk changes, particularly those that could impact operational resilience. Where further action has been required, the Board has assessed potential mitigations and, where appropriate or feasible, the Group has implemented or confirmed plans that would address those risks.

From the risks identified in the 2021 Annual Report and Accounts, the main risks that continue to be a key area of focus are outlined below. Business responses implemented by management that effectively mitigate or reduce the risk are reflected in the Group's latest business plan and scenarios. No new principal risks were identified through the risk management assessment discussions across the business in the six months to June 30, 2022.

- ***Brand and customer trust.*** The challenging operational environment for the Group's airlines and its reliance on the resilience of third parties has significantly impacted on our customers and their journeys. The Group is pro-actively addressing its customer service processes and systems to help build customer trust in our brands and to help ensure that our customers choose to fly with the Group's airlines.
- ***Critical third parties in the supply chain.*** Operational staffing shortages at hubs and airports have required capacity adjustments, including managing the impact on British Airways' customers and operations of the decision by Heathrow airport to cap passenger numbers from mid-July until the end of October. The Group has pro-actively assessed its schedules to ensure that our customers have sufficient notice of any changes to their flight plans wherever possible and within our control. Operational bottlenecks such as immigration and security resource at airports remain outside of the Group's control although management continues to liaise with the relevant providers to identify potential solutions. The Group continues to work with all critical suppliers to understand any potential disruption within their supply chains from either a shortage of available resource or production delays which could delay the availability of new fleet, engines or critical goods or services.
- ***Cyber attack and data security.*** The threat of ransomware attacks on critical infrastructure and services has increased as a result of the war in Ukraine and the potential for state sponsored cyber attacks. The Group continues to focus its efforts on appropriate monitoring to mitigate the risk.

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- *Debt funding.* Access to the unsecured debt markets is currently very limited for sub investment grade organisations which reduces the options or increases the cost for the Group to re-finance upcoming maturities due in the next year. The Group continues to successfully secure aircraft financing.
- *Economic, political and regulatory environment.* The economic impact of the cost of pandemic combined with energy shortages and increases in commodity and wage costs has driven significant inflation and uncertainty over the economic outlook. This uncertainty in the economic outlook could have an impact on the Group's cost base and the demand for travel. The Group will continue to adjust its future capacity plans accordingly, retaining flexibility to adapt as required and where possible.
- *Event causing significant network disruption.* Ongoing labour shortages, threat of strike action and staff sickness from COVID infections have impacted the operational environment of the Group's airlines as well as the operations of the businesses on which the Group relies. Many of these events can occur within a close timeframe and challenge operational resilience. In addition, the Group has significant IT infrastructure changes to complete which could impact operations. The Group is focussed on minimising any unplanned outages or disruption to customers with additional resilience built into the airline's networks.
- *Financial and treasury related risk.* A significant increase in fuel costs has been partly mitigated by the Group's fuel hedging policy. Access to fuel hedging instruments or the ability to pass increased fuel costs on to consumers could impact the Group's profits. The Group continues to assess the strengthening of the US dollar against the euro and pound sterling and the potential impacts on the Group's operating results.
- *IT systems and IT infrastructure.* The Group is reliant upon the resilience of its systems for key customer and business processes and is exposed to risks that relate to poor performance, obsolescence or failure of these systems. The Group is currently engaged in a number of major programmes to modernise its IT systems and upgrade its digital capability, customer propositions and core IT infrastructure and network where required. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans.
- *People, culture and employee relations.* The Group recognises the efforts of our staff and their resilience and commitment supporting the ramp up of operations and continues to prioritise engagement, morale and staff wellbeing initiatives. Additional resource has been allocated to address the recruitment need for flight crew and operations staff. Across the Group, collective bargaining is in place with various unions. The Group is exposed to the risk of the industrial relations action and the operating companies continue to engage in discussions with unions to address and resolve disputes arising within the negotiations.

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

### **Impact of commodity prices and foreign exchange movements**

Average commodity fuel prices for the six months were significantly higher than in the previous year, with the spot fuel price rising significantly within the period, from \$700 per metric tonne at the start of January to \$1,236 at the end of June, compared with an average of approximately \$510 per metric tonne in the first half of 2021.

The US dollar was 9 per cent stronger against the euro and 5 per cent stronger against the pound sterling, compared with the first six months of 2021.

The net impact of transaction and translation exchange for the Group for the six months was €196 million adverse (€90 million adverse in quarter 1 and €106 million adverse in quarter 2).

From a transactional perspective, the Group's financial performance is impacted by fluctuations in exchange rates, primarily from the US dollar, euro and pound sterling. The Group generates a surplus in most currencies in which it does business, except for the US dollar, as capital expenditure, debt repayments and fuel purchases typically create a deficit. The Group hedges a portion of its transaction exposures. The net transaction impact on the operating result was adverse by €172 million for the period, increasing revenues by €141 million and costs by €313 million.

IAG's results are impacted by exchange rates used for the translation of British Airways' and IAG Loyalty's financial results from sterling to the Group's reporting currency of euro. For the six months, the net impact of translation was €24 million adverse.

### **Capacity**

In the first six months of 2022, IAG capacity, measured in available seat kilometres (ASKs) reached 72.0 per cent of that operated in the first half of 2019, a significant increase on the 20.8 per cent of 2019 operated in the first half of 2021. Capacity was steadily increased through the period, with quarter 1 at 65.1 per cent of 2019 and quarter 2 at 78.0 per cent of 2019.

The impact of COVID-19 and related travel restrictions was significantly less than in the first half of 2021, when many countries were in lockdown or had severe travel restrictions in place. The passenger load factor reached 77.8 per cent in the first half of 2022, again increasing across the period, with the passenger load factor in quarter 1 72.2 per cent and in quarter 2 81.8 per cent, which was just 3.2 points lower than in quarter 2 of 2019. There was some impact from the Omicron variant of COVID-19 early in the year, mainly in January and February. Capacity operated out of London Heathrow airport was lower than originally planned at the start of the year and British Airways' capacity was limited to 69.1 per cent of 2019 in quarter 2, up from 57.4 per cent in quarter 1.

## FINANCIAL REVIEW

Unless stated otherwise, all variances quoted below compare the first six months of 2022 with the first six months of 2021.

### **Revenue**

Passenger revenue rose €6,463 million to €7,604 million, reflecting the significant increase in capacity operated, together with the positive impact of a 28.6 percentage point increase in the passenger load factor and passenger yields per revenue passenger kilometre (RPK) up 22.5 per cent. The resulting passenger unit revenue (passenger revenue per ASK) was 93.6 per cent higher than the previous year and was up to 99.7 per cent of that seen in the first half of 2019, with passenger unit revenue 11.7 per cent lower than 2019 in the first quarter and 6.4 per cent higher than 2019 in the second quarter.

Cargo revenue was up €74 million to €843 million, 9.6 per cent higher than in the first six months of 2021, despite only 395 cargo flights operated in the period, down from 2,677 from the first six months of 2021, due to the significant increase in the passenger capacity operated. Yields increased 4.8 per cent on 2021, supported by continued global supply chain disruption. Cargo carried, measured in cargo tonne kilometres (CTKs), rose by 4.6 per cent. Compared with 2019, Cargo revenue increased by €287 million, or 51.6 per cent.

Other revenue increased by €602 million to €904 million, reflecting the recovery in the Group's non-airline businesses, including BA Holidays, Iberia's maintenance and third party handling businesses and IAG Loyalty. Other revenue was 2.3 per cent higher than in the first half of 2019.

### **Costs**

Costs were impacted by the significant increase in capacity versus 2021, together with the need to complete training and maintenance activities ahead of the Group airlines' Summer flying programmes.

Employee costs increased by €879 million to €2,167 million, with only minimal use of government wage support and related schemes in the period, as staff were required to resource the significantly increased flying programme, as well as for training and preparation ahead of the Summer flying season.

Fuel costs increased by €2,069 million to €2,566 million. The impact of the increase in commodity fuel price was mainly seen from March and the impact was reduced by the Group's hedging programme. Fuel costs also benefitted from the reduced volume of cargo flights versus the previous year.

Supplier costs increased by €2,499 million to €4,041 million, mainly linked to the significant increase in capacity operated, together with inflationary increases, which were partly offset by the Group's procurement initiatives.

Depreciation, amortisation and impairment costs increased to €1,015 million, partly driven by aircraft deliveries during 2021 and the first half of 2022.

### **Operating result**

The Group's operating loss for the period was €438 million, an improvement of €1,597 million versus 2021. Excluding exceptional items, the operating loss improved by €1,713 million versus the previous year, to €467 million.

### **Exceptional items**

In the six-month period, the Group recorded an exceptional credit of €23 million relating to the partial reversal of the fine previously issued by the European Commission, in 2010, to British Airways. There was also an exceptional credit of €6 million, reflecting the partial reversal of an aircraft impairment made in 2020, as four shorthaul aircraft previously assumed permanently stood down have now been added back to the Group's fleet plans. In the first six months of 2021, exceptional items included gains on those fuel and foreign exchange hedges de-recognised in 2020, totalling €145 million. See Reconciliation of Alternative performance measures for further information.

### **Net non-operating costs, taxation and loss after tax**

The Group's net non-operating costs for the six months were €405 million in 2022, compared with €301 million in 2021. The net change in the fair value of financial instruments of €130 million reflects fair value adjustments as at June 30, 2022 of IAG's convertible bond maturing in 2028 and its convertible loan to Globalia, which was made during quarter 2 and matures in 2029. Net currency retranslation charges of €197 million reflected the weakening of the euro and pound sterling against the US dollar since the start of the year.

The tax credit for the period was €189 million, with an effective tax rate for the Group of 22 per cent (2021: 12 per cent). The substantial majority of the Group's activities are taxed where the main operations are based, in the UK, Spain and Ireland, with corporation tax rates during 2022 of 19 per cent, 25 per cent and 12.5 per cent respectively; these result in an expected effective tax rate of 19 per cent. The difference between the actual effective tax rate of 22 per cent and the expected effective tax rate of 19 per cent is primarily due to the partial recognition of losses in Iberia and Vueling and the net impact of the increase in the UK rate from 19 to 25 per cent from April 2023.

The loss after tax for the six months was €654 million (2021: €2,048 million).

## FINANCIAL REVIEW

### ***Cash, liquidity and leverage***

The Group's cash balance of €9,190 million at June 30, 2022 was up €1,247 million on December 31, 2021, with positive net cash flow from operating activities of €3,212 million mainly reflecting the strength of new bookings for future travel. Thirteen Airbus aircraft were delivered in the six months (four A350-1000s, three A350-900s, five A320 Neos and one A321 Neo) and capital expenditure was €2,100 million. Of the aircraft delivered in the period, nine were financed by the end of June, raising approximately €800 million, with three A350-1000s and one A320 Neo to be financed during the remainder of 2022.

Total liquidity at June 30, 2022 was €13,489 million, up from €11,986 million at December 31, 2021. Committed and undrawn general facilities were €3,171 million (December 31, 2021: €2,917 million) and committed and undrawn aircraft facilities €1,128 million (December 31, 2021: €1,126 million).

Net debt at the end of the six months was €10,979 million, down €688 million from December 31, 2021. The Group has seen a return to the normal seasonality experience before the COVID-19 pandemic; this seasonality typically results in deferred revenues rising strongly in the first half of the year in advance of peak summer travel, with deferred revenues then falling in the second half of the year and reaching a natural trough in December. This pattern of seasonality would normally result in lower cash and cash equivalents at December and an increase in Net debt.



**INTERNATIONAL CONSOLIDATED AIRLINES GROUP S.A.**

Unaudited Condensed Consolidated Interim Financial Statements  
January 1, 2022 - June 30, 2022

## CONSOLIDATED INCOME STATEMENT

€ million	Six months to June 30	
	Total 2022	Total 2021 <sup>1</sup>
Passenger revenue	7,604	1,141
Cargo revenue	843	769
Other revenue	904	302
<b>Total revenue</b>	<b>9,351</b>	<b>2,212</b>
Employee costs	2,167	1,288
Fuel, oil costs and emissions charges	2,566	497
Handling, catering and other operating costs	1,322	367
Landing fees and en-route charges	847	287
Engineering and other aircraft costs	928	419
Property, IT and other costs	435	353
Selling costs	442	159
Depreciation, amortisation and impairment	1,015	920
Currency differences	67	(43)
Total expenditure on operations	9,789	4,247
<b>Operating loss</b>	<b>(438)</b>	<b>(2,035)</b>
Finance costs	(480)	(401)
Finance income	3	4
Net change in fair value of financial instruments	130	38
Net financing credit relating to pensions	13	1
Net currency retranslation charges	(197)	(13)
Other non-operating credits	126	70
Total net non-operating costs	(405)	(301)
<b>Loss before tax</b>	<b>(843)</b>	<b>(2,336)</b>
Tax	189	288
<b>Loss after tax for the period</b>	<b>(654)</b>	<b>(2,048)</b>
<b>Attributable to:</b>		
Equity holders of the parent	(654)	(2,048)
Non-controlling interest	-	-
	<b>(654)</b>	<b>(2,048)</b>
<b>Basic loss per share (€ cents)</b>	<b>(13.2)</b>	<b>(41.2)</b>
<b>Diluted loss per share (€ cents)</b>	<b>(13.2)</b>	<b>(41.2)</b>

<sup>1</sup>The 2021 results include a reclassification to conform with the presentation adopted in the 2021 Annual Report and Accounts regarding the fair value movements of the convertible bond. Further information is given in note 1.

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

€ million	Six months to June 30	
	2022	2021
<i>Items that may be reclassified subsequently to net profit</i>		
Cash flow hedges:		
Fair value movements in equity	1,352	571
Reclassified and reported in net profit	(373)	18
Fair value movements on cost of hedging	(48)	34
Cost of hedging reclassified and reported in net profit	4	14
Currency translation differences	(15)	(8)
<i>Items that will not be reclassified to net profit</i>		
Fair value movements on liabilities attributable to credit risk changes	19	(5)
Fair value movements on cash flow hedges	150	11
Fair value movements on cost of hedging	(15)	1
Remeasurements of post-employment benefit obligations	547	729
Total other comprehensive income for the period, net of tax	1,621	1,365
Loss after tax for the period	(654)	(2,048)
<b>Total comprehensive income/(loss) for the period</b>	<b>967</b>	<b>(683)</b>
Total comprehensive income/(loss) is attributable to:		
Equity holders of the parent	967	(683)
Non-controlling interest	-	-
	<b>967</b>	<b>(683)</b>

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

## CONSOLIDATED BALANCE SHEET

€ million	June 30, 2022	December 31, 2021
<b>Non-current assets</b>		
Property, plant and equipment	18,164	17,161
Intangible assets	3,288	3,239
Investment accounted for using the equity method	41	40
Other equity investments	33	31
Non-current financial assets	59	-
Employee benefit assets	2,298	1,775
Derivative financial instruments	313	77
Deferred tax assets	1,185	1,282
Other non-current assets	313	250
	<b>25,694</b>	<b>23,855</b>
<b>Current Assets</b>		
Non-current assets held for sale	-	20
Inventories	329	334
Trade receivables	1,526	735
Other current assets	1,094	960
Current tax receivable	15	16
Derivative financial instruments	1,983	543
Other current interest-bearing deposits	186	51
Cash and cash equivalents	9,004	7,892
	<b>14,137</b>	<b>10,551</b>
<b>Total assets</b>	<b>39,831</b>	<b>34,406</b>
<b>Shareholders' equity</b>		
Issued share capital	497	497
Share premium	7,770	7,770
Treasury shares	(30)	(24)
Other reserves	(6,448)	(7,403)
<b>Total shareholders' equity</b>	<b>1,789</b>	<b>840</b>
Non-controlling interest	6	6
<b>Total equity</b>	<b>1,795</b>	<b>846</b>
<b>Non-current liabilities</b>		
Borrowings	17,671	17,084
Employee benefit obligations	277	285
Provisions	2,475	2,267
Deferred revenue on ticket sales	353	391
Derivative financial instruments	14	47
Other long-term liabilities	229	208
	<b>21,019</b>	<b>20,282</b>
<b>Current liabilities</b>		
Borrowings	2,498	2,526
Trade and other payables	4,957	3,712
Deferred revenue on ticket sales	8,533	6,161
Derivative financial instruments	53	126
Current tax payable	44	21
Provisions	932	732
	<b>17,017</b>	<b>13,278</b>
<b>Total liabilities</b>	<b>38,036</b>	<b>33,560</b>
<b>Total equity and liabilities</b>	<b>39,831</b>	<b>34,406</b>

## CONSOLIDATED CASH FLOW STATEMENT

€ million	Six months to June 30	
	2022	2021
<b>Cash flows from operating activities</b>		
Operating loss	(438)	(2,035)
Depreciation, amortisation and impairment	1,015	920
Movement in working capital	2,738	520
<i>Increase in trade receivables, inventories and other current assets</i>	(996)	(254)
<i>Increase in trade and other payables and deferred revenue on ticket sales</i>	3,734	774
Payments related to restructuring	(41)	(77)
Employer contributions to pension schemes	(10)	(32)
Pension scheme service costs	1	1
Provision and other non-cash movements	349	147
Settlement of derivatives where hedge accounting has been discontinued	-	(342)
Interest paid	(403)	(298)
Interest received	3	4
Tax (paid)/received	(2)	62
<b>Net cash flows from operating activities</b>	<b>3,212</b>	<b>(1,130)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(2,100)	(300)
Sale of property, plant and equipment and intangible assets	173	188
Proceeds from sale of investments	20	-
(Increase)/decrease in other current interest-bearing deposits	(134)	90
Other investing movements	41	(10)
<b>Net cash flows from investing activities</b>	<b>(2,000)</b>	<b>(32)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	641	4,455
Repayment of borrowings	(275)	(517)
Repayment of lease liabilities	(726)	(685)
Provision of loan to Globalia	(100)	-
Acquisition of treasury shares	(23)	(24)
Settlement of derivative financial instruments	364	(382)
<b>Net cash flows from financing activities</b>	<b>(119)</b>	<b>2,847</b>
Net increase in cash and cash equivalents	1,093	1,685
Net foreign exchange differences	19	152
Cash and cash equivalents at 1 January	7,892	5,774
<b>Cash and cash equivalents at period end</b>	<b>9,004</b>	<b>7,611</b>
<b>Interest-bearing deposits maturing after more than three months</b>	<b>186</b>	<b>53</b>
<b>Cash, cash equivalents and other interest-bearing deposits</b>	<b>9,190</b>	<b>7,664</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2022

€ million	Issued share capital	Share premium	Treasury shares	Other reserves	Total shareholders' equity	Non-controlling interest	Total equity
January 1, 2022	497	7,770	(24)	(7,403)	840	6	846
Total comprehensive income for the period (net of tax)	-	-	-	967	967	-	967
Hedges reclassified and reported in the Balance sheet	-	-	-	(10)	(10)	-	(10)
Cost of share-based payments	-	-	-	18	18	-	18
Vesting of share-based payment schemes	-	-	17	(20)	(3)	-	(3)
Acquisition of treasury shares	-	-	(23)	-	(23)	-	(23)
<b>June 30, 2022</b>	<b>497</b>	<b>7,770</b>	<b>(30)</b>	<b>(6,448)</b>	<b>1,789</b>	<b>6</b>	<b>1,795</b>

For the six months to June 30, 2021

€ million	Issued share capital	Share premium	Treasury shares	Other reserves	Total shareholders' equity	Non-controlling interest	Total equity
January 1, 2021	497	7,770	(40)	(6,623)	1,604	6	1,610
Total comprehensive loss for the period (net of tax)	-	-	-	(683)	(683)	-	(683)
Hedges reclassified and reported in the Balance sheet	-	-	-	9	9	-	9
Cost of share-based payments	-	-	-	5	5	-	5
Vesting of share-based payment schemes	-	-	38	(41)	(3)	-	(3)
Acquisition of treasury shares	-	-	(24)	-	(24)	-	(24)
June 30, 2021	497	7,770	(26)	(7,333)	908	6	914

## NOTES TO THE ACCOUNTS

For the six months to June 30, 2022

### 1. CORPORATE INFORMATION AND BASIS OF PREPARATION

International Consolidated Airlines Group S.A. (hereinafter 'International Airlines Group', 'IAG' or the 'Group') is a leading European airline group, formed to hold the interests of airline and ancillary operations. IAG is a Spanish company registered in Madrid and was incorporated on December 17, 2009. On January 21, 2011 British Airways Plc and Iberia Líneas Aéreas de España S.A. Operadora (hereinafter 'British Airways' and 'Iberia' respectively) completed a merger transaction becoming the first two airlines of the Group. Vueling Airlines S.A. ('Vueling') was acquired on April 26, 2013, and Aer Lingus Group Plc ('Aer Lingus') on August 18, 2015.

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

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 (as adopted by the EU) and authorised for issue by the Board of Directors on July 28, 2022. 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 December 31, 2021 have been applied in the preparation of these condensed consolidated interim financial statements, other than for those matters described in note 2. IAG's financial statements for the year to December 31, 2021 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.

#### Presentation of results

The prior period Income statement includes reclassifications that were made to conform to the current period presentation regarding the Net change in the fair value of the convertible bond presented in Net changes in fair value of financial instruments in the Income statement, which had previously been incorporated within Finance costs. Accordingly, the Group reclassified the results for the six month period ended June 30, 2021 to recognise €38 million within Net changes in fair value of financial instruments with a corresponding increase in Finance costs. There is no impact on loss after tax.

#### Going concern

At June 30, 2022, the Group had total liquidity of €13,489 million (December 31, 2021: total liquidity of €11,986 million), comprising cash and interest-bearing deposits of €9,190 million, €3,171 million of committed and undrawn general facilities and a further €1,128 million of committed and undrawn aircraft specific facilities. At June 30, 2022, the Group has no financial covenants associated with its loans and borrowings.

In its assessment of going concern over the period to December 31, 2023 (the 'going concern period'), the Group has modelled two scenarios referred to below as the Base Case and the Downside Case. The Group's three-year business plan, prepared and approved by the Board in December 2021, was subsequently refreshed with the latest available internal and external information in mid-July 2022. This refreshed business plan supports the Base Case, which takes into account the Board's and management's views on the anticipated recovery from the COVID-19 pandemic and 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 include:

- Capacity recovery modelled by geographical region (and in certain regions, by key destinations) with capacity gradually increasing from 82 per cent in quarter 3 2022 (compared to the equivalent period in 2019) to pre-pandemic levels by the end of the going concern period with the average over the going concern period being 95 per cent of 2019 levels;
- Passenger unit revenue per ASK is forecast to continue to recover back to the levels of 2019 by the end of the going concern period, which is based on, amongst other assumptions, a greater weighting of leisure versus business compared to 2019;
- The Group has assumed that the committed and undrawn general facilities of €3.2 billion will not be drawn over the going concern period. The availability of certain of these facilities reduces over time, with €3.1 billion being available to the Group at the end of the going concern period;
- The Group has assumed that all of the committed and undrawn aircraft specific facilities of €1.1 billion would be available to be drawn over the going concern period if required, of which €0.5 billion is not expected to be utilised;
- Of the capital commitments detailed in note 9, €4.2 billion is due to be paid over the going concern period of which the Group has committed aircraft financing of €0.6 billion, under the EETC financing structures, and the Group has further forecast securing approximately 100 per cent, or €3.5 billion, of the aircraft financing required that is currently uncommitted, to align with the timing and payments for these aircraft deliveries. This loan to value assumption is consistent with the level of financing the Group has been able to achieve recently; and
- The Group has assumed that the €0.5 billion convertible bond that matures in November 2022 and the €0.5 billion bond that matures in July 2023 will be refinanced, based the Group's ability to access capital markets to raise finance historically.

## NOTES TO THE ACCOUNTS

For the six months to June 30, 2022

The Downside Case applies stress to the Base Case to model adverse commercial and operational impacts as the Group's capacity recovers over the going concern period, represented by: reduced levels of capacity operated in each month, including reductions of at least 25 per cent for three months during the going concern period to reflect the risk of more severe operational disruption; reduced passenger unit revenue per ASK reflective of general pricing pressure due to current economic backdrop; increased operational costs reflective of inflationary pressures and reduced loan to value of 80 per cent of the uncommitted aircraft financing. In the Downside Case, over the going concern period capacity would be 9 per cent down when compared to the Base Case. The Downside Case assumes that all available general credit facilities are drawn and that the €1.0 billion of bonds maturing over the going concern period will be refinanced. The Directors consider the Downside Case to be a severe but plausible scenario.

The Group has modelled the impact of further deteriorations in capacity operated and yield, as well as increases in the price of jet fuel and the inability to refinance the bonds maturing over the going concern period, but also considered further mitigating actions, such as reducing operating and capital expenditure and deferring currently forecast early repayments of loans and borrowings. The Group expects to be able to continue to secure financing for future aircraft deliveries and in addition has further potential mitigating actions, including asset disposals, it would pursue in the event of adverse liquidity experience.

Having reviewed the Base Case, the Downside Case and additional sensitivities, 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 in preparing the condensed consolidated interim financial statements for the six months to June 30, 2022. In adopting the going concern basis of accounting, the condensed consolidated interim financial statements have been prepared without the inclusion of a material uncertainty, which has been removed since the 2021 Annual Report and Accounts. The removal of the material uncertainty arises from the reduction in uncertainty over the going concern period due to both the continued recovery subsequent to the COVID-19 pandemic and the strength of the Group's liquidity at June 30, 2022.

## 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 June 30, 2022 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year to December 31, 2021.

In preparing the condensed consolidated interim financial statements for the six months to June 30, 2022, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are summarised below, including consideration of the impact on COVID-19 on financial reporting.

### New accounting policies

#### Financial assets

Financial assets are classified, upon initial recognition, measured either at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. Those financial assets that are not SPPI are classified and measured at fair value through profit or loss. This assessment is performed on an instrument by instrument basis.

### New standards, interpretations and amendments adopted by the Group

The following amendments and interpretations apply for the first time in the six months to June 30, 2022, but do not have a material impact on the condensed consolidated interim financial statements of the Group:

- Property, plant and equipment: proceeds before intended use – amendments to IAS 16 effective for periods beginning on or after January 1, 2022;
- Reference to the Conceptual Framework – amendments to IFRS 3 effective for periods beginning on or after January 1, 2022;
- Onerous contracts – cost of fulfilling a contract – amendments to IAS 37 effective for periods beginning on or after January 1, 2022; and
- Annual improvements to IFRS standards 2018–2020 – effective for periods beginning on or after January 1, 2022.



## NOTES TO THE ACCOUNTS continued

For the six months to June 30, 2022

The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date after the period end of these financial statements which management believe could impact the Group in future periods. Unless otherwise stated, the Group plans to adopt the following standards, interpretations and amendments on the date they become mandatory:

- Classification of liabilities as current or non-current – amendments to IAS 1 effective for periods beginning on or after January 1, 2023;
- Definition of accounting estimate – amendments to IAS 8 effective for periods beginning on or after January 1, 2023;
- Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice statement 2 effective for periods beginning on or after January 1, 2023; and
- Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12 effective for periods beginning on or after January 1, 2023.

### 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 June 30, 2022 and subsequently to the date of this report:

- On March 4, 2022 Aer Lingus entered into a financing arrangement with the Ireland Strategic Investment Fund (ISIF) for €200 million and is repayable in March 2025. This facility is in addition to the existing €150 million financing arrangement already in place with the ISIF, which also matures in 2025;
- In April 2022, the Group entered into an asset-financing structure, under which five aircraft were financed. These transactions mature between 2032 and 2036. This arrangement was transacted through an unconsolidated structured entity, which in turn issued the Iberia Pass Through Certificates, Series 2022-1, commonly referred to as Enhanced Equipment Trust Certificates (EETCs). In doing so, the asset financing structure provides committed aircraft financing of €680 million;
- On May 19, 2022, the Group entered into an agreement with Boeing to purchase 25 737-8200 and 25 737-10 aircraft, plus 100 options. The aircraft will be delivered between 2023 and 2027 and will be used for shorthaul fleet renewal. The fleet order is subject to approval by IAG shareholders in the remainder of 2022. The capital commitments detailed in note 9 exclude the addition of these aircraft until such shareholder approval is obtained;
- On June 15, 2022, following approval from Sociedad Estatal de Participaciones Industriales or (SEPI) (the Spanish state holding company that has a direct participation in Air Europa Holdings, S.L.U. ('Air Europa')) and the Instituto de Crédito Oficial (ICO) in Spain, the Group entered into a financing arrangement with Globalia Corporación Empresarial, S.A, ('Globalia'), whereby, the Group has provided a €100 million seven-year unsecured loan. The loan is convertible for a period of two years from inception into a fixed number of the shares of Air Europa. See note 11 for further details;
- During the six months to June 30, 2022, the Group converted 22 Airbus A320 Neo options into firm orders for 17 Airbus A320 Neos and five Airbus A321 Neos; and
- On July 28, IAG announced a further order for more fuel-efficient A320 Neo family aircraft, as part of its plan to meet climate commitments. The Group is converting 12 A320 Neo family options into firm orders and is ordering a further 25 A320 Neo family aircraft, with the option to purchase 50 additional aircraft. The firm orders will replace existing Airbus A320 Neo family aircraft and are for delivery between 2025 and 2028; the split between A320 Neos and A321 Neos will be determined nearer to delivery. The order is subject to approval by IAG shareholders.

### 3. SEASONALITY

Except for the impact of COVID-19, 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 segments

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 and platform functions. Each airline operates its network operations as a single business unit and the IAG MC assesses performance based on measures including operating profit, and makes resource allocation decisions for the airlines based on network profitability, primarily by reference to the passenger markets in which the companies operate. The objective in making resource allocation decisions is to optimise consolidated financial results.

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

**NOTES TO THE ACCOUNTS** continued

For the six months to June 30, 2022

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

**For the six months to June 30, 2022**

€ million	2022					Total
	British Airways	Iberia	Vueling	Aer Lingus companies <sup>1</sup>	Other Group companies <sup>1</sup>	
<b>Revenue</b>						
Passenger revenue	4,137	1,601	973	610	283	<b>7,604</b>
Cargo revenue	654	144	-	40	5	<b>843</b>
Other revenue	378	364	4	7	151	<b>904</b>
<b>External revenue</b>	<b>5,169</b>	<b>2,109</b>	<b>977</b>	<b>657</b>	<b>439</b>	<b>9,351</b>
Inter-segment revenue	128	188	-	9	287	<b>612</b>
<b>Segment revenue</b>	<b>5,297</b>	<b>2,297</b>	<b>977</b>	<b>666</b>	<b>726</b>	<b>9,963</b>
Depreciation and amortisation charge	(644)	(178)	(97)	(70)	(32)	<b>(1,021)</b>
Impairment reversal	-	-	6	-	-	<b>6</b>
<b>Operating (loss)/profit</b>	<b>(424)</b>	<b>4</b>	<b>(52)</b>	<b>(95)</b>	<b>129</b>	<b>(438)</b>
Exceptional items	23	-	6	-	-	29
<b>Operating (loss)/profit before exceptional items</b>	<b>(447)</b>	<b>4</b>	<b>(58)</b>	<b>(95)</b>	<b>129</b>	<b>(467)</b>
Net non-operating costs						(405)
<b>Loss before tax</b>						<b>(843)</b>
Total assets	23,956	8,698	3,290	2,161	1,726	<b>39,831</b>
Total liabilities	(21,114)	(8,778)	(3,944)	(2,150)	(2,050)	<b>(38,036)</b>

<sup>1</sup>Includes eliminations on total assets of €16,189 million and total liabilities of €5,902 million.

**NOTES TO THE ACCOUNTS** continued  
For the six months to June 30, 2022

For the six months to June 30, 2021

€ million	2021 <sup>1</sup>					Total
	British Airways	Iberia	Vueling	Aer Lingus	Other Group companies	
Revenue						
Passenger revenue	424	470	193	33	21	1,141
Cargo revenue	581	155	-	31	2	769
Other revenue	38	182	3	1	78	302
External revenue	1,043	807	196	65	101	2,212
Inter-segment revenue	17	122	-	-	156	295
Segment revenue	1,060	929	196	65	257	2,507
Depreciation and amortisation charge	(514)	(177)	(124)	(68)	(37)	(920)
Operating (loss)/profit	(1,325)	(330)	(195)	(192)	7	(2,035)
Exceptional items	120	7	9	7	2	145
Operating (loss)/profit before exceptional items	(1,445)	(337)	(204)	(199)	5	(2,180)
Net non-operating costs						(301)
Loss before tax						(2,336)
Total assets	20,001	6,529	2,685	1,818	2,429	33,462
Total liabilities	(17,945)	(6,858)	(3,299)	(1,649)	(2,797)	(32,548)

<sup>1</sup>Includes eliminations on total assets of €15,745 million and total liabilities of €5,645 million.

b Geographical analysis

Revenue by area of original sale

€ million	Six months to June 30	
	2022	2021
UK	3,390	480
Spain	1,779	657
USA	1,383	175
Rest of world	2,799	900
	<b>9,351</b>	<b>2,212</b>

Assets by area

**June 30, 2022**

€ million	Property, plant and equipment	Intangible assets
UK	11,894	1,317
Spain	5,076	1,384
USA	52	11
Rest of world	1,142	576
	<b>18,164</b>	<b>3,288</b>

**NOTES TO THE ACCOUNTS** continued  
For the six months to June 30, 2022

December 31, 2021

€ million	Property, plant and equipment	Intangible assets
UK	11,544	1,317
Spain	4,404	1,333
USA	76	13
Rest of world	1,137	576
	<b>17,161</b>	<b>3,239</b>

**5. FINANCE COSTS, INCOME, CHANGES IN FAIR VALUES AND OTHER NON-OPERATING CREDITS**

€ million	<b>Six months to June 30</b>	
	<b>2022</b>	<b>2021<sup>1,2</sup></b>
<b>Finance costs</b>		
Interest expense on:		
Bank borrowings	<b>(94)</b>	(57)
Asset financed liabilities	<b>(46)</b>	(40)
Lease liabilities	<b>(217)</b>	(195)
Provisions unwinding of discount	<b>(5)</b>	(5)
Bonds <sup>2</sup>	<b>(45)</b>	(26)
Other borrowings <sup>2</sup>	<b>(46)</b>	(20)
Capitalised interest on progress payments	<b>2</b>	1
Other finance costs <sup>1</sup>	<b>(29)</b>	(59)
<b>Total finance costs</b>	<b>(480)</b>	(401)
<b>Finance income</b>		
Interest on other interest-bearing deposits	<b>2</b>	-
Other finance income	<b>1</b>	4
<b>Total finance income</b>	<b>3</b>	4
<b>Net change in fair value of financial instruments</b>		
Net change in the fair value of convertible bond <sup>1</sup>	<b>171</b>	38
Net fair value losses on financial assets at fair value through profit or loss	<b>(41)</b>	-
	<b>130</b>	38
<b>Net credit relating to pensions</b>		
Net financing credit relating to pensions	<b>13</b>	<b>1</b>
<b>Other non-operating credits</b>		
Gains on sale of property, plant and equipment and investments	<b>21</b>	41
Credit related to equity investments	<b>-</b>	1
Share of profits/(losses) in investments accounted for using the equity method	<b>1</b>	(1)
Realised gains/(losses) on derivatives not qualifying for hedge accounting	<b>83</b>	(1)
Unrealised gains on derivatives not qualifying for hedge accounting	<b>21</b>	30
	<b>126</b>	<b>70</b>

<sup>1</sup>The 2021 results include a reclassification to conform with the presentation adopted in the 2021 Annual Report and Accounts regarding the fair value movements of the convertible bond. Further information is given in note 1.

<sup>2</sup>The 2021 total finance costs include a re-presentation of results to conform with the current basis of presentation. There is no change to total finance costs.

**NOTES TO THE ACCOUNTS** continued

For the six months to June 30, 2022

## 6. TAX

The tax credit in the Income statement was as follows:

€ million	Six months to June 30	
	2022	2021
Current tax	(21)	(22)
Deferred tax	210	310
<b>Total tax</b>	<b>189</b>	<b>288</b>

The effective tax rate for the six months to June 30, 2022 was 22 per cent (2021: 12 per cent). The substantial majority of the Group's activities are taxed where the main operations are based, in the UK, Spain and Ireland, with corporation tax rates during 2022 and 2021 of 19 per cent, 25 per cent and 12.5 per cent respectively. These result in an expected effective tax rate of 19 per cent.

The difference between the actual effective tax rate of 22 per cent and the expected effective tax rate of 19 per cent was primarily due to partial recognition of losses in Iberia and Vueling, and the net impact of the increase in the UK rate from 19 to 25 per cent.

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

€ million	June 30, 2022	December 31, 2021
<i>Income tax losses</i>		
Spanish corporate income tax losses	2,206	1,993
Openskies SASU trading losses	405	390
UK trading losses	74	72
Other tax losses	4	3
	<b>2,689</b>	<b>2,458</b>
<i>Other losses and temporary differences</i>		
Spanish deductible temporary differences	619	648
UK capital losses	357	361
Irish capital losses	17	17
	<b>993</b>	<b>1,026</b>

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

At June 30, 2022, the Group had unrecognised deferred tax assets of €2,689 million relating to tax losses the Group does not reasonably expect to utilise. In applying the aforementioned judgement, had the Group extended the period of future cash flow projections indefinitely, then the amount of unrecognised deferred tax assets would have reduced by €2,284 million.

On March 3, 2021 the UK Chancellor announced that legislation would be introduced in the Finance Bill 2021 to set the main rate of corporation tax at 25 per cent from April 2023. On May 24, 2021 the Finance Bill was substantively enacted, which has led to the remeasurement of deferred tax balances at June 30, 2022 and will increase the Group's future current tax charge accordingly. As a result of the remeasurement of deferred tax balances in UK entities, a credit of €66 million (June 30, 2021: €46 million credit) is recorded in the Income statement and a charge of €17 million (June 30, 2021: €32 million credit) is recorded in Other comprehensive income.

On October 8, 2021 Ireland announced that it would increase the rate of corporation tax for certain multinational businesses to 15 per cent with effect from 2023. This expected tax rate change has not been reflected in these results because it has not yet been substantively enacted. The effect of this proposed rate change is not expected to be material over the period of the management approved business plan.

**Tax related contingent liabilities**

The Group has certain contingent liabilities that it can reliably estimate, across all taxes, which at June 30, 2022 amounted to €106 million (December 31, 2021: €106 million). No material losses are likely to arise from such contingent liabilities. As such the Group does not consider it appropriate to make a provision for these amounts. Included in the tax related contingent liabilities are the following:

## NOTES TO THE ACCOUNTS continued

For the six months to June 30, 2022

### 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 maximum exposure in this case is €96 million (December 31, 2021: €95 million), being the amount in the tax assessment with an estimate of the interest accrued on that assessment through to June 30, 2022.

The Company appealed the assessment to the *Tribunal Económico-Administrativo Central* or 'TEAC' (Central Administrative Tax Tribunal). On October 23, 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 December 20, 2019, and on July 24, 2020 filed submissions in support of its case. The Group does not expect a hearing at the National High Court until 2023 at the earliest.

The Group disputes the technical merits of the assessment and ruling of the TEAC, both in terms of whether a gain arose and in terms of the quantum of any gain. The Group believes that it has strong arguments to support its appeals. The Group does not consider it appropriate to make a provision for these amounts and accordingly has classified this matter as a contingent liability.

### IAG Loyalty VAT

In the six month period ended June 30, 2022 HMRC issued notices of VAT assessments for the seven months ended September 2018 to Avios Group (AGL) Limited, a controlled undertaking of the Group trading as IAG Loyalty. At June 30, 2022 and through to the date of these interim financial statements HMRC's enquiries into IAG Loyalty's VAT position remain at an early stage. The Group has reviewed the position with its advisors and considers it has strong arguments to support its VAT accounting position, including having received rulings previously from HMRC on the matter, and therefore does not consider it probable that an adverse ruling will eventuate. Given the above the Group does not consider it appropriate to record any provision. It is further not possible to reliably estimate any exposure that may arise from this matter until HMRC's enquiries are further progressed.

## 7. EARNINGS PER SHARE AND SHARE CAPITAL

Millions	Six months to June 30	
	2022	2021
Weighted average number of ordinary shares in issue	4,963	4,967
Weighted average number for diluted earnings per share	4,963	4,967

  

€ cents	Six months to June 30	
	2022	2021
Basic loss per share	(13.2)	(41.2)
Diluted loss per share	(13.2)	(41.2)

The effect of the assumed conversion of the IAG €500 million convertible bond 2022, the IAG €825 million convertible bond 2028 and outstanding employee share schemes is antidilutive for the six months to June 30, 2022 and 2021 due to the reported loss after tax for each period, and therefore has not been included in the diluted earnings per share calculation.

The number of shares in issue at June 30, 2022 was 4,971,476,000 (December 31, 2021: 4,971,476,000) ordinary shares with a par value of €0.10 each.

## 8. DIVIDENDS

The Directors propose that no dividend be paid for the six months to June 30, 2022 (June 30, 2021: nil).

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.

Certain debt obligations place restrictions or conditions on the payment of dividends from the Group's main operating companies to the Company, including a loan to British Airways partially guaranteed by UKEF and loans to Iberia and Vueling partially guaranteed by the *Instituto de Crédito Oficial* (ICO) in Spain; these loans can be repaid early without penalty at the election of each company. British Airways agreed with the Trustee of its main UK defined benefit pension scheme (NAPS) as part of an agreement to defer £450 million of contributions that no dividends will be paid to IAG before 2024 and that any dividends paid to IAG from 2024 will trigger a pension contribution of 50 per cent of the amount of the dividend, until the deferred pension contributions have been paid.

**NOTES TO THE ACCOUNTS** continued  
For the six months to June 30, 2022

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

€ million	Other Property, plant and equipment	Right of use assets	Total Property, plant and equipment	Intangible assets
Net book value at January 1, 2022	7,858	9,303	17,161	3,239
Additions	1,962	109	2,071	171
Modifications	-	225	225	-
Disposals	(198)	(1)	(199)	(10)
Reclassifications <sup>1</sup>	237	(237)	-	-
Depreciation and amortisation charge <sup>2</sup>	(418)	(538)	(956)	(94)
Impairment reversal	-	6	6	-
Exchange movements	(83)	(61)	(144)	(18)
<b>Net book value at June 30, 2022</b>	<b>9,358</b>	<b>8,806</b>	<b>18,164</b>	<b>3,288</b>

<sup>1</sup>Amounts with a net book value of €237 million (six months to June 30, 2021: €126 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.

<sup>2</sup>Included in the Depreciation, amortisation and impairment charge in the Income statement, not included within above reconciliation, is a credit of €29 million relating to the de-designation of hedge accounting that had been applied to mitigate the foreign currency exposure on aircraft purchases.

€ million	Other Property, plant and equipment	Right of use assets	Total Property, plant and equipment	Intangible assets
Net book value at January 1, 2021	7,656	9,875	17,531	3,208
Additions	213	192	405	64
Modifications	-	119	119	-
Disposals	(161)	-	(161)	(49)
Reclassifications	126	(163)	(37)	-
Depreciation and amortisation charge	(316)	(518)	(834)	(86)
Exchange movements	323	354	677	75
Net book value at June 30, 2021	7,841	9,859	17,700	3,212

At June 30, 2022, long-term borrowings of the Group are secured on owned fleet assets with a net book value of €2,812 million (December 31, 2021: €3,081 million).

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to €10,843 million (December 31, 2021: €10,911 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. Aircraft orders that remain subject to shareholder approval are excluded from this figure.

10. IMPAIRMENT REVIEW

**Basis for calculating recoverable amount**

At each reporting date, the Group considers the existence of indicators of potential impairment. At June 30, 2022, while the Group continues to recover from the COVID-19 pandemic, there remains uncertainty regarding both the economic and geopolitical environments over the short and medium term. As a result, a full impairment test at June 30, 2022 has been conducted for each CGU.

The recoverable amounts of Group's CGUs have been measured based on their value-in-use, which utilises a weighted average multi-scenario discounted cash flow model. The details of these scenarios are given in the going concern section of note 1, with a weighting of 70 per cent to the Base Case and 30 per cent to the Downside Case. Cash flow projections are based on the business plans approved by the relevant operating companies covering a three-year period. Cash flows extrapolated beyond the three-year period are projected to increase based on long-term growth rates. Cash flow projections are discounted using each CGU's pre-tax discount rate.

**NOTES TO THE ACCOUNTS** continued

For the six months to June 30, 2022

Annually the relevant operating companies prepare and approve three-year business plans, and the Board approves the Group three-year business plan in the fourth quarter of the year. The Group adjusts the final year of the three-year business plan to incorporate the impacts of climate change that the Group can reliably estimate at the reporting date. However, given the long-term nature of the Group's sustainability commitments, there are other aspects of these commitments that cannot be reliably estimated at the reporting date and have been excluded from these adjustments. These adjustments incorporate the increased utilisation of sustainable aviation fuel as well as price assumptions relating to sustainable aviation fuels and the price of carbon (both ETS and CORSIA), which are derived from externally sourced market data. Where the Group considers such costs will be recovered through increased passenger ticket fares, then a corresponding adjustment is made to increase passenger revenue.

Further, in preparing the impairment models, the Group cash flow projections are prepared on the basis of using the current fleet in its current condition. The Group excludes the estimated cash flows expected to arise from future restructuring, assets not currently in use by the Group and expected technological advancements in aircraft and other technologies not available at the reporting date. The Group excludes potential future legislation/regulation regarding carbon pricing and/or alternative schemes not currently enacted, such as the implementation of kerosene taxes.

The business plan cash flows used in the value-in-use calculations reflect all restructuring of the business, where relevant, that has been approved by the Board and which can be executed by management under existing agreements.

**Key assumptions**

The value-in-use calculations for each CGU reflect the uncertainty from the recovery from COVID-19 and the wider economic and geopolitical environments, including updated projected cash flows for the decreased activity for the remaining six months of 2022 through to the end of 2024. For each of the Group's CGUs the key assumptions, derived from the weighting of the Base and Downside Cases, utilised over the forecast period in the value-in-use calculations are as follows:

Per cent	June 30, 2022				
	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty
Operating margin <sup>1</sup>	7-10	5-9	4-6	7-11	18-23
ASKs as a proportion of 2019 <sup>1,2</sup>	69-101	80-108	97-122	86-118	n/a
Long-term growth rate	1.9	1.7	1.6	1.7	1.6
Pre-tax discount rate	9.7	10.9	10.7	10.0	10.3

Per cent	December 31, 2021				
	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty
Operating margin <sup>1</sup>	3-13	2-12	2-11	0-14	22-24
ASK as a proportion of 2019 <sup>1,2</sup>	75-103	77-100	97-119	84-115	n/a
Long-term growth rate	1.9	1.7	1.6	1.7	1.6
Pre-tax discount rate	11.8	11.4	11.1	10.1	12.0

<sup>1</sup>Operating margin and ASKs as a proportion of 2019 are the weighted average of the Base Case and Downside Case scenarios.

<sup>2</sup>In prior periods the Group applied the average ASK growth per annum as a key assumption. Given the impact of COVID-19, the Group has presented ASKs as a proportion of the level of ASKs achieved in 2019, prior to the application of the terminal value calculation.

Jet fuel price (\$ per MT)	To December 31, 2022	To December 31, 2023	To December 31, 2024	2025 and thereafter
June 30, 2022	1,229	1,014	917	917
December 31, 2021	690	673	659	659

Forecast ASKs reflect the range of ASKs as a percentage of the 2019 actual ASKs over the forecast period, based on planned network growth and taking into account Management's expectation of the market.

The long-term growth rate is calculated for each CGU based on the forecast weighted average exposure in each primary market using gross domestic product (GDP) (source: Oxford Economics). The terminal value cash flows and long-term growth rate incorporate the impacts of climate change, insofar as they can be determined, by including a specific adjustment to reduce the rate to reflect the Group's assumptions regarding the reduced demand impact arising from climate change. This demand impact is derived with reference to external market data. The airlines' network plans are reviewed annually as part of the Business plan and reflect management's plans in response to specific market risk or opportunity.



## NOTES TO THE ACCOUNTS continued

For the six months to June 30, 2022

Pre-tax discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and underlying risks of its primary market. The discount rate calculation is based on the circumstances of the airline industry, the Group and the CGU. It is derived from the weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity available to airlines. The cost of equity is derived from the expected return on investment by airline investors and the cost of debt is derived from both market data and the Group's existing debt structure. CGU-specific risk is incorporated by applying individual beta factors which are evaluated annually based on available market data. The pre-tax discount rate reflects the timing of future tax flows.

Jet fuel price assumptions are derived from forward price curves at the balance sheet date and sourced externally. The cash flow forecasts reflect these price increases after taking into consideration of level of fuel derivatives and their associated prices that the Group has in place.

### Summary of results

At June 30, 2022, management reviewed the recoverable amount of each of the CGUs and concluded the recoverable amounts exceeded the carrying values.

Reasonable possible changes in key assumptions, both individually and in combination, have been considered for each CGU, where applicable, which include reducing the operating margin by 2 percentage points in each year, ASKs by 5 per cent in each year, long-term growth rates in the terminal value calculation to zero, increasing pre-tax discount rates by 2.5 percentage points, changing the weighting of the Base Case and the Downside Case to be 100 per cent weighted towards the Downside Case, and increasing the fuel price by 40 per cent with no assumed cost recovery. Given the inherent uncertainty associated with the impact of climate change, these sensitivities represent a reasonably possible greater impact of climate change on the CGUs than that included in the impairment models.

For the British Airways, Iberia, Vueling and Aer Lingus CGUs, while the recoverable amounts are estimated to exceed the carrying amounts by €5,617 million, €1,489 million, €676 million and €1,181 million, respectively, the recoverable amounts would be below the carrying amounts when applying the following reasonable possible changes in assumptions:

- *British Airways*: (i) if operating margin had been two percentage points lower combined with a reduction of the long-term growth rate of 0.8 percentage points; (ii) if ASKs had been five per cent lower combined with a reduction of the long-term growth rate of 1.8 percentage points; (iii) if ASKs had been five per cent lower combined with a fuel price increase without cost recovery of 5 per cent; and (iv) if the fuel price had been 10 per cent higher without cost recovery;
- *Iberia*: (i) if operating margin had been two percentage points lower combined with a reduction of the long-term growth rate of 0.2 percentage points; (ii) if ASKs had been five per cent lower combined with a fuel price increase without cost recovery of 5 per cent; and (iii) if the fuel price had been 9 per cent higher without cost recovery;
- *Vueling*: (i) if operating margin had been 1.8 percentage points lower; (ii) if ASKs had been five per cent lower combined with a fuel price increase without cost recovery of 2 per cent; and (ii) if the fuel price had been 8 per cent higher without cost recovery; and
- *Aer Lingus*: (i) if ASKs had been five per cent lower combined with a fuel price increase without cost recovery of 9 per cent; and (ii) if the fuel price had been 14 per cent higher without cost recovery.

For the remainder of the reasonable possible changes in key assumptions applied to the British Airways, Iberia, Vueling and Aer Lingus CGUs and for all the reasonable possible changes in key assumptions applied to the IAG Loyalty CGU, no impairment arises.

In addition, at June 30, 2022, the directors have considered the existence of indicators of impairment for individual assets, including but not limited to, landing rights and fleet assets, and concluded no impairment charge is deemed necessary.

## 11. NON-CURRENT FINANCIAL ASSETS

Other investments include the following:

€ million	June 30, 2022	December 31, 2021
Debt instrument held at fair value through profit or loss	59	-
	59	-

On June 15, 2022, the Group entered into a financing arrangement with Globalia Corporación Empresarial, S.A, ('Globalia'), whereby, the Group provided a €100 million seven-year unsecured loan, which is convertible for a period of two years from inception into a fixed number of the shares of Air Europa. The loan is accounted for at fair value through profit or loss.

**NOTES TO THE ACCOUNTS** continued

For the six months to June 30, 2022

The valuation of the financing arrangement utilises the income approach, whereby, the financing arrangement is valued using observable market inputs by which to determine an interest rate that a market participant would require to provide a loan with the same tenor and amount. This interest rate is then used to discount back the existing contractual cash flows to derive the fair value at the reporting date.

At June 30, 2022, the fair value of the financing arrangement was €59 million, representing a decrease of €41 million since inception. A corresponding charge has been recorded within Net change in fair value of financial instruments in the Income statement.

**12. FINANCIAL INSTRUMENTS****a Financial assets and liabilities by category**

The detail of the Group's financial instruments at June 30, 2022 and December 31, 2021 by nature and classification for measurement purposes is as follows:

**June 30, 2022**

€ million	Financial assets			Non-financial assets	Total carrying amount by balance sheet item
	Amortised cost	Fair value through comprehensive income	Fair value through Income statement		
<b>Non-current assets</b>					
Other equity investments	-	33	-	-	<b>33</b>
Non-current financial assets	-	-	59	-	<b>59</b>
Derivative financial instruments	-	-	313	-	<b>313</b>
Other non-current assets	145	-	-	168	<b>313</b>
<b>Current assets</b>					
Trade receivables	1,526	-	-	-	<b>1,526</b>
Other current assets	362	-	-	732	<b>1,094</b>
Derivative financial instruments	-	-	1,983	-	<b>1,983</b>
Other current interest-bearing deposits	186	-	-	-	<b>186</b>
Cash and cash equivalents	9,004	-	-	-	<b>9,004</b>
€ million	Financial liabilities			Non-financial liabilities	Total carrying amount by balance sheet item
	Amortised cost	Fair value through comprehensive income	Fair value through income statement		
<b>Non-current liabilities</b>					
Lease liabilities	8,225	-	-	-	<b>8,225</b>
Interest-bearing long-term borrowings	8,896	-	550	-	<b>9,446</b>
Derivative financial instruments	-	-	14	-	<b>14</b>
Other long-term liabilities	159	-	-	70	<b>229</b>
<b>Current liabilities</b>					
Lease liabilities	1,600	-	-	-	<b>1,600</b>
Current portion of long-term borrowings	889	-	9	-	<b>898</b>
Trade and other payables	4,672	-	-	285	<b>4,957</b>
Derivative financial instruments	-	-	53	-	<b>53</b>

**NOTES TO THE ACCOUNTS** continued  
For the six months to June 30, 2022

December 31, 2021

€ million	Financial assets			Non-financial assets	Total carrying amount by balance sheet item
	Amortised cost	Fair value through comprehensive income	Fair value through income statement		
<b>Non-current assets</b>					
Other equity investments	-	31	-	-	31
Derivative financial instruments	-	-	77	-	77
Other non-current assets	126	10	-	114	250
<b>Current assets</b>					
Trade receivables	735	-	-	-	735
Other current assets	363	-	-	597	960
Derivative financial instruments	-	-	543	-	543
Other current interest-bearing deposits	51	-	-	-	51
Cash and cash equivalents	7,892	-	-	-	7,892

€ million	Financial liabilities			Non-financial liabilities	Total carrying amount by balance sheet item
	Amortised cost	Fair value through comprehensive income	Fair value through Income statement		
<b>Non-current liabilities</b>					
Lease liabilities	8,116	-	-	-	8,116
Interest-bearing long-term borrowings	8,220	-	748	-	8,968
Derivative financial instruments	-	-	47	-	47
Other long-term liabilities	132	-	-	76	208
<b>Current liabilities</b>					
Lease liabilities	1,521	-	-	-	1,521
Current portion of long-term borrowings	996	-	9	-	1,005
Trade and other payables	3,506	-	-	206	3,712
Derivative financial instruments	-	-	126	-	126

**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 at the balance sheet date using forward pricing models, which include forward exchange rates, forward interest rates and forward fuel curves at the reporting date. The fair value of derivative financial liabilities and derivative financial assets are adjusted for own credit risk and counterparty credit risk, respectively.

**NOTES TO THE ACCOUNTS** continued

For the six months to June 30, 2022

The fair value of the Group's interest-bearing borrowings, excluding leases, 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 are adjusted for own credit risk.

Level 3: Inputs for the asset or liability that are not based on observable market data. The principal methods of such valuations are performed using option pricing models and valuation models that consider the present value of the dividend cash flows expected to be generated by the associated assets. The fair value of financial liabilities and financial assets incorporates own credit risk and counterparty credit risk, respectively.

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 June 30, 2022 are as follows:

€ million	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	Total
<b>Financial assets</b>					
Other equity investments	-	-	33	33	<b>33</b>
Non-current financial assets	-	59	-	59	<b>59</b>
Derivative financial assets <sup>1</sup>	-	2,296	-	2,296	<b>2,296</b>
<b>Financial liabilities</b>					
Interest-bearing loans and borrowings	2,842	7,171	-	10,013	<b>10,344</b>
Derivative financial liabilities <sup>2</sup>	-	67	-	67	<b>67</b>

<sup>1</sup>Current portion of derivative financial assets is €1,983 million.

<sup>2</sup>Current portion of derivative financial liabilities is €53 million.

The carrying amounts and fair values of the Group's financial assets and liabilities at December 31, 2021 are set out below:

€ million	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	Total
<b>Financial assets</b>					
Other equity investments	-	-	31	31	31
Derivative financial assets <sup>1</sup>	-	620	-	620	620
<b>Financial liabilities</b>					
Interest-bearing loans and borrowings	3,492	6,543	-	10,035	9,973
Derivative financial liabilities <sup>2</sup>	-	173	-	173	173

<sup>1</sup>Current portion of derivative financial assets is €543 million.

<sup>2</sup>Current portion of derivative financial liabilities is €126 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 IAG €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	June 30, 2022	December 31, 2021
Opening balance for the period	<b>31</b>	29
Additions	<b>2</b>	2
	<b>33</b>	31

## NOTES TO THE ACCOUNTS continued

For the six months to June 30, 2022

### 13. BORROWINGS

€ million	June 30, 2022			December 31, 2021		
	Current	Non-current	Total	Current	Non-current	Total
Bank and other loans	687	6,473	7,160	761	6,724	7,485
Asset financed liabilities	211	2,973	3,184	171	2,244	2,415
Other financing liabilities	-	-	-	73	-	73
Lease liabilities	1,600	8,225	9,825	1,521	8,116	9,637
Interest-bearing long-term borrowings	2,498	17,671	20,169	2,526	17,084	19,610

Banks and other loans are repayable up to the year 2029. Long-term borrowings of the Group amounting to €2,450 million (December 31, 2021: €2,434 million) are secured on owned fleet assets with a net book value of €2,722 million (December 31, 2021: €2,938 million). Asset financed liabilities are all secured on the associated aircraft or other property, plant and equipment.

On March 4, 2022 Aer Lingus entered into a financing arrangement with the Ireland Strategic Investment Fund (ISIF) for €200 million, repayable in March 2025. This facility is in addition to the existing €150 million financing arrangement already in place with the ISIF.

#### *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 June 30, 2022 to convert into ordinary shares of IAG. The Group holds an option to redeem the convertible bond at its principal amount, together with accrued interest, no earlier than two years prior to the final maturity date. 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 June 30, 2022 was €560 million (December 31, 2021: €756 million), representing a decrease of €196 million since January 1, 2022. Of this decrease, the amount recorded in Other comprehensive income arising from credit risk of the convertible bonds was €26 million and a credit recorded as Net change in fair value of convertible bond in the Income statement attributable to changes in market conditions of €171 million.

#### *Transactions with unconsolidated entities*

In April 2022, the Group entered into an asset-financing structure, under which five aircraft were financed. These transactions mature between 2032 and 2036. This arrangement was transacted through an unconsolidated structured entity, which in turn issued the Iberia Pass Through Certificates, Series 2022-1, commonly referred to as Enhanced Equipment Trust Certificates (EETCs). In doing so, the asset financing structure provides committed aircraft financing of €680 million, of which €490 million was drawn at June 30, 2022 with the associated liability recognised as an Asset financed liability.

### 14. SHARE BASED PAYMENTS

During the period 25,907,252 awards were made under the Group's Executive 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.

### 15. EMPLOYEE BENEFIT OBLIGATIONS

The principal funded defined benefit pension schemes within the Group are the Airways Pension Scheme (APS) and the New Airways Pension Scheme (NAPS), both of which are British Airways schemes 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, resulting in a reduction of the defined benefit obligation. Following closure members' deferred pensions will now be increased annually by inflation up to five per cent per annum (measured using 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 payments 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 deficit.

## NOTES TO THE ACCOUNTS continued

For the six months to June 30, 2022

In June 2022, the triennial valuation, as at March 31, 2021, was finalised for APS which resulted in a surplus of €343 million. At June 30, 2022, the triennial valuation as at March 31, 2021 for NAPS was not finalised and accordingly the latest actuarial valuation of NAPS was performed as at March 31, 2018, which resulted in a deficit of €2,736 million. The actuarial valuations performed for APS and NAPS are different to the valuation performed as at June 30, 2022 under IAS 19 'Employee Benefits' mainly due to timing differences of the measurement dates and to the specific scheme assumptions in the actuarial valuation compared with IAS 19 guidance used in the accounting valuation assumptions.

### 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 APS and NAPS. Total payments for the six months to June 30, 2022 net of service costs made by the Group were €8 million (six months to June 30, 2021: €31 million). The Group expects to pay €9 million in employer contributions to APS and NAPS over the six month period to December 31, 2022.

### Deficit contributions and deferred deficit contributions

At the date of the actuarial valuation, being March 31, 2018, the actuarial deficit of NAPS amounted to €2,736 million. In order to address the deficit in the scheme, the Group has also committed to deficit contribution payments through to the end of the first quarter of 2023 amounting to approximately €130 million per quarter. The deficit contribution plan includes an over-funding protection mechanism, based on the triennial valuation methodology for measuring the deficit, whereby deficit contributions are paid into an escrow account if the scheme funding position reaches 97 per cent, and are suspended if the funding position reaches 100 per cent, with a mechanism for contributions to resume if the contribution level subsequently falls below 100 per cent, which includes additional contributions equivalent to those months where contributions had been suspended, or until such point as the scheme funding level reaches 97 per cent.

During the six months to June 30, 2022, the NAPS funding position exceeded 100 per cent and accordingly deficit contributions were suspended. At June 30, 2022, 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 be incorporated into future triennial actuarial valuations.

€ million	June 30, 2022			
	APS	NAPS	Other	Total
Scheme assets at fair value <sup>3</sup>	7,133	20,143	450	27,726
Present value of scheme liabilities	(6,829)	(16,636)	(701)	(24,166)
Net pension asset/(liability)	304	3,507	(251)	3,560
Effect of the asset ceiling <sup>1</sup>	(105)	(1,422)	-	(1,527)
Other employee benefit obligations	-	-	(12)	(12)
<b>June 30, 2022</b>	<b>199</b>	<b>2,085</b>	<b>(263)</b>	<b>2,021</b>
Represented by:				
Employee benefit assets				2,298
Employee benefit obligations				(277)
Net employee benefit asset <sup>2</sup>				2,021

€ million	December 31, 2021			
	APS	NAPS	Other	Total
Scheme assets at fair value	8,869	25,055	446	34,370
Present value of scheme liabilities	(8,333)	(22,583)	(706)	(31,622)
Net pension asset/(liability)	536	2,472	(260)	2,748
Effect of the asset ceiling <sup>1</sup>	(186)	(1,061)	-	(1,247)
Other employee benefit obligations	-	-	(11)	(11)
<b>December 31, 2021</b>	<b>350</b>	<b>1,411</b>	<b>(271)</b>	<b>1,490</b>
Represented by:				
Employee benefit assets				1,775
Employee benefit obligations				(285)
Net employee benefit asset <sup>2</sup>				1,490

<sup>1</sup> 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 the withholding taxes that would be payable by the Trustee arising on both the net pension asset and the future contractual minimum funding requirements.

<sup>2</sup> 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 June 30, 2022, such assets were €343 million (December 31, 2021: €391 million) with a corresponding amount recorded in the scheme liabilities.

<sup>3</sup> Included within the fair value of scheme assets are €2.7 billion of private equities and alternatives at June 30, 2022, 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.

**NOTES TO THE ACCOUNTS** continued

For the six months to June 30, 2022

*Scheme liability assumptions*

At June 30, 2022, 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:

Per cent per annum	June 30, 2022		December 31, 2021	
	APS	NAPS	APS	NAPS
Discount rate	3.70	3.75	1.80	1.90
Rate of increase in pensionable pay	3.45	-	3.55	-
Rate of increase of pensions in payment	3.45	2.80	3.55	2.85
RPI rate of inflation	3.45	3.20	3.55	3.30
CPI rate of inflation	2.85	2.80	2.95	2.85

Further information on the basis of the assumptions is included in note 32 of the Annual Report and Accounts for the year to December 31, 2021.

## 16. PROVISIONS

€ million	Restoration and handback provisions	Restructuring provisions	Employee leaving indemnities and other employee related provisions	Legal claims and contractual disputes provisions	Other provisions	Total
Net book value January 1, 2022	1,832	274	720	90	83	2,999
Reclassifications	(11)	-	-	-	-	(11)
Provisions recorded during the period	320	10	31	6	86	453
Utilised during the period	(45)	(41)	(16)	(1)	(24)	(127)
Release of unused amounts	(39)	-	(1)	(5)	-	(45)
Unwinding of discount	3	-	2	-	-	5
Exchange differences	131	-	-	2	-	133
<b>Net book value June 30, 2022</b>	<b>2,191</b>	<b>243</b>	<b>736</b>	<b>92</b>	<b>145</b>	<b>3,407</b>
Analysis:						
Current	558	131	82	70	91	932
Non-current	1,633	112	654	22	54	2,475
	<b>2,191</b>	<b>243</b>	<b>736</b>	<b>92</b>	<b>145</b>	<b>3,407</b>

## 17. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks: market risk (including commodity risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. The principal impact of these on the 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 anticipated fuel consumption for the coming two years within the approved hedging profile.

During the six months to June 30, 2022, following a substantial rise in the global price of both crude oil and distillates, the fair value of such net asset derivative instruments was €1,200 million at June 30, 2022, representing an increase of €912 million since January 1, 2022.

**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 the Group. The currencies in which these transactions are denominated are primarily euro, US dollar and pound sterling. The Group has a number of strategies to hedge foreign currency risk. The Group strategy is to hedge a proportion of its foreign currency sales and purchases for the coming three years.

At June 30, 2022, the fair value of foreign currency net asset derivatives instruments was €999 million, representing an increase of €815 million since January 1, 2022.

## NOTES TO THE ACCOUNTS continued

For the six months to June 30, 2022

### Interest rate risk

The Group is exposed to changes in interest rates on debt and on cash deposits. Interest rate risk on floating rate debt is managed through interest rate swaps, cross currency swaps and interest rate collars.

### 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 an acceptable level of 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 recycled from Other comprehensive income to the Income statement with Other non-operating expenses.

## 18. CONTINGENT LIABILITIES

Details of contingent liabilities are set out below. The Group does not consider it probable that there will be an outflow of economic resources with regard to these proceedings and accordingly no provision for these proceedings has been recognised.

For those contingencies relating to tax, refer to note 6.

### *Legal and regulatory proceedings*

There are a number of legal and regulatory proceedings against the Group in a number of jurisdictions which at June 30, 2022, where they could be reliably estimated, amounted to €12 million (December 31, 2021: €22 million).

### *Guarantees and indemnities*

The Group has guarantees and indemnities entered into as part of the normal course of business, which at June 30, 2022 are not expected to result in material losses for the Group.

## 19. GOVERNMENT GRANTS AND ASSISTANCE

The Group has availed itself of government grants and assistance as follows:

### **The Coronavirus Job Retention Scheme (CJRS) - recognised net within Employee costs**

The CJRS was implemented by the government of the United Kingdom from March 1, 2020 to August 30, 2020, where those employees designated as being 'furloughed workers' were eligible to have 80 per cent of their wage costs paid up to a maximum of £2,500 per month.

From September 1, 2020 to September 30, 2020, the level eligibility reduced to 70 per cent of wage costs and up to a maximum of £2,197.50 per month. From October 1, 2020 to October 31, 2020, the level of eligibility reduced to 60 per cent of wage costs and up to a maximum of £1,875 per month. Following the introduction of further lockdown restrictions in the United Kingdom in November 2020, the CJRS was extended from November 1, 2020 to November 30, 2020 and then further to March 31, 2021 and then further again to September 30, 2021 with the level of eligibility increased to 80 per cent of wage costs and a maximum of £2,500 per month through to the end of June 2021. From July 1, 2021 the eligibility decreased down each month to 60 per cent of wage costs and a maximum of £1,875 per month by September 30, 2021, at which time the CJRS ended.

Such costs are paid by the government to the Group in arrears. The Group is obliged to continue to pay the associated social security costs and employer pension contributions.

### **The Temporary Wage Subsidy Scheme (TWSS) and the Employment Wage Subsidy Scheme (EWSS) - recognised net within Employee costs**

The TWSS was implemented by the government of Ireland from March 1, 2020 to August 30, 2020, where those employees designated as being furloughed workers are eligible to have 85 per cent of their wage costs paid up to a maximum of €410 per week. This scheme was replaced with the EWSS from September 1, 2020 and ran through to April 30, 2022. For those qualifying employees (earning less than €1,462 per week), the government will reimburse wage costs up to a maximum of €203 per week. Such costs are paid by the government to the Group in arrears.

The total amount of the relief received under the CJRS, the TWSS and the EWSS by the Group for the six months to June 30, 2022 amounted to €11 million (six months to June 30, 2021: €200 million).



**NOTES TO THE ACCOUNTS** continued

For the six months to June 30, 2022

**Temporary Redundancy Plan (ERTE) - no recognition in the financial statements of the Group**

The ERTE was implemented by the government of Spain from March 1, 2020 and ran through to February 28, 2022, at which time the ERTE ended. Under this plan, employment was temporarily suspended and those designated employees are paid directly by the government and there is no remittance made to the Group. The Group has been obliged to continue to pay the associated social security costs.

Had those designated employees not been temporarily suspended during the six months to June 30, 2022, the Group would have incurred further employee costs of €3 million (six months to June 30, 2021: €144 million).

**The Ireland Strategic Investment Fund (ISIF) - recognised within Long-term borrowings**

On December 23, 2020, Aer Lingus entered into a financing arrangement for €75 million. On March 27, 2021, Aer Lingus entered into a further financing arrangement to extend the total amount to €150 million.

On March 4, 2022 Aer Lingus entered into a further financing arrangement with the ISIF for €200 million and is repayable in March 2025. The facility is unsecured. At June 30, 2022 the facility remained undrawn.

**The UK Export Finance (UKEF) - recognised within Long-term borrowings**

On February 22, 2021, British Airways entered into a 5-year term loan Export Development Guarantee Facility of €2.3 billion (£2.0 billion) underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by UKEF. The loan is unsecured.

On November 1, 2021, British Airways entered into a further 5-year term loan Export Development Guarantee Facility of €1.2 billion (£1.0 billion) underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by UKEF. The facility is unsecured. At June 30, 2022 the facility remained undrawn.

**20. RELATED PARTY TRANSACTIONS**

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

Sales and purchases of goods and services:

€ million	<b>Six months to June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Sales of goods and services</b>		
Sales to associates	<b>2</b>	3
Sales to significant shareholders	<b>41</b>	13
<b>Purchases of goods and services</b>		
Purchases from associates	<b>31</b>	18
Purchases from significant shareholders	<b>72</b>	30

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

€ million	<b>June 30, 2022</b>	December 31, 2021
<b>Receivables from related parties</b>		
Amounts owed by associates	<b>1</b>	1
Amounts owed by significant shareholders	<b>8</b>	5
<b>Payables to related parties</b>		
Amounts owed to associates	<b>5</b>	3
Amounts owed to significant shareholders	<b>2</b>	2

For the six months to June 30, 2022 the Group has not made any allowance on expected credit losses relating to amounts owed by related parties (2021: nil).

**NOTES TO THE ACCOUNTS** continued

For the six months to June 30, 2022

**Board of Directors and Management Committee remuneration**

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

€ million	<b>Six months to June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Base salary, fees and benefits</b>		
Board of Directors' remuneration	<b>2</b>	<b>1</b>
Management Committee remuneration	<b>4</b>	<b>4</b>

For the six months to June 30, 2022 the remuneration for the Board of Directors includes one Executive Director (June 30, 2021: one Executive Director). The Management Committee includes remuneration for 12 members (June 30, 2021: 14 members).

The Company provides life insurance for all Executive Directors and the Management Committee. For the six months to June 30, 2022 the Company's obligation was €20,000 (2021: €18,000).

At June 30, 2022 the transfer value of accrued pensions covered under defined benefit pension obligation schemes, relating to the current members of the Management Committee totalled €6 million (2021: €8 million).

No loan or credit transactions were outstanding with Directors or officers of the Group at June 30, 2022 (2021: nil).

**21. POST BALANCE SHEET EVENTS**

On July 28, IAG announced a further order for more fuel-efficient A320 Neo family aircraft, as part of its plan to meet climate commitments. The Group is converting 12 A320 Neo family options into firm orders and is ordering a further 25 A320 Neo family aircraft, with the option to purchase 50 additional aircraft. The firm orders will replace existing aircraft and are for delivery between 2025 and 2028; the split between A320 Neos and A321 Neos will be determined nearer to delivery. The order is subject to approval by IAG shareholders.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

At a meeting held on July 28, 2022, the directors of International Consolidated Airlines Group, S.A. (the "Company") state that, to the best of their knowledge, the condensed consolidated financial statements for the six months to June 30, 2022, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the companies that fall within the consolidated group taken as a whole, and that the interim management report includes a fair review of the required information.

July 28, 2022

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Javier Ferrán Larraz  
Chairman

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Luis Gallego Martín  
Chief Executive Officer

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Giles Agutter

---

Peggy Bruzelius

---

Eva Castillo Sanz

---

Margaret Ewing

---

Maurice Lam

---

Heather Ann McSharry

---

Robin Phillips

---

Emilio Saracho Rodríguez de Torres

---

Lucy Nicola Shaw



KPMG Auditores, S.L.  
Pº. de la Castellana, 259 C  
28046 Madrid

## **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**

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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 2022, 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**

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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

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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 2022 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.

## Emphasis of Matter

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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 2021. This matter does not modify our conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim managements' report for the six-month period ended 30 June 2022 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 managements' 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 2022. Our work is limited to the verification of the consolidated interim managements' 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

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This report has been prepared at the request of management in relation to the publication of the six-monthly financial report required by article 119 of the Revised Securities Market Law, approved by Royal Legislative Decree 4/2015 of 23 October 2015 and enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.



Bernardo Rücker-Embden

28 July 2022

## 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 and may differ to definitions given by regulatory bodies applicable to the Group. 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'. Further information on why these APMs are used is provided in the Strategic priorities and key performance indicators section in IAG's 2021 Annual Report and Accounts.

During the six months to June 30, 2022, the Group has made no changes to its disclosures and treatment of APMs compared with those disclosed in the Annual Report and Accounts for the year to December 31, 2021.

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

### a Profit/(loss) after tax before exceptional items

Exceptional items are those that in 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.

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

€ million	Six months to June 30					
	Reported 2022	Exceptional items	Before exceptional items 2022	Reported 2021 <sup>1</sup>	Exceptional items	Before exceptional items 2021
Passenger revenue <sup>4</sup>	7,604	-	7,604	1,141	5	1,136
Cargo revenue	843	-	843	769	-	769
Other revenue	904	-	904	302	-	302
<b>Total revenue</b>	<b>9,351</b>	<b>-</b>	<b>9,351</b>	<b>2,212</b>	<b>5</b>	<b>2,207</b>
Employee costs	2,167	-	2,167	1,288	-	1,288
Fuel, oil costs and emissions charges <sup>4</sup>	2,566	-	2,566	497	(140)	637
Handling, catering and other operating costs	1,322	-	1,322	367	-	367
Landing fees and en-route charges	847	-	847	287	-	287
Engineering and other aircraft costs	928	-	928	419	-	419
Property, IT and other costs <sup>2</sup>	435	(23)	458	353	-	353
Selling costs	442	-	442	159	-	159
Depreciation, amortisation and impairment <sup>3</sup>	1,015	(6)	1,021	920	-	920
Currency differences	67	-	67	(43)	-	(43)
Total expenditure on operations	9,789	(29)	9,818	4,247	(140)	4,387
<b>Operating loss</b>	<b>(438)</b>	<b>29</b>	<b>(467)</b>	<b>(2,035)</b>	<b>145</b>	<b>(2,180)</b>
Finance costs	(480)	-	(480)	(401)	-	(401)
Finance income	3	-	3	4	-	4
Net change in fair value of financial instruments	130	-	130	38	-	38
Net financing credit relating to pensions	13	-	13	1	-	1
Net currency retranslation charges	(197)	-	(197)	(13)	-	(13)
Other non-operating credits	126	-	126	70	-	70
Total net non-operating costs	(405)	-	(405)	(301)	-	(301)
<b>Loss before tax</b>	<b>(843)</b>	<b>29</b>	<b>(872)</b>	<b>(2,336)</b>	<b>145</b>	<b>(2,481)</b>
Tax	189	-	189	288	(24)	312
<b>Loss after tax for the period</b>	<b>(654)</b>	<b>29</b>	<b>(683)</b>	<b>(2,048)</b>	<b>121</b>	<b>(2,169)</b>

€ million	Three months to June 30					
	Reported	Exceptional	Before	Reported	Exceptional	Before
	2022	items	exceptional items 2022	2021	items	exceptional items 2021 <sup>1</sup>
Passenger revenue <sup>4</sup>	4,949	-	4,949	682	-	682
Cargo revenue	411	-	411	419	-	419
Other revenue	556	-	556	143	-	143
<b>Total revenue</b>	<b>5,916</b>	<b>-</b>	<b>5,916</b>	<b>1,244</b>	<b>-</b>	<b>1,244</b>
Employee costs	1,122	-	1,122	666	-	666
Fuel, oil costs and emissions charges <sup>4</sup>	1,648	-	1,648	271	(78)	349
Handling, catering and other operating costs	780	-	780	194	-	194
Landing fees and en-route charges	489	-	489	160	-	160
Engineering and other aircraft costs	553	-	553	212	-	212
Property, IT and other costs <sup>2</sup>	231	-	231	169	-	169
Selling costs	241	-	241	89	-	89
Depreciation, amortisation and impairment <sup>3</sup>	484	(6)	490	450	-	450
Currency differences	75	-	75	-	-	-
Total expenditure on operations	5,623	(6)	5,629	2,211	(78)	2,289
<b>Operating profit/(loss)</b>	<b>293</b>	<b>6</b>	<b>287</b>	<b>(967)</b>	<b>78</b>	<b>(1,045)</b>
Finance costs	(247)	-	(247)	(224)	-	(224)
Finance income	2	-	2	1	-	1
Net change in fair value of financial instruments	70	-	70	38	-	38
Net financing credit relating to pensions	6	-	6	2	-	2
Net currency retranslation charges	(136)	-	(136)	-	-	-
Other non-operating credits	85	-	85	30	-	30
Total net non-operating costs	(220)	-	(220)	(153)	-	(153)
<b>Profit/(loss) before tax</b>	<b>73</b>	<b>6</b>	<b>67</b>	<b>(1,120)</b>	<b>78</b>	<b>(1,198)</b>
Tax	60	-	60	139	(14)	153
<b>Profit/(loss) after tax for the period</b>	<b>133</b>	<b>6</b>	<b>127</b>	<b>(981)</b>	<b>64</b>	<b>(1,045)</b>

The rationale for each exceptional item for the six months ended June 30, 2022 is given below:

<sup>1</sup> The 2021 results include a reclassification to conform with the presentation adopted in the 2021 Annual Report and Accounts regarding the fair value movements of the convertible bond. Further information is given in note 1.

<sup>2</sup> The exceptional credit of €23 million relates to the partial reversal of the fine, plus accrued interest, initially issued by the European Commission, in 2010, to British Airways regarding its involvement in cartel activity in the air cargo sector and that had been recognised as an exceptional charge. The exceptional credit has been recorded within Property, IT and other costs in the Income statement with no resultant tax charge arising.

<sup>3</sup> The exceptional impairment reversal of €6 million relates to four Airbus A320s in Vueling, previously stood down in the fourth quarter of 2020 and subsequently stood up in the second quarter of 2022. The exceptional impairment reversal was recorded within Right of use assets on the Balance sheet and within Depreciation, amortisation and impairment in the Income statement with no resultant tax charge arising.

<sup>4</sup> The exceptional credit to Fuel, oil costs and emissions charges of €140 million recorded in the six months to June 30, 2021 and the exceptional credit to Passenger revenue of €5 million related to the derecognition of hedge accounting of the associated fuel derivatives and the foreign currency derivatives on forecast revenue and fuel consumption. These amounts arose from the substantial deterioration in demand for air travel caused by the COVID-19 outbreak, which caused a significant level of hedged fuel purchases in US dollars and hedged passenger revenue transactions in a variety of foreign currencies to no longer be expected to occur based on the Group's operating forecasts prevailing at the balance sheet date. The credit related to revenue derivatives and fuel derivatives was recorded in the Income statement within Passenger revenue and Fuel, oil and emission charges, respectively. The related tax charge was €24 million.

## b Basic loss per share before exceptional items and adjusted loss per share (KPI)

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

€ million	Six months to June 30, 2022	Six months to June 30, 2021
Loss after tax attributable to equity holders of the parent	(654)	(2,048)
Exceptional items	29	121
<b>Loss after tax attributable to equity holders of the parent before exceptional items</b>	<b>(683)</b>	<b>(2,169)</b>
Interest expense on convertible bonds	-	-
<b>Adjusted loss</b>	<b>(683)</b>	<b>(2,169)</b>
Weighted average number of shares used for basic earnings per share	4,963	4,967
Weighted average number of shares used for diluted earnings per share	4,963	4,967
<b>Basic loss per share before exceptional items (€ cents)</b>	<b>(13.8)</b>	<b>(43.7)</b>
<b>Adjusted loss per share (€ cents)</b>	<b>(13.8)</b>	<b>(43.7)</b>

## c Airline non-fuel costs per ASK

The Group monitors airline unit costs (per 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, oil 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.

€ million	Six months to June 30, 2022 reported	Six months to ccy June 30, 2022 adjustment <sup>1</sup>	Six months to ccy June 30, 2022	Six months to June 30, 2021
Total expenditure on operations	9,789	(549)	9,240	4,247
Less: exceptional items	(29)	-	(29)	(140)
Less: fuel, oil costs and emission charges before exceptional items	2,566	(188)	2,378	637
Non-fuel costs	7,252	(361)	6,891	3,750
Less: Non-flight specific costs	778	(43)	735	260
<b>Airline non-fuel costs</b>	<b>6,474</b>	<b>(318)</b>	<b>6,156</b>	<b>3,490</b>
ASKs	117,710		117,710	34,041
<b>Airline non-fuel unit costs per ASK (€ cents)</b>	<b>5.50</b>		<b>5.23</b>	<b>10.25</b>

<sup>1</sup>Refer to note g for the definition of the ccy adjustment.



**d Levered free cash flow (KPI)**

Levered free cash flow represents the cash generated, and the financing raised, by the businesses before shareholder returns and is defined as the net increase in cash and cash equivalents taken from the Cash flow statement, adjusting for movements in Current interest-bearing deposits and adding back the cash outflows associated with dividends paid and the acquisition of treasury shares. The Group believes that this measure is useful to the users of the financial statements in understanding the cash generating ability of the Group that is available to return to shareholders, to improve leverage and/or to undertake inorganic growth opportunities.

<b>€ million</b>	<b>Six months to June 30, 2022</b>	Six months to June 30, 2021
<b>Net increase in cash and cash equivalents</b>	<b>1,093</b>	1,685
Less: Increase/(decrease) in other current interest-bearing deposits	<b>134</b>	(90)
Add: Dividends paid	-	-
<b>Levered free cash flow</b>	<b>1,227</b>	1,595

**e Net debt to EBITDA (KPI)**

To supplement total borrowings as presented in accordance with IFRS, the Group reviews net debt to EBITDA 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 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.

<b>€ million</b>	<b>June 30, 2022</b>	December 31, 2021
Interest-bearing long-term borrowings	<b>20,169</b>	19,610
Less: Cash and cash equivalents	<b>(9,004)</b>	(7,892)
Less: Other current interest-bearing deposits	<b>(186)</b>	(51)
<b>Net debt</b>	<b>10,979</b>	11,667
Operating loss	<b>(1,168)</b>	(2,765)
Add: Exceptional items	<b>(89)</b>	(205)
Add: Depreciation, amortisation and impairment	<b>2,054</b>	1,953
<b>EBITDA</b>	<b>797</b>	(1,017)
<b>Net debt to EBITDA</b>	<b>13.8</b>	(11.5)

## f 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 EBITDA, 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	June 30, 2022	December 31, 2021
EBITDA	797	(1,017)
Less: Fleet depreciation multiplied by inflation adjustment	(1,914)	(1,777)
Less: Other property, plant and equipment depreciation	(266)	(257)
Less: Software intangible amortisation	(176)	(167)
	<b>(1,559)</b>	<b>(3,218)</b>
<b>Invested capital</b>		
Average fleet value <sup>2</sup>	15,816	15,241
Less: average progress payments <sup>3</sup>	(909)	(729)
Fleet book value less progress payments	14,907	14,512
<i>Inflation adjustment</i> <sup>1</sup>	1.17	1.16
	<b>17,425</b>	<b>16,893</b>
Average net book value of other property, plant and equipment <sup>4</sup>	2,116	2,106
Average net book value of software intangible assets <sup>5</sup>	642	640
<b>Total invested capital</b>	<b>20,183</b>	<b>19,639</b>
<b>Return on Invested Capital</b>	<b>(7.7)%</b>	<b>(16.4)%</b>

<sup>1</sup>Presented to two decimal places and calculated using a 1.5 per cent inflation (June 30, 2021: 1.5 per cent inflation) rate over the weighted average age of the fleet at June 30, 2022: 10.8 years (June 30, 2021: 10.2 years).

<sup>2</sup>The average net book value of aircraft is calculated from an amount of €15,545 million at June 30, 2021 and €16,087 million at June 30, 2022.

<sup>3</sup>The average net book value of progress payments is calculated from an amount of €677 million at June 30, 2021 and €1,141 million at June 30, 2022.

<sup>4</sup>The average net book value of other property, plant and equipment is calculated from an amount of €2,155 million at June 30, 2021 and €2,077 million at June 30, 2022.

<sup>5</sup>The average net book value of software intangible assets is calculated from an amount of €645 million at June 30, 2021 and €640 million at June 30, 2022.

## g Results on a constant currency (ccy) basis

Movements in foreign exchange rates impact the Group's financial results. The Group reviews the results, including revenue and operating costs at constant rates of exchange (abbreviated to 'ccy'). The Group calculates these financial measures 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 Group does not believe that these measures are a substitute for IFRS measures, the Group does 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 2022 figures are stated at a constant currency basis, they have applied the 2021 rates stated below:

### Foreign exchange rates

	Average six months to June 30		Closing at June 30	Closing at December 31
	2022	2021	2022	2021
Pound sterling to euro	1.19	1.14	1.16	1.18
Euro to US dollar	1.11	1.21	1.05	1.13
Pound sterling to US dollar	1.32	1.38	1.22	1.33

## h Liquidity

The Board and the Management Committee monitor liquidity in order to assess the resilience of the Group to adverse events and uncertainty and develops 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 general undrawn facilities and committed aircraft undrawn facilities.

<b>€ million</b>	<b>June 30, 2022</b>	December 31, 2021
Cash and cash equivalents	<b>9,004</b>	7,892
Current interest-bearing deposits	<b>186</b>	51
Committed general undrawn facilities	<b>3,118</b>	2,864
Committed aircraft undrawn facilities	<b>1,128</b>	1,126
Overdrafts and other facilities	<b>53</b>	53
<b>Total liquidity</b>	<b>13,489</b>	11,986

## AIRCRAFT FLEET

### Number in service with Group companies<sup>1</sup>

	Owned	Finance lease	Operating lease	Total June 30, 2022	Total December 31, 2021	Changes since December 31, 2021	Future deliveries	Options
Airbus A319 Ceo	8	3	30	41	39	2	-	-
Airbus A320 Ceo	42	31	125	198	190	8	-	-
Airbus A320 Neo	7	27	21	55	50	5	36	50
Airbus A321 Ceo	16	8	22	46	51	(5)	-	-
Airbus A321 Neo	1	-	14	15	14	1	24	-
Airbus A321 LR	-	-	8	8	8	-	-	-
Airbus A321 XLR	-	-	-	-	-	-	14	14
Airbus A330-200	-	2	15	17	18	(1)	-	-
Airbus A330-300	4	4	12	20	18	2	-	-
Airbus A350-900	4	2	6	12	9	3	11	16
Airbus A350-1000	3	9	-	12	8	4	6	36
Airbus A380	2	10	-	12	12	-	-	-
Boeing 777-200	38	2	3	43	43	-	-	-
Boeing 777-300	5	4	7	16	16	-	-	-
Boeing 777-9	-	-	-	-	-	-	18	24
Boeing 787-8	-	10	2	12	12	-	-	-
Boeing 787-9	1	8	9	18	18	-	-	-
Boeing 787-10	-	2	-	2	2	-	10	6
Embraer E190	9	-	13	22	23	(1)	-	-
<b>Group total</b>	<b>140</b>	<b>122</b>	<b>287</b>	<b>549</b>	<b>531</b>	<b>18</b>	<b>119</b>	<b>146</b>

<sup>1</sup>During the six-month period ended June 30, 2022, the Group has changed the basis in which it presents the aircraft fleet table. Aircraft are reported based on their contractual definitions as opposed to their accounting determination. Future deliveries and options do not include those orders that are still subject to shareholder approval. The categorisation of leases for accounting purposes differs to that presented above. 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. Refer to note 2 of the 2021 Annual Report and Accounts for further information.

As well as those aircraft in service the Group also holds 18 aircraft (December 31, 2021: 29) not in service.